

12/2003 - Q&A briefing on changes to pension arrangements for firefighters

On 5th May 2006 the responsibilities of the Office of the Deputy Prime Minister (ODPM) transferred to the Department for Communities and Local Government.

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Covering note

This text has been edited at the time of web publication to remove references which are spent.

Question and answer briefing on changes to pension arrangements for firefighters

This circular advises fire authorities of the following matters:

1. Advice in respect of the most commonly asked questions about changes to firefighters' pension arrangements.
2. Enquiries on Firefighter's Pension Scheme (FPS) matters.

These items should be brought to the attention of your fire authority, pension managers, brigade medical officers/occupational health managers and Human Resources; and to all active members of the FPS.

A. Commonly asked questions about pension changes

1. With the recent publication of the White Paper "Our Fire and Rescue Service" and ODPM's consultation document 'Amendments to the Firefighters' Pension Scheme' (see FSC 9/2003) we have received a number of enquiries about future pension arrangements for firefighters. Concern has also been expressed about the pension reforms set out in the Department of Work and Pensions and Inland Revenue consultation papers. Attached is a question and answer briefing highlighting the issues most commonly raised. Fire Authorities are invited to bring this to the attention of all active members of the FPS.

B. Enquiries on firefighter's pension scheme matters

2. There have been a number of changes to membership of the Pensions Team. Enquiries on pension matters should be addressed to the following staff at the above address in Portland House.

Subject	Contact
Policy, general enquiries	Martin Hill 020 7944 8641 Martin.Hill@communities.gsi.gov.uk Jean Archer 020 7944 5862 Jean.Archer@communities.gsi.gov.uk
Plus Transfer values for seconded staff,	Anthony Mooney

Medical appeals, general enquiries.	020 7944 8087 Anthony.Mooney@communities.gsi.gov.uk Ruth Wilman 020 7944 6207 Ruth.Wilman@communities.gsi.gov.uk
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3. Any enquiries about this circular should be made to Anthony Mooney at the address above.

Yours faithfully,

Martin Hill

Briefing Note: 1/03

The Firemen's Pension Scheme Order 1992 (FPS)

New Pension Arrangements

The recent White Paper published by the Office of the Deputy Prime Minister entitled 'Our Fire and Rescue Service' sets out the Government's vision for the future of the fire and rescue service and the strategy for achieving that vision in England and Wales.

Included in the White Paper is the Government's commitment to introduce new pension arrangements more suited to the fire service of the future and reflecting changes in the relevant tax and regulatory framework for pensions generally. The proposals for these are set out in the Department of Work and Pensions' paper "Simplicity, security and choice" and the Inland Revenue paper "Simplifying the taxation on pensions". They will affect all pension schemes.

Currently on the ODPM web site, www.communities.gov.uk, under the heading of fire, is a document "Amendments to the Firemen's Pension Scheme Order 1992 (FPS): Consultation Paper" listing a range of proposed amendments to the existing firefighters' pension scheme, the FPS. These changes were under discussion by the Pensions Sub Committee of the Central Fire Brigades' Advisory Council prior to the publication of the White Paper. The Pensions Sub Committee includes representatives of both employers and employees. The consultation period for the amendments to the FPS closes on the 30 September. After which the Pensions Sub Committee will consider the responses.

With so much discussion taking place about change at the moment it is not surprising that members of the FPS, which includes all serving firefighters other than those who have opted out, are concerned about the future. We have, therefore, prepared the attached Question and Answer briefing to deal with the issues most commonly raised by firefighters.

Commonly asked questions

1. Why are you amending the current scheme when the White Paper 'Our Fire and Rescue Service' mentions that the Government is committed to introducing a new scheme?

Some of the changes are needed to meet existing legal requirements and to avoid claims of discrimination. The Pensions Sub Committee had already been discussing these amendments for the current scheme prior to the Independent Review of the Fire Service (Bain Report) and the White Paper. These changes should ensure that the current Pension Scheme is flexible enough to deal with the changes to the service overall prior to the introduction of a new pension scheme. These changes include the need to provide for increasing numbers of part-time regular firefighters. Later we may need to make further changes to the current scheme as regulatory changes to pensions in general take effect.

2. Will the proposed new pension scheme replace the existing scheme or will the new scheme be for new recruits only?

At present no decision has been made about the new pension arrangements. It is possible that the existing scheme will continue in parallel to any new scheme. If this is the case members of the existing scheme may be able to decide whether to transfer to the new scheme to take advantage of the benefits. If the new scheme replaces the existing scheme then the benefits of members of the existing scheme would be fully protected.

3. Are there plans for any amendments to the existing scheme to allow for pensions for surviving partners of unmarried couples and same sex couples?

At present the existing pension scheme contains no provision for unmarried partner pensions. The Green Paper "A new contract for welfare: Partnerships in pensions" made it clear that the Government has no objection in principle to the provision of survivor pensions to unmarried partners by public service schemes, subject to three main conditions:

- the costs of the extra benefits should be met by scheme members through higher employee contributions or a scaling back of other member benefits;
- the general membership of the scheme must want the change to be made; and
- there must be practicable arrangements to define the eligibility of unmarried partners for survivor pensions.

Unmarried partners' pensions are not included in the current range of amendments for the existing scheme. The issue of 'unmarried partner pensions' will be considered as part of the review process for new pension arrangements.

A consultation paper, 'Civil Partnership: A Framework for the legal recognition of same sex

couples' has been published by the Department of Trade and Industry. This deals with the setting up of a register of same sex couples. In the event that such registration is agreed, consideration will have to be given to how this should be reflected in the provisions of the existing scheme.

4. Under the existing Fire Service scheme if a widow(er) remarries he/she loses entitlement to any pension rights from the date of remarriage. Similar rules have been amended for MP's and members of the Armed Forces. Are there plans for these rules to be amended in regards to the existing scheme?

The existing scheme provides that should a widow(er) remarry he/she will lose entitlement to the widow(er)'s pension. However, in the event that the new marriage should come to an end a fire authority may reinstate the whole or any part of the widow(er)'s pension, as they think fit. The issue of survivor pensions for life will be considered in connection with new pension arrangements.

5. Will the proposed amendments set out in the Department of Work and Pensions and Inland Revenue papers mean that a firefighter will have to work past age 50 years even though he/she may have completed 30 years' service?

Under the general regulatory changes to pensions we expect that firefighters recruited from 2005 will not be able to receive a pension before they reach the age of 55 (at present 50 years) and that deferred pensions will be paid from age 65 (at present 60 years). It is not yet clear how the changes may affect existing firefighters. It may be that public sector schemes will need to phase any change in for existing members. For example, when the State pension age for women was raised to 65, the change was phased in so that, whilst some older people were unaffected, it impacted progressively on those in younger age groups. However, it is unlikely that the changes will impact on those who are in the later stages of their service, and therefore should not affect their retirement plans.

6. Are ill-health retirement provisions being withdrawn under the proposed changes to the existing scheme, now the subject of the Consultation paper on the ODPM web site?

No. The provision is permissive. The scheme is being amended so that firefighters whose roles include or could include duties other than operational fire fighting may remain in the pension scheme. Changes to a firefighter's conditions of service or job description will be needed to take advantage of this amendment.

7. How will the changes to the existing scheme affect 'Retained' firefighters?

At present Retained firefighters do not have access to all of the provisions of the existing scheme. The exceptions being access to ill-health and injury benefits if the Retained firefighter was injured in the performance of fire fighting duties. The White Paper sets out the Government's commitment to introduce an appropriate pension scheme for Retained

firefighters, recognising the variety of personal circumstances involved.

8. Under the proposed amendments to the existing scheme, will the introduction of independent medical practitioners with occupational health qualifications make it more difficult for firefighters to be retired on grounds of ill-health?

No. The proposals do not change the criteria for ill-health retirement. However, it is Government policy that all public service schemes seek an independent medical practitioner's view when considering ill health retirements. Fire authorities are already expected to do this. Consequently, the proposed amendment to the existing scheme confirms what is already happening.

9. When will a new scheme be introduced?

No decisions have yet been taken. We will be preparing proposals as a basis for consultation in the first half of 2004. We will then consider the responses and Ministers will make decisions before a new pension scheme is prepared. Thereafter there will be a period for informing members of the changes and the impact on their pension provision.

10. What changes to pension arrangements will be included in the new scheme?

New pension arrangements have yet to be discussed. Planning has started, however, and there will be full consultation with fire service interests at each stage in the process of designing a new scheme.

11. When will the amendments to the existing scheme become effective?

Consultation will be completed by 30 September 2003 and the Pensions Sub Committee will then consider the comments submitted. It is hoped that the changes will come into operation at the end of the year.

12. Will the opportunity be taken when a new scheme is developed to extend it to fire control and non-uniformed staff?

No. Fire control and non-uniformed staff are members of the Local Government Pension Scheme and there are no plans to change these arrangements which meet the needs of both groups. The FPS recognises the need for any pension scheme for firefighters to reflect the risks inherent in their role.

13. There have been reports that lump sums will be taxed. Does this mean that a

firefighter's commuted lump sum will be taxed?

In a consultation paper "Simplifying the taxation of pensions" issued by the Inland Revenue in December 2002, it was proposed that there should be limits on the value of an individual's pension fund at retirement at £1.4 million. The Inland Revenue are considering the response to the consultation and, if this proposal is to be implemented, how the value of a person's pension fund should be calculated. We do not expect the limit to impact on the majority of firefighters although a few chief officers might be affected.

14. Will changes be made to the funding arrangements for firefighters' pensions?

The scheme is a contributory scheme but it is unfunded and operates on a "pay as you go" basis whereby the contributions paid by firefighters become part of the revenue of the fire authority and help pay pensions already in payment. Because fire authorities have to meet the cost of not only pensions in payment but also commutations into lump sums by employees retiring during the year, it can create an uneven pattern of expenditure as the number of those retiring may fluctuate significantly from year to year. The Government is considering the arrangements for financing fire pensions in the future to see whether better arrangements can be made to even out the impact of pension costs on brigades' budgets.

