

MEETING: 17 FEBRUARY 2020

**PROPOSED AMENDMENTS TO THE LOCAL PENSION BOARD TERMS OF REFERENCE
REPORT OF THE STRATEGIC FINANCE MANAGER**

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to request Members approve proposed amendments to the Local Pension Board's Terms of Reference.

2. BACKGROUND

- 2.1 It is a requirement for a Local Pension Board to have an agreed Terms of Reference. The Terms of Reference are approved by Tyne and Wear Fire and Rescue Authority in line with the Firefighter Pension Scheme (FPS) 2015 legislation and guidance provided by the Local Government Association.
- 2.2 The Original Terms of Reference for the LPB were approved by Authority in 2015. It should be noted at this time there was limited guidance available to Authorities with regard to LPBs. The legislation itself was described as "light touch".
- 2.3 Subsequently over the last 4 years further guidance and best practice has been identified, and it is proposed that amendments to the Terms of Reference are required to address these changes.
- 2.4 A draft of the new proposed Terms of Reference is included in Appendix A – Draft Terms of Reference.

3. AMENDMENTS

- 3.1 The revised Terms of Reference now include "exclusions." This section defines activities that the Board is prohibited from carrying out. This should help to define and clarify the activities that the Board is responsible for.
- 3.2 The revised Terms of Reference change the duration a member can remain on the Board. This had been previously set to 3 years, but the proposed Terms of Reference changes this to "no longer than two terms of 3 years" as well as allowing The Board and Scheme Manager the ability for extending the term beyond 6 years if it can demonstrated to be in the Board's interest.

- 3.3 Additionally, the Terms of Reference has revised the section on “Leaving the Board”. The main change in this area is that members must provide a notice period of two months.
- 3.4 The proposed changes are designed to allow for succession planning within the Board and to mitigate the risk of members leaving without time for replacements to be trained.
- 3.5 The significant proposed change to the Terms of Reference however is a change to the composition of the Board. It is proposed that the Employer Representatives are changed from 2 Principal Officers and an Elected Member, to that of 3 members of the Senior Management Group.
- 3.6 The Employer Representatives would still be required to demonstrate they have the skills and capacity to fulfil their role.
- 3.7 As the Elected Member would no longer form part of the Employer Representatives, a new role of Human Resource Committee Observer would be created.
- 3.8 The legislation states that an Employer Representative cannot be a person who plays “an active role is assisting the Authority in relation to pension scheme manager functions.” Therefore a member of the HRC should not be an employer representative.
- 3.9 However, it is important the HRC are actively involved within the running of the LPB. Therefore, it is proposed that the role of Human Resource Committee Observer is introduced. The member would not hold voting rights, but would observe and could participate in the meetings as appropriate.

4. RECOMMENDATIONS

- 4.1 The Authority is recommended to approve the amendments to the Terms of Reference of the Local Pension Board,