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Introduction of new financial arrangements for firefighter pensions from 1 April 2006

Issued by:

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Fire Service Improvement Team

Addressed to:

The Chair of the Fire and Rescue Authority
The Chief Executive of the County Council
The Clerk to the Fire and Rescue Authority
The Clerk to the Combined Fire and Rescue Authority
The Commissioner of the London Fire and Emergency Planning Authority
The Chief Fire Officer

Please forward to:

Treasurers
Finance Directors

Summary

This circular announces that new financial arrangements for firefighter pensions will be introduced from 1 April 2006. The new arrangements will apply to fire and rescue authorities in England only. A formal ODPM response to the consultation and detailed guidance on the new financial arrangements for fire and rescue authorities are attached.

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1.0 Introduction

- 1.1 Details of proposals for new financial arrangements for firefighter pensions were issued for consultation earlier this year (Fire Service Circular 4-2005). The consultation closed on 3 May 2005.
- 1.2 We would like to thank those who responded for their helpful comments. These have been carefully considered in finalising the new financial arrangements. A formal ODPM response to the consultation is attached at Annex A. A detailed response answering all the issues raised is posted on the ODPM website.
- 1.3 The new financial arrangements will be introduced from 1 April 2006 and will apply to fire and rescue authorities (FRAs) in England only.

2.0 Key points

- 2.1 The new financial arrangements will be for both the existing scheme and the proposed new firefighters' pension scheme but will have no impact on the terms and conditions of either one.
- 2.2 FRAs will continue to administer and pay firefighter pensions, as well as any future pensions for new entrants, but this will be from a separate local firefighters' pension account.
- 2.3 Employee contributions and new employer's contributions will be paid into the local pension account from which the pension payments will be made. The account will be topped up by a new Central Government grant if the contributions are insufficient to meet the pension payments. In the event of any surplus this would be recouped by Central Government.
- 2.4 At the outset, grant provision will be split between Formula Grant and the new top-up grant so that neither local nor national taxpayers will be disadvantaged. In future spending reviews there will be two separate funding streams, one for general operational expenditure and one for the new top-up grant. The new top-up grant will be outside the Formula Grant system.
- 2.5 Detailed guidance for FRAs is attached at Annex B.
- 2.6 ODPM and the LGA are hosting a seminar on the new financial arrangements for firefighter pensions on 8 December 2005. An Invitation to all finance directors/treasurers in English FRAs is attached at Annex C.
- 2.7 We hope this will provide an opportunity for practitioners to clarify any further issues. Otherwise please contact Camilla Sheldon or Kate Hepher for more information – contact details are on the front of this Circular.

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Fire and Rescue Service Directorate