

APPENDIX A

Firefighters' Pension Fund Accounts

Fund account for year ended 31 March 2016

2014/15 £000		Note	2015/16 £000
	<u>Contributions receivable</u>		
	From employer:		
(3,086)	- contributions in relation to pensionable pay		(2,808)
(87)	- ill health early retirements		(87)
	From members:		
(2,216)	- Firefighters' contributions		(2,395)
(5,389)	Total - Contributions receivable	3	(5,290)
	<u>Transfers in</u>		
(19)	- from other authorities	4	(40)
(19)	Total - Transfers in		(40)
	<u>Benefits payable</u>		
9,119	- pensions		9,660
3,597	- commutations and lump sum retirement benefits		2,751
73	- lump sum death benefits		-
-	- other (GAD vs Milne)		1,107
12,789	Total - Benefits payable		13,518
	<u>Payments to and on account of leavers</u>		
-	- refunds of contributions		-
32	- transfers out to other authorities	4	172
32	Total - Payments to and on account of leavers		172
7,413	Deficit for the year before top-up grant receivable from central Government		8,360
(7,413)	Top-up grant payable by central Government	5	(8,360)
-			-

Net assets statement as at 31 March 2016

2014/15 £000		2015/16 £000
	Current assets	
3,479	Top-up grant receivable from central Government	3,074
3,479		3,074
	Current liabilities	
(3,479)	Amount owing to the General Fund	(3,074)
(3,479)		(3,074)
-	Net Assets	-

Owen Mapley
Director of Resources
Date: 23 September 2016

Summary of the Firefighters' Pension Fund Operations

The Firefighters' Pension Fund was established under the Firefighters' Pension Scheme (Amendment) Order 2006.

Until the end of March 2006 the Council was responsible for paying the pensions of its former fire-fighting employees on a 'pay-as-you-go' basis. This meant that employees' contributions were paid into the Council's accounts from which pensions awards were made and the Council received funding from central government as part of general Formula Grant to support payments of pensions.

From 1 April 2011, the Council has continued, through its scheme administrator, London Pensions Fund Authority (LPFA), to administer and discharge its responsibility for paying the pensions of retired officers, their survivors and others who are eligible for benefits under the new and existing pension schemes.

Regular firefighters employed before 6 April 2006 were eligible for membership of the 1992 Firefighters' Pension Scheme. When this scheme closed a new 2006 Firefighters' Pension Scheme was introduced for regular and retained firefighters employed since 6 April 2006. On 1st April 2015, a new 2015 Firefighters' Pension Scheme came into effect. The two previous Schemes (Firefighters' Pension Scheme 1992 and Firefighters' Pension Scheme 2006) continue in force for firefighters who were serving before that date and who are eligible to remain members of their earlier Scheme.

In 2015, the Modified Retained Pension Scheme was also introduced which gave retained firefighters employed between 1 July 2000 and 5 April 2006 inclusive the opportunity to pay historic contributions and buy back their service for this period. The Modified Retained scheme does not constitute a scheme on its own but rather a modified section of the 2006 scheme with different benefits.

The new financial arrangements are for the 1992, 2006 and 2015 Firefighters' Pension Schemes and have no impact on the terms and conditions of either scheme.

The Firefighters' Pension Fund is an unfunded defined benefits scheme meaning that there are no investment assets available to meet pension liabilities. Employee contributions and a new employer's contribution are paid into the pension fund from which pension payments are made. The fund is topped up by central Government grant if the contributions are insufficient to meet the cost of pension payments and any surplus in the fund is recouped by central Government. The underlying principle is that employer and employee contributions together will meet the full cost of pension liabilities being accrued in respect of currently serving employees, while central Government will meet the costs of retirement pensions in payment, net of employee and the new employer contributions.

The financing of pension payments was taken out of the Formula Grant from April 2006 which instead now takes into account the funding needed to support the cost of the employer contributions and lump sum payments in respect of ill-health early retirements.

Following a complaint brought by Mr W Milne, the Pensions Ombudsman determined in May 2015 that the scheme's commutation factors should have been reviewed before 2006, and the Government decided that additional payments would be made to scheme members whose pension commenced between 1 December 2001 and 21 August 2006 and who chose to commute pension for lump sum at retirement. In the case of Hertfordshire this related to 70 members and amounted to £1,107k. All liabilities were fully paid by March 2016 and a grant was received from the Government to fully fund these liabilities. No outstanding liabilities exist for Hertfordshire.

Accounting Policies

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom based on IFRS and summarise the transactions and net assets of the Firefighters' Pension Fund and do not take account of liabilities to pay pensions and other benefits after 31 March 2016.

Transfer values have been treated on a cash basis and all other amounts have been prepared on an accruals basis.

Contributions Receivable

Employer and Employee Contributions

Employees' and employer's contribution levels are set nationally by central government and are subject to triennial revaluation by the central Government Actuary's Department.

The purpose of the employee and employer contribution rates under the new arrangements is to meet the accruing pension liabilities of currently serving firefighters. This means the Council must meet the full cost of employing firefighters, including the cost of future pension liabilities, at the time of employing them.

Separate contribution rates, as a percentage of pensionable pay, apply to the 1992 Firefighters' Pension Scheme and the 2006 Firefighters' Pension Scheme, as shown below.

	Employer %	Employee %
1992 Firefighters' Pension Scheme		
Pensionable Pay Band		
Up to and including £15,150	21.7	11.0
More than £15,150 and up to and including £21,210	21.7	12.2
More than £21,210 and up to and including £30,300	21.7	14.2
More than £30,300 and up to and including £40,400	21.7	14.7
More than £40,400 and up to and including £50,500	21.7	15.2
More than £50,500 and up to and including £60,600	21.7	15.5
More than £60,600 and up to and including £101,000	21.7	16.0
More than £101,000 and up to and including £121,200	21.7	16.5
More than £121,200	21.7	17.0
2006 Firefighters' Pension Scheme		
Pensionable Pay Band		
Up to and including £15,150	11.9	8.5
More than £15,150 and up to and including £21,210	11.9	9.4
More than £21,210 and up to and including £30,300	11.9	10.4
More than £30,300 and up to and including £40,400	11.9	10.9
More than £40,400 and up to and including £50,500	11.9	11.2
More than £50,500 and up to and including £60,600	11.9	11.3
More than £60,600 and up to and including £101,000	11.9	11.7
More than £101,000 and up to and including £121,200	11.9	12.1
More than £121,200	11.9	12.5
2015 Firefighters' Pension Scheme		
Pensionable Pay Band		
Up to and including £27,000	14.3	10.0
More than £27,000 and up to and including £50,000	14.3	12.2
More than £50,000 and up to and including £142,500	14.3	13.5
More than £142,500	14.3	14.5

Contributions received by the Fund are analysed below.

	Employer		Employee	
	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000
1992 Firefighters' Pension Scheme	2,632	1,432	1,799	983
2006 Firefighters' Pension Scheme	454	45	417	38
2015 Firefighters' Pension Scheme	-	1,331	-	1,122
Modified Retained – Service Buy Back	-	-	-	252
	3,086	2,808	2,216	2,395

III-Health Early Retirements

Early retirements due to ill-health could, with effect from 1 April 2006, have required the Council to make a lump sum payment into the pension fund of 4× average pensionable pay in respect of all higher tier ill-health retirements and 2× average pensionable pay in respect of all lower tier ill-health retirements, reintroducing some in-year financial volatility, as the number of firefighters who retire on grounds of ill-health will vary from year to year.

However, to deal with this volatility, authorities are required to spread the charges credited to the pension fund equally over a period of three years. The initial payment tranche being made at the time of retirement and subsequent tranches made, without the addition of interest, on 1 April each financial year.

Other approved early retirements have a real cost, which must be covered by employers. These costs will be actuarially calculated for each individual, using a table of factors, and the Council will be required to make a payment into the pension fund.

Contributions received by the Fund are analysed below.

	Employer	
	2015 £000	2016 £000
2006 Firefighters' Pension Scheme	87	87
	87	87

There were no additional III Health retirements during 2015/16. III health charges in both years therefore relate to £67k in higher tier and £20k in lower tier retirements.

Transfers to or from other schemes

Where a firefighter transfers to or from another Fire and Rescue Authority within England there is no need for a cash transfer. A firefighter who transfers out of the Firefighters' Pension Scheme to another pension scheme, or to the Firefighters' Pension Scheme in Scotland, Wales or Northern Ireland, is entitled to ask for a Cash Equivalent Transfer Value to be paid across, equivalent to the value of their pension rights on leaving the Firefighters' Pension Scheme.

This would be paid from the Firefighters' Pension Fund and similarly an inward Transfer Value should be paid into the fund.

Top-up Grant

Since 1 April 2006, where employer and employee contributions paid into the Firefighters' Pension Fund are not sufficient to meet pension payments for the year, the deficit has been met by a Central Government top-up grant paid by the Department for Communities and Local Government (Firefighters Pensions moved to the Home Office from 1st April 2016). Any surplus in the fund must be paid back to central Government as the party that brings the account back to a nil balance at the end of each year.

Liabilities after year end

The Fund's financial statements do not take account of the liabilities to pay pensions and other benefits after 31 March 2016, which are disclosed separately in Note 37 of the main Hertfordshire County Council accounts.