

HUMBERSIDE FIRE AUTHORITY

PENSION BOARD

13 JULY 2018

PRESENT:

Employer representatives: Councillor Shepherd and P McCourt (Director of Public Safety)

Scheme Member representatives: Mr B Johnson and Mr G Marshall

Councillors Briggs and Green attended as observers.

Executive Director Service Support/Section 151 Officer and Scheme Manager, Monitoring Officer/Secretary, Director of Human Resources, Head of Finance, Senior Finance Officer (Contracts and Procurement), Finance Officer and Committee Manager.

The meeting was held at the Humberside Fire and Rescue Service Headquarters, Kingston upon Hull. Meeting commenced at 10.30a.m.

(The Monitoring Officer/Secretary took the Chair for the following item (Minute 5873).

5873 APPOINTMENT OF CHAIRPERSON – The Monitoring Officer/Secretary submitted a report on the appointment of a Chairperson for 2018/19 indicating that the Chairperson is an annual appointment made at the Annual General Meeting of the Authority or elected at the first meeting of the Pension Board following the Annual General Meeting. The Terms of Reference of the Pension Board as set out in Article 10A of the Constitution provided that the position of Chairperson will normally rotate on an annual basis between the Employer's representatives and the Scheme Member representatives on the Board. In 2017/18 the Chairperson was an Employer's representative.

Resolved – That Mr B Johnson be appointed Chairperson of this Board until the Annual General Meeting of the Humberside Fire Authority in 2019.

(Mr B Johnson took the Chair.)

5874 BOARD MEMBERSHIP – The Chairperson referred to Item 11 on the Agenda (Scheme Advisory Board Survey Results) and in particular Recommendation 5.2 regarding Board membership that Boards consider reviewing their Terms of Reference to set out an aspirational term for members, in particular extending the tenure for the Chairperson of the Board to a minimum two year term. The Monitoring Officer/Secretary stated that the Survey Results would be discussed later in the meeting (Minute 5883 below refers) and suggested that it would probably be appropriate to bring a report to the next meeting reviewing the Board's Terms of Reference in the light of the Survey's recommendations.

Resolved – That the report be received.

5875 DECLARATIONS OF INTEREST – There were no declarations.

5876 MINUTES – **Resolved** – That the minutes of the meeting of the Board held on 26 January 2018 having been printed and circulated amongst the Members, be taken as read and correctly recorded and be signed by the Chairperson.

5877 MATTERS ARISING FROM THE MINUTES – The Monitoring Officer/Secretary referred to Minute 5697 (Committee Workstreams 2017/18 and Draft Annual Report to Humberside Fire Authority) and confirmed that the Board's Annual Report had been submitted to the Authority on 4 June 2018 when the report was received.

Resolved – That the report be received.

5878 PENSION BOARD COMPOSITION 2018/19 AND TERMS OF REFERENCE – The Monitoring Officer/Secretary submitted a report confirming the composition of the Pension Board for the current year as approved by the Fire Authority on 4 June 2018 as follows:

<u>Employer representatives</u> (2):	1 Elected Member (Councillor Shepherd) 1 Officer (Director of Public Safety)
<u>Scheme Member representatives</u> (2):	1 representative nominated by the representative bodies via discussion and agreement at the Joint Consultative Committee (Mr G Marshall) 1 representative selected from expressions of interest by individual HFRS FPS members or those eligible to be HFRS FPS members (Mr B Johnson).

A copy of the Board's Terms of Reference extracted from the Constitution was attached for Members' information at Appendix 1 to the report. Article 10A.5 provides that the membership of the Pension Board shall be determined at the Annual General Meeting of the Authority and that Board Members may be appointed for a maximum of two 3 year terms. A copy of the Conflicts of Interest Policy that relates to Members of the Pension Board was also attached for Members' information at Appendix 2 to the report. The Monitoring Officer/Secretary stated that he will bring a report to the next meeting dealing with the term of office of Members and the Chairman of the Board having regard to the recommendations contained in the Scheme Advisory Board Survey Results (Minute 5883 below refers).

Resolved – That the report be noted.

5879 CALENDAR OF BOARD MEETINGS 2018/19 - The Monitoring Officer/Secretary submitted a report indicating that the Annual General Meeting of the Authority on 4 June 2018 had set the calendar of its meetings for the forthcoming year. With regard to the Pension Board, its calendar of meetings was a matter for the Board. The report indicated that in terms of meetings of the Pension Board, Article 10A.12 of the Constitution provided that there shall normally be two ordinary meetings of the Pension Board in each year and that the schedule of meetings shall be decided at the Annual General Meeting of the Authority. In addition, extraordinary meetings may be called at such other times as the Board or Chairperson of the Board may determine. The report set out the dates proposed for meetings of this Board during 2018/19. Attached at Appendix 1 to the report was a schedule showing the calendar of meetings approved by the Fire Authority with the proposed dates for meetings of this Board incorporated.

Resolved – That the dates and times of meetings of this Board set out in Appendix 1 to the report be approved.

UPDATE REPORTS

5880 Reporting Breaches – The Senior Finance Officer (Contracts and Procurement) reported orally, further to Minute 5692 of the Board held on 26 January 2018 that there had been no reported breaches since the last meeting. The Executive Director Service Support/Section 151 Officer & Scheme Manager reminded Members that this was a standing item on the Agenda for meetings of the Board as a matter of good practice.

Resolved – That the report be noted.

PENSION BOARD - WORKSTREAMS

5881 Workstreams Update - The Executive Director Service Support/Section 151 Officer submitted a report setting out an update on the workstreams that were agreed at the Pension Board in January 2016. The workstreams were designed to ensure that the Board operates in compliance with the Pension Regulator's Code of Practice for Pension Boards.

The list of activities was not exhaustive and had evolved over the last 12 months and will continue to do so over the coming months. Appendix 1 of the report set out the workstreams proposed for the Pension Board over the short-to-medium term. The workload aimed to meet the requirements of the Code of Practice for Pension Boards and had therefore been shaped into three broad areas:

Governance, Administration and Communication

Attention was drawn to the following elements that were timetabled to be reported upon at this meeting:

- **Governance**

G3 workstream – Training - Training had been delivered at regular points since the inception of the Board in July 2015. In September 2017 a training session for Pension Board Members and Officers was delivered by colleagues from Local Government Association Pensions and the Pensions Regulator. Further training would be delivered by the West Yorkshire Pension Fund (WYPF) after this meeting.

G5B workstream – Summary of Complaints Received - A clear process for complaints had been adopted and is a key component of the governance of the Firefighter Pension Schemes (FFPS). There had been no complaints in relation to the administration of the FFPS in 2016/17, 2017/18 or 2018/19 to date.

G6 workstreams – Risk Register - The Authority's team involved in the operation of the FFPS had developed a comprehensive Risk Register attached as Appendix 2 to the report. The Risk Register identified the two most dominant risks as the maintenance of Member data (Risk 2) and also legislative change (Risk 7). Those risks reflected the recent significant changes in the FFPS which had brought a much greater emphasis on the completeness and accuracy of data and a number of fundamental scheme changes and legal rulings. Both of those risks will be monitored carefully and it was felt that the mitigations and controls in place at present are sufficient.

- **Administration**

A1 workstream – KPIs and Benchmarking, SLAs - The Service now had an agreed set of Key Performance Indicators (KPIs) with West Yorkshire Pension Fund (WYPF) who act as administrators of the FFPS on the Authority's behalf. The KPIs are monitored and reported on monthly. Appendix 3 to the report set out the position for quarters 3 and 4 of the 2017/18 financial year. The data showed good performance in most of the key areas. The KPIs provide a sound basis on which to manage performance going forward.

A2 workstream – Costs per Member and Number of Scheme Members - Appendix 4 to the report set out the latest position of scheme members including those currently contributing to the 1992, 2006 and 2015 schemes and those in receipt of a pension. This information will be brought to each Board meeting. Perhaps most striking was that approximately 74% of those contributing were in the 2015 scheme. That should increase over time as those in the 1992 scheme either retire and draw a pension or transition into the 2015 scheme.

- **Communication**

C1 workstream – Communication by the Scheme - The latest draft communication from the WYPF to scheme members was attached at Appendix 5 to the report.

The Chairperson stated that the proposed communication document (Appendix 5 to the report) was very comprehensive and informative for scheme members.

The Executive Director Service Support/Section 151 Officer stated that a further update report will be submitted to the next meeting.

Resolved – That the report be received.

5882 THE PENSIONS REGULATOR SURVEY RESULTS – The Chairperson referred to the summary on page 49 of the report which indicated that the survey had identified that 43% of schemes hold fewer than four meetings a year, and reminded Members that this Board only meets twice a year. The Monitoring Officer/Secretary stated that as indicated earlier in the meeting if a report is submitted to the next meeting reviewing the Board's Terms of Reference the frequency of meetings can be looked at as part of that review. The Monitoring Officer/Secretary suggested that based on the Agenda for this meeting the amount of business to be transacted is adequate for biennial meetings. The Executive Director Service Support/Section 151 Officer reminded Members that in addition to the Board meetings Members are also provided with supplementary training events. The Executive Director Service Support/Section 151 Officer assured Members that if circumstances warranted it a special meeting of the Board would be convened. The Chairperson stated that he was assured that special meetings would be convened if required.

The Executive Director Service Support/Section 151 Officer submitted a report by the Pensions Regulator setting out a summary of results and commentary on a public service governance and administration survey conducted in the autumn of 2017. The report referred to the Regulator's Code of Practice no. 14 which sets out the standards of conduct and practice expected from public service pension schemes and indicated that the Regulator opens cases based on the risks seen in schemes and in response to breach of law and whistleblowing reports. Where standards are not being met and issues are not being resolved the Regulator will consider enforcement action, including the use of improvement notices and civil penalties. To help focus their efforts, the Regulator had carried out a survey of public service pension schemes in autumn 2017 to assess how they were being run. This built on previous surveys in 2015 and 2016. The latest survey further examined certain risks and areas of underperformance that schemes had identified in previous years. As before the survey was an online self-completion questionnaire which was sent for the attention of each scheme contact. Responses were received from 191 of the 207 public service pension schemes, covering 98% of memberships. This allowed the Regulator to draw robust conclusions from the results. The report stated that the policy summary also drew from the engagement undertaken with schemes over the past year through casework, board meetings, training sessions, conferences and speaking events. The report set out how the Regulator has interpreted the findings, the expectations of those involved in running the schemes and what the Regulator will be doing over the next year to address those issues. The report accompanied the full research report which showed the responses to all survey questions. The Executive Director Service Support/Section 151 Officer circulated a paper at the meeting providing a gap analysis on the matters raised by the survey and indicating the current position in Humberside FRS with regard to those matters. The Executive Director Service Support/Section 151 Officer stated that he proposed to pick up on the recommendation regarding the frequency of Board meetings as part of the next item on the Agenda (Minute 5883 below refers). The Executive Director Service Support/Section 151 Officer referred to the statement that 31% of schemes do not regularly evaluate the performance or effectiveness of the Board and stated that he had asked West Yorkshire Pension Fund to provide an annual assurance report and that the issue regarding effectiveness and assurance could be incorporated in to the next report to the Board. The Director of Public Safety referred to the comments regarding Member Communications on page 3 of the Gap Analysis paper and the article 'it's Time to go online' on the back page of the proposed Pension Newsletter discussed earlier in the meeting, and suggested that the Authority could be more proactive by including the article in the Authority's own publication 'Siren'. Mr Marshall stated that he concurred with that suggestion and stated that if the information is forwarded to him he would be willing to circulate it through his Fire Brigade Union network.

Resolved – That the report be received.

5883 SCHEME ADVISORY BOARD SURVEY RESULTS - The Executive Director Service Support/Section 151 Officer submitted a report published by the Local Government Association and the Firefighters' Pensions England Scheme Advisory Board in February 2018 on a survey of FRA Local Pension Boards in 2017. The report indicated that Fire and Rescue Authorities (FRAs) were required to establish local pension boards by 1 April 2015 to assist them in the effective administration and governance of the scheme. Given the passage of time since the establishment of local pension boards, the Scheme Advisory Board considered that it would be appropriate and timely to test the effectiveness and operational efficiency of the new governance arrangements with particular emphasis on the role and function of the 44 local pension boards and interaction with their Scheme Manager. A web based survey was issued with the aim of enabling the Scheme Advisory Board to identify any areas of the legislation or related guidance affecting local pension boards that might need to be reviewed to ensure that the statutory requirements of the 2015 Regulations and code of practice issued by the Pensions Regulator were being met. Where appropriate, based on the responses, the Board had the ability to make recommendations to the Home Office for any regulatory changes that were considered necessary. The report included at paragraph 5 in respect to:

- Board meetings - Although the minimum number of meetings is not specified in legislation, the Committee consider that four meetings per year is good practice to allow monitoring of statutory requirements and identify breaches in a timely manner.
- Board membership - While the number of members on a board is not of concern providing the minimum legislative requirements are met, turnover of membership and the associated challenge of maintaining members' knowledge and understanding is a potential risk. Therefore, it is recommended by the Committee that Boards consider reviewing their Terms of Reference to set out an aspirational terms for members, in particular extending the tenure for the Chairperson of the Board to a minimum two year term, to consider how they can achieve levels of consistency, while benefiting from occasional new members who would offer fresh ideas and challenges. The selection and nomination procedures should also be amended to include how appointments are both made and removed.
- Key documents/processes - An encouraging number of boards have all key documents and processes in place, and satisfaction with these is generally high. The Committee would highlight the resources available to boards via the Scheme Advisory Board website to assist those who may not yet have developed or implemented all key processes. The secretariat also requests that any missing or revised Terms of Reference are submitted to bluelight.pensions@local.gov.uk for inclusion on the Local Pension Boards page. The rating anomaly for the programme of knowledge and understanding has been noted and the Committee will consider future targeted training requirements based on the analysis of the survey. It is recommended that training is on-going and that it is sector-specific
- Scheme governance - Considering the potential uncertainty relating to the role and delegation of the scheme manager function, the Committee would like to promote the available guidance, which is extracted from training delivered to local pension boards by the LGA Firefighters' Pension Adviser. To assist boards with the identification and recording/ reporting of breaches of the law, the Committee is developing a breach assessment template. While the Committee acknowledges the view that the new governance arrangements seem overly complex, development of a comprehensive risk register may assist boards in recognising the importance of the provisions in promoting correct management and administration of the schemes. Although there is no investment fund to manage, errors in notional fund accounting can have significant impact, as

evidenced by the recent case of injury awards from the Firefighters' Compensation Scheme being incorrectly paid from FRA pension accounts.

- **Board communications** - As there is a requirement for boards to publish information, the Committee think it would not be unreasonable to recommend that boards consider requesting a dedicated webpage on their main FRS website if this does not exist already. Development of a workplan would allow boards to set their priorities and objectives for the year, and also give a basis for measuring progress. A detailed example workplan is available from the resources section of the Scheme Advisory Board website. It is important for boards to be able to measure and demonstrate their success, due to the tremendous amount of hard work and dedication existing within these local arrangements that should be acknowledged. The Committee therefore recommends the development of agreed success measures and KPIs. An annual report would be an ideal channel for promoting boards' work and achievements. The Committee is considering development of an annual report template to assist boards in this regard, and would recommend inclusion of the ten items listed in the report.
- **Board budget** - The Committee were comfortable with the responses regarding board budgets and have no recommendations, other than to note that it may be more efficient for the Scheme Advisory Board to obtain external and independent advice, rather than individual boards.

The Executive Director Service Support/Section 151 Officer circulated a paper at the meeting providing a gap analysis on the matters raised by the survey and indicating the current position in Humberside FRS with regard to those matters. The Executive Director Service Support/Section 151 Officer stated that he was awaiting guidance on effectiveness from the Scheme Advisory Board but that with regard to most of the other items raised by the survey the Service was already compliant.

Resolved – That the report be received.

5884 PENSION ACCOUNT INCOME AND EXPENDITURE 2017/18 - The Head of Finance submitted for Members' information the pension account showing income and expenditure for the Firefighters' Pension Scheme for 2017/18. There was £18,434m of expenditure on the scheme in 2017/18 and £5.909m of income/contributions. The 2017/18 position had been audited by KPMG (the Service's External Auditors) as part of the annual audit of the 2017/18 Accounts.

Resolved – That the report be received.

5885 PENSION DEFERRAL AND ABATEMENT – This item had been included at the request of the Chairperson following approaches he had received from Scheme Members seeking clarification with regard to pension deferral and abatement. The Senior Finance Officer and the Director of Human Resources briefly outlined the issues involved. The Senior Finance Officer stated that any Scheme Member wishing to discuss their particular circumstances could contact his office for an appointment.

Resolved – That the report be received.

5886 ANY OTHER BUSINESS – There were no items.

Meeting closed at 11.05 a.m.