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The Chief Executives, Fife Council and Dumfries & Galloway Council
Clerks to the Joint Boards
Chief Fire Officers

Our ref: FIR/06/01/01
21 December 2009

Dear Colleague

SCOTTISH FIRE AND RESCUE CIRCULAR 12/2009

VALUATION OF FIRE PENSION SCHEMES

This Circular provides updates on a number of developments relating to fire pensions. Fire authorities are required to note the information provided below, and take action where necessary.

Scheme valuation

You will, be aware that a new financing system is being introduced with effect from 1 April 2010 that will introduce a new employers contribution rate. The rate for 2010/11 has already been determined but the rates going forward from April 2011 will be determined by a Scottish valuation of the police pension schemes.

The first formal triennial valuation of the 1992 Firefighters' Pension Scheme 1992 (FPS) and 2006 New Firefighters' Pension Scheme (NFPS) will take place based on data as at 31 March 2009, which authorities have already confirmed is available, with the resulting contribution rates expected to be in effect for the years 2011/12 to 2013/14. The triennial valuations form a key part of the new financing arrangements, and will in particular determine the employer and officer contribution rates to be payable from 2011 onwards.
Action for fire authorities

The formal request for data and accompanying instructions will come from the Government Actuary's Department (GAD) in January also outlining the deadline for making the necessary returns to GAD. It was originally hoped that this request would be made earlier but a number of additional reports need to be added by Heywood's and these will not be ready until January. The valuation is scheme-wide, and police authorities will be responsible for providing a range of detailed data for all members of the FPS and NFPS, including active and deferred members, pensioners, dependants and divorce credit members, and details of members' movements in the three years up to the valuation date. Fire and Rescue authorities are therefore asked to recognise the importance of providing full and accurate data for this exercise to ensure that a robust and relevant contribution is set at the end of the valuation process.

Note on abatement

Government policy, set by HM Treasury, requires public sector pensions to be abated in certain circumstances when a public servant is re-employed following retirement. The purpose of abatement is to protect public funds. It limits the remuneration payable at any one time in respect of a particular job preventing both the cost of pay and pension falling to the public purse: it ensures that those who received early (often enhanced) pensions have that taken into account; generally it protects public funds from abuse.

There are two forms of abatement. In-service abatement occurs where re-employment is in a post covered by the same scheme which is paying the individual's pension. This would cover cases that would fall under Rule K4 of the FPS 1992 where a FRA responsible for paying a pension can reduce it, or withdraw it altogether, during any time where a retired member is re-employed as a regular firefighter. This would still apply in cases where the retired member was re-employed with another FRA. Different groups of employees within an FRA may belong to different pension schemes and it is possible, therefore, that a retired member of FPS could be re-employed by a FRA in a post covered by, say, the Local Government Pension Scheme. Whilst the rules of the FPS stop short of dealing with the abatement of a retired member's pension when they are re-employed to a position other than that of a regular firefighter, it is the view of Scottish Ministers that abatement of the FPS pension should be applied where a retired member has been re-employed to any position by any FRA. The regulations of the new scheme specifically provide for this. Under Part 9, rule 3 of the NFPS 2006, a FRA responsible for paying a pension can reduce it, or withdraw it altogether, during any time where a retired member is re-employed in any capacity by any FRA.

In addition to in-service abatement, government policy requires the abatement of public sector pensions in cases where retired public servants are re-employed to any employing public sector organisation without going through an open competition. This form of abatement is termed as inter-service abatement and its application is required up to the point where the public servant reaches the normal pension age of the scheme that is paying their pension. Prior to re-employment the person declares the source of the pension and either the pension is reduced by the paying authority or pay is reduced by the new employer. Whilst this requirement represents the minimum standard, some employers go further and abate a member's pension (or pay if they are not the pension paying authority) in cases where they are re-employed in any capacity in the public sector, applying inter-service abatement for the full term that they are re-employed up to and beyond normal pension age. It is the view of SPPA that FRAs should consider applying, at least, the minimum standard where the circumstances apply.

Re-imbursement of pensions from April 2010

The new finance system to be introduced in April 2010 will mean that any pension that could be abated under regulations K4 or Part 9, rule 3 but which a FRA chooses not to will have to be paid from the FRA operating account by making a transfer into the pension fund.

Should you have any enquiries about this circular, or require further information, please contact: Jenny.Coltman@scotland.gsi.gov.uk

Yours faithfully

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