

Circular



Circular number:	W-FRSC(2015)10	Date issued:	21 April 2015
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Status:	For Action
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Title:	The Firefighters' Pension Scheme (Wales) 2015
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Please forward to:

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Summary

This circular provides details of the introduction of the Firefighters' Pension Scheme (Wales) 2015 from 1 April 2015 onwards.

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CLG Ref:	N/A
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The Firefighters' Pension Scheme (Wales) 2015

Introduction

1. Responsibility for firefighters' pension schemes in Wales is devolved to the Welsh Ministers under the Fire and Rescue Services Act 2004 and the Public Service Pensions Act 2013. The design of the 2015 Scheme was detailed in Welsh FRS Circular (W-FRSC (2015)04) issued on 16 February. This circular should be read in conjunction with the details provided below.

2. To introduce the 2015 Scheme from 1 April 2015, the following statutory instruments have been made and laid before the National Assembly for Wales:-

- **The Firefighters' Pension Scheme (Wales) Regulations 2015** - To establish a scheme for the payment of pensions and other benefits to firefighters in Wales from 1 April 2015. These regulations include the employee contribution rates for the new 2015 Scheme, new governance arrangements (See paras 11-15 below for more details) and cost cap figure for the Scheme as identified through the 2012 Valuation for Wales (See para 8 below for more details). Link to regulations <http://www.legislation.gov.uk/wsi/2015/622/contents/made>
- **The Firefighters' Pension Scheme (Wales) (Consequential Provisions) Regulations 2015** - modify how primary legislation on pensions legislation applies to the new firefighter pension scheme, to ensure that certain current members of public service pension schemes can join new pension schemes as active members, whilst retaining certain benefits in their existing schemes, under the Public Services Pensions Act 2013. Link to regulations <http://www.legislation.gov.uk/wsi/2015/848/contents/made>
- **The Firefighters' Pension Scheme (Wales) (Transitional and Consequential Provisions) Regulations 2015** - The aim of these Regulations is to set out how members move from a final salary Scheme (ie, the 1992 or 2007 Schemes) to the career-average 2015 Scheme. In particular, the Regulations protect the rights that members have accrued in the 1992 and 2007 schemes, ensuring that these rights will be correctly represented and administered from the time that the member joins the 2015 Scheme. (See paras 9&10 below for more details). Link to regulations <http://www.legislation.gov.uk/wsi/2015/1016/contents/made>
- **The Firefighters' Compensation Scheme and Pension Scheme (Wales) (Amendment) Order 2015** - updates provisions as a consequence of the coming into force of the 2015 Scheme, to ensure that members of the 2015 Scheme, firefighters eligible to be members of the 2015 Scheme, and their qualifying survivors, receive compensation awards in the event of a qualifying injury or death in service in accordance with the Compensation Scheme. This Order also extends the time available to fire and rescue authorities to complete the options exercise by 2 months, meaning that the new deadline will be 29 February 2016. Link to order <http://www.legislation.gov.uk/wsi/2015/1013/contents/made>

- **The Firefighters' Pension (Wales) Scheme (Contributions) (Amendment) Order 2015** - Sets out the revised 1992 Scheme pensionable pay bands to include the 1% annual uprating for the next four years from 1 April 2015. The figures have been rounded down to the nearest pound to simplify the administration of the scheme. Link to order <http://www.legislation.gov.uk/wsi/2015/1014/contents/made>

Employer and Employee Contribution Rates from 1 April 2015 onwards

3. As detailed in the earlier circular (W-FRSC (2015)04) all active members who, as at 1 April 2012, had 10 years or less to their current Normal Pension Age (NPA) (55 years in 1992 Scheme and 60 years in the 2007 scheme) will see no change in when they can retire, or any decrease in the amount of pension they receive at their current NPA. This means these members will remain in their existing schemes and **will not transfer** to the Firefighters' Pension Scheme (Wales) 2015.

4. There will be a further 4 years of tapered protection for scheme members. This means members who are up to 14 years from their current NPA, as of 1 April 2012, will have limited protection so, on average, for every month of age they are beyond 10 years of their NPA, they gain about 53 days of protection, before they transfer to the Firefighters' Pension Scheme 2015.

5. All other active members will transfer to the new Firefighter Pension Scheme (Wales) 2015. For those members who remain in either the 1992 or 2007 Schemes (under full or tapered protection) the employee contribution rates are attached at Annexes 1 and 2 respectively. The employee contribution rates for the new 2015 Scheme are also attached at Annex 3.

6. The employer contribution rates for each of the three Pension Schemes have been calculated through the actuarial valuation of the Welsh Scheme as at 31 March 2012. A copy of the final valuation report is attached at Annex 4.

7. The employer contribution rates with effect from 1 April 2015 are as follows:-

	1992 Scheme % of pay	2007 Scheme % of pay	2015 Scheme % of pay
Employer Contribution rate payable from 1 April 2015	25.5	16.8	14.3

8. The valuation has been undertaken in accordance with The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014, which specify certain assumptions and require other assumptions to be the Welsh Ministers' best estimates. The next valuation of the Scheme will be as at 31 March 2016 and will confirm the employer contribution rate applicable from 1 April 2019. This will then follow a rolling four year programme of valuations across all public sector schemes.

9. Previous circulars have details that, for members of the 1992 scheme, the Welsh Government will further meet:

- Members' expectation of double accrual for service accrued under the Firefighters' Pension Scheme 1992; so that a member's full continuous pensionable service upon retirement will be used to calculate an averaged accrual rate up to a maximum accrual rate of 1/45th.

- Members' expectation of being able to access their 1992 scheme benefits when they retire at that scheme's 'ordinary pension' age (i.e. from age 50 with 25 or more years pensionable service), subject to abatement rules for that scheme.
- Pensionable service for the purpose of calculating the ordinary pension age will include any continuous pensionable service accrued under both the 1992 scheme and the 2015 scheme members' expectation of an actuarially assessed commutation factor for benefits accrued under the 1992 Scheme."

10. The Firefighters' Pension Scheme (Wales) (Transitional and Consequential Provisions) Regulations 2015 addresses these remaining issues, describing how members will access their accrued rights.

Governance

11. The Firefighters' Pension Scheme (Wales) Regulations 2015 detail the new governance arrangements including the establishment and membership of Local Pension Boards and the Firefighters' Pension Scheme Advisory Board for Wales, and stipulate the role of the scheme manager. They also confer a power on the Welsh Ministers and Scheme Managers (Fire and Rescue Authorities) to delegate their functions.

12. The Minister for Public Services has appointed an independent Chair to the Firefighters' Pension Scheme Advisory Board for Wales: Mr Michael Prior, currently a partner in a law firm specialising in pension's law. The Minister will also appoint other members of the Board to represent employers and firefighters' representative organisations, and we will seek nominations for these positions in due course. It is envisaged the Board will meet three times a year and Welsh Government officials will provide the secretariat role.

13. The Public Service Pensions Act 2013 extends the Pension Regulator's role to include public service pension schemes. The Pension Regulator's focus is on compliance with basic standards of governance, supervision and transparency in each scheme and by each Scheme Manager.

14. The key areas within the Pensions Regulator Code of Practice are as follows:-

- **Governing your scheme** – This includes knowledge and understanding required by pension board members, conflicts of interest and information to be published about schemes
- **Managing risks** - Internal controls
- **Administration – This includes** scheme record-keeping, maintaining contributions and information to be provided to members
- **Resolving issues – This includes** Internal dispute resolution and reporting breaches of the law

15. A link to the Code of Practice is:-

<http://www.thepensionsregulator.gov.uk/codes/code-governance-administration-public-service-pension-schemes.aspx>

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