

Due to the current heightened security level at all our premises, Members are reminded to wear their identity badges whilst attending meetings. Any visitors must produce photographic identification at Reception.

LOCAL PENSION BOARD COMMITTEE SUMMONS

SOUTH WALES FIRE & RESCUE AUTHORITY

You are required to attend a meeting of the Local Pension Board Committee to be held at **South Wales Fire & Rescue Service Headquarters, Forest View Business Park, Llantrisant, CF72 8LX** on **Monday, 2 November 2015 in Room 8 at 1030 hours.**

A G E N D A

1. Apologies for Absence
2. Declarations of Interest

Members of the Fire & Rescue Authority are reminded of their personal responsibility to declare both orally and in writing any personal and/or prejudicial interest in respect of matters contained in this agenda in accordance with the provisions of the Local Government Act 2000, the Fire & Rescue Authority's Standing Orders and the Members Code of Conduct.

3. Chairman's Announcements
4. To Receive the Minutes of:
 - Local Pension Board (LPB) Committee Meeting held on 2 July 2015 3
5. Local Pension Board Training Plans 7
6. Firefighter Pension Financing Mechanism 13
7. Commuting Factors: Pension Ombudsman Determination 21
8. Pension Regulator – Public Service Pension Boards 25

9. Forward Work Programme

33

10. To consider any items of business that the Chairman deems urgent (Part 1)

Signature of Proper Officer:



MEMBERSHIP
Councillors:

S	Bradwick	Rhondda Cynon Taf
K	Hyde	Cardiff
A	Jones	Torfaen
R	McKerlich	Cardiff
B	Morgan	Rhondda Cynon Taf
J	Morgan	Blaenau Gwent
S	Pickering	Rhondda Cynon Taf
V	Smith	Monmouthshire
H	Jakeway	Association of Principal Fire Officers
A	Psaila	Fire Brigades' Union
D	King	Retained Firefighters' Union
L	Jones	Fire Brigades' Union

SOUTH WALES FIRE & RESCUE AUTHORITY

**MINUTES OF THE
LOCAL PENSION BOARD (LPB) COMMITTEE MEETING
HELD ON THURSDAY 2 JULY 2015 AT
SOUTH WALES FIRE & RESCUE SERVICE HEADQUARTERS**

PRESENT:

Left

Cllr S Bradwick (Chair)	Rhondda Cynon Taff
Cllr K Hyde	Cardiff
Cllr B Morgan	Rhondda Cynon Taff
Cllr J Morgan	Blaenau Gwent
Cllr V Smith	Monmouthshire
Mr A Psaila	Fire Brigades' Union
Mr D King	Retained Firefighters' Union

APOLOGIES:

Mr H Jakeway	Association of Principal Fire Officers
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Awaiting notification of designated representative for FOA

OFFICERS PRESENT:-

Mr P Haynes - Director of Human Resources, Mr C Barton - Treasurer, Ms L Mullan - Senior Accountant, Mr C Powell - Deputy Monitoring Officer

Councillor S Bradwick welcomed all to the Inaugural meeting of the Local Pensions Board (LPB) Committee, of which he is Chair and invited Members to introduce themselves.

1. DECLARATIONS OF INTEREST

Each Member declared a personal non-prejudicial interest in each agenda item which affected their Authority.

2. CHAIR'S ANNOUNCEMENTS

The Chair called for nominations for Deputy Chairperson. Councillor B Morgan was nominated and seconded. There were no other nominations.

3. LOCAL PENSION BOARD (LPB) - TERMS AND DELEGATED AUTHORITIES

The Deputy Monitoring Officer presented the Terms and Delegated Authorities for information.

RESOLVED THAT:

Members noted the Terms and Delegated Authorities.

4. LOCAL PENSION BOARD - FIREFIGHTERS' PENSION SCHEME

The Director of Human Resources advised that under the Public Services Pension Act (PSPA) 2013, the Fire & Rescue Authority, as the recognised Scheme Manager, needs to identify through which mechanism it intends to fulfil its role and obligations. He outlined the issues relating to the Fire & Rescue Authority's management of the Firefighters' Pension Scheme 1992 (FPS 1992), the Firefighters' Pension Scheme (Wales) 2007 (FPS 2007) and the new Firefighters' Pension Scheme (Wales) 2015 (FPS 2015), which had been introduced on 1 April 2015.

RESOLVED THAT:

- 4.1 Members of the LPB agreed to assume responsibility for the governance of the Fire & Rescue Authority management of the Firefighters' Pension Scheme 1992 (FPS 1992), the Firefighters' Pension Scheme (Wales) 2007 (FPS 2007) and the new Firefighters' Pension Scheme (Wales) 2015 (FPS 2015); and
- 4.2 agreed to assume responsibility for the scrutiny of all the Firefighters' Pensions Schemes and report any matters of concern to the Fire & Rescue Authority.

5. LOCAL PENSION BOARD - FIREFIGHTERS' PENSION SCHEME 1992

The Director of Human Resources gave the background to the Firefighters Pension Scheme 1992 and set out the key features and significant points.

RESOLVED THAT

- 5.1 Members of the LPB noted the Key Features of the Firefighters' Pension Scheme 1992, as appended to the report; and

5.2 acknowledged its responsibility in relation to the governance and scrutiny for the Fire & Rescue Authority's management of the Firefighters' Pension Scheme 1992.

6. LOCAL PENSION BOARD - FIREFIGHTERS' PENSION SCHEME 2007

The Director of Human Resources gave the background to the Firefighters Pension Scheme 2007 and set out the key features and significant points.

RESOLVED THAT

6.1 Members of the LPB noted the Key Features of the Firefighters' Pension Scheme 2007, as appended to the report; and

6.2 acknowledged its responsibility in relation to the governance and scrutiny for the Fire & Rescue Authority's management of the Firefighters' Pension Scheme 2007.

7. LOCAL PENSION BOARD - FIREFIGHTERS' PENSION SCHEME (WALES) 2015

The Director of Human Resources gave the background to the Firefighters Pension Scheme (Wales) 2015 and set out the key features and significant points.

RESOLVED THAT

7.1 Members of the LPB noted the Key Features of the Firefighters' Pension Scheme (Wales) 2015, as appended to the report; and

7.2 acknowledged its responsibility in relation to the governance and scrutiny for the Fire & Rescue Authority's management of the Firefighters' Pension Scheme (Wales) 2015.

8. FORWARD WORK PROGRAMME

The Director of Human Resources advised that a Forward Work Programme will be produced which will ensure all major issues are covered by the Board.

He gave detail of the inaugural meeting of the Firefighters' Pension Scheme Advisory Board held the previous day.

There are a number of issues Members need to be aware of, in particular the Milne case, which will have a financial impact on the Fire & Rescue Authority. A summary report will be provided.

RESOLVED THAT:

Members noted the update.

9. MODIFICATION OF PENSION SCHEME FOR RETAINED DUTY SYSTEM FIREFIGHTERS

The Director of Human Resources advised that, following a Circular received from Welsh Government in relation to the RDS Modified Pension Scheme which advises that System (RDS) firefighters employed by a Fire & Rescue Authority (FRA) in Wales between 1 July 2000 and 5 April 2006 inclusive, over 700 firefighters have been written to enquiring whether they wish transfer to the modified Scheme. Currently 250 responses have been received.

He expressed concern in relation to resource implications within the Pensions Section, and advised that a request for resources from Dorset Fire & Rescue Service is being considered.

RESOLVED THAT:

Members noted the update.

**SOUTH WALES FIRE & RESCUE AUTHORITY
LOCAL PENSION BOARD COMMITTEE
REPORT OF THE ACO PEOPLE SERVICES**

AGENDA ITEM NO 5
2 NOVEMBER 2015

LOCAL PENSION BOARD – TRAINING PLANS

SUMMARY

The purpose of this report is to outline the training requirements for Members of the Local Pension Board (LPB).

RECOMMENDATION

The Board is asked to note the proposed basis for the development of a training policy as outlined above, and for a programme to be tabled for approval at the next Local Pension Board Meeting.

1. BACKGROUND

1.1 In accordance with The Pension Regulator (tPR) Code of Practice no. 14: 'Governance and administration of Public Service and Pensions Schemes' (page 12, paragraphs 44 to 60), every individual who is a member of a Local Pension Board must:

(a) be conversant with:-

- i the rules of the Firefighters' Pension Schemes, in other words the Regulations and other regulations governing the Firefighters' Pension Schemes; and
- ii any document recording policy about the administration of the Schemes which is for the time being adopted in relation to the Schemes, and

(b) have knowledge and understanding of:

- i the law relating to pensions; and
- ii such other matters as may be prescribed

1.2 These responsibilities begin from the date the Local Pension Board Member takes up their role. These knowledge and understanding requirements applies to every individual member of a Local Pension Board rather than as a collective group.

1.3 The Fire & Rescue Authority is committed to making the appropriate training available to Local Pension Board Members to assist them in undertaking their role and where possible will provide support in undertaking that training.

- 1.4 Where a Local Pension Board Member does not demonstrate their capacity to attend and complete training then the Regulations require the Fire & Rescue Authority to consider whether that Member has the capacity to undertake their role on the Board.

2. CONSIDERATIONS FOR THE BOARD – DEGREE OF KNOWLEDGE AND UNDERSTANDING

- 2.1 The legal requirement is that Members of the Local Pension Board must be conversant with the rules of the Firefighters' Pension Schemes and any document recording policy about the administration of the Scheme. This is implied as a working knowledge (i.e. a sufficient level of familiarity), so that Members are aware of which legislation/policies to refer to when carrying out their role.
- 2.2 It is implicit that Local Pension Board Members understand the duties and obligations that apply to the Fire & Rescue Authority as well as to themselves. Local Pension Board Members should be clear on the roles, responsibilities and duties of the Board and its Members as set out in the Terms of Reference. Local Pension Board Members need to be able to identify and challenge failure to comply with the Scheme rules. The rules of the Firefighters' Pension Schemes would include:-
- (a) the Regulations;
 - (b) any statutory guidance referred to in the Regulations.

3. AREAS OF KNOWLEDGE AND UNDERSTANDING

- 3.1 Local Pension Board Members should be conversant with, but not limited to the following areas:-
- (a) Scheme approved policies (conflicts/reporting/record keeping)
 - (b) Risk assessment/management
 - (c) Scheme booklets/members communications
 - (d) The role of Local Pension Board Members and the Scheme Manager (South Wales Fire & Rescue Authority Pension Fund)
 - (e) Policies in relation to discretions
 - (f) Communications with scheme members and employers
 - (g) Key policy documents on administration, funding, and investment (e.g. Administration Strategy, Funding Statement Strategy, Statement of Investment Principles)
- 3.2 Local Pension Board Members should have a breadth of knowledge and understanding that is sufficient to allow them to understand fully any professional advice the Local Pension Board is given. Members should be able to challenge any information or advice they are given and understand how that information or advice impacts on any decision relating to the Local Pension Board's duty to assist the Fire & Rescue

Authority. Acquiring, Reviewing, and Updating Knowledge and Understanding.

- 3.3 This Board needs to produce a knowledge and understanding policy and framework for the acquisition and retention of knowledge and understanding for its Members. This framework will need to be a continuous cycle of identifying training requirements, leading into training design and training delivery and then the evaluation of this training to identify further requirements. This will lead to the continuous development of Local Pension Board Members.
- 3.4 Members of this Board will need to commit sufficient time in their learning and development alongside their other duties as training is an important part of the individual's role, and will help to ensure that they have the necessary knowledge and understanding to effectively meet their legal obligations.
- 3.5 As Members knowledge and understanding responsibilities technically begin from the date they take up their post, training needs to start as soon as possible to start to familiarise themselves with the Regulations, key fund documents and relevant pensions law.
- 3.6 However, there is a practical recognition that it will take a newly appointed Member a reasonable period to attain the required full level of knowledge and understanding, while consideration needs to be given to the differing levels of existing knowledge that Local Pension Board Members may have already attained.

4. KNOWLEDGE AND UNDERSTANDING FOR PENSION COMMITTEE MEMBERS

- 4.1 The legal requirement for knowledge and understanding for Members of a Local Pension Board does not apply to Members of the HR & Equalities Committee. However, the requirement serves as a useful benchmark for the knowledge and understanding that a Member of the HR & Equalities Committee possess in their decision-making capacity. Therefore, a good starting point is existing knowledge and understanding policy already in place, which could be incorporated to cover both the HR & Equalities Committee and the Local Pension Board, to avoid unnecessary duplication. However, the requirements of the Local Pension Board may at times differ.
- 4.2 It is suggested that the training programme is based on a self-assessment exercise, to identify individual's knowledge gaps which is then used to formulate a Members Training Programme.

5. NEXT STEPS – AGREE A TRAINING STRATEGY

- 5.1 The delivery of training is key to the successful implementation on the training strategy. There are a number of different formats that can be used to deliver training, including Local Pension Board Members handbook, briefing notes, short seminars at or before meetings, internal training events, external training events, conferences, E-learning, webcasts, reading of trade magazines, and one to one briefings.
- 5.2 It is also a requirement that assessments are made of individual training needs and records kept to measure the implementation of the strategy.
- 5.3 The next step would be for all Members to complete a self-assessment to help identify key areas to build upon and assist in shaping a bespoke training programme for both individuals and the Board. These programmes will be annually reviewed to ensure the correct level of skills and competencies are maintained.

6. TRAINING PLANS

- 6.1 Therefore, it is proposed a self-assessment form is completed by all Members of the Board in an attempt to identify any areas which require immediate further training on.
- 6.2 Using the results from the self-assessment, a Local Pension Board training programme will be developed.
- 6.3 It is recommended that Local Pension Board Members attend an introduction to the Firefighters' Pension Schemes, covering all the key areas of the Firefighters' Pension Schemes, and to establish a thorough understanding of the schemes, their legislation and an appreciation of the different areas of work. Those Members with current experience may wish to attend only those days which they feel need further training on.
- 6.4 It is also recommended that all Local Pension Board Members complete the on-line tPR e-learning trustee toolkit. This is split into modules which can be done at one's own learning pace and is completed by undertaking a set of multiple choice questions for each section. They should effectively assist in meeting the knowledge and understanding issues dealt with in the Regulator's Code of Practice.
- 6.5 The intention is to develop and keep up-dated a Local Pension Board Members' Handbook to complement all training undertaken. This will be a 'live' document updated for all new areas of training as they are delivered, being a single reference source for Members.
- 6.6 Local Pension Board Members will be required to ensure they record all further continued development once they have attained a requisite level.

- 6.7 The Local Pension Board needs to also designate a person to take responsibility for ensuring that the knowledge and understanding framework is developed and implemented. This can be either a member of the Local Pension Board or an external person. As all training development will need to be recorded and potentially published as part of the annual reporting process, it is felt that South Wales Fire & Rescue Service Officers would be best placed to collate this information.

7. FINANCIAL CONSIDERATIONS

- 7.1 There are no significant financial implications from this report. The costs of providing training to the Local Pension Board will need to be included in the annual training budget projections.
- 7.2 The development and implementation of a training policy will ensure Local Pension Board Members have sufficient knowledge and understanding to carry out their duties effectively.

8. REASONS FOR PROPOSALS

- 8.1 To ensure the Local Pension Board is able to develop a training policy to meet the statutory requirements of ensuring all its Board Members have capacity to fulfil their obligations associated with their role.

9. RECOMMENDATIONS

- 9.1 The Board is asked to note the proposed basis for the development of a training policy as outlined above, and for a programme to be tabled for approval at the next Local Pension Board Meeting.

Contact Officer:	Background Papers:
ACO Philip Haynes Director of People Services	None

SOUTH WALES FIRE & RESCUE AUTHORITY
LOCAL PENSION BOARD COMMITTEE
REPORT OF THE HEAD OF FINANCE & PROCUREMENT

AGENDA ITEM NO 6
2 NOVEMBER 2015

FIREFIGHTERS PENSION FINANCING MECHANISM

SUMMARY

The purpose of this report is to provide an outline of the funding arrangements for the Firefighters Pension schemes.

RECOMMENDATION

That Members note the content of this report.

1. BACKGROUND

- 1.1 Prior to April 2007 South Wales Fire & Rescue Authority was responsible for paying pensions of former employees from its annual revenue budgets. This led to volatile budget setting due to the significant fluctuations in the number of Firefighters retiring each year. It also meant a high proportion of the Authority's budget was pension related, leading to lack of clarity on the annual revenue cost of service delivery.
- 1.2 Since the 1 April 2007 formal responsibility for paying Firefighters pensions remains with the Authority, however the financial arrangements changed. The Authority continues to pay and administer Firefighter pensions but from a separate 'local pension fund'. The Firefighters Pension Schemes are unfunded but the local pension fund acts as the financing mechanism. These changes to the financial arrangements had no impact on the terms and conditions of the various Firefighters pension schemes.

2. ISSUE

- 2.1 The underlying principle of the local pension fund is that employee and employer's contributions are paid into the fund from which pension payments are made to retired employees. Any annual deficit is paid or 'topped up' by Welsh Government (WG). If the fund is in surplus this is recouped by WG. The pension financing mechanism is therefore deemed to be cost neutral, however it is important to remember that the overall cost of pensions is rising.
- 2.2 The pension fund appear as a separate income and expenditure statement in the Authority's annual statement of accounts, with the following transactions paid in and out of the fund.

Income

- Employee Pension Contributions
- Employer Pension Contributions
- Incoming transfers from other pension schemes
- Charges for ill health early retirements
- Top-up grant from WG

Expenditure

- Pension payments to retired Firefighters or beneficiaries
- Outgoing transfers to other pension schemes
- Payment to WG if fund is in surplus at the end of the financial year

2.3 Appendix 1 gives a schematic overview of the operating elements of the pension fund mechanism.

2.4 Employer and employee contribution rates vary across the three Firefighters pension schemes. The employer contribution rates are an annual fixed charge which is reviewed on a triennial basis following actuarial reviews to reflect the true cost of accruing pensions.

Employers

1992 Scheme - 25.5%

2006 Scheme - 16.8%

2015 Scheme - 14.3%

The employee contribution rates vary across the three schemes and are tiered based on salary levels. The current contribution rates across the schemes are detailed in Appendix 3.

3. Ill Health Early Retirement

3.1 Where an ill health retirement occurs, Authority's are required to make an individual charge to the pension fund. From 1 April 2007, Authorities are required to make a lump sum payment into their pension fund of 4x average pensionable pay in respect of all higher tier ill-health retirements and 2x average pensionable pay in respect of all lower tier ill-health retirement.

3.2 In order to qualify for a higher tier ill-health award, a Firefighter must be permanently disabled from taking regular employment therefore the pension is enhanced. The lower tier award will be paid to those who are

able to take alternative regular employment. These charges are intended to represent the additional cost of personal ill-health retirements.

- 3.3 To deal with in-year financial volatility, Authorities are required to spread the charges credited to the pensions fund equally over a period of three years.

4. Injury benefits

- 4.1 Injury awards and awards payable on the death of a Firefighter, attributable to a qualifying injury, are not part of the Firefighters' Pension Scheme because they are payable irrespective of whether a Firefighter is a member of the Firefighter Pension Scheme.
- 4.2 From 1 April 2007 all injury awards are outside the Firefighters' Pension Scheme and under the new financial arrangements must be paid from an Authority's revenue account, not from their pensions fund. Continuing payments in respect of previous injury awards must also be paid from an Authority's revenue account.
- 4.3 Expenditure for administration charges and audit fees cannot be made from the pensions account.

5. Transfers

- 5.1 When a Firefighter transfers out of the Firefighters' Pension Scheme to another pension scheme, or to another Firefighter Pension Scheme, they are entitled to ask for a Cash Equivalent Transfer Value to be paid across. This is equivalent to the value of their pension rights on leaving the Firefighters' Pension Scheme at that point in time. This is paid as expenditure from the Authority's pension fund. Similarly Firefighters who transfer into the service create an inward Transfer Value (income) into the Authority's pension fund.

6. The Pension Fund Account

- 6.1 Appendix 2 shows the actual pension fund account as at 31 March 2015 which is included in the approved Annual Statement of Accounts 2014/15. The first section contains the income and expenditure elements giving the net transactions for the year and the second section shows the funding 'top up' mechanism.
- 6.2 At the beginning of the financial year an assessment is made of the amount of Top Up grant required from WG and 80% of the estimate is paid (ii) in addition to the surplus/deficit (asset/Liability) (i) which is payable/receivable from the previous year. As such, the asset/liability is

held on the Authority balance sheet. The 2014/15 estimate included an assessment of the number of Firefighters retiring within the year and as a result, an estimate of pension payments is calculated. In 2014/15 a total of 31 Firefighters retired compared to the estimate of 20. This means that the top up grant received was lower than pension costs which results in a deficit on the fund. At the year end the WG became a debtor to Authority due to the underpayment with a value of £4.5 million.

7. FINANCIAL IMPLICATIONS

7.1 None directly from this report.

8. EQUALITY RISK ASSESSMENT

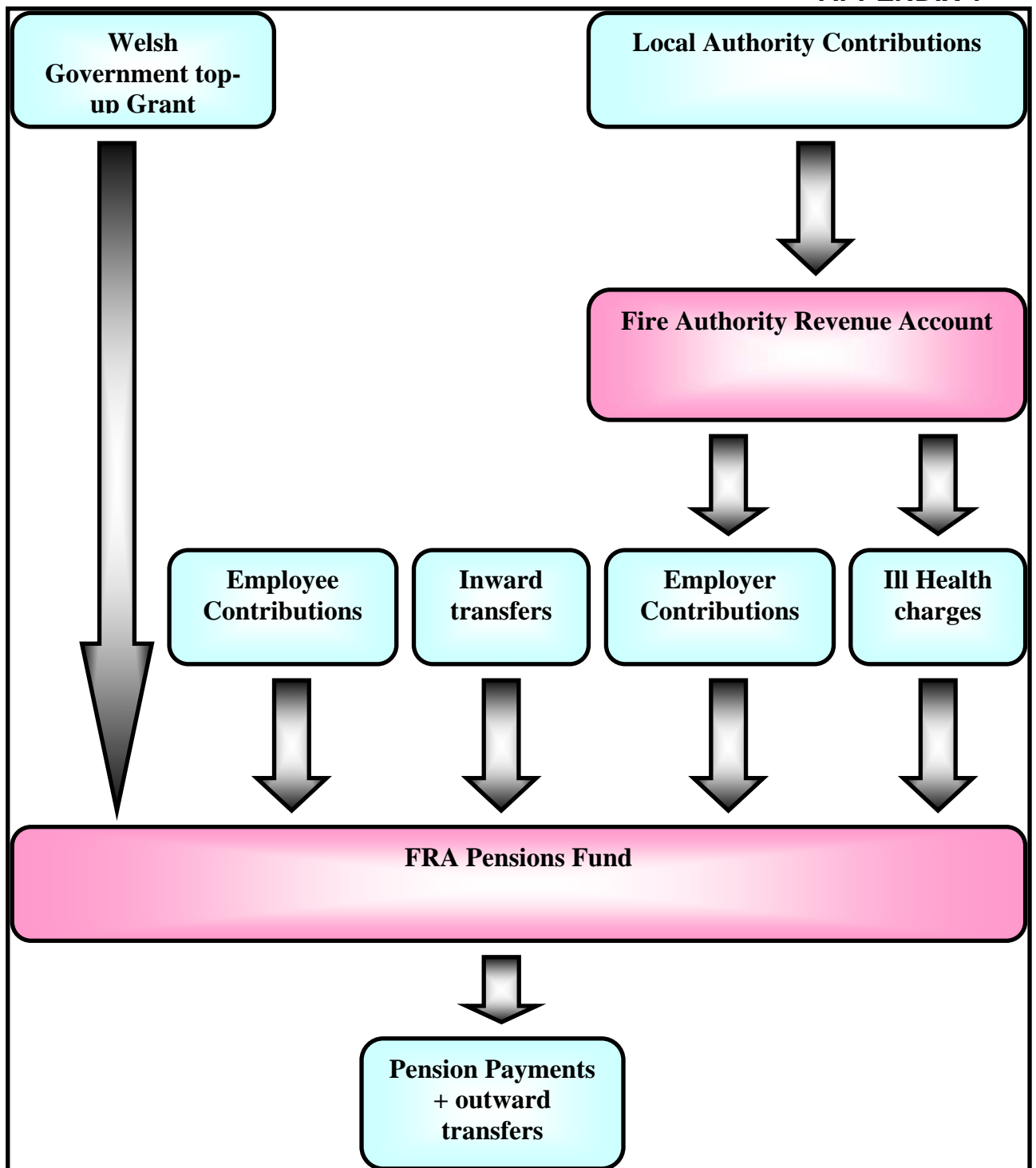
8.1 There are no equality implications resulting directly from this report. Each element of the Firefighters pension schemes will have undergone Equality and Diversity risk assessments by the Welsh Government prior to the commencement of the schemes.

9. RECOMMENDATION

9.1 That Members note the content of this report.

Contact Officer:	Background Papers:
Geraint Thomas Head of Finance & Procurement	

APPENDIX 1



Appendix 2

	2014/2015
	£000
Income to the fund	
Contributions receivable:	
from employer	
normal contributions	-5,571
other contributions (ill health charge)	-162
from members	-4,056
	<u>-9,789</u>
Transfers in from other Authorities	-76
Total Income to the Fund	-9,865
Spending by the Fund	
Benefits Payable:	
Pension payments	17,134
Pension commutations & lump-sum retirement benefits	3,346
Other Payments (death grant)	59
	<u>20,539</u>
Payments to and on account of leavers:	
Transfers out to other authorities	141
Total Spending by the Fund	<u>20,680</u>
Net amount payable for the year	<u>10,815</u>

Net Asset Statement	2014/2015	2014/2015
	£000	£000
	Asset	Inc/Exp
*Opening net current asset/ liability	<u>8,528</u>	
Previous year top up received/ paid (ii)		-8,528
Annual grant received from sponsoring dept (i)		-6,334
Annual net pension costs		10,815
Net asset/liability from income & expenditure	-4,047	
Top up receivable/ payable to sponsoring dept		4,481
	<u>4,481</u>	
*Closing net current asset/ liability	<u>4,481</u>	<u>0</u>

Appendix 3

Employee contribution rates in fire service pension schemes for 2015-16

1992 Firefighters' Pension Scheme Pensionable pay band	Revised contribution 2015-16
Up to and including £15,150	11.0%
More than £15,150 and up to and including £21,210	12.2%
More than £21,210 and up to and including £30,300	14.2%
More than £30,300 and up to and including £40,400	14.7%
More than £40,400 and up to and including £50,500	15.2%
More than £50,500 and up to and including £60,600	15.5%
More than £60,600 and up to and including £101,000	16.0%
More than £101,000 and up to and including £120,200	16.5%
More than £120,200	17.0%
Firefighters' 2006 Pension Scheme Pensionable pay band	Revised contribution 2015-16
Up to and including £15,150	8.5%
More than £15,150 and up to and including £21,210	9.4%
More than £21,210 and up to and including £30,300	10.4%
More than £30,300 and up to and including £40,400	10.9%
More than £40,400 and up to and including £50,500	11.2%
More than £50,500 and up to and including £60,600	11.3%
More than £60,600 and up to and including £101,000	11.7%
More than £101,000 and up to and including £121,200	12.1 %
More than £121,200	12.5%

2015 Firefighters' Pension Scheme Pensionable pay band	2015-16 rate
up to £27,000	10.0%
Over £27,000 and up to £50,000	12.2%
Over £50,000 and up to £142,500	13.5%
Over £142,500	14.5%

COMMUTATION FACTORS: PENSIONS OMBUDSMAN DETERMINATION

SUMMARY

The purpose of this report is to inform Members of the Local Pension Board about the current position concerning the Pensions Ombudsman's determination.

RECOMMENDATION

The Board is asked to note the terms of the Pensions Ombudsman's determination and the actions that are taking place to discharge his instructions.

1. BACKGROUND

- 1.1 The Pensions Ombudsman has published his determination in a case concerning the lump sum paid to a Firefighter on his retirement. The case will have relevance to many Firefighters and Police Officers who retired in the early 2000s.
- 1.2 The commutation factors under the Firefighters' Pension Scheme 1992 are reviewed from time to time in accordance with their governing legislation. These reviews take account of factors affecting the actuarial equivalent value, such as changes in the discount rate used to value the benefits and the future life expectancy of retirees.
- 1.3 The determination made by the Pensions Ombudsman concerns historic commutation factors in the Firefighters' Pension Scheme 1992, and the responsibilities for maintaining and updating them.

2. ISSUES

- 2.1 A large number of complaints had been received by the Pensions Ombudsman concerning historic commutation factors, and he chose to consider a single case as a lead complaint. The complaint chosen was made by Mr W Milne, who retired from the Firefighters Pension Scheme 1992 in November 2005. On his retirement, Mr Milne was offered the commutation terms that were in force at that time – terms which had been in force for retirements since 27 July 1998.
- 2.2 The Firefighters' Pension Scheme 1992 commutation factors were reviewed in 2006. GAD provided a new table of factors on 22 August 2006. At the time, the factors were not implemented immediately but,

following a High Court judgement in 2009, the revised commutation factors were backdated in the Firefighters Scheme to 22 August 2006.

- 2.3 The focus of Mr Milne's complaint was that GAD ought to have reviewed the commutation factors earlier than 2006 and that, had it done so, more beneficial terms would have applied giving him a higher cash sum on retirement or a higher residual pension for the same amount of lump sum. At the 1998 review, GAD had recommended that the commutation factors should be reviewed in three years' time. However, no review took place in 2001.
- 2.4 Relying on the 2009 High Court case the Pensions Ombudsman concluded that since GAD had a statutory responsibility to maintain and review the commutation factors, it should have done so proactively rather than await instruction from the relevant government department. The failure to do so, he concluded, amounted to maladministration. The Pensions Ombudsman therefore upheld the complaint.
- 2.5 The determination finds that 'an opportunity to review the commutation factors was lost in 2001/2002, and then again between 2002 and 2004'. The Ombudsman ordered that a new commutation factor should be prepared for Mr Milne, as if a factor review had been carried out in December 2004, with a payment made to the member to reflect the recalculated commutation lump sum. He also directed that interest should be paid on the back-dated payment and, if necessary, any tax liability arising from the additional lump sum should be reimbursed to the member.
- 2.6 The Ombudsman expects Government to make arrangements for payments to be made to others affected, reflecting the more beneficial terms that would have applied had commutation factors been reviewed and, where appropriate, revised at the appropriate times.
- 2.7 At this time, GAD has prepared tables for use in the calculation of redress, based on a best reconstruction of the commutation factors which would have applied if factors had been reviewed and revised at 1 December 2001, and at 1 December 2004. These tables have not yet been passed to the relevant government bodies, including Welsh Government.
- 2.8 Rhondda Cynon Taff Pensions Section, who administer all the Firefighters' Pension Scheme on behalf of South Wales Fire & Rescue Authority (the Scheme Managers) have confirmed that they are waiting for a standard discharge form to be agreed by GAD, HM Treasury, and Welsh Government, in order to be able to discharge this function. Rhondda Cynon Taff Pensions Section has assured the Fire & Rescue

Authority that as soon as they are in receipt of the appropriate authorisation from Welsh Government they will seek to progress to payments as soon as possible.

2.9 Having regard to this situation, Leighton Andrews, AM, Minister for Public Services, issued a statement to confirm that he expected the administrators to be in a position to complete the work by the end of this calendar year.

2.10 The details of the full statement can be found at:

<http://gov.wales/about/cabinet/cabinetstatements/2015/compensationretiredfirefighters/?lang=en>

3. FINANCIAL IMPLICATIONS

3.1 There are no immediate financial implications from this report which fall on the Fire & Rescue Authority at this time.

4. EQUALITY RISK ASSESSMENT

4.1 An Equality Risk Assessment has been undertaken to assess the potential impact the Pension Ombudsman's determination having regard to the Firefighters' Pensions Scheme 1992.

4.2 The assessment concluded that while there were no immediate issues for any individual or group of personnel outside those affected.

5. RECOMMENDATION

5.1 The Board is asked to note the terms of the Pensions Ombudsman's determination and the actions that are taking place to discharge his instructions.

Contact Officer:	Background Papers:
ACO Philip Haynes Director of People Services	None

PENSION REGULATOR – PUBLIC SERVICE IN PENSION BOARDS

SUMMARY

The Public Services Pension Act (PSPA) 2013 sets out the new arrangements for the creation of schemes for the payment of pensions and other benefits. The PSPA 2013 gives powers to the Pensions Regulator to operate a system of independent oversight of the operation of these Schemes.

Under the terms of the PSPA 2013, the Fire & Rescue Authority is the recognised Scheme Manager and as such needs to identify through which mechanism it intends to fulfil its role and obligations.

The Pensions Regulator has recently published a 'Quick guide to Public Service Pension Boards'. The purpose of this report is to bring the guide to the attention of Local Pension Board Members.

RECOMMENDATION

The Board is asked to note the content of the 'Quick guide to Public Service Pension Boards' as published by the Pensions Regulator.

1. BACKGROUND

- 1.1 As Board Members are aware Firefighters' pensions are devolved to Welsh Ministers under the Fire and Rescue Services Act 2004. There are currently three Pensions Schemes for Firefighters' in Wales: the Firefighters' Pensions Scheme 1992 (PPS), the New Firefighters' Pension Scheme 2007 (FPS 2007), and the Firefighters' Pension Scheme (2015).
- 1.2 The Public Services Pensions Act (PSPA) 2013 received Royal Assent on 25 April 2013, and this has led to the reform of Public Service Pension Schemes.
- 1.3 The PSPA sets out the new arrangements for the creation of schemes for the payment of pensions and other benefits. The PSPA provides powers to Ministers to create such schemes according to a common framework of requirements. The PSPA gives powers to the Pensions Regulator to operate a system of independent oversight of the operation of these Schemes.
- 1.4 As part of its role the Pensions Regulator has recently published a 'Quick guide to Public Service Pension Boards'.

2. ISSUES

- 2.1 The governance requirements set out in the PSPA sets the legislative framework for the new governance arrangements for all Public Service Pension Schemes, including those for Firefighters.
- 2.2 The term 'Local Pension Board' means the Local Pension Board for the South Wales Fire & Rescue Authority, administering authority for the South Wales Fire & Rescue Authority (Firefighters' pension's fund) as required under the Public Service Pensions Act 2013.
- 2.3 'Scheme Manager' means the South Wales Fire & Rescue Authority as the administering authority for South Wales Fire & Rescue Authority (Firefighters' pension's fund).
- 2.4 Public Sector scheme managers are responsible for the key areas of governance and administration, including:-
- Managing risks and ensuring there are adequate internal controls
 - Keeping records and ensuring the quality of member data
 - Ensuring the correct contributions are paid to the scheme
 - Managing conflicts of interest
 - Publishing information about the Board
 - Communicating information to members
 - Resolving disputes and reporting certain breaches of the law
- 2.5 To assist Local Pension Board Members, the Pensions Regulator has begun to publish a number of guides and information booklets. To assist Local Pension Board Members to understand their roles and responsibilities a copy of the 'Quick guide to Public Service Pension Boards' is attached at Appendix 1.

3. FINANCIAL IMPLICATIONS

- 3.1 There are no significant financial implications from this report.

4. EQUALITY RISK ASSESSMENT

- 4.1 An Equality Risk Assessment has been undertaken and concluded that there were no adverse impacts on any individual or group of personnel at this juncture.

5. RECOMMENDATION

- 5.1 The Board is asked to note the content of the 'Quick guide to Public Service Pension Boards' as published by the Pensions Regulator.

Contact Officer:	Background Papers:
ACO Philip Haynes Director of People Services	Appendix 1 – Quick Guide to Public Service Pension Boards

A quick guide to

public service pension boards

The Public Service Pensions Act 2013 and the Public Service Pensions Act (Northern Ireland) 2014 require pension boards to be established for the public service pension schemes.

These are initially the schemes for civil servants, armed forces, health service workers, teachers, judiciary, police, firefighters and local government workers. In due course it may also include some public body schemes.

The role of each board is to help ensure each scheme complies with governance and administration requirements. They may have additional duties, if scheme or other regulations so specify.

Pension boards need to have an equal number of employer representatives and member representatives. They may also have other types of members, such as independent experts. All pension board members have a duty to act in accordance with scheme regulations and other governing documents.

Scheme regulations (or scheme-specific guidance) may provide further detail on the scope of the pension board and how it should operate, for example how many pension board members need to attend a meeting and how often it should meet.

Scheme governance and administration

Scheme managers are responsible for the key areas of governance and administration including:

- ▶ managing risks and ensuring there are adequate internal controls
- ▶ keeping records and ensuring the quality of member data
- ▶ ensuring the correct contributions are paid to the scheme
- ▶ managing conflicts of interest
- ▶ publishing information about the board
- ▶ communicating information to members
- ▶ resolving disputes and reporting certain breaches of the law

Pension boards are responsible for assisting the scheme managers in securing compliance with the scheme regulations and other legislation relating to the governance and administration of the scheme, including the matters listed above. The nature of this role in assisting scheme managers varies from scheme to scheme. The remit of pension boards is clarified by the scheme regulations or scheme-specific guidance.

Pension board meetings

Pension board meetings are formal, minuted occasions, where the status of the scheme and associated issues are reviewed and recommendations are made concerning the standards of scheme governance and administration.

There may be standard items on the agenda at every meeting, with extra items added as needed. There should be adequate time to deal with each issue on the agenda. If a board member feels that any particular subject is not being given enough time they should highlight this as a concern.

Who boards will work with

In the schemes with local administration (the police and firefighters' schemes in England and Wales, and the local government schemes in England, Scotland and Wales), the national scheme advisory board monitors standards across the entire scheme and advises scheme managers and pension boards on improving effectiveness and efficiency of the scheme and any pension fund of the scheme.

In local government pension schemes which have investment funds, the scheme manager will be responsible for administering, investing and managing the pension fund and may delegate these responsibilities to a committee, an officer or an investment manager (as appropriate). The pension board will assist the scheme manager. The board's role will vary from scheme to scheme, but is likely to generally consist of scrutiny, oversight and/or assurance. In Scotland, regulations have given pension boards specific powers to monitor investments.

The scheme managers

The scheme managers are:

- ▶ the administering authorities in the local government scheme
- ▶ the chief police officers, and various others, in the police scheme
- ▶ a fire and rescue authority board
- ▶ a relevant minister or secretary of state
- ▶ a Northern Ireland department

Publishing information about the board

In order to demonstrate that the scheme is being run effectively and efficiently, specific information on the pension board should be published and made easily accessible to scheme members. All information should be kept up-to-date and encompass factors such as:

- ▶ the full terms and conditions for the board
- ▶ who the board members are
- ▶ how members are represented on the board
- ▶ the responsibilities of the board as a whole
- ▶ the pension board appointment process
- ▶ who each individual pension board member represents

Help from The Pensions Regulator

Our website provides guidance to help pension board members carry out their role effectively. See www.tpr.gov.uk/publicservice.

We also provide learning resources in the form of a 'Public service toolkit' at www.pensionseducationportal.com.

Board members should become familiar with our code of practice for public service schemes, which provides further guidance on governance and administration. It can be found at www.tpr.gov.uk/code14.

Other sources of help

Other sources that may provide information or assistance to pension boards include the following:

- ▶ Scheme advisory boards may provide advice to the local government, firefighters' and police schemes on the effective and efficient administration and management of their scheme and any pension fund of the scheme.
- ▶ Employer associations, such as the Local Government Association and the NHS Confederation, may provide information and assistance to employer representatives.
- ▶ Trade unions and the Police Federation may provide information and assistance to member representatives.
- ▶ The Chartered Institute of Public Finance and Accountancy (CIPFA), a public finance accountancy body, is active in the local government pension schemes, providing advice and setting standards – see www.cipfa.org.
- ▶ The Pensions Advisory Service (TPAS) attempts to resolve disputes which scheme managers and trustees have failed to resolve. It also provides free information on pensions governance – see www.pensionsadvisoryservice.org.uk.
- ▶ Pensions Management Institute (PMI) provides a range of professional qualifications and training for pensions professionals – see www.pensions-pmi.org.uk.
- ▶ National Association of Pension Funds (NAPF) represents funded pension schemes and their advisers. It also provides pension training courses – see www.napf.co.uk.

How to contact us

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www.pensionseducationportal.com
Free online learning for those running public service schemes

A quick guide to
public service pension boards

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The Pensions
Regulator

**FORWARD WORK PROGRAMME FOR
LOCAL PENSION BOARD 2015/16**

Report Name	Purpose of piece of work	Lead Director/ Contact Officer	Expected Date of Decision/ Submission/ Review	Progress
Local Pension Board - Terms and Conditions	To inform Local Pension Board Members of the Board's responsibilities in relation to Terms and Delegated Authorities	Deputy Chief Officer Contact Officer: Calvin Powell	2 July 2015	Report presented on 2 July 2015 and agreed by Board Members. Information to be published on SWFRS website
Local Pension Board – Firefighters' Pension Schemes	To inform Local Pension Board Members of the Board's responsibilities in relation to all Firefighters' Pension Schemes	ACO People Services Contact Officer: Philip Haynes	2 July 2015	Report presented and accepted on 2 July 2015
Local Pension Board – Firefighters' Pension Scheme 1992	To inform Local Pension Board Members of the scope and terms of the Firefighters' Pension Scheme 1992	ACO People Services Contact Officer: Philip Haynes	2 July 2015	Report presented and accepted on 2 July 2015

Report Name	Purpose of piece of work	Lead Director/ Contact Officer	Expected Date of Decision/ Submission/ Review	Progress
Local Pension Board – Firefighters’ Pension Scheme 2007	To inform Local Pension Board Members of the scope and terms of the Firefighters’ Pension Scheme 2007	ACO People Services Contact Officer: Philip Haynes	2 July 2015	Report presented and accepted on 2 July 2015
Local Pension Board – Firefighters’ Pension Scheme 2015	To inform Local Pension Board Members of the scope and terms of the Firefighters’ Pension Scheme 2015	ACO People Services Contact Officer: Philip Haynes	2 July 2015	Report presented and accepted on 2 July 2015
Local Pension Board - Training Plans	To determine and establish an effective Training Plan for all Local Pension Board Members	ACO People Services Contact Officer: Philip Haynes	12 October 2015	On Agenda
Firefighter Pension Financing Mechanism	To inform Local Pension Board Members of the Firefighters’ Pension Scheme financing mechanisms	ACO People Services Contact Officer: Geraint Thomas	12 October 2015	On Agenda

Report Name	Purpose of piece of work	Lead Director/ Contact Officer	Expected Date of Decision/ Submission/ Review	Progress
Commutation Factors: Pension Ombudsman Determination	To inform Local Pension Board Members of the ruling and progress arising from the Pension Ombudsman's ruling on the Milne v GAD case	ACO People Services Contact Officer: Philip Haynes	12 October 2015	On Agenda
Pension Regulator – Public Service Pension Boards	To inform Local Pension Board Members of Pension Regulator's Guidance	ACO People Services Contact Officer: Philip Haynes	12 October 2015	On Agenda
Firefighters' Pension Scheme – Membership Data	To provide Local Pension Board Members with a data analysis of the composition of the Firefighters' Pension Schemes	ACO People Services Contact Officers: Julia Thompson/Philip Haynes	14 March 2016	
Internal Disputes Resolution Procedure (IDRP)	To provide Local Pension Board Members with an analysis of IDRP cases that have been considered	ACO People Services Contact Officers: Julia Thompson/Philip Haynes	14 March 2016	

Report Name	Purpose of piece of work	Lead Director/ Contact Officer	Expected Date of Decision/ Submission/ Review	Progress
Managing Risks & Internal Controls	To provide Local Pension Board Members with an evaluation of the risk and control in place for the management of the Firefighters' Pension Schemes	ACO People Services Contact Officer: Philip Haynes	14 March 2016	
Summary of the Local Pension Board Work Programme	To a report to be submitted to the Fire & Rescue Authority which sets out the Local Pension Board activity throughout 2015-16	ACO People Services Contact Officer: Philip Haynes	14 March 2016	

ACO Philip Haynes – Director of People Services
 Calvin Powell – Deputy Monitoring Officer
 Geraint Thomas- Head of Finance & Procurement
 Julia Thompson – Pensions Officer

1.	Apologies for Absence	
2.	Declarations of Interest	
	Members of the Fire & Rescue Authority are reminded of their personal responsibility to declare both orally and in writing any personal and/or prejudicial interest in respect of matters contained in this agenda in accordance with the provisions of the Local Government Act 2000, the Fire & Rescue Authority's Standing Orders and the Members Code of Conduct.	
3.	Chairman's Announcements	
4.	To Receive the Minutes of:	
	<ul style="list-style-type: none"> • Local Pension Board (LPB) Committee Meeting held on 2 July 2015 	3
5.	Local Pension Board Training Plans	7
6.	Firefighter Pension Financing Mechanism	13
7.	Commuting Factors: Pension Ombudsman Determination	21
8.	Pension Regulator – Public Service Pension Boards	25
9.	Forward Work Programme	33
10.	To consider any items of business that the Chairman deems urgent (Part 1)	