



AGENDA ITEM: 9

NORTH WALES FIRE AND RESCUE AUTHORITY

20 October 2008

PENSIONS REVIEW

Report by Ken Finch, Treasurer

Purpose of Report

- 1.** To provide Members with the current position on the financing of the New Firefighters' Pension scheme. The report also considers the impact of the new pension scheme on the Pension Provision held by the Authority.

Financing Arrangements for the new Firefighters' Pension Scheme

- 2.** On 1 April 2007 new financing arrangements for the Firefighters pension scheme came into effect. Under the new arrangements, employees' and employer's contributions are paid into a separate local Firefighters' Pension Account which is administered by the North Wales Fire and Rescue Service. A 'charge' for each ill-health retirement is also paid in over a period of 3 years. Pensions, lump sums and other benefits payable under the Firefighters' Pension Scheme are paid out of the account. If income falls short of outgoings the Welsh Assembly Government (WAG) provides a top-up. Conversely, any surplus in the account is recouped by WAG. For 2007-2008 the Top Up Grant paid by WAG was £1,116,000. For 2008-2009 it is estimated that the Top Up Grant will be £3,675,000, the large increase is due to the number of Commutation payments that fall due within the year.

Revenue Account Charges

- 3.** Injury and compensation awards, both existing and new, are paid out of the Authority's revenue budget and not the Pensions Account. Ill Health payments into the Pension Fund are also met from the revenue budget.

Pension Provision

- 4.** Changes to the funding arrangements for the Firefighters' pension scheme have meant that it is no longer necessary to hold a provision to offset commutation payments that may have had a pronounced effect on the budget requirement in some years due to the fluctuation in retirements. However, the Authority will now be liable to make lump sum payments in to the Pension Fund for any Ill Health retirements and to mitigate the effects on the revenue budget a provision has been recognised for expected lump sum payments based on ill-health retirements during the past 5 years. The balance on the provision at 31 March 2008 is £264,937, a substantial reduction on the previous levels of Pension Provision held by the Authority due to the reduction in the level of liability.

RECOMMENDATION

- 5.** That Members note the contents of the report.