

Meeting of the Board 13 June 2019

ITEM 11

Joint Pension Board Guidance

1. Introduction

- 1.1. This paper updates the Board on the position of individual Local Pension Boards (LPBs) who wish to form a joint board.
- 1.2. To date, three LPBs have expressed an interest in becoming a joint board: Leicestershire, Nottinghamshire, and Derbyshire.

2. Background

- 2.1. The scheme rules [[4A, paragraphs 2 & 3](#)] set out in what circumstances a joint LBP may be established if approval in writing is obtained from the Secretary of State.
(2) Where the administration and management of this scheme is wholly or mainly shared by two or more scheme managers, those scheme managers may establish a joint local pension board if approval in writing has been obtained from the Secretary of State.
(3) Approval under paragraph (2) may be given subject to such conditions as the Secretary of State thinks fit and may be withdrawn if any conditions are not met or if in the opinion of the Secretary of State it is no longer appropriate for the approval to continue.
- 2.2. In order to make a recommendation to the Scheme Advisory Board (SAB), the Local Pension Board Effectiveness Committee (the "Committee") considered at their meeting of 19 April 2018 [[Item 7](#)] how these rules should be interpreted to gain approval from the Secretary of State.
- 2.3. It was determined that in order to assist LPBs in making an application, guidance would be developed which set out criteria that LPBs have to meet, to evidence shared administration and management of the Firefighters' Pension Schemes.
- 2.4. This guidance has been drafted by the Board secretariat in conjunction with the Committee, and incorporates feedback from a meeting with the three LPBs in June 2018 which was attended by the secretariat, the chair of the SAB, and the Home Office.
- 2.5. The guidance requires a statement from the administrator on their experience of working with multiple scheme managers, and requires LPBs to address eight questions dealing with different elements of scheme management.

- 2.6. The Committee's view in setting out the criteria is that there should be a high bar on the evidence used to demonstrate joint management of the scheme to avoid concerns that poorly performing scheme managers or LPBs could use a joint board as a way of bypassing legislative requirements.
- 2.7. It was initially agreed that the guidance would not be published before the outcome of the first application was known in order for any learning points to be captured. However, as submission of the application has been delayed, the Committee have requested that the guidance is escalated to the SAB for approval.

3. Action Required

- 3.1. The Board are requested to agree the guidance for joint LPB applications as included at [Appendix 1](#), in order that the note can be released to FPS stakeholders.

Board Secretariat

7 June 2019



Local Pension Boards – Application to form a Joint Board

Introduction

The scheme rules [[4A, paragraphs 2 & 3](#)] set out in what circumstances a joint Local Pension Board (LBP) may be established if approval in writing is obtained from the Secretary of State.

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In order to make a recommendation to the Scheme Advisory Board (SAB), the Local Pension Board Effectiveness Committee (the “Committee”) considered at their meeting of 19 April 2018 [[Item 7](#)] how these rules should be interpreted to gain approval from the Secretary of State. The Committee’s view in setting out this guidance is that there should be a high bar on the evidence used to demonstrate joint management of the scheme to avoid concerns that poorly performing scheme managers or boards could use a joint board as a way of bypassing legislative requirements.

With that in mind, an application for a joint board should evidence that each individual board is already performing well. The same criteria would need to apply to any application to join an existing joint board.

The Committee considered the two main conditions on which a joint board would be approved, that of wholly or mainly shared:-

- a) **Administration**
- b) **Management**

The Committee consider that any proposal submitted to the Secretary of State for an application to become a joint board should provide the following evidence:

Wholly or mainly shared administration

In order to satisfy the requirement for wholly or mainly shared administration, any proposals for a joint board mean that all participating Fire and Rescue Authorities (FRAs) should show evidence that they share the same administrator for pension services.

- Please include a statement from the administrator on their experience of working with multiple scheme managers. The statement will need to demonstrate how a joint board will improve engagement and add further value to the member experience.
- The statement should also include how long the FRAs have shared administration services for. A suggested minimum qualifying period in order for an application to be made would be six months, to ensure that the administration is working effectively rather than using the application for a joint board to resolve existing problems.

Following formation of an approved joint board, administrator endorsement of any new boards applying to join the existing joint arrangement would be needed.

A board would no longer be able to participate in the joint board if a change of administration occurs, therefore consider whether a time limit on the joint board should be included within the Terms of Reference, with the period linked to the administration tender.

Wholly or mainly shared management of the scheme

In order to satisfy the requirement to evidence wholly or shared management of the scheme, any proposals for a joint board means that any participating FRAs should show evidence on how they work together to manage the Firefighters' Pension Schemes (FPS).

To provide the relevant evidence, the Committee consider that applications for joint boards should answer the following eight questions within their proposal submission:

1. What evidence can you provide of consultation with stakeholders, are there any objections from any party to forming a joint board?

This could include:

- Evidence of approval by FRA to join the joint board arrangement.
- A statement of support from scheme managers.
- Examples of member communications, raising the profile of the board specifically and pensions in general.
- Support of the LGA/ SAB.

Evidence of how the management of current single boards is performing

2. What evidence can you provide to show how each of the single boards are already operating well?

Examples of satisfactory evidence could be

- All six of the key processes that TPR monitors as an indication of good governance and administration of public service pension schemes are in place, these are:
 1. Policy to manage board members conflict of interest
 2. Access to knowledge, understanding and skills needed to run the scheme
 3. Procedures for assessing and managing risk
 4. Processes to monitor records for accuracy / completeness
 5. Processes to resolve payment issues and report failures to TPR
 6. Procedures to identify, assess and report breaches of the law
 - A [self-assessment](#) of the participating boards showing that a current assessment would place all participating boards between green and amber.
 - [Risk registers](#) are regularly reviewed and evidence to show that mitigation to a particular risk has increased as a result.
 - Any other evidence you consider appropriate.
3. Can you evidence how processes and procedures apply equally to all scheme managers operating within the shared arrangement?

Examples of satisfactory evidence could be

- Scheme managers share policies and template documents.
- Existence of joint working/ collaboration in other aspects of the FPS.

How the board would deal with:

- items specific to just one FRA, i.e. a breach for just one authority
- a change in governance structure e.g. FRA becoming a PFCC
- any FRA wishing to leave the joint board, i.e. have the risks been assessed, what notice period would be required, is there an exit strategy
- any non-complying FRA
- any FRA who wishes to procure a different administrator
- any FRA who wishes to join the joint board, i.e. would all current members of the joint board have to agree, would stakeholder agreement need to be obtained

Proposals for management of joint boards

4. How would employer and employee representatives from each scheme be represented on the joint board?

Consideration should be given to the following points:

- Equal numbers of employee and employer representation would still be required, but each FRA does not necessarily need to have equal representation.
 - Existing members of each individual board could initially form the joint board with a review period of 18 months to assess the efficacy of this arrangement, as meetings may become difficult to manage with too many members.
 - Is there additional complexity around voting rights and meeting quorum. Ensure there is clarity around roles and responsibilities, highlighting that the board have no decision making powers.
 - Are members committed to attending all meetings and/ or are fully trained substitutes available.
 - How will relationships and trust be built within the joint arrangement. Can members be ensured that their views will be represented if they are unable to attend.
 - Will sufficient support be available for elected members.
5. LPBs were formed to provide better governance and management of the scheme to ultimately improve the member experience. What value would your joint board give to scheme member experience, over and above your current single board operation, such as:
- Shared training and knowledge
 - Skillset of board members
 - A more robust and resilient board
 - Increased compliance with TPR guidance
 - Promotion and procurement of joint projects such as online member self-service to promote member choice and understanding.

6. How are you going to approach scheme decisions

a) that may be specific to the needs of a single FRA, such as

- APBs, i.e. the decision of an authority to award an APB for payments under paragraph [5 of B5C](#) for e.g. temporary promotion.
- Commutation uprate where the authority has discretion to uprate commutation to a full quarter of pension where the member has less than 30 years' service and is under the age of 55.
- Determination of pensionable pay and allowances.

and

- b) where you may want to ensure consistency between FRAs, such as
- The operation of [Voluntary Scheme Pays](#).
 - When to accept a transfer request under the scheme manager discretions available.
 - Member communications.

Although consistency may be the preferred approach, some local arrangements will need to be in place to ensure each scheme manager makes the best decision for the FRA. While the scheme manager remains responsible for the decision, a consistent process and robust internal controls should be in place to make those determinations.

One method of achieving this would be an appropriately worded constitution.

7. In line with regulation 4A(1), LPBs are responsible for assisting the scheme manager with ensuring compliance under the pension scheme regulations, any other applicable regulations such as the Finance Act, and TPR requirements.

How will the joint board ensure that individual scheme managers are complying with regulations?

Examples of satisfactory evidence could be

- A quarterly report provided to the board from the shared administrator to highlight issues such as regulation changes.
- Confirmation that actions are picked up from monthly FPS bulletins and advice from the LGA.
- A common Terms of Reference stating that the board will hold scheme managers to account and how they plan to do this.

Continued and effective governance of a joint board

8. Approval by the Secretary of State may be withdrawn under paragraph 3 of regulation 4A, how are you going to evidence the continued effective and efficient governance that the joint board provides to comply with this regulation?

For example this might be:

- An annual report.
- Robust procedures to remove a non-compliant scheme manager (included in constitution).
- An audit of the board.
- Completion of annual TPR governance and administration survey and self-assessment against national results.
- Commission of peer review from joint board in another public service scheme.

Resources for boards

In order to help boards form their answers to the above questions, we would like to remind boards that resources for local pension boards including a breach assessment template are available on www.fpsboard.org under the Local Pension Boards tab.

This guidance has been prepared by the SAB secretariat using the regulations as they stand at 04/06/2019.

Please address any queries on the content of this guidance to bluelight.pensions@local.gov.uk