

FIREFIGHTERS' PENSION COMMITTEE

FIREFIGHTERS' PENSION SCHEME (FPS)

PROTECTION OF PENSIONABLE PAY

The recent amendments to the Firefighters' Pension Scheme (FPS) require a fire and rescue authority to consider whether a firefighter who is permanently unfit for firefighting duties can perform other duties appropriate to the role before deciding whether ill-health retirement would be appropriate.

The Committee have previously considered whether protection of pensionable pay was necessary to deal with situations in which a firefighter might be redeployed to a post which might attract a lower rate of pay. [see FPC(04)2 and minutes of 1st meeting on 13 October 2004; and FPC(05)1 and in particular Annex A).

At the 3rd meeting on 28 April, FOA raised the issue on behalf of its members and it was agreed that ODPM should provide a further paper for discussion.

The FPS is a final salary scheme and the rules provide for pension benefits to be based on the average pensionable pay (the aggregate of the pensionable pay) of a firefighter during the year ending on the date of retirement (the relevant date). Where the amount is less than it would have been if the relevant date had been the corresponding date in one of the two preceeding years, then the average pensionable pay may be based on the year that yields the highest amount. This, therefore, provides for protection for a period of three years.

However if the member's average pensionable pay reduces more than 3 years before the relevant date, the pension will not reflect any higher pay on which he/she will have paid pension contributions.

In addition, there is no provision for the case of a person who for any reason may wish to step down either to a role with lower pay or to a less onerous post, e.g. one for which flexible duty allowance is not paid.

Options

The options for protection are as follows:

- A "step down" provision, as used by some other public sector schemes. This would mean treating the two periods of service before and after the pay reduction as separate for pension purposes, if this produces a better award than one based on total service and final pensionable pay. At the point of the step down there would be a calculation of the notional deferred pension accompanied by the issue of a certificate. At retirement, calculations would be made taking account of both periods, with the notional deferred award increased to take account of pension increases and combining both periods.

The final pension would be based on whichever method delivered the greater award. However, the issue of double accrual in the current scheme would need to be considered. Deferred awards currently include enhancements to take account of double accrual in prospective service and this, together with how the period after the step-down should be treated, would need to be resolved.

- Issue of a certificate of protection of pension benefits as currently allowed by the Local Government Pension Scheme. Under LGPS rules, an employee whose pay is permanently reduced (or restricted) by their employer may elect for a certificate which is issued at the discretion of the Authority. The certificate protects the value of the benefits by allowing them to be calculated by reference to a final pay figure notified at retirement and then uprated by pensions increases which have occurred since the day after the "final pay period". The "final pay period" protected by the certificate can be either a) any one of the last five years of membership or b) the annual average of any three consecutive years falling within the span of 13 years' membership before the date of leaving.

Conclusion

The requirement or demand for this level of protection may be such that the protection currently offered by the existing scheme provisions would cover most cases.

A step down provision would give the member protection and ensure that any pension reflected the level of contributions made during service.

A certificate of protection similar to that for the LGPS would give benefits based on what the member would have expected had there been no change in circumstance. However, the FRA would have to carry additional costs as the employee's contributions would be based on the lower level of pay.

The Committee is invited to comment.

ODPM

June 2005