

Due to the current heightened security level at all our premises, Members are reminded to wear their identity badges whilst attending meetings. Any visitors must produce photographic identification at Reception.

LOCAL PENSION BOARD COMMITTEE SUMMONS

SOUTH WALES FIRE & RESCUE AUTHORITY

You are required to attend a meeting of the Local Pension Board Committee to be held at **South Wales Fire & Rescue Service Headquarters, Forest View Business Park, Llantrisant, CF72 8LX** on **Thursday, 2 July 2015** in Room 8 at 1030 hours.

A G E N D A

1. Apologies for Absence
2. Declarations of Interest

Members of the Fire & Rescue Authority are reminded of their personal responsibility to declare both orally and in writing any personal and/or prejudicial interest in respect of matters contained in this agenda in accordance with the provisions of the Local Government Act 2000, the Fire & Rescue Authority's Standing Orders and the Members Code of Conduct.

3. Chairman's Announcements
4. Local Pension Board – Terms of Reference and Delegated Authorities 3
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8. Local Pension Board – Firefighters' Pension Scheme (Wales) 2015 29

Signature of Proper Officer:



MEMBERSHIP
Councillors:

S	Bradwick	Rhondda Cynon Taf
K	Hyde	Cardiff
A	Jones	Torfaen
R	McKerlich	Cardiff
B	Morgan	Rhondda Cynon Taf
J	Morgan	Blaenau Gwent
S	Pickering	Rhondda Cynon Taf
V	Smith	Monmouthshire
Vacant		
Vacant		
Vacant		

SOUTH WALES FIRE AND RESCUE AUTHORITY
LOCAL PENSION BOARD (LPB)

TERMS OF REFERENCE AND DELEGATED AUTHORITIES

1. Purpose of the Local Pension Board

1.1	The role of the Local Pension Board as defined by Sections 5(1) and (2) of the Public Service Pensions Act 2013, is to:	FA 16.03.15 Min No. 60.5
1.1.1	<p>Assist the South Wales Fire and Rescue Authority as Scheme Manager:</p> <ul style="list-style-type: none"> • To secure compliance with the Firefighters' Pension Scheme(s) regulations and any other legislation relating to the governance and administration of the Firefighters' Pensions Scheme(s) • To secure compliance with requirements imposed in relation to the Firefighters' Pension Scheme(s) by the Pension Regulator. • In such other matters as the Firefighters' Pension Scheme(s) regulations may specify 	FA 16.03.15 Min No. 60.5
1.1.2	Secure the effective and efficient governance and administration of the Firefighters' Pension Scheme(s) for the South Wales Fire and Rescue Authority (Firefighters' Pension Fund).	FA 16.03.15 Min No. 60.5
1.1.3	Provide the Scheme Manager with such information as it requires to ensure that any member of the Local Pension Board or person to be appointed to the Local Pension Board does not have a conflict of interest.	FA 16.03.15 Min No. 60.5

SOUTH WALES FIRE & RESCUE AUTHORITY
LOCAL PENSION BOARD COMMITTEE

AGENDA ITEM 4
 2 JULY 2015

1.1.4	Provide scrutiny on all aspects of the constituent pension schemes.	
1.1.5	Provide advice to the Scheme Manager is required.	

2. General Authority

2.1	The Local Pension Board will be bound by the Authority's procedural, general and financial standing orders save that amendments to conflicts of interest under the Members Code of Conduct will apply in relation to Trade Union Members of the Local Pension Board by virtue of their membership to one of more t-of the relevant pension schemes.	
2.2	The Local Pension Board will ensure it effectively and efficiently complies with the Code of Practice on the governance and administration of public service pension schemes issued by the Pension Regulator.	FA 16.03.15 Min No. 60.5
2.3	The Local Pension Board will also help ensure that the Firefighters' Pension Scheme(s) are managed and administered effectively and efficiently and complies with the Code of Practice on the governance and administration of public service pension schemes issued by the Pension Regulator.	FA 16.03.15 Min No. 60.5
2.4	The Local Pension Board shall meet sufficiently regularly to discharge its duties and responsibilities effectively.	FA 16.03.15 Min No. 60.5
2.5	The Local Pension Board will manage its workload through a Forward Work Programme that will consider each constituent pension scheme and will report annually to the Fire and Rescue Authority as Scheme Manager.	

SOUTH WALES FIRE & RESCUE AUTHORITY
LOCAL PENSION BOARD COMMITTEE

AGENDA ITEM 4
 2 JULY 2015

3. Appointment of Members of the Local Pension Board

3.1	Membership of the Local Pension Board is governed by the Authority's Procedural Standing Orders.	
3.2	The Local Pension Board may, with the approval of the Scheme Manager, co-opt persons who are not members of the Board to serve on sub-committees, particularly where this would add skills and experience. The maximum term of co-opted non-voting members to a committee shall be 6 years, with an option for a further 4 years. Notwithstanding the appointment of co-opted members, the majority of the Board shall be comprised of employer and Scheme member representatives, represented in equal number.	FA 16.03.15 Min No. 60.5

4. Local Pension Board Review Process

4.1	The Local Pension Board will undertake each year a formal review process to assess how well it and its committees, and the members are performing with a view to seeking continuous improvement in the Board's performance	FA 16.03.15 Min No. 60.5
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LOCAL PENSION BOARD - FIREFIGHTERS PENSION SCHEMES

SUMMARY

The Public Services Pension Act (PSPA) 2013 sets out the new arrangements for the creation of schemes for the payment of pensions and other benefits. The PSPA 2013 gives powers to the Pensions Regulator to operate a system of independent oversight of the operation of these Schemes.

Under the terms of the PSPA 2013, the Fire & Rescue Authority is the recognised Scheme Manager and as such needs to identify through which mechanism it intends to fulfil its role and obligations.

This report sets the background issues relating to the to the Fire & Rescue Authority's management of the Firefighters' Pension Scheme 1992 (FPS 1992), the Firefighters' Pension Scheme (Wales) 2007 (FPS 2007) and the new Firefighters' Pension Scheme (Wales) 2015 (FPS 2015), which was introduced on 1 April 2015.

RECOMMENDATION

The Local Pension Board assume responsibility for the governance of the Fire & Rescue Authority's management of the Firefighters' Pension Scheme 1992 (FPS 1992), the Firefighters' Pension Scheme (Wales) 2007 (FPS 2007) and the new Firefighters' Pension Scheme (Wales) 2015 (FPS 2015).

The Local Pension Board assume responsibility for the scrutiny of all the Firefighters' Pension Schemes and report any matters of concern to the Fire & Rescue Authority.

1. BACKGROUND

- 1.1 Firefighter pensions are devolved to Welsh Ministers under the Fire and Rescue Services Act 2004. There are currently three Pensions Schemes for Firefighters in Wales: the Firefighters Pensions Scheme 1992 (PPS), the New Firefighters Pension Scheme 2007 (FPS 2007) and the Firefighters Pension Scheme (2015).
- 1.2 The PSPA 2013 received Royal Assent on 25 April 2013 and has lead to the reform of public service pension schemes based on the recommendations outlined by the Independent Public Service Committee led by Lord Hutton.

- 1.3 The PSPA 2013 sets out the new arrangements for the creation of schemes for the payment of pensions and other benefits. The PSPA 2013 provides powers to Ministers to create such schemes according to a common framework of requirements. The PSPA 2013 gives powers to the Pensions Regulator to operate a system of independent oversight of the operation of these Schemes.
- 1.4 Under the terms of the PSPA 2013, the Fire & Rescue Authority is the recognised Scheme Manager and as such needs to identify through which mechanism it intends to fulfil its role and obligations.

2. ISSUES

- 2.1 Governance requirements are set out in the Public Service Pensions Act 2013 puts in place the legislative framework for the new governance arrangements for public services pension schemes. This includes the establishment of a “Local Pension Board”. Due to the devolved nature of Firefighter pension schemes under the Public Service Pensions Act 2013 the Welsh Ministers are the Responsible Authority for the Firefighter Pension Scheme in Wales.
- 2.2 The “Local Pension Board” needed to be established from 1 April 2015 and forms part of the Public Service (Firefighters) Pensions (Wales) Regulations. Members will be aware that the Fire & Rescue Authority formally established its Local Fire Pension Board at its meeting on 14 March 2015.
- 2.3 The term “Local Pension Board” means the Local Pension Board for the South Wales Fire & Rescue Authority, administering authority for the South Wales Fire & Rescue Authority (firefighters’ pensions fund) as required under the Public Service Pensions Act 2013.
- 2.4 “Scheme Manager” means the South Wales Fire & Rescue Authority as the administering authority for South Wales Fire & Rescue Authority (firefighters’ pensions fund).
- 2.5 “Scheme” the Firefighters Pensions Scheme 1992 (PPS), the New Firefighters Pension Scheme 2007 (FPS 2007) and the Firefighters Pension Scheme (2015).
- 2.6 “Scheme Administrator” is identified as Rhondda Cynon Taf Pension Section who administer all the relevant public sector pension schemes on behalf of South Wales Fire & Rescue Authority via a service level agreement.

- 2.7 Each Local Pension Board is required to assist its Scheme Manager (the Fire & Rescue Authority) to:
- secure compliance with the 2015 Scheme regulations, and with any other provisions relating to the governance, administration of the scheme and provision of pension benefits by the relevant FRA; and
 - secure compliance with the requirements imposed by the scheme and any connected scheme by the Pensions Regulator.
 - ensure the effective and efficient governance and administration of the Scheme.
- 2.8 The Scheme Manager must be satisfied that a person appointed to a Local Pension Board, representing either the employer or members of the Scheme, must have relevant understanding and capacity both initially and on an on-going basis throughout the term of their appointment. Former Firefighters (including pensioner members if no longer employed as a Firefighter) cannot be a member representative. In terms of employer representatives these are appointed for the purpose of representing employers and maybe, but are not limited to, Councillors or Officers of the FRA.
- 2.9 An Officer or Member of the Fire & Rescue Authority which is responsible for making decisions on the pension scheme (apart from any function relating to a Local Pension Board or the Firefighters' Pension Scheme Advisory Board for Wales) is not permitted to be a Member of the Local Pension Board as the Local Pension Board may be scrutinizing the decisions of that Officer or Member.
- 2.10 The Scheme Manager may wish to require Members appointed to a Local Pension Board to undertake specific training both initially and during the terms of their appointment and to require the Local Pension Board to maintain records of individual attendance and modules undertaken.

3. FINANCIAL IMPLICATIONS

3.1 Set out below is a comparative table identifying the composition of current pension scheme Members:

	Firefighters' Pensions Scheme 1992	Firefighters' Pension Scheme 2007	Firefighters' Pension Scheme 2015
Current members from 1st April 2015	392	46	769
Retirements 2014/15 (including ill health)	22	2	0
Ill health retirements 2014/15	2	2	0
Opt outs 2014/15	4	18	0

3.2 The Government Actuary Department issued a draft actuarial valuation report as at 31 March 2012 on 25 February 2015. The substantive document has yet to be issued.

3.3 The Firefighters Pension Fund Account (the Fund) was set up 1 April 2007 to accommodate the financing arrangements for scheme members.

3.4 The fund is administered by the Authority and is managed and reported on a financial year basis.

3.5 The Fund is managed on a cash flow basis which consists largely of payroll contributions for active members (cash flows in) and retirement costs for past members (cash flows out).

3.6 The cash flow position is assessed at the end of the financial year and the balance is either paid to or received from Welsh Government (WG).

3.7 Recent years have seen retirement costs significantly outstrip contributions into the fund e.g. £10 million and in consequence WG have funded the deficit.

4. EQUALITY RISK ASSESSMENT

4.1 An Equality Risk Assessment has been undertaken to assess the potential impact relative to the future roles and responsibilities associated with the governance of the Firefighters' Pensions Schemes.

4.2 The assessment concluded that there were no adverse impacts on any individual or group of personnel at this juncture.

5. RECOMMENDATIONS

- 5.1 The Local Pension Board assume responsibility for the governance of the Fire & Rescue Authority's management of the Firefighters' Pension Scheme 1992 (FPS 1992), the Firefighters' Pension Scheme (Wales) 2007 (FPS 2007) and the new Firefighters' Pension Scheme (Wales) 2015 (FPS 2015).
- 5.2 The Local Pension Board assume responsibility for the scrutiny of all the Firefighters' Pension Schemes and report any matters of concern to the Fire & Rescue Authority.

Contact Officer:	Background Papers:
ACO Philip Haynes Director of People Services	None

- 1.4 The Authority does not have the power to invest the money as would normally be the case with a pension fund. If the fund has insufficient money to meet all of its pension liabilities, the Secretary of State will make up the shortfall; if the fund is in surplus, the Secretary of State will take the excess to cover any shortfall in the funds of other authorities.
- 1.5 Social Security rules can have an impact on the way pension schemes work. The FPS is "contracted out" of the State Second Pension arrangements. To be given contracted-out status a pension scheme has to meet certain minimum requirements. Members of a contracted-out scheme pay a lower, contracted out rate of National Insurance contributions.
- 1.6 The FPS is a registered pension scheme for the purposes of the Finance Act 2004. This means that HM Revenue and Customs allow certain tax concessions. Contributions attract tax-relief and some benefits, provided they are within required limits, are exempt from tax charges.
- 1.7 Like all other pension schemes, the FPS must comply with Pension Acts although, as a public service scheme, it is exempt from certain requirements. Regulations made under Pension Acts requires the Scheme Manager (the Fire & Rescue Authority) you to be given items of basic information about the Scheme.

2. ISSUES

- 2.1 Governance requirements are set out in the Public Service Pensions Act 2013 puts in place the legislative framework for the new governance arrangements for public services pension schemes. This includes the establishment of a "Local Pension Board". Due to the devolved nature of Firefighter pension schemes under the Public Service Pensions Act 2013 the Welsh Ministers are the Responsible Authority for the Firefighter Pension Scheme in Wales.
- 2.2 South Wales Fire & Rescue Authority is the responsible Scheme Manager for the Firefighters' Pension Scheme 1992.
- 2.3 The Local Pension Board is responsible for the governance and scrutiny for the Fire & Rescue Authority's management of the Firefighters' Pension Scheme 1992 and must report significant issues, breaches or conflicts of interest to the Scheme Manager.
- 2.4 Attached at Appendix 1 is a summary of the Key features of the Fire Pension Scheme 1992

3. FINANCIAL IMPLICATIONS

3.1 There are no immediate financial issues arising from this report.

4. EQUALITY RISK ASSESSMENT

4.1 An Equality Risk Assessment has been undertaken to assess the potential impact relative to the future roles and responsibilities associated with the governance of the Firefighters' Pensions Schemes.

4.2 The assessment concluded that there were no adverse impacts on any individual or group of personnel at this juncture.

5. RECOMMENDATIONS

5.1.1 The Local Pension Board notes the Key Features of the Firefighters' Pension Scheme 1992 as appended to the report.

5.2 The Local Pension Board acknowledges its responsibility in relation to the governance and scrutiny for the Fire & Rescue Authority's management of the Firefighters' Pension Scheme 1992.

Contact Officer: ACO Philip Haynes Director of People Services	Background Papers: None
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Appendix 1

Key features of the Fire Pension Scheme 1992

This section is applicable to those Active Members including those who have been afforded transitional protection in the Fire Pension Scheme 1992 (referred to as the FPS 1992 throughout this report).

Key features of the FPS 1992 include: [Scheme extract]

- *A Final Salary scheme, which means your pension is calculated as a proportion of your final average pensionable pay (generally in your last year of service as an active member).*
- *Your pension will depend on your pensionable service, which for most will be the length of service in the Fire Service for which you have paid pension contributions, with appropriate adjustments for part-time service.*
- *A normal pension age of 55. However, a Firefighter can choose to retire before this with immediate payment of retirement benefits provided he/she is aged 50 or over and has at least 25 years service.*
- *30 years' service is needed for a maximum pension.*
- *An option to commute part of your pension for a tax-free lump sum.*
- *Each year of pensionable service for the first 20 years gives entitlement to a pension of 1/60th of final pay and each year for the final 10 years gives 2/60th, up to a limit of 40/60ths.*
- *Pensions in payment are generally increased for inflation (though only from age 55 unless a Firefighter is medically retired or other conditions satisfied).*
- *A lump sum death grant of 2 times pay.*
- *A pension for a widow, widower or surviving civil partner, normally half of the officer's pension entitlement, which ceases on remarriage, the formation of a new civil partnership or cohabitation.*
- *A pension is NOT payable to a surviving cohabitee who was not married to nor in a civil partnership with the Firefighter.*
- *Dependent children under the age of 23 may qualify for a pension.*

- *An immediate pension and lump sum is payable to any Officer at any age who is granted ill-health retirement.*
- *Subject to eligibility, the option to pay additional contributions to purchase additional service.*

Membership

On 6 April 2006, the FPS 1992 became closed to new members. Active members of the FPS 1992 are those who have satisfied the membership conditions and joined before that date, who have not opted out of the scheme, and who have not had any subsequent break in continuity of employment.

To be eligible to receive a pension benefit under the FPS 1992, they must have at least 2 years' pensionable service.

If an individual works part-time, their service is adjusted to reflect its part-time length, but as a final salary scheme, their pension benefits are calculated with reference to their whole-time equivalent rate of pay.

Contributions

FPS 1992, pension contributions are based upon a banding arrangement. The arrangement from 1 April 2015 to 31 March 2016 is as follows:

Pensionable Pay Band	Contribution Rate
Up to and including £15,150	11.00%
More than £15,150 and up to and including £21,210	12.20%
More than £21,210 and up to and including £30,300	14.20%
More than £30,300 and up to and including £40,400	14.70%
More than £40,400 and up to and including £50,500	15.20%
More than £50,500 and up to and including £60,600	15.50%
More than £60,600 and up to and including £101,000	16.00%
More than £101,000 and up to and including £121,200	16.50%
More than £121,200	17.00%

The pensionable pay upon which contributions are assessed is the amount determined in relation to the duties of the role. If someone works part time, contributions are deducted on their part time pay.

As the FPS 1992 is now closed, a transfer of pension rights into the scheme is no longer possible.

Calculating Benefits

The FPS 1992 is a final salary pension scheme which means that a pension will be a proportion of final average pensionable pay. The proportion will depend, in part, upon how much pensionable service has at the time of leaving the Scheme.

For each of the first 20 years of pensionable service, they will receive 1/60th of average pensionable pay and for each of the following years they will receive 2/60ths of average pensionable pay. Each day of pensionable service will count as 1/365th of 1/60th. The maximum number of 60ths that can be counted is 40 (after 30 years' service).

NB There is a court case pending which will seek to address the position of those scheme members who joined the scheme before age 20 and who work beyond 30 years.

Example

An individual who retires at age 55 with 30 years of pensionable service and average pensionable pay of £30,000, would have their pension assessed as:

$$(20 \times 1/60) + (10 \times 2/60) \times £30,000 = 40/60 \times £30,000 = £20,000 \text{ annual pension}$$

Or, if they retire at age 50 after 27 years with the same pay, their annual pension would be:

$$(20 \times 1/60) + (7 \times 2/60) \times £30,000 = 34/60 \times £30,000 = £17,000 \text{ annual pension}$$

On retirement an individual has the option to 'exchange' or 'commute' part of their pension to provide a lump sum. . Commutation rate, as it is most known is subject to Government Actuary Department valuation and can vary from time to time.

Retirement Age

Normal pension age for all members of the FPS 1992 is age 55. If an individual chooses to retire at or after this age, their pension would be put into immediate payment. Or they could retire earlier with immediate payment of benefits provided they have reached age 50 and have at least 25 years' service. An ill-health pension may be payable at any age.

If someone leaves the FPS 1992 before becoming entitled to payment of age (or ill-health retirement benefits), they may be awarded a deferred pension.

This would be payable from age 60, or subject to appropriate medical certification, at any age on grounds of permanent ill-health which prevents them from undertaking Firefighting or any of the other duties appropriate to their former role.

- 1.3 The authority does not have the power to invest the money as would normally be the case with a pension fund. If the fund has insufficient money to meet all of its pension liabilities, the Secretary of State will make up the shortfall; if the fund is in surplus, the Secretary of State will take the excess to cover any shortfall in the funds of other authorities.
- 1.4 Social Security rules can have an impact on the way pension schemes work. The NFPS is "contracted out" of the State Second Pension arrangements, i.e. the additional element of pension paid on top of the Basic State Retirement Pension. To be given contracted out status a pension scheme has to meet certain minimum requirements. Members of a contracted out scheme pay a lower, contracted out rate of National Insurance contributions.
- 1.5 Her Majesty's Revenue and Customs give certain tax concessions to "registered" pension schemes. The NFPS is such a scheme. This means that contributions paid and benefits accrued, provided they are within certain limits, are exempt from tax charges.
- 1.6 Like all other pension schemes, the NFPS must comply with Pension Acts although, as a public service scheme, it is exempt from some requirements.

2. ISSUES

- 2.1 Governance requirements are set out in the Public Service Pensions Act 2013 puts in place the legislative framework for the new governance arrangements for public services pension schemes. This includes the establishment of a "Local Pension Board". Due to the devolved nature of Firefighter pension schemes under the Public Service Pensions Act 2013 the Welsh Ministers are the Responsible Authority for the new Firefighter Pension Scheme in Wales.
- 2.2 When the new Firefighters' Pension was originally established it covered the whole of the UK. Within Wales the scheme date is set as 2007. South Wales Fire & Rescue Authority is the responsible Scheme Manager for the Firefighters' Pension Scheme 2007.
- 2.3 The Local Pension Board is responsible for the governance and scrutiny for the Fire & Rescue Authority's management of the new Firefighters' Pension Scheme 2007 and must report significant issues, breaches or conflicts of interest to the Scheme Manager.
- 2.4 Attached at Appendix 1 a summary of the Key features of the Fire Pension Scheme 2007.

3. FINANCIAL IMPLICATIONS

3.1 There are no immediate financial issues arising from this report.

4. EQUALITY RISK ASSESSMENT

4.1 An Equality Risk Assessment has been undertaken to assess the potential impact relative to the future roles and responsibilities associated with the governance of the Firefighters' Pensions Schemes.

4.2 The assessment concluded that there were no adverse impacts on any individual or group of personnel at this juncture.

5. RECOMMENDATIONS

5.1 The Local Pension Board notes the Key Features of the Firefighters' Pension Scheme 2007 as appended to the report.

5.2 The Local Pension Board acknowledges its responsibility in relation to the governance and scrutiny for the Fire & Rescue Authority's management of the Firefighters' Pension Scheme 2007.

Contact Officer: ACO Philip Haynes Director of People Services	Background Papers: None
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Appendix 1

Key features of the new Fire Pension Scheme 2007

This section is applicable to those Active Members that have been afforded transitional protection in the Fire Pension Scheme (Wales) 2007 (referred to as the **FPS 2007** throughout this report).

It is also applicable to those Officers that have left the FPS 2007 with a deferred benefit, or those already in receipt of a pension awarded under the FPS 2007.

Key features of the FPS 2007 include:

[Scheme extract]

- *A Final Salary scheme, which means that your pension is calculated as a proportion of your final pensionable pay i.e. the earnings in your last year of service as a member of the Scheme.*
- *The pension that you will receive depends on your pensionable service, which for most firefighters will be the length of service in the Fire Service for which you have paid pension contributions, with appropriate adjustments for part-time service.*
- *The normal pension age is 60. However, a firefighter can choose to retire before this at age 55 or over with immediate payment of benefits but an actuarial reduction of 5%.*
- *Each year of pensionable service gives entitlement to a pension of 1/60th of final pay, up to a limit of 40/60ths.*
- *An option to commute part of your pension for a tax-free lump sum.*
- *Pensions in payment are increased for inflation.*
- *A lump sum death grant of 3 times' pay is payable and you have some freedom to nominate who should receive it.*
- *A pension for a spouse or civil partner is payable for life, normally half of the firefighters' pension entitlement.*
- *A partner who is neither a spouse nor a civil partner may be eligible for a pension payable for life, subject to completion of the required declaration.*
- *Dependent children under the age of 23 may qualify for a pension.*
- *An immediate pension and lump sum is payable to any firefighter at any age who is granted ill-health retirement.*

- *There is a facility to buy more pension in the scheme (added years) within the overall limit of 40 years.*
- *Every officer has an opportunity to opt out of the scheme.*
- *If you build up pension rights in the scheme but leave the Fire Service (or opt out of the Scheme) before retirement, you will be eligible for a deferred pension payable at age 65 unreduced.*

Membership

To be eligible to receive a pension benefit, an individual must have at least 3 months' qualifying service in the FPS 2007. If they work part-time or have had a period of part-time service, their service is proportioned according to their part-time working hours.

A regular firefighter who also undertake Retained duties, has a limit on the pensionable service you can build up in the FPS 2007 under two contracts. The limit is 45 years. It applies regardless of whether their regular and retained employments are with the same or a different Fire & Rescue Service. If their combined pensionable service should exceed 45 years, they will be entitled to a refund of excess contributions.

Contributions

FPS 2007, firefighter pension contributions are based upon a banding arrangement. The arrangement from **1 April 2015 to 31 March 2016**.

Pensionable Pay Band	Contribution Rate
Up to and including £15,150	8.50%
More than £15,150 and up to and including £21,210	9.40%
More than £21,210 and up to and including £30,300	10.40%
More than £30,300 and up to and including £40,400	10.90%
More than £40,400 and up to and including £50,500	11.20%
More than £50,500 and up to and including £60,600	11.30%
More than £60,600 and up to and including £101,000	11.70%
More than £101,000 and up to and including £121,200	12.10%
More than £121,200	12.50%

The pensionable pay upon which contributions are assessed is the core pay and all permanent emoluments determined by the firefighter's role or, in the case of a principal officer, the salary appropriate to the overall responsibilities of

the post. It will also include any retaining allowance paid to a member on a retained duty contract.

Part-time, contributions are deducted on part time-pay.

Calculating Benefits

The FPS 2007 is a final salary pension scheme which means that pension will equate to a proportion of an individual's final pensionable pay. The proportion will depend, in part, upon how much pensionable service they have at the time of leaving the scheme. For each year of pensionable service, they will receive 1/60th of their final pay in return as an annual pension.

In other words, as a whole-time or part-time firefighter, each day of pensionable service will count as 1/365th of 1/60th. For example, if they retire at age 60 with 35 years 28 days of pensionable service and a final pensionable pay of £32,000, their pension would be assessed as:

$$35 \text{ years } 28/365 \text{ days} \times 1/60\text{th} \times \text{£}32,000 = \text{£}18,707.58 \text{ annual pension}$$

They will also have the option when they retire to exchange some of their pension to gain a tax-free lump sum.

For retained firefighters the principles concerning the calculation of their benefits will be different to those mentioned above, due to differences in pensionable pay and their contractual conditions.

Retirement Age

An age retirement would be awarded to a firefighter who has sufficient service to qualify for a pension and who retires at or after age 60.

However, the Fire & Rescue Service (FRS) have the discretion to initiate their retirement in the interests of the management of the service, in which case a pension would become payable to a firefighter who has sufficient service to qualify for a pension, who has reached age 55 but not age 60. There would be NO reduction of the pension to take account of the fact that it is being paid early.

A member may initiate the immediate payment of their benefits, provided they have sufficient service to qualify for a pension and have reached age 55, but not age 60. However, a reduction would be applied to reflect the fact that the pension is being paid early. The reduction factor is supplied by the Government Actuary Department. It is currently 5% for each year between the date of retirement and age 65 (deferred pension age).

make up the shortfall; if the fund is in surplus, the Secretary of State will take the excess to cover any shortfall in the funds of other authorities.

- 1.4 Social Security rules can have an impact on the way pension schemes work. The Firefighters' Pension Scheme (Wales) 2015 is "contracted out" of the State Second Pension arrangements, i.e. the additional element of pension paid on top of the Basic State Retirement Pension. To be given contracted out status a pension scheme has to meet certain minimum requirements. Members of a contracted out scheme pay a lower, contracted out rate of National Insurance contributions.
- 1.5 Her Majesty's Revenue and Customs give certain tax concessions to "registered" pension schemes. The Firefighters' Pension Scheme (Wales) 2015 is such a scheme. This means that contributions paid and benefits accrued, provided they are within certain limits, are exempt from tax charges.
- 1.6 Like all other pension schemes, the Firefighters' Pension Scheme (Wales) 2015 must comply with Pension Acts although, as a public service scheme, it is exempt from some requirements.

2. ISSUES

- 2.1 Governance requirements are set out in the Public Service Pensions Act 2013 puts in place the legislative framework for the new governance arrangements for public services pension schemes. This includes the establishment of a "Local Pension Board". Due to the devolved nature of Firefighter pension schemes under the Public Service Pensions Act 2013 the Welsh Ministers are the Responsible Authority for the Firefighters' Pension Scheme (Wales) 2015.
- 2.2 South Wales Fire & Rescue Authority is the responsible Scheme Manager for the Firefighters' Pension Scheme (Wales) 2015 which came into being on 1 April 2015.
- 2.3 The Local Pension Board is responsible for the governance and scrutiny for the Fire & Rescue Authority's management of the Firefighters' Pension Scheme (Wales) 2015 and must report significant issues, breaches or conflicts of interest to the Scheme Manager.
- 2.4 Attached at Appendix 1 a summary of the Key features of the Firefighters' Pension Scheme (Wales) 2015.

3. FINANCIAL IMPLICATIONS

- 3.1 There are no immediate financial issues arising from this report.

4. EQUALITY RISK ASSESSMENT

- 4.1 An Equality Risk Assessment has been undertaken to assess the potential impact relative to the future roles and responsibilities associated with the governance of the Firefighters' Pensions Schemes.
- 4.2 The assessment concluded that there were no adverse impacts on any individual or group of personnel at this juncture.

5. RECOMMENDATIONS

- 5.1 The Local Pension Board notes the Key Features of the Firefighters' Pension Scheme (Wales) 2015 as appended to the report.
- 5.2 The Local Pension Board acknowledges its responsibility in relation to the governance and scrutiny for the Fire & Rescue Authority's management of the Firefighters' Pension Scheme (Wales) 2015.

Contact Officer:	Background Papers:
ACO Philip Haynes Director of People Services	None

Appendix 1

Key features of the Firefighters' Pension Scheme (Wales) 2015

This section is applicable to those Active Members of the new Firefighters' Pension Scheme (Wales) 2015 (FPS 2015) which was introduced on **1 April 2015**. (referred to as the FPS 2015 throughout the remainder of this report).

Key features of the FPS (Wales) 2015:

[Scheme extract]

- *A Career Average Revalued Earnings (CARE) pension scheme. For each Scheme Year (1 April to 31 March) as an active member, you will build a pension equal to 1/61.4 of your Pensionable Earnings for that year, which is then added to your pension account and subsequently revalued each year until you retire.*
- *You will be able to commute part (up to 25%) of your pension at a rate of 1:12; therefore for every £1 of pension given up you receive a lump sum of £12.*
- *The rate of revaluation applied to your pension account at the end of each Scheme Year will be the movement in the Consumer Price Index (CPI).*
- *Your Normal Pension Age (NPA) is 60, but with the option retire voluntarily from age 55 with actuarial reduction to reflect early payment.*
- *There is NO maximum period of service. If you decide to continue in service beyond your NPA, there will be an actuarial increase applied to your pension to account to take account of late payment.*
- *If you should die whilst serving as an active member, a lump sum death grant of 3 times your final pay at the date of death is payable.*
- *A survivor's pension will be automatically paid to your spouse or civil partner for their lifetime, although a declaration will need to be completed for such a pension to be paid to a partner who is neither a spouse nor a civil partner.*
- *Eligible children under the age of 23 may also qualify for a pension.*
- *If you leave or opt out of the Scheme, without taking a pension or a refund of contributions, your benefits will be deferred and will become payable from your State Pension Age (SPA), which may change in the future. If paid early on request, an actuarial reduction will be applied,*

unless you are deemed to be permanently medically unfit for regular employment, in which case there will be no actuarial reduction applied.

- *Purchasing 'added pension' is currently limited to £6,500 per year. The limit may be altered by HM Treasury.*

Membership

An individual who becomes employed as a firefighter on or after 1 April 2015, is automatically enrolled into the FPS 2015 on appointment (Auto enrolment). It does not matter what duty system they are contracted to work. If, at a later time, they are moved to a firefighting role that does not include resolution of operational incidents, you can remain a Scheme member provided there is continuity of service.

Firefighters serving before 1 April 2015 and members of the FPS 1992 or the FPS 2007 (2006), will have been automatically transferred to the FPS 2015 on 1 April 2015, **UNLESS** on 1 April 2012, they were a member of the:

1. FPS 1992 and within 10 years of the FPS 1992 normal pension age (55); or the
2. FPS 2006 and within 10 years of the FPS 2007 (2006) normal retirement age (60); or the
3. FPS 1992 or the FPS 2007 (2006) and afforded tapered protection.

Those in categories '1' and '2' can remain a member of their current Scheme until retirement; those in category '3' can remain a member of their current Scheme until they reach the date at which their tapered protection ends.

If they opt out of the Scheme and later change their mind, you can give the Fire Authority a written, signed election to rejoin, provided they satisfy the membership conditions at that time. If an individual chooses to opt out of the FPS 1992 / FPS 2007 (2006), they will NOT be able to re-join these Schemes. Instead they will be able to join the FPS 2015, providing they meet the operational requirements for admission.

Contributions

For a member of the FPS 2015, the pension contribution is a percentage of Pensionable Earnings (or Assumed Pensionable Pay).

The contribution rate is determined by reference to whole-time equivalent pay for a part-time or retained firefighter, the contributions paid are based on the firefighter's actual (part-time) pay.

The following items are currently treated as Pensionable Earnings:

- Pay received for the performance of the duties of role, except for any allowances or emoluments paid on a temporary basis;
- Permanent emoluments;
- The amount foregone if an individual has agreed to surrender the right to receive part of their pensionable pay, in exchange for the Fire & Rescue Service (FRS) providing a non-cash benefit (this is sometimes referred to as 'salary sacrifice');
- The amount paid for continued professional development if the FRS has determined that this should be pensionable.

However, any payments made by the FRS to a member who is on reserve forces service leave would NOT count as pensionable.

Contribution rates for the period **1 April 2015 to 31 March 2016**.

Tier	Pay Band (£)	Full Rate
1	Up to £27,000	10.00%
2	£27,001 to £50,000	12.20%
3	£50,001 to £142,500	13.50%
4	£142,501 or more	14.50%

Contributions would normally be deducted from each instalment of pensionable pay as it becomes due, unless another method of payment has been agreed with Fire & Rescue Service.

Calculating Benefits

An active member at Normal Pension Age (60) with at least 3 months' qualifying service (or have had a transfer value paid into their pension account from another occupational pension scheme), can draw their pension at any time on or after their 60th birthday. Their active pension account (and any added pension account) will become payable unreduced, although if they have contributed to the FPS 2015 after age 60, their account will have been increased to reflect late payment.

However, if at least age 55, an individual can elect to draw their pension before age 60, by giving written notice to the Fire & Rescue Service (FRS). In these circumstances, however, the pension would be subject to an early retirement reduction based on factors provided by the Scheme Actuary.

There is also an option for 'partial retirement' once an individual has reached age 55, if they wish to draw their pension but continue in employment as a firefighter without break and accrue additional pension. Their active pension account (and any added pension purchased) would be put into payment (subject to an early payment reduction if they had not reached age 60) and a new active pension account set up for their new period of membership. This second pension will become payable, on similar terms to their first pension, when they are ready to draw it.

When an individual retires, they will have the option to 'exchange' or 'commute' part of the pension to provide a lump sum.

Retirement Age

This will depend upon an individual's age and the circumstances in which they are leaving the Fire & Rescue Service (FRS). Normal Pension Age (NPA) in the FPS 2015 is 60, but if an individual remains an active member, they can continue to accrue pension (and would get an 'age addition' to reflect the fact that they have postponed receipt of their pension). There is NO limit to the amount of pension that can build up by remaining in service.

An individual may request payment of pension before age 60, provided that they have reached age 55 (the established minimum pension age), but it may be reduced to reflect early payment. Or, if at any age before reaching age 60, they become incapable of performing any of the duties of their role, they may be entitled to an ill-health award.

If an individual has left the FPS 2015, with at least 3 months' qualifying service (or have had a transfer value paid into their pension account from another occupational pension scheme), they will have become a deferred member of the Scheme. In this case, they will become eligible to draw their deferred pension at the recognised 'Deferred Pension Age', which is linked to the State Pension Age (SPA) and may therefore change in the future, or at age 65 if higher.

An individual could give written notice to the FRS that he/she would like to receive their deferred pension at or after age 55 and before Deferred Pension Age. In these circumstances, however, the pension would be subject to an early retirement reduction based on factors provided by the Scheme Actuary. Or, if before reaching Deferred Pension Age, they suffer from ill-health to the extent that they would be incapable of undertaking regular employment and this incapacity will continue, at least, until Deferred Pension Age, they could request early payment of the deferred pension on ill-health grounds. The decision as to entitlement would be made by the FRS after they have considered the written opinion of an Independent Qualified Medical Practitioner.

1.	Apologies for Absence	
2.	Declarations of Interest	
	Members of the Fire & Rescue Authority are reminded of their personal responsibility to declare both orally and in writing any personal and/or prejudicial interest in respect of matters contained in this agenda in accordance with the provisions of the Local Government Act 2000, the Fire & Rescue Authority's Standing Orders and the Members Code of Conduct.	
3.	Chairman's Announcements	
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