

Wales Fire and Rescue Service

Circular



Llywodraeth Cymru
Welsh Government

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Status:	For Action
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Title:	Firefighters' Pension Account Estimates
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Issued by:
Natalie Spiller Fire Services Branch

Addressed to:	Please forward to:
Chief Fire Officers	Treasurers Pensions Officers

Summary
This circular requests each Fire and Rescue Authority (FRA) to complete the financial and non-financial sections of the attached pensions form (FPF1) by 17 December 2021.

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Introduction

1. Since 2007, FRAs have administered and paid firefighters' pensions, as well as any future pensions for new entrants, from a separate local firefighters' pension fund. Employee and employer contributions are paid into the pension fund from which pension payments are made.
2. Where contributions are insufficient to meet the cost of pension payments, the Welsh Government provides grant funding to meet the shortfall. This top-up grant is based on pensions income and expenditure estimates provided by FRAs via "FPF1" returns.
3. FRAs last provided an update on their estimates for 2021-22 onwards earlier this year, (W-FRSC(2021)06 dated 08 March 2021 refers).

Revised Estimates

Assumptions

4. FRAs are now being asked to revisit and amend their estimates for 2021-22, 2022-23 and 2023-24, and also provide estimates for 2024-25 within the FPF1 return.
5. Recent Office of Budgetary Control (OBR) Guidance sets out the following instructions to Schemes when submitting their forecasts:-
 - FRAs should include their own local workforce planning assumptions regarding retirements, other leavers and joiners, etc in their estimates for future years. FRAs should provide an explanation of any further assumptions made in order to project the figures. This explanation should cover any significant changes to the assumptions provided in April. This can be done by adding text to the form or in a covering note.
 - OBR Guidance states that forecasts should reflect the latest pay awards, therefore, a **1.5% pay increase** should be applied for 2021-22. Pay drift of a further **0.5%** should also be included.
 - In the absence of any agreed awards for 2022-23 onwards, please use the following OBR default assumptions:-
 - 2022-23 - 5.3% settlement (including pay drift).
 - 2023-24 – 2.8% settlement (including pay drift)
 - 2024-25 – 2.6% settlement (including pay drift).
 - The multiplier for 2022/23 is the OBR's estimate for overall earnings growth in the UK economy during this period. It does not necessarily mean that we expect firefighters to receive a pay increase of this magnitude.
 - Forecasts of transfers should be based on confirmed transfers only and should also be accounted for in the sending or receiving scheme.

Sargeant Remedy Costs

6. The current Public Service Pensions and Judicial Offices Bill will close legacy (1992 and 2007) schemes on 31 March 2022. As a result, no further contributions should be added to these schemes from 1 April 2022 apart from periodic payments of contributions that relate to the purchase of pension for past service (this will include added pension agreements that were in place prior to April 2022, Modified Scheme payments and payments in light of the Booth judgment about pensionability of allowances).

7. In addition, FRAs should **not** at this stage make any assumptions in the estimates for 2022-23 onwards regarding the costs of remedy resulting from the Sargeant and others vs London Fire Commissioner and others. The Welsh Government will use projected costs provided by the Government Actuary's Department to complete OBR returns; however, should we receive requests from OBR for further information, we will be in touch with FRAs to obtain estimates at a later date.

Immediate Detriment

8. On 29 November, the Home Office withdrew its informal guidance in relation to processing immediate detriment cases, and shared a note from HM Treasury setting out their assessment on the advisability of processing immediate detriment cases before new legislation is in place. FRAs will have received a copy of this advice via the Local Government Association, although it has no status in law.

9. The Welsh Government cannot give definitive advice or guidance to FRAs on the discharge of their functions in s61 of the Equality Act. Furthermore, we have not been involved in the preparation of this advice, nor in discussions with the Treasury and HMRC about non-devolved tax issues in particular. We can only note that FRAs which choose to process immediate detriment cases in reliance on s61 do so at their own risk. It would be prudent to inform any scheme members involved of that, and of the likelihood that any offer of legacy scheme pension would be subject to recalculation after scheme rules have been amended, including in ways which were adverse to the member concerned.

10. Processing immediate detriment cases would probably give rise both to payments into the pension fund (when members make good any deficit in higher historic contributions for remedy period service) and payments out of it (in the form of legacy scheme pensions and lump sums). As set out in paragraph 7 above, FRAs should not make any estimates for pension income or outgo in respect of immediate detriment cases in their FPF returns. However, if FRAs process any cases, actual payments into and out of the pension fund should be included in this and future returns as part of the payments relating to the legacy scheme in question. FRAs will need to ensure that these payments comply with the scheme rules relating to pension funds, ie that they are properly payments of legacy scheme benefits, or contributions in respect of such benefits.

Amendments to the FPF Returns

11. Following a meeting with the FRAs on the 8 November, the guidance section of the FPF1 return has been updated to ensure consistency is adopted when calculating and completing the returns. Amendments are summarised below for ease of reference:-

Pensionable Pay (lines 1a-1d of the FPF1 return)

Current year estimates / projections for future years – provide a total sum of pensionable pay based on estimated employer contributions for the scheme in that financial year. Any amount relating to purchase of past service rights in the employer contributions should be excluded.

These changes will also be reflected in the pensionable pay section of the FPF2 and FPF3 Returns when these data returns are next issued.

Income – Employee and Employer Contributions (lines 2a -3d of the FPF1 Return)

Use the total amount of employee and employer contributions for each Scheme based on the contribution rates as set out in the most recent Welsh Government circulars. Include any pay award assumptions advised by Welsh Government.

Current Financial Year - For the 2021-22 estimate, actual employee / employer contributions should be used for the year to date and then pro-rated for the 12 month period. Figures should be adjusted to take into account transfer of tapered members and expected leavers / joiners (as reflected in the non-financial section below).

Projections for Future Years - Expected retirements and anticipated recruitment/progression should be included in projections for future years.

Employee Contribution Breakdown

12. Lines 2d and 2e of the original FPF1 return (which provided a break-down of contributions in respect of the modified sections of the 2007 scheme) have been removed. A new separate table will be created which provides a breakdown of employee contributions for the purchase of past membership under the Modified Scheme and similarly purchase of past membership for Booth rectification.

Ill health (line 4 of the FPF1 Return)

This is the total value of the ill health lump sums payments made into the pensions fund in that year.

Current financial year –For 2021-22 estimates use the total value of ill health lump sums to date and pro-rata to give full year estimate (or where information is available on ill-health retirements in progress include this)

Projections for future years – Calculate using the average total ill health lump sum payments made into the pensions fund over the last 3 years.

Inward and Outward Transfers (lines 5 and 9 of the FPF1 Return)

Please note that OBR guidance on inward and outward transfers is that only confirmed transfers should be included in the returns.

Pensions Outgo (line 7 of the FPF1 Return)

This is the total amount of pensions outgo for 1992 FPS, 2007 NFPS, RDS Modified Scheme and 2015 FPSW. Pensions Outgo should exclude injury benefits/awards under the Compensation Scheme, the costs of which are not met through the Pension fund.

Current financial year - For 2021-22 include actual costs to date and pro rata to get costs for full 12 months.

Projections for future years - calculate using 2021-22 Pension outgo (excluding commutations/death grants) and increase payment year on year in line with CPI, plus forecasted new pensioners. Include Commutation lump sums based on average per firefighter over a 3 year period x forecast new pensioners.

13. FRAs are requested to return the completed forms to fire@gov.wales by 17 December 2021. Please note that a signed copy of the return is required. This can be in electronic form.

**Natalie Spiller
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