

Hampshire Fire and Rescue Authority

Finance and General Purposes Committee

Item 6

15 April 2015

Membership of Firefighter's Pension Board

Report by Treasurer and Chief Officer

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1 Summary

- 1.1 As administering Authority of the Firefighters Pension Scheme (FFPS), Hampshire Fire and Rescue Authority (the Authority) must establish a Pension Board by 1 April 2015 to comply with the Public Service Pension Scheme Act 2013. This will cover those staff who are members of schemes applicable to the firefighting profession employed by Hampshire Fire and Rescue Service (HFRS).
- 1.2 At its meeting on the 21 February 2015, the Authority approved the establishment of a Firefighter's Pension Board, consisting of three scheme members and three employer representatives.
- 1.3 The purpose of this report is to identify the arrangements for appointing representatives to the Board prior to the first meeting which is expected to take place in July.

2 Recommendations

It is recommended that:

- 2.1 The publication of the final regulations in respect of the changes to the pension scheme and pension board arrangements as described at paragraph 3.9 of the report be noted.
- 2.2 Changes to the Terms of Reference as provided at Appendix 1 be approved in order to comply with the final regulations.
- 2.3 Employer member representatives be appointed to the Firefighter's Pension Board by the Authority at its meeting on 11 June 2015.
- 2.4 Scheme member representatives are appointed in line with the proposals set out in option four as detailed in this report, subject to final approval by the Authority at its meeting on 11 June.
- 2.5 The Delegated authority given to the Director of Professional Services be extended to seek applications from existing active, deferred and pensioner

scheme members and to carry out an appropriate application and selection process to select the three scheme member representatives to the Board with the assistance of a panel of members from F & G P Committee together with representatives from the respective representative bodies in accordance with 2.4 above.

3 Contextual information

- 3.1 In 2010 the Government appointed Lord Hutton to chair the Independent Public Service Pensions Commission (IPSPC) review of public service pensions. One of the IPSPC reviews recommendations was the creation of Pension Boards. This was enshrined into legislation by the Public Service Pension Scheme Act 2013 ('the Act').
- 3.2 In line with these requirements, the Authority approved the establishment of a Firefighter's Pension Board at its meeting on 21 February 2015. It was also agreed at that meeting, that responsibility for scheme management of the firefighter's pension scheme would be delegated to the Finance and General Purposes (F&GP) Committee in order to allow other Members of the Authority to become employer representatives on the Firefighter's Pension Board.
- 3.3 In constitutional terms, the Firefighter's Pension Board is treated in the same way as other Committees of the Authority and therefore appointment of employer representatives to the Pension Board will be undertaken under the same process as appointments to other Committees as part of the Authority meeting on 11 June 2015.
- 3.4 For scheme member representatives the position is slightly more complex. As part of the report approved in February, delegated Authority was given to the Director of Professional Services to draw up an appointment process for the scheme member representatives.
- 3.5 The regulations outline the fact that a high level of skills and knowledge is required for anyone wishing to be a member of a Pension Board and this needs to be taken into account as part of the appointment process.
- 3.6 The original intention was to seek applications from scheme members to become a member of the Pension Board. From there a formal interview process was proposed using a panel drawn from F&GP Committee Members in order for them to recommend the final appointments to the Authority in June.
- 3.7 Since that time, informal discussions have been held within the Corporate Management Team (CMT). It was also raised formally at the Authority meeting on the 21 February 2015 with a resulting decision to delegate the recruitment process for scheme members to be agreed by the F&GP Committee. In support of this, the arrangements for scheme member representation in other private sector pension boards have been investigated.
- 3.8 In a large proportion of these schemes, the scheme member representatives have been appointed to the Board by way of an election process undertaken

across the whole of pension scheme membership. This has the added advantage of ensuring that scheme members are represented by people that they know, trust and who they have selected themselves. In the case of HFRA, this would also mean that the process itself is entirely independent of input from Members and senior officers.

- 3.9 During the preparation of this report, the final regulations in respect of the changes to the pension scheme and pension board arrangements were published. Whilst there were relatively few changes, one important change related to the fact that deferred and pensioner members of the pension scheme were now eligible to sit on the pension board, whereas in the original regulations, only active scheme members were able to apply.
- 3.10 In light of all this information, this report identifies four options for the appointment of scheme members to the Board and considers the relative merits of each assessed against a number of criteria.

4 Assessment Criteria

- 4.1 In order to properly assess the three options, a number of assessment criteria have been developed as follows :
- The process ensures scheme members have the appropriate skills and knowledge to carry out their role on the Board.
 - The process ensures the person selected is in a position to fully represent the views of all scheme members.
 - The process is and is seen to be independent.
 - The process is democratic.
 - The process is simple and cheap to administer
- 4.2 Four options are set out in the next section and each of these has been given a score of between 1 to 5 for each of the criteria. This scoring was undertaken by the Chief Finance Officer and the Director of Professional Services and from this forms the basis of the recommended option detailed at paragraph 2.2.

5 Options for Appointment

- 5.1 There are obviously a large number of options for appointing scheme members to the Board. In the interests of trying to reduce the bureaucracy associated with this process, four options were put forward for assessment. These are:
1. Option One. Applications are invited from all scheme members asking them to set out their suitability, skills and knowledge for membership of the Board. The Director of Professional Services, together with a panel of members drawn from F&GP Committee will review the applications and depending on numbers draw up a shortlist for interview. Following the interviews the panel will recommend to the Authority the

appointment of three of the applicants.

2. Option Two. Applications are invited from all scheme members asking them to set out their suitability, skills and knowledge for membership of the Board. The Director of Professional Services, together with a panel of members drawn from F&GP committee will review the applications against the role requirements and depending on the number of applicants, will draw up a shortlist of candidates. These candidates will then be subject to an election process that will be put to the whole scheme membership to vote for their three preferred candidates.
3. Option Three. Applications are invited from all scheme members. In applying, each candidate must be able to meet a minimum level of skills and knowledge of the firefighters pension scheme. Evidence for this must be submitted at the point of application. All applicants will then be subject to election process that will be put to the whole scheme membership for voting.
4. Option 4. Applications are invited from all scheme members asking them to set out their suitability, skills and knowledge for membership of the Board. The Director of Professional Services, together with a panel of members drawn from F&GP Committee and representatives from the FBU and RFU, will review the applications and, depending on numbers, draw up a shortlist for interview. Following the interviews the panel will recommend to the Authority the appointment of three of the applicants.

6 Option Appraisal

- 6.1 The table below scores each of the options against the criteria that were set, with a maximum score of 5 being available as fully meeting the criteria.

	Option 1	Option 2	Option 3	Option 4
Appropriate skills and knowledge	5	4	1	5
Representing Members Views	2	3	4	3
Process is independent	2	2	4	3
Process is democratic	1	4	5	2
Process is simple and cost effective	5	1	1	5
Total	15	14	15	18

- 6.2 The scoring in the table was undertaken by the Chief Finance Officer and the Director of Professional Services. Some further rationale behind the scoring is provided in the following paragraphs.

- 6.3 **Appropriate skills and knowledge.** Options one and four offer the best opportunity to undertake an initial assessment of each persons skills and knowledge based on the application form and then to further test that through an interview process. Option two still allows for that initial assessment process

but does not allow for this to be further tested or the final outcome to be heavily influenced, since that will be the subject of an election process. Holding particular skills and knowledge may not necessarily be one of the primary voting issues for scheme members. Option three can only rely on the information provided and self selection as part of the original application and therefore is the weakest of the three options in this regard.

- 6.4 **Representing members views.** Assessing whether a candidate is able to represent members views is always going to be subjective to a certain extent since all candidates will no doubt state that they are able to do this. Option three therefore represents the highest scoring of the options, given that scheme members are likely to vote for those people who they think will most accurately represent their views and interests. This would also be the case for option two, but it is of course possible to have a candidate rejected by the panel under this option, for example because they are assessed as not having the necessary skills and knowledge, even though they may have been able to properly represent members views. The inclusion of two of the main representative bodies on the selection panel in option 4 provides an additional but slightly different assessment of a candidates ability to represent members views and therefore scores slightly higher.
- 6.5 **Process is independent.** In some respects, this criteria also needs to include an assessment of how the process might be perceived by scheme members. Whilst a panel of F&GP Committee Members will undoubtedly be transparent and independent in their decision-making processes, the perception is likely to be that the involvement of non-scheme members in the selection of scheme member representatives would not be as independent as an election process that is not fettered at any stage by non-scheme members. On that basis option three scored higher than the other two options. Again the extension of the panel to include representative bodies in option four adds to the perceived and actual independence of the decision making process.
- 6.6 **Process is democratic.** Both options two and three involve an election process, which adds a democratic element to the way the Authority appoints scheme members to the Board. However, as there is some element of initial shortlisting within option two by a separate panel, this scores less well than option three. Option one scores poorly by comparison, with option four being marginally better given the inclusion of elected rep body representatives on the selection panel.
- 6.7 **Process is simple and cost effective.** It should be noted that at the time the original suggestion for holding some sort of election was put forward, the regulations only covered active scheme members. The intention was therefore to carry out any election process electronically which would have kept the cost and complexity to a minimum. The extension of the regulations to include deferred and pensioner members means it would not be possible to undertake a formal election that complied with electoral requirements in this country in a simple and cost effective way. The scoring of each option therefore reflects this.
- 6.8 Based on the scoring basis above, option four would be the favoured option.

Whilst it does not provide an elected scheme member representative, the inclusion of the representative bodies on the selection panel improves the independence, openness and the ability for scheme members to feel that their views have been represented through this route. It should be noted that members of the Pension Board are there to represent the interests of all scheme members and are not there as representatives of any union or representative body.

6.9 It also means that greater emphasis can be placed on selecting the right candidate for the job in terms of skills and experience which was a major disadvantage for some of the other options.

6.10 For these reasons, it is recommended in this report that option four be accepted. If agreed, the Director of Professional Services should be given delegated Authority to seek applicants from existing active, deferred and pensioner scheme members and to carry out a selection process before the full Authority meeting in June 2015.

7 Supporting our corporate priorities and aims

7.1 The creation of a Pension Board is a legal requirement. It will also help to ensure that the people working for HFRS who are scheme members are treated fairly with proper arrangements in place for their financial welfare in retirement. It will also ensure the best use of resources by scrutinising the arrangements for pensions and pensions administration.

8 Risk analysis

8.1 Recent issues around miscoding of injury pensions and further changes to the pension scheme, which is already very complex are key risks that currently have no direct governance focus. The creation of the Pension Board will assist in managing those risks more effectively in the future.

8.2 The proposed appointment process to the Board set out in this report will reduce the risk that scheme members will be dissatisfied with the way in which scheme member representatives were selected, which could otherwise undermine the effective operation of the Pension Board.

9 People impact assessment

9.1 The proposals in this report are considered compatible with the provisions of the equality and human rights legislation and are necessary to comply with new legislation in respect of public sector pension schemes.

10 Environmental and sustainability impact assessment

10.1 There have been no impacts identified at this point.

11 Resource implications

11.1 Financial Resources

There are not expected to be any significant costs other than officer time of setting up and running the application and election process. The aim would be to do this electronically.

12 Consultation

- 12.1 The representative bodies have been consulted on the proposals in this report and are supportive of option four. They would be willing to support the process through being part of the appointments process.

13 Background papers

- 13.1 The following documents disclose the facts or matters on which this report, or an important part of it, is based and has been relied upon to a material extent in the preparation of the report :

Firefighters' Pension Scheme 2015: Proposals for new governance arrangements – consultation. Issued by the DCLG in October 2014.

Establishing a Fire Fighters Pension Board – Report to Full Authority 21 February 2015.

Note : The list excludes: (1) published works; and (2) documents that disclose exempt or confidential information defined in the Act.