

FIREFIGHTERS' PENSION SCHEME

NEW FIREFIGHTERS' PENSION SCHEME (NFPS)

DRAFT BLUEPRINT

1. Version 4 of the draft Blueprint for the NFPS has now been circulated.
2. This paper sets out the key areas of discussion leading to changes in the draft Blueprint.

Part 1 – Amendments discussed.

A3 – Application of Scheme – (i) The scheme will be restricted to those whose roles on joining the FRS include attendance at fires and other emergencies covered by sections 8 & 9 of the Fire and Rescue Services Act 2004. It will exclude other personnel who are now members of the Local Government Pension Scheme. Wording amended to clarify this. (ii) The Fire and Rescue Authority (FRA) will have discretion when considering whether the nominated unmarried partner meets the condition of having been in a `committed long term relationship`. Normally, this would mean that the couple had co-habited for at least 2 years, but there may be circumstances such as a death at incident where, providing other factors are satisfied, the FRA may pay the survivor pension despite the period of the relationship being less than 2 years. See also C1 and G2. (iii) Definition of `child` amended so that reference to legitimacy no longer appears.

A5 – Restriction on application of scheme on health grounds. The proposal in the draft Blueprint was that where it is estimated that a new recruit would pose a higher risk of ill health retirement before the normal pension age, that person should be excluded from the ill health retirement aspects of the scheme and in return would pay a reduced contribution rate. It would not have precluded that person from having access to the Firefighters' Compensation Scheme in the event of a qualifying injury. The view was that the measure should not be adopted because a person should not be employed as a firefighter if they presented a health risk. The Police Pension Scheme had already been amended along the lines proposed and it was too early to say whether it would not cause more problems than it resolved.

A8 - Reckoning of service for purposes of awards – Service in excess of 40 years by the normal pension age will be able to count towards pension if the scheme member continues in service but it will not be possible to transfer in service or purchase additional service so that final service exceeds 40 years, at normal pension age (6). In consequence, no amendment made to G6.

A13 – Disablement – Wording amended to meet concerns about the definition of `permanency`.

A14 Election to opt out of the scheme – Wording amended to make clear that the FRA would decide whether an award should be made.

A15 – Election to rejoin the scheme – A scheme member opting out of the scheme will have only one opportunity to rejoin so that if he/she opts out again it will not be possible to rejoin a second a time. If the proposed A5 is removed, A15 will need amendment.

B1 – Ordinary retirement – (i) Possible amendment required if the qualifying period for pension is amended – see A5 in Part 2 below. (ii) Possible amendment to `average pensionable pay` so that it is referred to as `final pensionable pay`.

B3 Payment of pension before normal pension age at employer's request – approved early retirement – There was discussion about whether the wording should be amended to make clear that where the FRA uses its discretion to pay a pension early (either from age 55 or after) payment would be with the scheme member's agreement. An amendment was thought unnecessary as the provision will not enable the FRA to force early retirement only to allow payment of a pension once it had been decided that the scheme member should be retired.

B4 – Ill Health award – The arrangements for enhancement (including the factor of 2%) was discussed. No amendment made.

There was discussion about the definition of `regular employment`. For the purposes of this assessment the proposal is that regular work is 30 hours per week. The Department will provide guidance in discussion with ALAMA and others for Medical Advisers.

B5 Deferred pension – The wording was amended as the reference to `qualifying injury` was irrelevant.

B6 Cancellation of Deferred Award – The provision was amended so that scheme members rejoining the scheme will have the option of cancelling the deferred award and linking the two periods of service. The provision originally restricted this to within 6 months of leaving and did not give the option to the scheme member.

B7 – Split Pension – Wording amended so that it is extended to cover changes in rates of pay for the role as well as reduction in salary on changing roles.

B10 – Commutation – The rate of commutation was discussed, but no changes were made. The factor of 12:1 is common to public service schemes and agreed by the Treasury.

C2 – Survivor much younger than member – The inclusion of a reduction in the survivor pension if that person is 12 or more years younger than the scheme member was discussed. Although some members were unhappy with

the provision it was accepted that this is now a feature of public service schemes.

C6 – Child’s pension limitation – Amendments made in respect of adult children including payment of a pension under age 18 if the child has left full-time education and is employed or marries or forms a civil partnership.

D1 – Death Grant – Amendments made to how the death grant is assessed where the scheme member was subject to a split pension or a reduction in working hours.

D2 – Guaranteed payment of pension – Amendment made to reflect current value of pension when assessing the balance of pension due where the scheme member dies within 5 years of the pension coming into payment. The base figure will be 5 x £(current value).

E2 – Reckoning of pensionable service – Dealing with unpaid periods was discussed. These will not be pensionable unless the scheme member buys back the period under E4.

E3 – Service that will not count as pensionable service – Wording amended so that any periods of absence which results from sickness or injury due to the scheme member’s misconduct which the FRA determine should be unpaid will not count as pensionable service.

E4 – To reckon an unpaid period of absence – To `buy` an unpaid period of service, the scheme member will be responsible for his/her own contributions and the contributions of the FRA. Proposed provision amended to give the FRA the discretion to meet the employer costs, if it wishes.

Part F – Transfers into and out of the Scheme – Section amended. The Principal Civil Service Pension Scheme used as the model. F2 amended to enable a scheme member to seek more than two Transfer Value statements within 12 months, but the FRA would be able to charge for the additional statements. F3 amended to clarify the discretion available to the FRA in regard to the time limits. The proposal is that the scheme should join the Club transfer arrangements which may require adherence to certain time limits.

G1 – Pensionable Pay – One year for pensionable pay purposes should be 365 consecutive pensionable pay days.

G9 - Discontinuance of periodical contributions – If a scheme member buying additional service returns to duty after an unpaid period and wishes to buy the `missing` period, the contributions will be at the rate that would have been paid.

H1 – Determination by Fire and Rescue Authority – Responsibilities of the FRA clarified.

H2 – Appeal against opinion on a medical issue – Time limits amended.

H4 – IDRPs Procedures – Reference to `Appeals Committee` removed.

K1 – Review and cancellation of ill health pensions - Amended so that (i) where a health condition improves and the FRA re-employ the former scheme member the lower tier ill health award would be cancelled and replaced by a deferred award; (ii) the discretion the FRA in respect of reviews is limited.

K3 – Withdrawal of pension on conviction of certain offences – Offences extended so that a `survivor` who is convicted of the murder of the scheme member cannot profit from the death.

L5 – Payment of awards – Pension payments to be paid in arrears to correspond with salary payment arrangements.

L9 – Stakeholder pensions – Reference to `Stakeholder Pensions` amended to Stakeholder/Group Personal Pension Schemes. The Committee discussed whether the provision should be extended so that FRS could open Group Personal Pension Schemes for the retained as an alternative to the NFPS but ODPM took the view that this was not a viable option and could cause problems for FRAs with unacceptable financial risks.

M3 – Commutation of pension credit benefits – Commutation of small pensions will need to be in line with the Finance Act 2004. Draft clarified to make clear commutation in these circumstances would be with the approval of the credit scheme member.

N – Glossary of Expressions – (i) Child – to exclude frozen embryos. (ii) Reference to IQMP amended. (iii) Nominated partners – extended to take account of the statutory list of those not able to form a civil partnership. (iv) Scheme Administrator – definition to be included.

Part 2 - Unresolved issues subject to further discussion

A7 – Pension eligibility. The draft Blueprint proposed that a scheme member should be eligible for pension after 2 years. Those leaving the scheme with less than 2 years would be able to take a transfer value of the service they had accrued or have a refund of pension contributions. FPC members suggested that pension eligibility should be after 3 months service. While this would appear beneficial for the scheme member, for example, in event of death a survivor's pension would be payable, it would have an adverse impact on FRAs who may have to manage a lot of `small` pensions and for the scheme member him/herself, it would mean not having the option of a refund of pension contributions after so short a period. The FBU to comment further.

B12 – Allocation – Further discussion to take place concerning whether Allocation should be retained in the NFPS.

G1 – Pensionable Pay – The make-up of final pensionable pay is subject to further discussion.

G3 – Optional pension contributions during maternity and adoption leave
– Subject to further discussion in the light of European court case where the opinion was that all `paid` and `unpaid` maternity leave should be treated equally. FBU to comment further.

G8 – Effect of ceasing payment of periodical contributions before normal pension age – Subject to further discussion about how additional service purchased under the scheme should be treated if a split award is made.

L5 – Payment of awards – Where a small pension has been commuted the existing Firefighters' Pension Scheme provides for the widow(er)'s pension to be paid from the first anniversary of the scheme member's death. This provision is unlikely to be included in the NFPS, but it will be subject to the requirements of the Finance Act 2004.

3. The FPC is invited to comment on the above.

ODPM
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