

RULE L2

Expenses and receipts of fire and rescue authorities

Rule L2 deals with the accounting arrangements required by the FPS.

This Rule was removed from the FPS with effect from 1 April 2006 when fire and rescue authorities were required to establish and maintain a Firefighters' Pension Fund. The provisions previously contained in the Rule were transferred to a new Part LA added to the FPS with effect from that date.

The explanation of Rule L2 as it applied up to 31 March 2006 appears on the following page as "archived" material.

RULE L2 ARCHIVED

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Requirement

Rule L2 requires every fire and rescue authority to maintain an account which shows all the sums received or paid by them in accordance with the requirements of the FPS.

This requirement extends to the rights acquired and obligations incurred under earlier Firefighters' Pension Schemes.

Points To Note

1. The FPS is not a funded scheme. The cost of the Scheme is met on a "pay as you go basis". Income consisting of –
 - members' contributions, and
 - transfer values in respect of members taking up employment with a fire and rescue authorityand expenditure consisting of –
 - pension benefits for former members and their dependants and for pension credit members, and
 - transfer values in respect of members leaving the employment of a fire and rescue authorityare met as part of normal income and expenditure for the fire authority.

(A pension credit member is a firefighter's former spouse or civil partner who has become entitled to a pension under the terms of a pension sharing order issued by a court on divorce or annulment of marriage, or dissolution of civil partnership.)
2. There is, of course, no question of balancing these payments because –
 - members contributing currently may not be eligible for benefits until many years later, and
 - those currently receiving benefits may be doing so in respect of a member who retired many years ago.
3. Where the Secretary of State is deemed to be the fire and rescue authority, payments are usually borne on the departmental vote of the Secretary of State concerned. This means that:
 - payments out, come from moneys voted by Parliament, and
 - payments in, go into the Consolidated Fund.
4. The overall cost of the FPS (excluding the death grant and injury benefits) was last fully assessed by the Government Actuary in 1991 as 37.5% of pensionable pay over an average career. This is known as "the new entrant contribution rate" because it is expressed in terms of a percentage of pensionable pay which, if paid throughout the career of the average new entrant, would exactly cover the cost of his or her benefits if the actuarial assumptions proved to be correct. The financial basis of the Scheme is kept under general review although, because the Scheme is unfunded, there is no statutory requirement for periodic valuation.