



AGENDA ITEM: 8

NORTH WALES FIRE AND RESCUE AUTHORITY AUDIT COMMITTEE

27th January 2014

PENSIONS INFORMATION

Report by Dawn Docx, Deputy Chief Fire Officer

Purpose of Report

- 1 To provide Members with an overview about the two different firefighters' pensions schemes operated by North Wales Fire and Rescue Authority.

Background

- 2 At the last meeting of the Audit Committee whilst discussing pension liabilities, Members requested a report on pensions.

Information

- 3 Appendix A provides information about the Firefighters' Pension Scheme 1992 which was closed to new members on 6 April 2006 and the New Firefighters' Pension Scheme which came into effect on 6 April 2006.

Recommendation

- 4 Members are asked to note the information.

The current schemes

There are now two main pension schemes for firefighters in England and Wales:

- The Firefighters' Pension Scheme 1992 (FPS), which came into effect on 1 March 1992 which has been amended from time to time since that date. It was closed to new members on 6 April 2006.
- The New Firefighters' Pension Scheme 2006 (NFPS) which came into effect on 6 April 2006.

Both schemes are Defined Benefit schemes, providing pension benefits on the basis of final salary. The schemes in England have some 36,000 active members, two thirds of whom are in the 1992 scheme. The average pension in payment in 2009-10 was £13,804.

Some of the key differences between the NFPS and FPS are:

- **Eligibility** - The NFPS is for regular, retained and volunteer firefighters who join the Fire and Rescue Service on or after 6 April 2006. This extends membership from that of the FPS, which was for regular firefighters only. Members of the FPS could elect to become members of the new pension scheme and in 2006 had the option of transferring the pension accrued in the existing scheme into the new scheme.
- **Normal pension age** - The NFPS has a normal pension age of 60. A member of the NFPS may retire at 55, subject to an actuarial reduction in the pension paid. There is also provision for the fire and rescue authority to permit a firefighter member to retire early from age 55 on an unreduced pension, having regard to the economical, effective and efficient management of their functions, but in that case the authority, rather than the pension fund, would have to meet the cost of the early payment. Deferred pensions are payable at age 65 in the event of someone leaving the service early.
- The FPS has a normal pension age of 55 (50 with 25 or more years' service) and deferred pension age of 60..
- **Accrual rate** - The NFPS has a single accrual rate of 1/60th. Members can accrue more than 40 years' pensionable service should they stay in service up to or beyond age 60, capped at 45 years' service. - In the FPS, pension accrues at 1/60th for each of the first twenty years of service and 2/60th for each of the final ten years. Pensionable service is restricted to 40/60ths (after 30 years' service).
- **Contribution rates** are higher in the FPS than the NFPS, reflecting the higher cost of the scheme. .
- **Partners' pensions** - The NFPS extends benefits to nominated partners, including those from same sex couples who choose not to enter into a civil partnership. In the FPS, partners' pensions are payable to a surviving spouse or civil partner.

Funding arrangements

The Firefighters' Pension Schemes are unfunded schemes which means that the current scheme income (through employee and employer contributions) pays for current scheme expenditure, with the difference being topped up by a Government grant.

Rationale for Change – costs

Currently, for every £1 paid into the Firefighters' Pension Schemes by the employee, the taxpayer contributes £5. Therefore, following the principles contained within the Hutton report the government is seeking to introduce a new pension scheme for all firefighters in April 2015. This will still be a defined benefits scheme but will be based on career average revalued earnings with reduced benefits and an increase in retirement age to 60. These changes are in line with The Public Service Pensions Act which received Royal Assent on 25th April 2013.

Transitional period

There also will be transitional statutory protections for qualifying, existing members.

All active scheme members who, as of 1 April 2012, have 10 years or less to their current normal pension age will see no change in when they can retire, nor any decrease in the amount of pension they receive at their current normal pension age. This protection will be achieved by the member remaining in their current scheme until they retire, which could be beyond 31 March 2022.

For Members who are up to 14 years from their current normal pension age, as of 1 April 2012 there will be a further four years of tapered protection.

The Fire Brigades Union objects to a number of changes in the new pension scheme 2015 particularly the raising of pension age to 60 and as a consequence is in dispute with the Government over this issue.