

FIREFIGHTERS' PENSION COMMITTEE (FPC)

NOTE ON THE 3rd MEETING OF THE FIREFIGHTERS' PENSION COMMITTEE HELD AT ODPM, ELAND HOUSE ON 28 APRIL 2005

1. A list of attendees is attached.

2. Introduction

2.1 The Chairman welcomed members to the meeting. He introduced John Nicholls from SEJD and Len Richards from APFO who was substituting for Des Prichard.

3. Minutes of the 2nd meeting of the FPC

3.1 The minutes of the 2nd meeting of the FPC were agreed.

4. Matters arising from the minutes of the 2nd FPC meeting - FPC(05)3

4.1 *Further Amendments to the FPS:* The Chairman advised members that ODPM had allocated a lawyer to carry out the legal drafting required by the Pensions Team. It is anticipated that the first draft of the amendment order should be completed by the end of May '05. When satisfied with its quality the Pensions Team will submit it to the FPC.

4.2 *Disability Discrimination Act:* As an action point from the 2nd meeting Dr Will Davies from ALAMA prepared a paper highlighting the possible implications of implementing the proposal to exclude persons with certain medical conditions from the ill-health provisions of the FPS. He agreed to prepare a version to be circulated to FPC members.

ACTION: Dr Will Davies to prepare a final version of his DDA paper to be circulated to FPC members. [Please find attached in Annex A]

4.3 *Protection of Pensionable Pay:* The Chairman advised members that FOA had requested for this proposal to be reconsidered as they believe redeployment of members to positions that attract lower remuneration is a possibility. It was the general feeling that if this situation could arise then protection of pensionable pay should be provided. It was agreed to debate this item further at the next meeting. ODPM would circulate a paper outlining proposals.

ACTION: ODPM to provide paper on protection of Pensionable Pay.

4.4 *Death and Serious Injury Compensation Scheme:* Members were informed that the new Firefighters' Compensation Scheme (FCS) would mirror the provisions that already exist in the present scheme in addition to those in the 'Grey Book'; however there would be some changes. It is expected that the consultation paper for the FCS will be published before the end of June '05.

- 4.5 *Actuarial Assumptions:* Ivan Walker raised the issue of actuarial assumptions. He told the Committee that he believed that the current mortality assumption being used by GAD was at the extreme edge of 'prudent actuarial practice'. It was agreed that ODPM would ask a GAD representative to give a presentation on their actuarial assumptions during the next meeting.

ACTION: ODPM to invite GAD to give a presentation on actuarial assumptions at the next meeting.

- 4.6 *Transferring between the regions post 2006:* The issue of firefighters' transferring between the regions post 2006 was discussed. The Chairman pointed out that discouraging transfers between the regions after this period, when the existing schemes will be closed to new members, would not be in the interests of the Fire and Rescue Service and therefore ODPM would want to protect this provision and allow firefighters to transfer to equivalent pension schemes.

5. **New Pension and Compensation Arrangements: timetable - Oral update**

- 5.1 It is expected that a Ministerial response to the recent consultation documents will be published before the end of June '05.
- 5.2 The draft blueprint for the new pension scheme is expected to be completed by the start of June '05 and it is envisaged that the agreed blueprint for the new pension scheme will be completed by September '05. Members were told that in order to meet this target it would be necessary for the FPC to meet on a monthly basis between June and September '05 (Please refer to Dates of Next Meetings).
- 5.3 This 'agreed blueprint' will be used as a basis for the drafting of the new scheme prior to public consultation with the objective of having an agreed scheme by the end of December '05. This will allow 3 months for the issue of guidance and will also give time for pension administrators to put in place necessary management arrangements.
- 5.4 It is ODPM's objective to introduce the new pension scheme and FCS by April 2006 and therefore it was emphasised that all stakeholders and their respective organisations should ensure that adequate resources are allocated to support this process.
- 5.5 It is expected that the process of forming the FCS will run parallel to the timetable for the new pension scheme however it will be three months behind with an objective of having an agreed scheme by February/ March '06.
- 5.6 The Chairman advised members that the timetable for the processes would be circulated to FPC members when agreed.

ACTION: ODPM to circulate the agreed timetables for the FCS and new pension scheme to members of the FPC.

- 5.7 Members were also told that ODPM would be consulting with Heywoods, the pension's administration software provider, throughout these processes in order to identify potential difficulties that may result from proposals.

6 Tax Simplification - Lifetime Allowance Primary and Enhanced Protection - FPC(05)4

- 6.1 Len Richards of APFO asked whether if the current earnings cap was being replaced by a Lifetime Allowance (LTA) under the new tax regime, the LTA would apply to firefighters who are unaffected by the earnings cap, namely those members who joined the scheme prior to 1989 and who have not taken a break. Andy Boorman said that the LTA would apply to all members.
- 6.2 Ian Hayton of CFOA said that he intended to send a circular out to his members providing guidance and wanted ODPM to check the content to ensure that it is correct. The Chairman highlighted that at present ODPM was only an intermediary however he was prepared to look at the circular if copied to him.
- 6.3 The Chairman also told Len Richards of APFO and Ian Hayton of CFOA that if they had any individual concerns regarding the new tax regime then he would be prepared to obtain clarification from HM Revenue and Customs.

7 Civil Partnerships - FPC(05)5

- 7.1 The Chairman introduced the paper and invited comments on the proposed amendments by the end of May '05. The amendments will need to be introduced to the scheme by October '05 to become effective on 5th December '05.

8 Salary Sacrifice Schemes - Childcare Vouchers - FPC(05)6

- 8.1 Members were advised that guidance would be provided in the next circular issued by the Pensions Team.

9 Any Other Business

- 9.1 There were no other items of business raised.

10 Dates of Next Meetings

- 10.1 The next meetings of the FPC are:

15th June 2005
14th July 2005
10th August 2005
12th September 2005
12th October 2005

ODPM
May 2005

3rd Meeting of the Firefighters' Pension Scheme

Attendees

Martin Hill (Chair)	ODPM
Andy Boorman	ODPM
Anthony Mooney (Secretary)	ODPM
Eunice Heaney (Consultant)	ODPM
Ray Jennings	LGA
Fred Walker	LGA
Dennis Musgrave	LGA
Jason Pollard	Welsh Assembly
Terry McGonigal	FANI
Jim Preston	SPPA
Karen Bradley	SEJD
John Nicholls	SEJD
Ivan Walker	Thompson's
Len Richards	APFO
Will Davies	ALAMA
Glyn Morgan	FOA
Derek Chadbon	RFU
Ian Hayton	CFOA

Apologies

Ken Thompson	Cosla
Shane McAteer	DHSSPSNI
Des Prichard	APFO
Paul Woolstenholmes	FBU

Dr W W Davies FFOM LLM DDAM
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27th April 2005

Dear Martin,

Differential Pension Provisions

At the last Firefighters' Pension Committee I agreed to explore how the new pension arrangements are working for Police Services and to report back on any practical problems.

At the consultation stage of the of the police provisions some problems were anticipated. At the ALAMA Spring Conference I discussed the matter with several Force Medical Advisors (FMAs) and it appeared that the arrangements were working without any major hitches. A recent discussion with John Gilbert of the Home Office Pension Unit confirmed a similar picture from his standpoint. There is broad agreement however that any unforeseen problems that may arise would be unlikely to materialise for some time to come. I have also circulated the attached message on the ALAMA website. I have only received 1 response which did not identify any problems.

Notwithstanding the above, I feel that the relative merits of available options should be fully reviewed before a decision is taken. Furthermore if the Police Service approach is chosen, the opportunity to make any necessary modifications or refinements should be taken. With these objectives in mind I believe the following considerations are relevant.

Justification for Exclusions

Whilst compelling arguments can be made for exclusion of cover for increased risks attributable to identified conditions, the arrangements will deny excluded applicants cover for risks of non-attributable IHR, which are no greater than the risks presented by included applicants and scheme members. If alternative arrangements which would avoid this disadvantage are available it is difficult to see how such less favourable treatment could be justified.

Efficacy of Differential Mechanism for IHR

The criteria for exclusion is a greater than 50% probability of IHR attributable to an identifiable condition. This means that applicants with a probability of IHR of up to 49% attributable to an identifiable condition, would not be excluded. A proportion

of such applicants would have been excluded in the past. It follows that the differential mechanism would not prevent some increase in IHR due to the DDA changes.

Efficacy of Differential Mechanisms for Injury Awards

The exclusion of applicants with an increased risk of injury awards appears to rely on the assumption that such applicants would be rejected at recruitment or would not qualify for an injury award because the disablement would be attributed to a pre-existing condition. The basis of this assumption is questionable and I believe these mechanisms may well be unsuitable or ineffective in the Fire service. Because of the scale of pension liabilities for Fire Authorities arising from injury awards, it is essential that the nature and extent of the liability that may arise is rigorously assessed and that effective measures are taken to protect the scheme.

Terminology

The variety of statements and number of key terms used in the documentation is confusing. The process requires opinions relating to the same issue to be stated in a number of different ways and the reason for this is not clear. Within the statements there are several key terms which are open to interpretation. The key terms are put together in a way which compounds the potential for confusion. Consideration should be given to rationalisation and simplification of the statements and key terms to reduce the risk of misjudgements and inconsistency that could arise from misinterpretation or confusion.

Reliability of Opinions

Empirical evidence to inform the opinions required of the FMA Selected Medical Practitioner (SMP) and third medical advisor will not be available for many of the conditions that will be encountered. In such circumstances eligibility will depend on opinion evidence. Opinions may vary according to subjective influences, bias and the expertise of the provider. It will be important therefore to ensure that appropriate steps are taken to minimise variation of opinion due to these factors.

Consistency and Quality Assurance

Attention to the following areas would help reduce the potential for inconsistency and misjudgements due to the above factors.

- Guidance and clarification of key terms
- Training for practitioners involved
- Specification of requisite qualifications of practitioners involved
- Establishment of a panel of suitably qualified experts for second stage

The above considerations supplement the comments made in the response I submitted earlier in the consultation process (15 09 04). In that response the potential of another option was acknowledged. This was option V in the PSC(04)11 and it involved restricted IHR cover for individuals with identifiable risks but with cover remaining for IHR due to unrelated conditions. The potential of option V for dealing with the injury award issue was also noted. In view of the limitations of the Police Service approach as outlined above, I would be interested to know whether option V, or a variant of it, is a possibility that is still on the table.

Yours sincerely

Will Davies
ALAMA FPC Representative