

Cost Management and Benefits Design Committee DRAFT Terms of Reference

1. Objectives

The Cost Management and Benefits Design Committee (hereafter referred to as the 'Committee') has the remit to examine and consider matters relating to costs associated with the Firefighters Pension Schemes operating within England.

The Committee will report findings to the Scheme Advisory Board to inform and assist the Board to determine how costs might be contained and value for money enhanced whilst correctly paying the members' pensions as they fall due.

The Committee will, as directed by the Board, consider any matters that contribute to the under-noted principle objectives: -

- Ensuring that scheme actuarial costs do not exceed the upper cost cap limit to maintain or improve the level of pension benefits available to Scheme Members, and
- Ensuring that scheme administration arrangements are effective in terms of balance between cost and quality for both the taxpayer and Scheme members.

2. Core Activities

a. Data Collation and Publishing

This aspect of the Committee's work will seek to identify and secure the most appropriate data to inform scheme cost and quality analysis. It will also collate and present this data in formats that allow benchmarking and comparison between individual Schemes.

The Committee will, as necessary, engage and collaborate with Government departments, Scheme Managers and other public sector schemes.

b. Containment of Scheme Costs within the Cost Cap

This area of work is fundamental to the role of the Scheme Advisory Board as a whole and is intended to generate information that assists the Board to assess and monitor the Scheme's actuarial costs in relation to the Cost Cap.

The Committee may undertake assessment and analysis relating to actuarial costs in order to promote the Scheme Advisory Board's understanding of risks that that may threaten the Employer Cost Cap, allowing the Board to consider whether corrective action needs to be taken.

To aid this work, the Committee will support the Scheme Advisory Board in seeking to promote the adoption of consistent definitions and interpretations across all schemes to ensure any recommendations or guidance issued has a consistent and anticipated effect.

c. Containment of Administrative Costs to deliver Value for Money

The Committee will analyse and report on collective and comparative administration arrangements for fire pensions in England, taking account of both cost and service quality.

The Committee will consider and report on options for the future delivery of firefighters' pension administration services. In so doing, the Committee will have regard to cost-effectiveness, service quality and scale of service provision, i.e. local, regional, via non-contiguous cohorts or in association with other pension schemes, e.g. Police.

The outcomes of such work will be presented to the Scheme Advisory Board in manner that allows the Board to appraise evidenced-based options for future service provision.

3. Composition of the Board and Working Style

a. Proposed Board Membership

- John Fuller, Co-Chair (Scheme Advisory Board Employers' representative)
- Des Prichard (Co-Chair (Scheme Advisory Board Workforce representative)
- John Bell, (Scheme Advisory Board Employers' representative)
- Glyn Morgan (Scheme Advisory Board Workforce representative)
- FBU (Scheme Advisory Board Workforce representative)
- Clair Alcock, LGA
- Malcolm Eastwood, Chair of Scheme Advisory Board

Cost Management Co-Optees

- Helen Scargill (Chair of the Firefighters' Technical Working Group)
- Alison Kilpatrick (Kent Fire and Rescue Service)
- Jane Staffiere (Dorset & Wiltshire Fire and Rescue Service)
- John Weston (South Yorkshire Local Pension Board)

Administration Co-Optees

- Vicky Jenks (Shropshire Pension Fund)
- Penny Wright (Greater Manchester Fire)
- Jonathan Hurford-Potter (Hampshire Fire)
- Martin Rehorn (Hereford and Worcestershire Fire)

b. Term of Operation

The initial term of operation for the Committee will be one year, commencing 1st January 2017, thereafter, this term may be extended, as necessary and as determined, by the Scheme Advisory Board.

c. Transparency and Communication

The Co-Chairs of the Committee will provide the Scheme Advisory Board with regular reports of the Committee's programme of work, notes of meetings held and reports of progress towards delivery of the above-stated remit.

d. Co-optees

The Committee, subject to approval by the Scheme Advisory Board, co-opt persons in order to assist with the work of the Sub Group.

Such persons would not be members of the Board. Where co-optees are invited they should be subject to a confidentiality agreement and statement agreeing to act in the interests of the FPSs as a whole and not in the interests of any organisation they may represent.

e. Chair

The Co-Chairs shall be duly appointed members of the Scheme Advisory Board with appointment to each role being agreed by the Scheme Advisory Board; ensuring that, between the combined roles, both employers and scheme members are represented.

Meetings of the Committee will be chaired by one of the Co-Chairs by mutual agreement between the Co-Chairs.

At all Committee meetings, it shall be the duty of the Chairs to ensure that all Committee members show respect to the process and are provided with equal access to the floor. The Co-Chairs shall also determine when consensus has been reached and how to record the conclusion of discussions where consensus was not achieved.

f. Meetings

The Sub Committee will meet as often as deemed necessary by the Co-Chairs in consultation with Committee members.

g. Working-Groups

Due to the wide ranging remit of the Committee, where appropriate and agreed by the Committee, specialised ad-hoc Working Groups may be created on a 'task and finish' basis.

h. Quorum

More than two Sub Committee members plus a Co-Chair.

i. Secretariat

Secretariat support shall be provided by the Local Government Association.

4th May 2017

Appendix:

Proposed Work Plan 2017

Subject to direction from the Scheme Advisory Board, preliminary work will include: -

1. Consideration of past service costs information prepared by the Home Office and Government Actuary's Department due to be available early summer 2017.
2. Consideration and interpretation of GAD valuation assumptions prior to commencement of the 2016 valuation calculation and to prepare a report to the Scheme Advisory Board to inform discussion with relevant bodies with a view to agreeing the assumptions.
3. Conducting a review of current administration arrangements to assess and report on, not exhaustively: -
 - Current service provision costs on an individual and aggregate basis.
 - Optimum administration scale for the fire pensions, in terms of both cost-effectiveness and service quality, i.e. local, regional, or non-contiguous cohorts.
 - The case for increased use of joint service provision / procurement to avoid duplication of effort and to ensure consistency across the scheme in aggregate and, if appropriate, consider options for the use of collective framework agreements.
 - Working with the Administrators Group, identify any variation of interpretation or definition used in the application of Scheme Rules.
 - Arrangements for ensuring that the correct pensionable salaries are declared for each member of each scheme and the assurance mechanisms that in place for confirming that pensionable liabilities are accurately calculated.
 - Any constraints imposed by the various payroll packages in use by Scheme Managers and, as necessary, recommend improvements that allow accurate and consistent monthly recording and reporting of pensionable pay for use by pensions administrations software.
 - The interface between pay and pension information (as necessary liaising with Payroll Services and Software Providers).
 - The skills and experience available for the administration of fire pensions. Also the arrangements in place retaining skills and developing staff in order to maintain service quality.
 - Lessons that may be learned from other scheme advisory boards, for example LGPS/Police

Subject to initial approval by the Scheme Advisory Board, the Committee will carry out a full scoping exercise and detailed work plan prior to the commencement of the review.