



Office of the
Deputy Prime Minister

Creating sustainable communities

Firefighters' Pensions

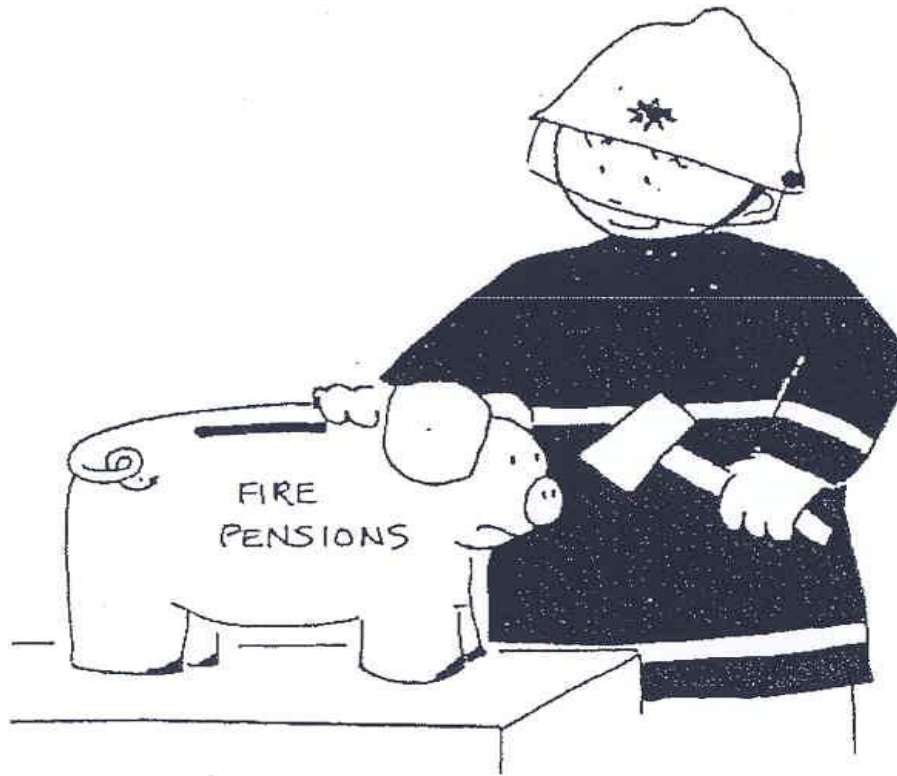
Martin Hill

Firefighters' Pensions Team

ODPM



Firefighters' Pensions





PURPOSE OF WORKSHOP

- Involvement of practitioners – reasons
- How we want them to contribute
- Working groups/e-mail groups/national or regional

OVERVIEW

- Review Completed: Ministers have responded to comments
- Details now being developed in the Blueprint

PRINCIPLES FOR NEW ARRANGEMENTS

- **aid recruitment and retention**
- **be affordable**
- **be flexible**
- **facilitate diversity**



Existing Scheme

Proposed Changes from April 2006

- **Scheme closed to new members**
- **Minimum pension age to be raised from 50 to 55**
- **Deferred pension age to be increased from 60 to 65**
- **Two-tier ill-health awards**



New Pension Scheme

Key Features - 1

- Open to new entrants from April 2006
- Membership limited to firefighters whose roles on joining the FRS include attendance at fires or other emergencies.
- Open to all firefighters on whatever duty system: regular, retained and volunteer



New Pension Scheme

Key Features – 2

- Final salary - issues on pensionable pay
- NPA of 60 with approved early retirement at 55 at discretion of employer
- Deferred pension age of 65



New Pension Scheme

Key Features - 3

- Uniform accrual,
- 1/60th with an option to commute part of pension



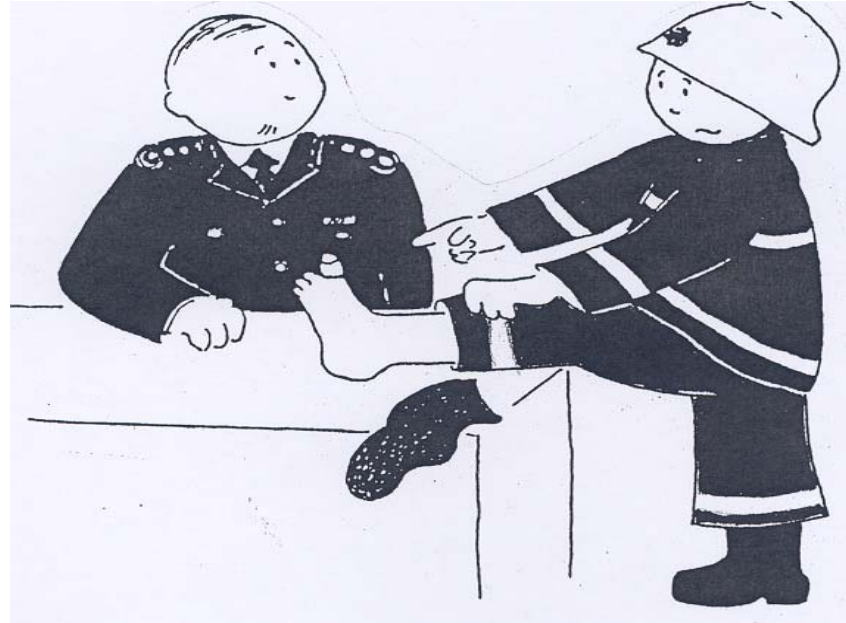
New Pension Scheme

Key Features - 4

- Death grant of 3 x pay
- Widow/widower/unmarried partner pension at max of 25% of pensionable pay
- Children's benefits



Firefighters' Pensions



ILL-HEALTH RETIREMENTS



Firefighters' Pensions

Main Issue:

**The implications for ill-health retirement of the
introduction of two-tier health retirement**



Firefighters' Pensions

TWO-TIER ILL-HEALTH RETIREMENT

- Higher tier - pension enhanced when scheme member is unable to take regular employment
- Lower tier – pension unenhanced when scheme member is able to undertake other regular employment.



Firefighters' Pensions

What do we mean by regular employment:

- “means in relation to any person, and any week, gainful employment which the person undertakes for 10 hours or more in a week” (1990 Social Security Regs)
- “means employment for an annual average of at least 30 hours per week” (New PPS – Blueprint)

Firefighters' Pensions

An ill-health award would be available if:

- Person has been disabled
- Disablement is permanent

Capability to perform the role of a firefighter or to undertake any other duties appropriate to the role.

Firefighters' Pensions

Enhancements - how will they work.

We considered different arrangements:

- On the lines of the existing scheme; but this is inequitable and creates perverse incentives.
- Linked to prospective service.



Firefighters' Pensions

Enhancements - how will they work (2)

- We concluded that to ensure a smooth incremental scale a fair result could be achieved by applying a moderating factor to the enhancement. Thus:

Service accrued + ((X% x Service) x Prospective Service)

- We have proposed a moderating factor of 2%.



Firefighters' Pensions

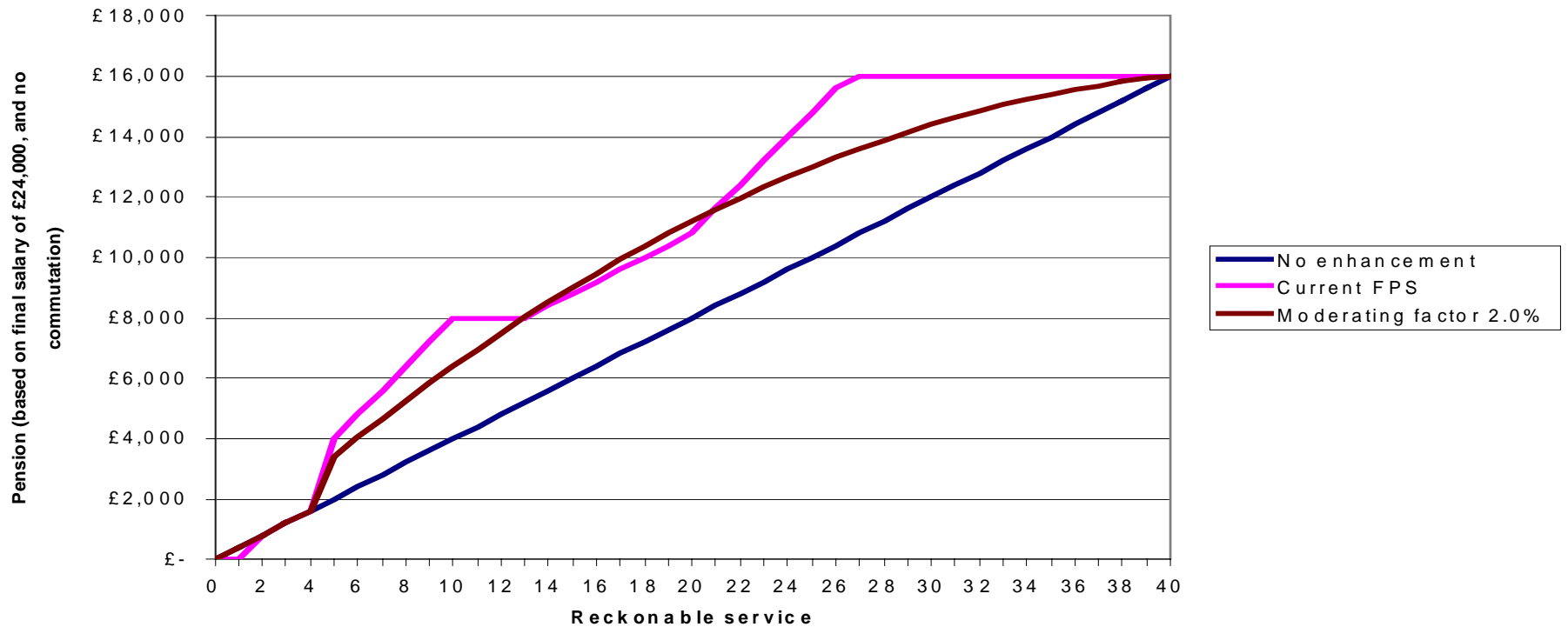
Enhancements – how they will work (3)

- Age: 40 years
- Pensionable/Qualifying Service: 20 years
- Prospective Service to MPA: 20 years
- $20 + (2\% \times 20) \times 20 = 20 + 8 = 28$ years qualifying service



Firefighters' Pensions

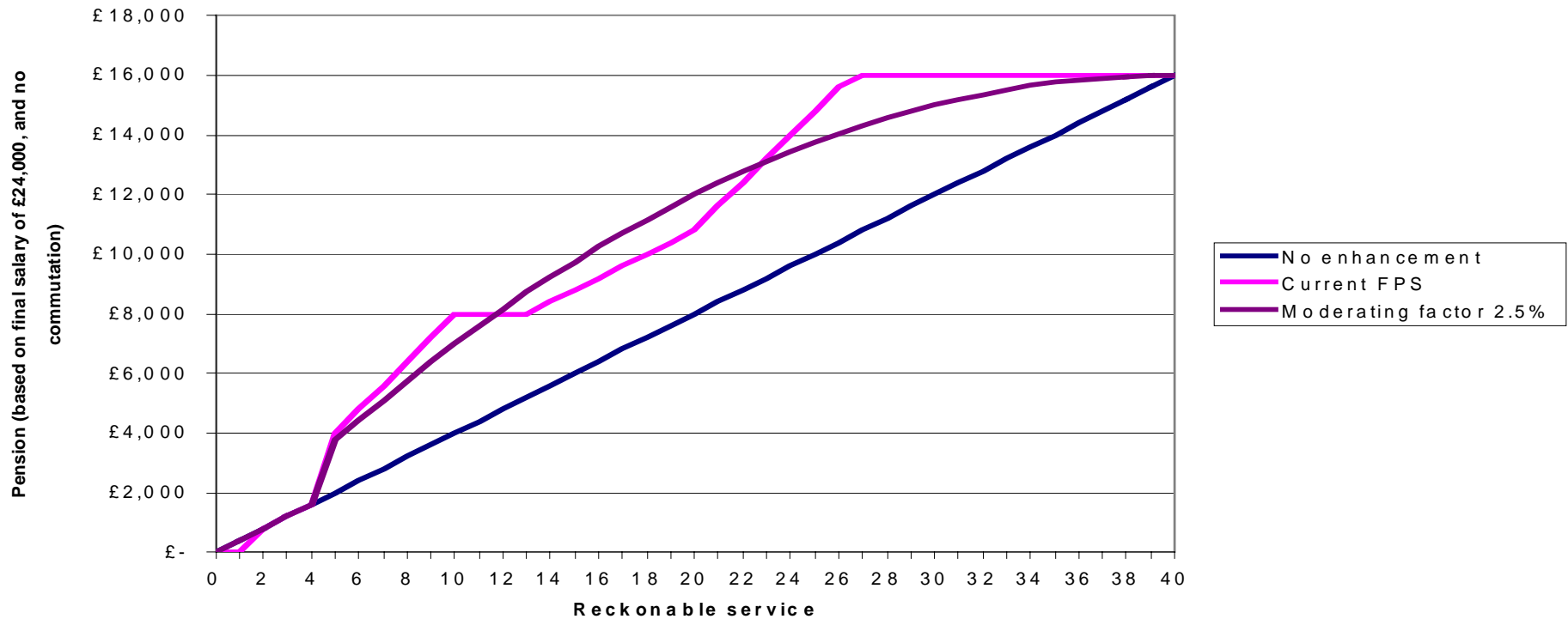
Member's pension with enhanced service on ill-health retirement:
20 years old at entry





Firefighters' Pensions

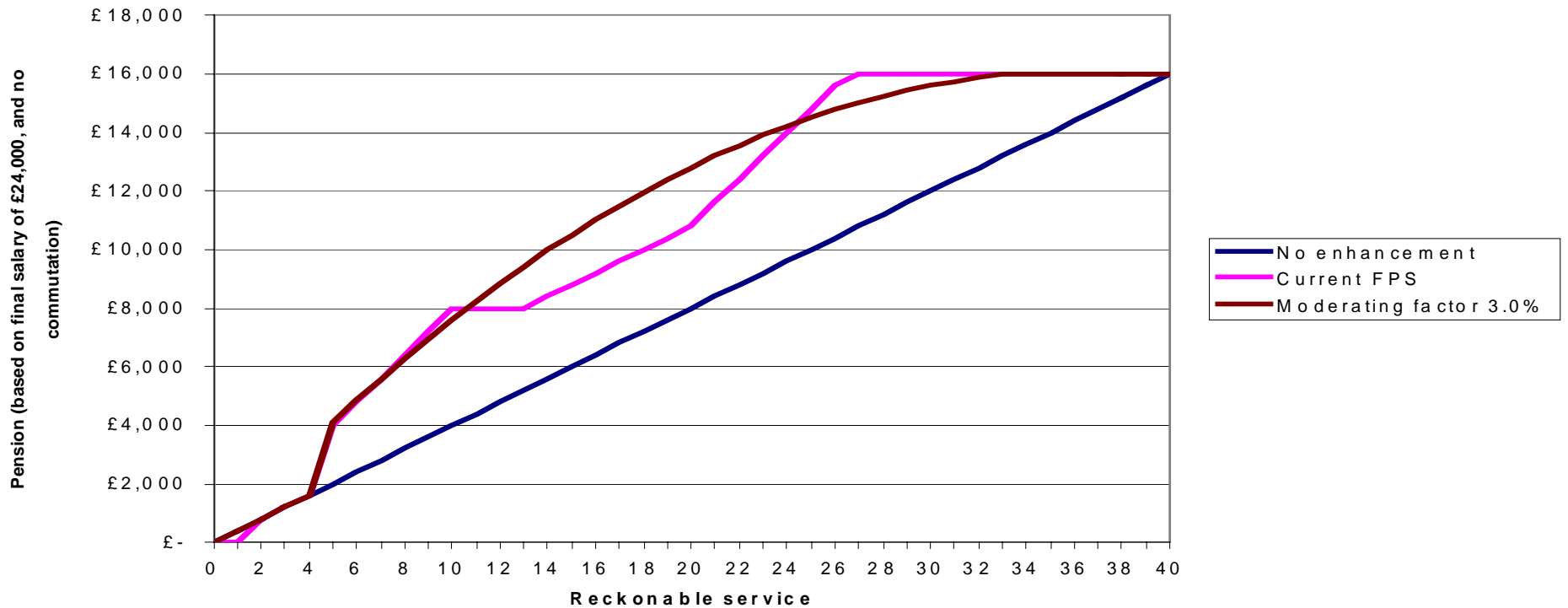
Member's pension with enhanced service on ill-health retirement:
20 years old at entry





Firefighters' Pensions

Member's pension with enhanced service on ill-health retirement:
20 years old at entry





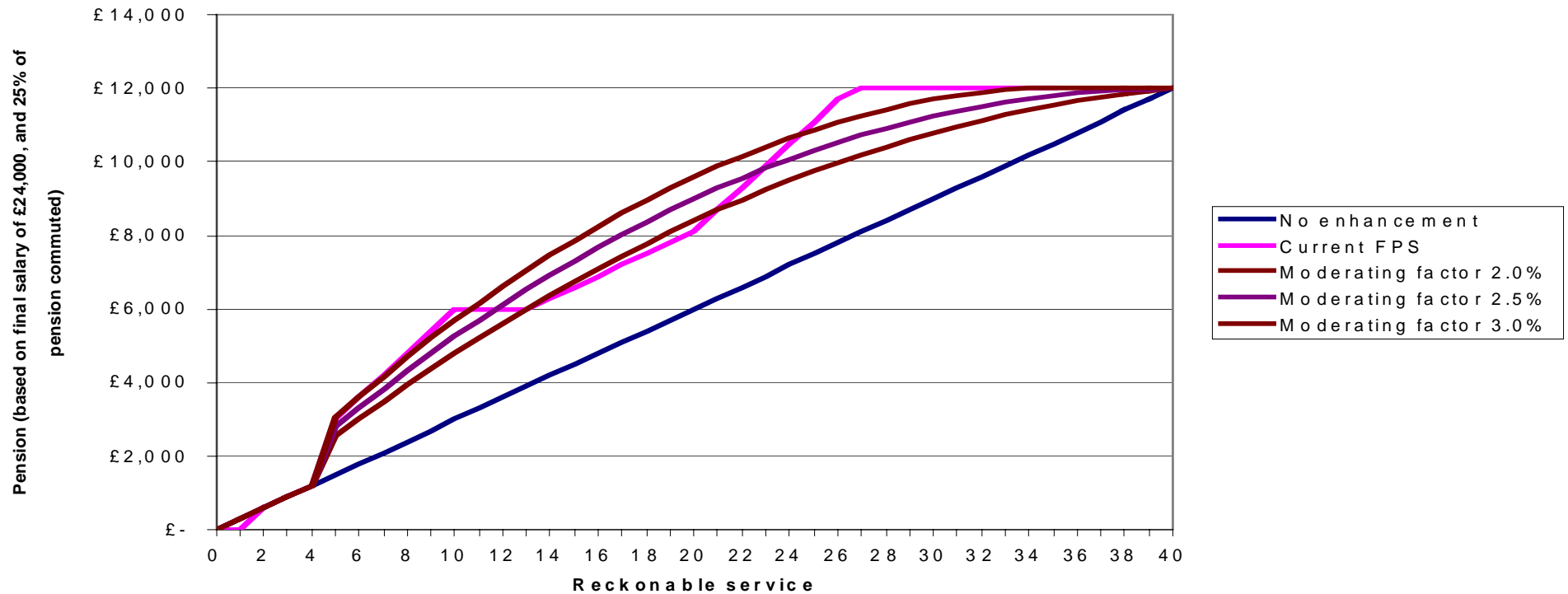
Firefighters' Pensions





Firefighters' Pensions

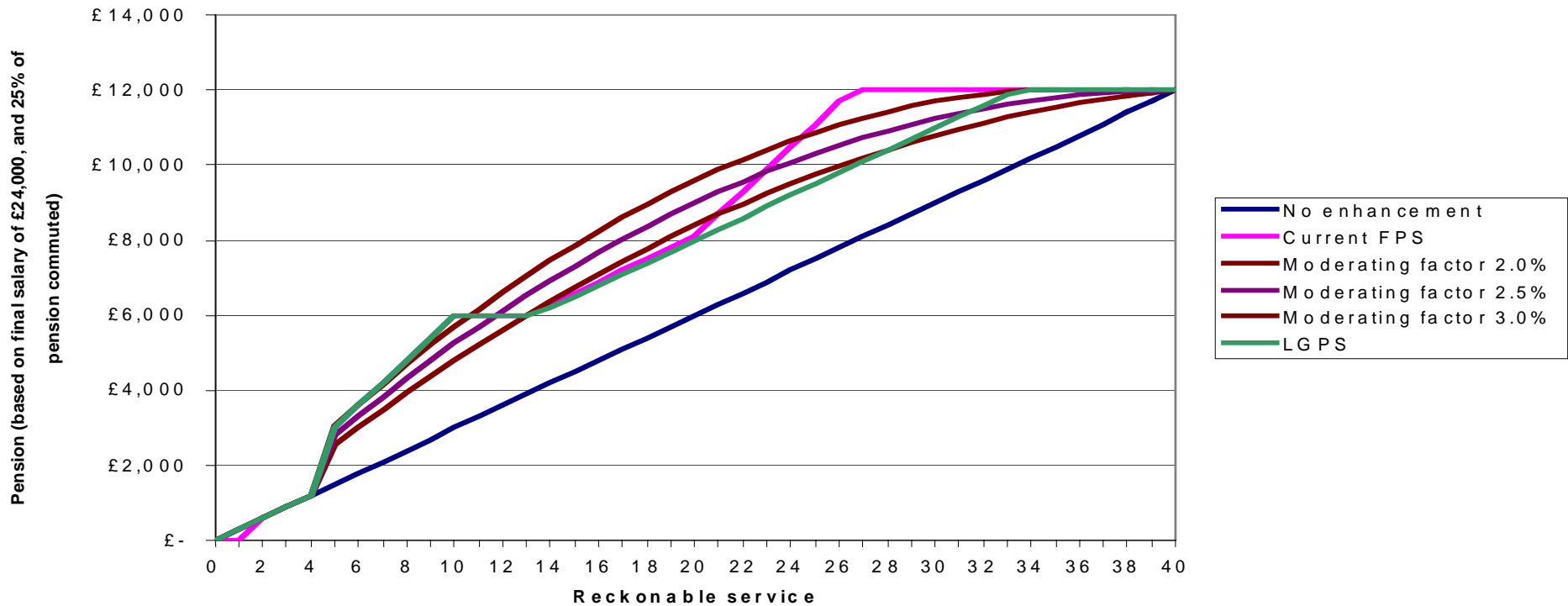
Member's pension with enhanced service on ill-health retirement:
20 years old at entry





Firefighters' Pensions

Member's pension with enhanced service on ill-health retirement:
20 years old at entry





Firefighters' Pensions

Enhancements:

There will be no change in the arrangements for the FPS. Enhancements linked to service will continue



Firefighters' Pensions

Key Questions

- **Should “regular employment” be defined?**
- **If so, what would be a reasonable definition?**
- **Will Medical Advisers want advice on capability assessments?**
- **Are any changes needed to the medical appeal arrangements?**



Firefighters' Pensions

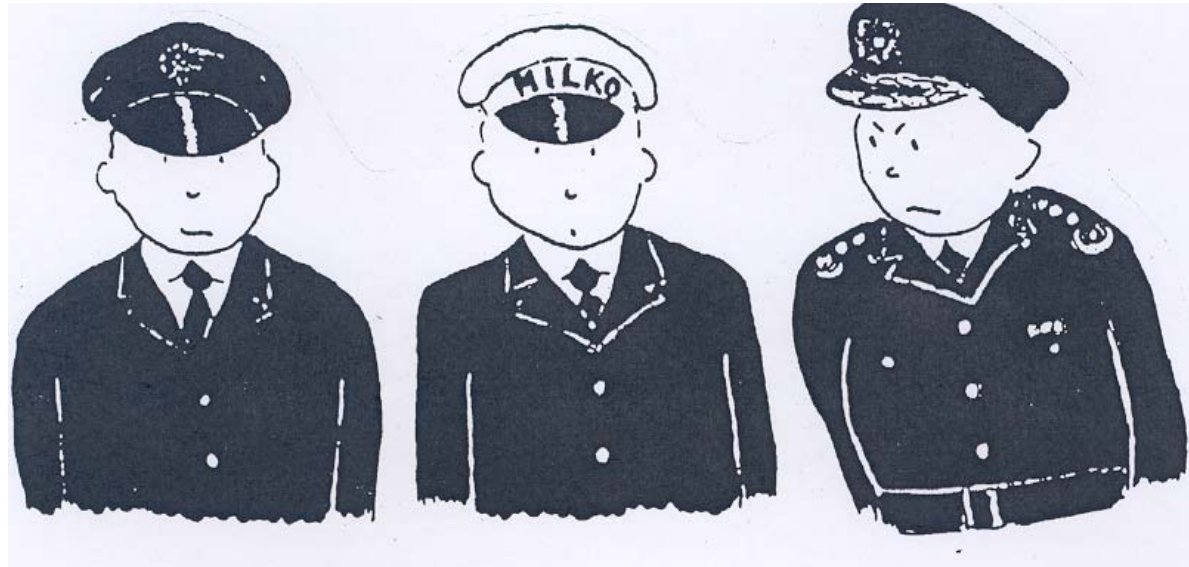
Key Questions (2)

The two tier arrangements will come into force from April 2006 for the FPS:

- **How would we avoid the situation where decisions under H1 are delayed in order that the new arrangements will apply?**
- **Should there be reserved rights under the existing arrangements in some cases?**



Firefighters' Pensions



RETAINED/PART-TIME

Firefighters' Pensions

Who will be able to join:

- Existing RDS firefighters will be able to join NFPS in respect of future service, and purchase additional service for pension purposes on same basis as other members;
- New RDS firefighters.
- Existing RDS firefighters who do not join NFPS will retain rights under FPS.



Firefighters' Pensions

Part-time service for pension purposes will continue to be a proportion of whole-time service: calculated for

- part-time regulars on the basis of hours worked;
- RDS members on the basis of pay as a proportion of the pay of a whole-time regular



Firefighters' Pensions

What will be pensionable pay for RDS members?

- Core pay
- Other permanent emoluments, including retaining fees.



Firefighters' Pensions

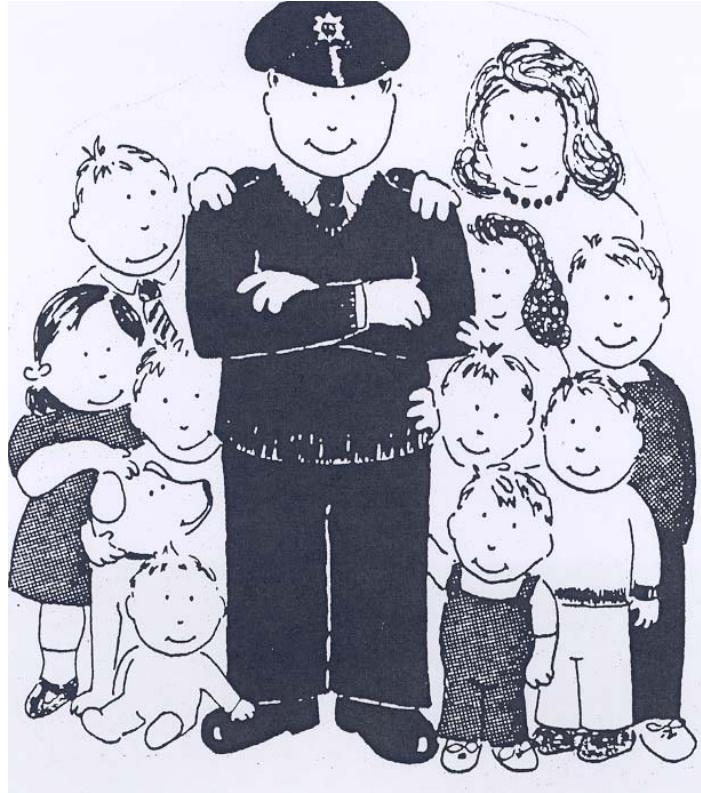
Key Questions

Will the different arrangements for paying RDS firefighters across the FRS cause difficulties?

Will different treatment between regulars & RDS members cause problems?



Firefighters' Pensions



UNMARRIED PARTNERS



Firefighters' Pensions

Main Issues

How the arrangements for the inclusion of unmarried partners will operate

How to ensure that rights to awards are recognised and fraud prevented

Firefighters' Pensions

Unmarried partner to be defined as:

- Registered with the FRA;
- Living with firefighter in an exclusive committed long-term relationship;
- Free to marry or enter into a civil partnership
- Financial dependency or interdependency.



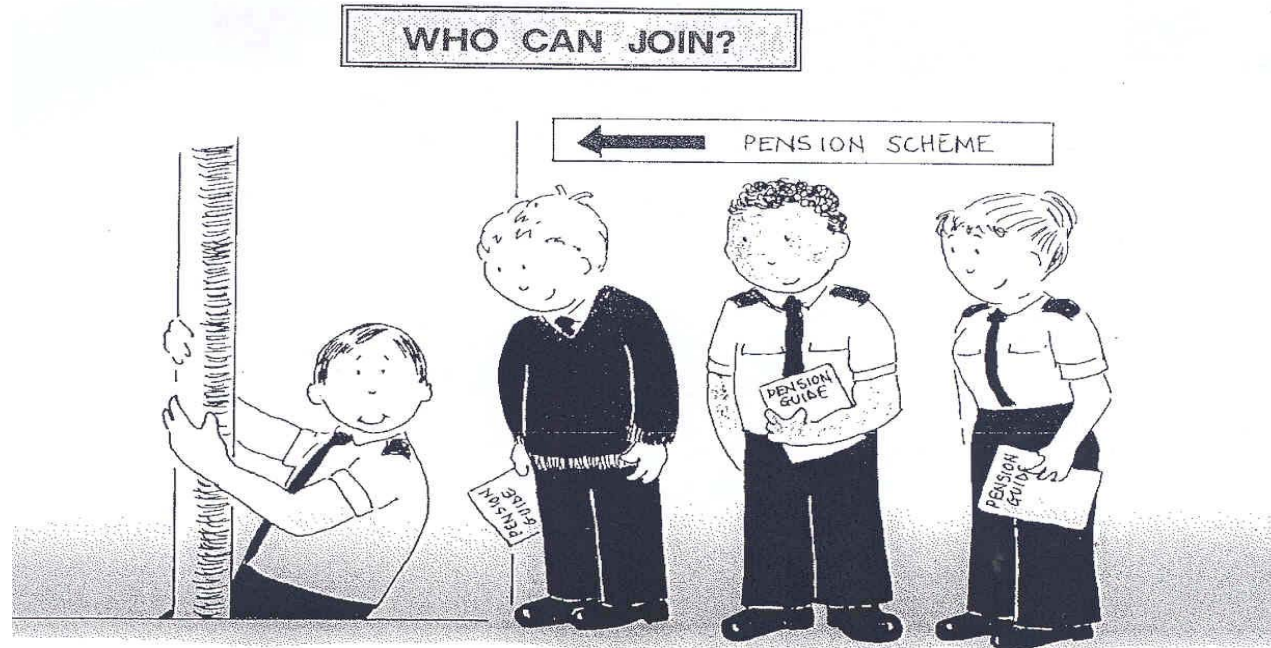
Firefighters' Pensions

Key Questions

- What will be the main issues for those wanting to register?
- What will be the main problems in the registration process?
- How can cancellations be ensured if a relationship ends?
- What discretions should the FRA have?



Firefighters' Pensions



TRANSITIONAL ARRANGEMENTS



Firefighters' Pensions

Main Issue

The arrangements for transfer from the FPS to the NFPS

Firefighters' Pensions

The FPS will be closed to new members but will remain in operation for existing members;

Firefighters who transfer from a Fire and Rescue Service in Scotland, Wales and Northern Ireland and who are members of a pension scheme equivalent to the FPS will not be required to join the NFPS.

Firefighters' Pensions

- Members of the FPS will be able to transfer into the new scheme; either they will be able to preserve benefits in the FPS or transfer those into the NFPS;
- Where a firefighter transfers accrued rights into the NFPS, pensionable service will be calculated in accordance with guidance to be prepared by the Government Actuary.
- Details of the transfer arrangements have still to be discussed.

OTHER ISSUES

Death and Injury Benefits

- Existing arrangements: Pension Scheme & Grey Book cannot continue
- Ministers have made clear that the Grey Book compensation for death and serious injury will be given statutory basis in new scheme
- New death and injury scheme to be introduced on which there will be consultation



Firefighters' Pensions

Death and Injury Benefits

- We will be consulting on proposals shortly
- Some changes to the scheme will have to be considered:
e.g. the number of levels for calculating awards.
- Spouses awards could be extended to unmarried partners: such a change would have to be cost neutral.



Firefighters' Pensions

Financing of Pensions

- New arrangements are proposed from 2006
- consultation on proposals completed
- Ministers will be deciding on arrangements and publishing guidance shortly



Office of the
Deputy Prime Minister

Creating sustainable communities

Firefighters' Pensions

Martin Hill

Firefighters' Pension Scheme Team

ODPM