

**Hampshire Fire and Rescue Authority**

**Finance & General Purposes Committee**

**Item 8**

**4 November 2015**

**Pension Board – Formal Documentation**

**Report of the Head of Finance**

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**1 Introduction and Background**

- 1.1 The Terms of Reference (ToR) for the Fire Pension Board, together with a Code of Conduct were agreed by Hampshire Fire and Rescue Authority on 20 February at the same time as the Pension Board was formally constituted.
- 1.2 Following changes to the final regulations, some minor amendments were required to the ToR which were approved by Finance and General Purposes Committee (F&GP) on 15 April 2015.
- 1.3 The Board formally adopted the Terms of Reference and Code of Conduct at its inaugural meeting on 27 July. At that meeting, there were discussions around future Board business and one of the areas that was highlighted was to ensure that all necessary formal documentation was in place for the Board.
- 1.4 Two areas that have been highlighted that may not be adequately covered by the existing documentation are a Breaches Policy and a Conflict of Interests Policy.
- 1.5 The purpose of this report is to approve recommended changes to the Terms of Reference and associated documents that have been put forward by the Pension Board following its last meeting and to provide a brief summary of the early work of the Pension Board in carrying out its function.

**2 Recommendations**

Finance & General Purposes Committee are recommended to :

- 2.1 Approve the Terms of Reference and associated documents contained in Appendix 1.

2.2 Note the early work of the Pension Board in carrying out its function.

### **3 Formal Documentation**

- 3.1 The Terms of Reference approved by F&GP Committee on 15 April 2015, have been slightly updated (as shown in Appendix 1) to reflect the addition of the extra areas set out below. Furthermore under section 14, the definitions have been extended following a comment made at the Pension Board that the definition of the Fire Fighters Pension Scheme did not include reference to the 2015 Scheme, it only referred to the legislation that put it in place.
- 3.2 Whilst the Board can make recommendations for changes to the formal documentation, it is for Finance and General Purposes Committee acting as the Scheme Manager to formally agree any proposed changes.

#### **Breaches Policy**

- 3.3 The Pension Regulator (TPR) Code of Practice states certain people involved with public service schemes must inform them of breaches of the law where that breach is likely to be of material significance.
- 3.4 When deciding whether a breach is likely to be of material significance, those under a duty to report should consider the cause, effect, reaction to and wider implications of the breach. In considering potential breaches, the Board must establish adequate procedures that enable breaches to be considered and reported and to make Board Members aware of those arrangements.
- 3.5 A breach is defined by TPR as :

*a legal duty relevant to the administration of the scheme hasn't been or isn't being complied with: this could relate for instance to keeping records, internal controls, calculating benefits and, for funded schemes, includes investment governance and administration matters*

- 3.6 The duty to report Breaches extends to a range of people, namely :
- managers of the scheme
  - pension board members
  - any other person involved in the administration of the scheme
  - employers
  - professional advisers including auditors, actuaries, legal advisers and fund managers
  - any other person involved in advising the scheme manager in relation

to the scheme

- 3.7 A revised version of the Terms of Reference is attached at Appendix 1 and a suggested Breaches Policy is attached at Annex B to that document, which also covers the process to be followed in the event of an alleged breach.

### **Conflict of Interest Policy**

- 3.8 The existing Code of Conduct already deals, to a certain extent, with conflicts of interest for Board Members. However what it does not do is set out the process to be involved in respect of a potential or alleged failure of a Board Member to declare a conflict of interest.
- 3.9 In reality, given that the Board is not a decision making body in itself and membership of the Pension Scheme (in the case of employee representatives) does not constitute a conflict of interests, there are unlikely to be many instances where conflicts arise.
- 3.10 However, it still represents good governance to have these issues adequately covered and therefore the Code of Conduct has been changed to incorporate the process to be followed in the event of a breach of the code including conflicts of interest. A revised version of the Terms of Reference and the Code of Conduct has been incorporated into the documentation in Appendix 1 for approval.

## **4 Pension Board – Interim Progress Report**

- 4.1 The Terms of Reference state that the Pension Board will formally report back to F&GP Committee on an annual basis about the work that it has undertaken. However, given that the Board has only just been formed, Board Members felt that an initial report back to F&GP Committee as Scheme Manager may be appropriate.
- 4.2 **Training** - The majority of Board Members have attended initial training hosted by the LGA, which focused on the background and context to how Pension Board's came into being and the national governance framework around them.
- 4.3 One of the sessions outlined the purpose of the Boards and suggested that the three key themes of Governance, Administration and Communication should be the main focus of the Board's work and this has proved useful in considering the future direction and work programme of the Board.
- 4.4 One of the Board Members has taken on responsibility for training and development has already set up a training area and programme for Board Members to work to.
- 4.5 **Basic Data** – Membership data for the Fire Fighter's Pension Scheme in

Hampshire were presented to the last Board and actions around targeting communication to non-members and understanding the reasons for opting out of the pension scheme were agreed.

- 4.6 Further information will be provided on a regular basis by the pension administrator on relevant data, with the first of these reports due at the January meeting.
- 4.7 **Work Programme and Issues Log** – Board Members had noted the advice given at the training that they should not look to cover every possible issue in the first few meetings and to allow time for the work programme to develop. Nationally, Hampshire does still seem to be ahead of the game, but is keen to wait for the National Scheme Advisory Board to be put in place and to look at the regional arrangements to avoid duplication of effort.
- 4.8 A key piece of information for both Board Members and the Officers supporting them is the Pension Issues Log that includes a wide range of national and local issues that place responsibilities on both the Employer and Pension Administrator to get resolved, which is placing a strain on the resources available to deal with these issues.
- 4.9 The latest version of the log was presented at the meeting and will be updated with actions arising from the Board meetings and future work programme items so that all of the information is contained in one place.

## **Section 100 D – Local Government Act 1972 – background documents**

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

Pension Board – Formal Documentation – Pension Board 30 September 2015

NB the list excludes published works and documents which disclose exempt or confidential information as defined in the Act.