



Surrey Firefighters Local Pension Board 29 March 2018

Finance briefing: The process for making contribution deductions

Recommendations:

The Board is asked to **note** the content of this report.

Fire Pension Schemes

1. There are currently three Fire pension schemes in operation, each of which has a different Employers contribution rate.

| Fire pension schemes | Type of scheme | Status | Employer's contribution rate | Comment |
|--|----------------|-----------------------|------------------------------|--|
| Firefighters' Pension Scheme 1992 (FPS 1992) | Final salary | Closed to new members | 21.70% | Closed to new members tapered transfer of existing members to new scheme depend on joining date. |
| Firefighters' Pension Scheme 2006 (FPS 2006) | Final salary | Closed to new members | 11.90% | Closed to new members tapered transfer of existing members to new scheme depend on joining date. |
| Firefighters' Pension (CARE 2015) | Career average | Open | 14.30% | Open to all staff from 1/4/2015 |

2. Employee's contribution rates are different for each scheme and vary depending upon different pay bands.

Funding

3. These are unfunded pension schemes – i.e. current employee and employer contributions paid into the fund are used to pay for current expenditure (pensions) paid out. They are managed together as one fund.
4. Current costs out are greater than contributions paid in. The shortfall is funded by a government grant, known as a top up grant.

Calculation of contributions.

5. Like the Local Government Pension Scheme (LGPS), Employee contributions are deducted at source from Firefighters salaries, calculated by the payroll system. The pensions and payroll department deal with the required administration behind this. Allocating members to the correct scheme, maintaining contribution rate tables etc.
6. Unlike the LGPS the Employer's contributions are not calculated by the payroll system. Instead they are manually calculated by the finance team. This is done monthly by extracting payroll transactions for each individual firefighter to calculate the required Employer contributions. To ensure the correct contribution rate is used there is a look up table that is maintained in conjunction with the Pensions team.

Submission of Top Up grant claim

7. At the start of each financial year Surrey is provided with an initial top up grant allocation. This is based on 80% of the estimated top up grant required for the year following an earlier forecast provided. At year end an annual return is submitted. This details all of the income and expenditure against the pension fund account and claims for the remaining grant required.

Auditing

8. The pension fund and grant claim are audited by external audit as part of the year-end audit of the Authorities accounts.

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Sources/background papers: NA