

HUTTON REFORMS: GOVERNANCE

Recommendation

1. The Committee is invited to discuss, and note, the implications of the Public Service Pensions Bill on proposed governance arrangements for fire and rescue authorities.

Background

2. The 45th meeting of the Firefighters' Pension Committee considered paper FPC (12)6 on scheme governance arrangements flowing from Lord Hutton's report. The meeting discussed those potential arrangements, and Committee members were asked to submit any additional comments. No additional comments were received.
3. The Public Service Pensions Bill sets out requirements for scheme governance, regulation and administration to deliver transparency and accountability and particular requirements on the 'responsible authority', the 'scheme manager' the 'local Pensions Board' and the Pensions Regulator.

Responsible authority

4. In the case of the Firefighters' Pension Schemes, the responsible authority will be the Secretary of State. As the responsible authority, the Secretary of State will be the person responsible for making scheme regulations under the terms of the Bill.

Scheme manager

5. In the case of the firefighters' pension scheme, the scheme manager will be the individual fire and rescue authority. The scheme manager is responsible for:
 - managing and administering the scheme, locally
 - setting up and appointing a local pensions board
 - keeping specified records in accordance with regulations, for example, information about contributions due to the scheme
 - having in place an adequate system of internal control
 - collecting and collating scheme information in accordance with regulations
 - notifying the Pensions Regulator of an employer's failure to pay pensions contributions on time if that failure is likely to be something that the Pensions Regulator would consider to be materially significant
 - ensure that no conflict of interest exists at the time of appointing a board member and while the member continues to serve on that board

- other responsibilities set out in the Bill, scheme legislation and guidance.
6. Scheme managers will be able to delegate aspects of their management and administration responsibilities if the scheme regulations allow.

Local Pensions Board

7. The scheme manager will be required to set up and appoint a local pensions board. Local pension boards will be charged with helping the scheme manager to ensure that the scheme is operated to an appropriate standard and, in particular, will:
- secure that schemes are administered in accordance with all relevant legislation any directions given to the scheme by the Pensions Regulator
 - assist the scheme manager in securing the effective and efficient administration of the pension scheme
 - have appropriate knowledge about the scheme they are helping to run
 - ensure that information is available to scheme members and other interested parties so that they can easily see and understand who is a pension board member, how pension scheme members are represented on the pension board and what the responsibilities of the pension board are
 - prevent a person from being a member of a pension board where they have another interest that could prejudice them carrying out the role.
8. The Bill allows for scheme regulations in the local government and fire and rescue service to provide that where a local authority has appointed a committee to carry out its responsibilities to manage or administer the pension scheme, that committee may also be the pension board. The committee will then have the dual role of responsibility for administering the scheme, and responsibility for ensuring good governance and compliance with requirements imposed by the Pensions Regulator.

The Pensions Regulator

9. The Bill extends The Pensions Regulator's role include the regulatory oversight of public service pension schemes. The Bill also:
- requires the Pensions Regulator to include in its annual report, information on the exercise of the Regulator's functions in relation to public service pension schemes
 - allows the Pensions Regulator to issue an improvement notice referring to a code of practice
 - ensures that certain provisions in the Bill fall within the definition of "pensions legislation" so that improvement notices can be issued if they are breached
 - allows the Pensions Regulator to appoint an appropriately skilled person to help a pension board carry out its functions

- provides that the Pensions Regulator may intervene and help to recover contributions that are owed to a public service pension scheme by an employer in that scheme
- requires the Regulator to report concerns to the scheme manager where the Regulator has reasonable grounds to suspect or believe that a member of the pension board has misappropriated any assets of the scheme.

10. The Pensions Regulator will be required to issue codes of practice for public service schemes. A list of matters that codes must cover is set out in the Bill. The requirement to issue codes of practice is at the core of the Pensions Regulator's new role in relation to public sector schemes. In order to help ensure schemes meet good standards of administration and governance those involved in administering them need to know what standards they should be aiming to achieve.

Annex

11. A schematic is attached to set out the interaction in the proposed Governance arrangements

***DCLG
October 2012***

Presented to the Firefighters Pension Committee on 3rd October 2012.