

Circular



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Status:	For Action
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Title:	Financial Arrangements for Firefighter Pensions: Top-up Grant Forms 2023-24
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Issued by:	Steffan Herdman Fire Services Branch
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Addressed to:	Please forward to:
Chief Fire Officers	Treasurers Pensions Officers Pension Scheme Administrators

Summary
<p>This circular request each Fire and Rescue Authority (FRA) to complete the attached pension forms (FPF2 and FPF3), and confirm estimates already provided for 2023-24 onwards (FPF1) by 3 April 2023.</p> <p>This information will be used to calculate final top-up grant payments to FRAs in respect of 2021/22 (FPF3) and 2022/23 (FPF2) and interim payment for 2023-24 (FPF1).</p>

For further information contact:	
Fire Services Branch Welsh Government Rhydycar Merthyr Tydfil CF48 1UZ	Direct Line: 0300 0628679 E-mail: fire@gov.wales Website: Fire and rescue

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.

WELSH GOVERNMENT TOP UP GRANT

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 "FPF" returns.

3. 80% of estimates for 2022/23 (less any surplus from 2021-22) were made to all three FRAs in April 2022. As part of the next payment of top up grant, FRAs will receive:-

- 80% of the top up grant they have estimated they will require in 2023/24;
- The remainder of top up funding for 2022/2023 if applicable i.e. the difference between the advance funding already provided and the final shortfall in funding (less any surplus from 2021-22);
- An adjustment for any difference between 2021-22 unaudited and audited data;
- For FRAs who have a surplus from 2022-2023, this will be deducted from the 80% top up grant for 2023/24.

4. We will write to each FRA separately outlining the calculation used and proposed grant offer in due course.

FPF PENSION RETURNS

5. FRAs are required to complete the attached financial returns showing final unaudited pension fund information for 2022/23 (FPF2 form), final audited pension fund information for 2021/22 (FPF3 form) and estimates for 2023-24 onwards (FPF1). Please ensure that financial information for 2022-23 is consistent on both the FPF1 and FPF 2 return. FRAs should particularly note:-

Retirements and other staff movements

- FRAs should include their own local workforce planning assumptions regarding retirements, other leavers and joiners, etc in their estimates for future years.

Pay

- OBR Guidance states that returns should reflect latest pay awards which are as follows :-
 - 2022-23 – 7% settlement
 - 2023-24 – 5% settlement

- In the absence of any agreed awards for 2024-25 onwards, please use the following OBR default assumptions:-
 - 2024-25 – 1.7% settlement
 - 2025-26 – 1.6% settlement
- Forecasts of transfers should be based on confirmed transfers only and should also be accounted for in the sending or receiving scheme.

Closure of Legacy Schemes from April 2022

- The Public Service Pensions and Judicial Offices Act closed 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).

Sargeant Retrospective Remedy

- Transitional protection age discrimination remedy will be introduced into scheme regulations from 1 October 2023. We will provide guidance on how the financial implications of remedy should be reflected in FPF returns as part of our next scheme financial data collection in October/November this year. FRAs should not attempt to calculate such costs now, or include them in the current FPF returns. We do not envisage that there will be a major issue with FRA cashflows this year as a result of the interaction of Sargeant remedy and the legislative requirements in respect of the top up grant and 80% advance top up grant. This is because we anticipate that even immediate detriment cases will take some time for FRAs to process. The deadline for the issue of Remedial Service Statements in all cases is 18 months after the implementation date of 1 October 2023.
6. Please note that employer and employee contributions in all of the returns should include the total contribution made in the relevant year including contributions relating to service in the relevant year and contributions made to purchase past service (e.g. in respect of 2007 modified scheme members and Booth) should be included in these totals. In previous returns, we have asked FRAs to also provide a breakdown of the latter in respect of employee contributions. That breakdown is no longer required as part of this return and will be requested separately.
7. FRAs are asked to confirm the estimates already provided for 2023-24 (FPF1) onwards or amend those figures as necessary. FRAs are also requested to provide unaudited and audited pension fund information, by completing pension forms FPF2 and FPF3. Completed forms to be returned to fire@gov.wales by 3 April 2023. Please note that a signed copy of the return is required, this can be in electronic format.

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Welsh Government