

## Circular



Circular number:	W-FRSC(2016) 21	Date issued:	30 November 2016
------------------	-----------------	--------------	------------------

Status:	For Action
---------	------------

Title:	<b>The Firefighters' Pension (Wales) Scheme (Amendment and Transitional Provisions) Order 2016 - Pension "Contributions Holiday"</b>
--------	--

Issued by:	Natalie Spiller FRS Governance, Capability and Response Officer
------------	--

Addressed to:	Please forward to:
Chief Fire Officers	Pension scheme administrators

<b>Summary</b>
This circular provides details of the pension "contributions holiday" provision which will come into force on the 31 December 2016. The Firefighters' Pension (Wales) Scheme (Amendment and Transitional Provisions) Order 2016 amends the Firefighters' Pension (Wales) Scheme 1992 and applies retrospectively to 1 December 2006.
FRAs are required to take action by 31 December 2016.

<b>For further information contact:</b>	
Kerry Citric Fire Services Branch Community Safety Division Welsh Government Merthyr Tydfil Office, Rhydycar Merthyr Tydfil CF48 1UZ	Direct Line: 0300 062 8226 Fax: 0300 062 8547 E-mail: <a href="mailto:Kerry.citric@wales.gsi.gov.uk">Kerry.citric@wales.gsi.gov.uk</a> Website: <a href="http://www.wales.gov.uk/fire">www.wales.gov.uk/fire</a>

## INTRODUCTION

1. Under the previous terms of the Firefighters' Pension (Wales) Scheme 1992, firefighters who are members of that Scheme are obliged to pay pension contributions until they reach age 50. However, their pensions can only reflect a maximum of 30 years' service. Those who joined the Fire Service between the ages of 18 and 20 and accrue 30 years pensionable service still have to continue paying contributions until they reach age 50, even though they cannot accrue any further pension benefits in return. The Welsh Government has concluded that this is unfair, and has legislated to correct that. The Scottish Government and the Home Office have taken similar action as regards firefighters in Scotland and England.
2. The Firefighters' Pension (Wales) Scheme (Amendment and Transitional Provisions) Order 2016 amends the 1992 Scheme by implementing an employee pension "contributions holiday" for scheme members who accrue the maximum 30 years' pensionable service prior to age 50. This applies from the point of accruing maximum pensionable service in the Scheme until the member's 50th birthday. No employee contributions are to be made during this period, and any such contributions already made after 1 December 2006 must be refunded, with interest. The costs of doing so will be met by the Welsh Government and the Treasury. The Order will come into force on 31 December 2016 and will apply retrospectively to 1 December 2006.
3. A link to the Firefighters' Pension (Wales) Scheme (Amendment and Transitional Provisions) Order 2016 can be found below.

<http://www.legislation.gov.uk/id/wsi/2016/1136>.

## ACTIONS FOR FRAs

4. FRAs have a statutory responsibility for the administration of firefighters' pension schemes in line with the scheme rules, and therefore must implement the pension "contributions holiday". Detailed guidance on implementing this change is attached (at Annex 1) to assist Scheme Managers and Scheme Administrators. Key points to note are:

### **Serving members:-**

- FRAs should cease to deduct employee contributions from current members of the 1992 Scheme who are under age 50 and have accrued the maximum 30 years' pensionable service from **31 December 2016**.
- If those affected members subsequently remain in employment with the fire service beyond age 50 then FRAs must resume deducting contributions from their pay as before, until the member retires, or opts out of the scheme (becoming entitled to a deferred pension payable from age 60).
- Employer contributions must continue to be paid for any period that a member is on a "contributions holiday".

### **Members entitled to re-imbusement:-**

- FRAs will need to identify those serving and retired 1992 Scheme members who are now entitled to a refund of contributions during the period 1 December 2006 to 31 December 2016 inclusive.

- HMRC has confirmed that the refund payments will generate an Unauthorised Payments Charge tax liability for the scheme member.
- FRAs must make the necessary administrative arrangements to process refund payments to affected 1992 Scheme members, with the majority being made by **31 March 2017** where possible. A more detailed timetable for processing grant funding and payments to those individuals affected by the change is set out below:

<b>Date</b>	<b>Action</b>
<b>By 31 December 2016</b>	FRAs to identify serving members eligible for a “contributions holiday” and put steps in place to cease contributions.
<b>By 31 January 2017</b>	FRAs provide the Welsh Government with estimates on refund payments to be made using the GAD calculator provided.
<b>By 15 February 2017</b>	The Welsh Government to pay additional grant to FRAs based on 100% of estimates submitted by FRAs.
<b>By 31 March 2017</b>	FRAs to make refund payments to affected scheme members, with the majority of payments to be made by end of FY 2016/17.
<b>May/June 2017</b>	The Welsh Government to collect unaudited 2016/17 pensions income and expenditure data as part of the existing top up grant mechanism.
<b>August 2017</b>	The Welsh Government to pay top up grant to reflect any differences between unaudited pension income and expenditure in respect of 2016/17 compared to that estimated (where income should include the additional grant payment received from the Welsh Government and the expenditure should include refunded contribution payments made to affected scheme members)

5. The Welsh Government has contributed to the cost of a bulk calculator, prepared by the Government Actuary’s Department (GAD), to help FRAs to calculate the refund payments to be made to those members affected by the retrospective application of the provision. GAD is currently developing this calculator and accompanying user guide for use by Welsh FRAs. We will issue these to FRAs by mid December.
6. FRAs should note that the calculator may not be suitable for processing all calculations, and some bespoke calculations may be required. The costs of any

bespoke calculations commissioned from GAD must be met by the FRA that has originated such a request.

7. The reimbursement of payments will be made through an additional top-up grant payment in this financial year. In order for the Welsh Government to provide sufficient funding to FRAs, to enable the payment of refunds to affected members, FRAs are required to provide estimates of the total amount of refund payments that they expect to make. Once FRAs receive the GAD calculator they should complete the return at Annex 2 for this purpose. This should be submitted to [Kerry.citric@wales.gsi.gov.uk](mailto:Kerry.citric@wales.gsi.gov.uk) no later than 31 January 2017.
8. FRAs may wish to contact qualifying firefighters to notify them of the broad timescales and processes involved in paying the refunds. A template letter is attached at Annex 3 (Welsh version) and Annex 3a (English version). This letter also seeks authority from individuals for FRAs to pay HMRC unauthorised tax charges on their behalf.
9. If you would like to discuss any part of this guidance or any other matter relating to the employee pension “contributions holiday” provision please contact [Kerry.citric@wales.gsi.gov.uk](mailto:Kerry.citric@wales.gsi.gov.uk) or phone 0300 062 8226.

**Natalie Spiller**  
**Fire Services Branch**  
**Welsh Government**