

Armed Forces Pension Board Terms of Reference

General

1. The Pension Board will be set up in compliance with the Public Service Pensions Act 2013 and be in place from 1 Apr 15. The Board will be responsible for assisting the Scheme Manager in ensuring compliance with the scheme regulations and other legislation relating to the governance and administration of the scheme and any statutory pension scheme that is connected with it.

The Pensions Regulator

2. The Pension Board is also responsible for assisting the Scheme Manager in securing compliance with requirements imposed in relation to the scheme and any connected scheme by the Pensions Regulator (tPR). The Pension Board will, at all times, work to protect the reputation of the scheme for effective governance and administration and for proper use of taxpayers' money in accordance with such good practice guidance that may be issued by the Pensions Regulator. The Pension Board will respond to any requests/directions made by the Pensions Regulator and ensure that they oversee the development of processes and systems to incorporate any new statutory requirements.

Purpose of the Pension Board

3. In addition to the statutory responsibilities¹ the Pension Board has 4 primary functions;

- Responsibility for the effective and efficient governance of the Armed Forces Pension Schemes. To ensure that those in receipt of a pension receive accurate, timely benefits under the scheme rules and excellent customer service thereby ensuring that schemes are administered correctly and appropriately, and in accordance with regulations.
- To oversee and input into communications with the scheme membership and other stakeholders and report back on any stakeholder views on business as usual or other additional communications.
- To monitor all Pension Scheme material issues to ensure consistency of application and a seamless service for members.
- To develop positive, co-operative working relationships with all of the stakeholders and provide a forum to receive feedback from them on issues with the scheme.

Changes to the Terms of Reference

4. The Terms of Reference can be amended subject to the agreement of the Scheme Manager.

¹ Section 5 of Public Services Pension Act 2013.

Chair

5. The Pension Board will be chaired by an independent, voting Non Executive Director (NED) who has responsibility for '*...assisting the Scheme Manager to comply with the scheme regulations and other legislation relating to the governance and administration of the scheme and requirements imposed by the Pension Regulator.*'² CDP will appoint the Chair on behalf of the Scheme Manager.

Pension Board Members

6. The Pension Board will have an equal number of employer³ and employee⁴ members. All members will represent the interests of all of the Schemes' beneficiaries and stakeholders. There are 15 members (including the Chair) and 4 attendees in an advisory capacity as follows:

- **Chair - NED**

- **Employer representatives**
 - Director Service Personnel Policy (D SP Pol) - 2* Civil Servant
 - Head of Remuneration (Hd REM) - 1* Military, currently an Air Commodore
 - Director Resources Assistant Head Plans (D Res AHd Plans) - 1* Civil Servant
 - Reserve Forces & Cadets Assistant Head Capability (RFC AHd Cap) - currently a Gp Capt
 - RN Pay Colonel - RN Capt
 - Army Pay Colonel - Col
 - RAF Pay Colonel - Gp Capt

- **Member/Employee Representatives**
 - Forces Pension Society (FPS)
 - Royal British Legion (RBL)
 - Single rep from the Forces' Families Federations
 - Reservist Members' Rep; a volunteer from the Chain of Command
 - Members' Rep from the RN; a volunteer from the Chain of Command
 - Members' Rep from the Army; a volunteer from the Chain of Command
 - Members' Rep from the RAF; a volunteer from the Chain of Command

- **Not Board Members, but in attendance to provide technical, legal and actuarial advice when required**
 - Defence Business Services (DBS) - Service Provider
 - Command Legal Services (CLS)
 - Government Actuary's Department (GAD)
 - Assistant Head Armed Forces Pension Society (A Hd AFPS) - Secretary

² tPR draft Code of Practice Para 21.

³ Employer representatives means persons appointed to the board for the purpose of representing employers for the scheme and any connected scheme.

⁴ Employee or member representatives means persons appointed to the board for the purpose of representing members of the scheme and any connected scheme.

Tenure and Attendance

7. The Chair's appointment will be for an initial 3 years. The military employer members will typically change every 2 to 3 years as this is the normal length of an assignment. Where the Board member is a Civil Servant, the tenure will endure whilst the incumbent is in the appointment. Employee members can remain for a period of up to 5 years. The Chair will need to consult with Pension Board members to try, if possible, to avoid too any Board members changing at the same time.
8. Pension Board members are expected to attend all meetings in person and there will be no alternate representation. If a short notice meeting is called, all Board members should make their best efforts to attend.
9. Each member must agree that information provided or gleaned in the course of their duties as a member of the Board (which may include confidential/personal information) will not be used for purposes outside of the delivery of the Board's function unless specifically agreed.
10. There must be at least 4 employer and 4 employee representatives at each Pension Board Meeting.

Removal

11. Pension Board members (including the Chair) may only be removed from office during a term of appointment by the Scheme Manager.
12. Members of the Pension Board may resign from the Pensions Board by giving three months notice in writing to the Chair.
13. In the event of resignation or other removal the Chair will ensure that an alternative member is appointed within three months of the date of resignation or removal.
14. In the event of resignation or other removal, the Pension Board can continue to meet and conduct its business although every effort should be made to ensure that there is a balance of employers/employees.

Voting

15. All 15 members of the Pension Board are voting members. Items arising at any meeting will be decided by a majority of voting members present. The Chair will have the casting vote.

Conflict of Interest

16. Conflict of interest means a financial or other interest which is likely to prejudice the person's exercise of functions as a member of the board (but does not include a financial or other interest arising merely by virtue of membership of the scheme or any connected scheme).
17. Subject to the agreement of the Scheme manager, the Chair must be satisfied that none of the members have any conflict of interest. If it is determined

that a member of the Pensions Board has a conflict of interest, the appointment of the member must be terminated.

18. All members are to sign the Conflict of Interest declaration form and these should be held as a record and reviewed annually. Any conflict of interest should be declared before each meeting.

Conduct of Business

19. The Chair of the Pension Board will report annually on the activities of the Pension Board to the Responsible Authority (SofS). This is to include a suitable response to the Pension Regulator's annual report. The report needs to have the support of all Pension Board members.

20. The Pension Board will meet at least every six months but usually no more than 4 meetings a year.

21. The Chair of the Pension Board may call a meeting at any time providing two weeks notice is given.

22. Minutes of all Pension Board Meetings will be recorded. Draft minutes will be circulated to the Pension Board and will be ratified by members at the next meeting.

23. A standing agenda will be used to guide the meeting and where there are specific issues to discuss, these will be put in as separate agenda items.

Committees and Sub Groups

24. The Pension Board may establish such committees and sub-groups as it sees fit. They will decide if they need to have separate ToRs and if so, they will take responsibility for writing them within the Pension Board ToRs; any ToRs will be approved by the Chair.

Pension Board's Responsibilities

25. The Pension Board will monitor the effectiveness and efficiency of the scheme administration and focus on scheme performance, continuous improvement, value for money, risk management and compliance with statutory requirements. The Pension Board:

- will monitor and advise the Responsible Authority on the service administration of the Pension Schemes in conjunction with the Scheme Administrator, DBS.
- will monitor the process and viability of the System Administrator's electronic data storage in order to assist with data extracts needed for actuarial valuations;
- will ensure that an effective risk management strategy is in place for the scheme and monitor DBS' risk management framework and internal control procedures;

- will ensure that the System Administrator has an effective audit strategy in place for the scheme and monitor the internal audit programme to check compliance;
- will ensure compliance with data management requirements;
- will report breaches of the law to the Regulator, when they have reasonable cause to believe that;
 - a legal duty which is relevant to the administration of the scheme has not been, or is not being, complied with; and
 - the failure to comply is likely to be of material significance to the regulator in the exercise of any of its functions.

Pension Board Members' Responsibilities

26. Members will be expected to:

- contribute in a way that will benefit scheme members, employers and the taxpayer;
- advise on policy issues affecting Armed Forces Pension Schemes;
- be a credible and visible consultative body for Armed Forces Pension Schemes;
- have or be prepared to develop appropriate knowledge and understanding of pensions legislation and best practice pensions governance; have a good understanding of and conversance⁵ with the Armed Forces Pension Schemes⁶ and allocate sufficient time to consider Pension Board Papers prior to boards;
- take part in training to gain an up to date and working knowledge of the Armed Forces Pension Schemes. Thereafter keep their knowledge up to date by regularly undergoing training as required;
- know where scheme rules and administration policies are relevant and where a particular provision or policy may apply;
- comply with legal requirements that relate to Pension Board members under the Act;
- be aware of the range and extent of pensions law applying to the scheme and recognise when and how it impacts on their responsibilities;
- be able to challenge failures to comply with the scheme rules and legislation relating to governance and administration.
- make every effort to attend any short notice meetings;

⁵ Conversance is working knowledge of scheme rules and policy documents so members can use them effectively in carrying out their duties.

⁶ AFPS 75, AFPS 05, AFPS 15, FTRS 97, RFPS 05 and NRPS.

- understand that if they fail to attend three consecutive meetings, they may be removed as a member;
- will be expected to inform the Chair of any changes in respect of possible conflicts of interest.