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Action:	For information and action in relation to paragraph 3.3.		
Title:	<i>Firefighters' Pension Arrangements from April 2006</i>		
Issued by:	Martin Hill Firefighters' Pension Team, Local Government and Firefighters' Pensions Division		
Summary:	This circular provides an update on the development of the new pension arrangements, and a Question and Answer briefing on these developments.		

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The Clerk to the Fire and Rescue Authority
The Commissioner of the London Fire and
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In the last ten days there have been significant developments on the proposed changes to the pension arrangements for firefighters and the purpose of this circular is to update the Fire and Rescue Service. As members of the Service will be aware, Ministers have had a number of meetings with stakeholders and, as a consequence, have proposed some significant changes to the arrangements.

To assist members of the Service and to enable administrators to respond to questions which may be raised with them, we have prepared a question and answer briefing (No. 2/2006). This is attached at Appendix A.

1. Firefighters' Pension Scheme (FPS)

- 1.1 In FPS 2/2005 and FPS 1/2006, we set out the decisions which Ministers have made on amendments to the FPS.
- 1.2 Ministers will withdraw the proposal to raise the minimum pension age in 2013. Consequentially, the minimum pension age will remain age 50. Pensions will continue to be paid to a regular firefighter who has attained age 50 and is entitled to reckon at least 25 years' pensionable service.
- 1.3 The decision will have an impact on the future cost of the FPS and, in consequence, the employee contribution rate for members of the NFPS will be slightly greater than originally envisaged.
- 1.4 The new ill-health retirement arrangements will be effective from 1st April as planned.
- 1.5 Ministers are satisfied that the arrangements will continue to give protection to firefighters who are permanently disabled from performing the duties appropriate to their role; and enhancements to those who cannot undertake regular employment.
- 1.6 If the level of ill-health retirements continues to decline this will be reflected in the overall cost of the FPS and will be apparent when the scheme is revalued. With the new financing arrangements, there will be four yearly revaluations and this will provide an opportunity to look at contribution rates.
- 1.7 Two tier ill-health provisions are Government policy and were recommended by the Review of Ill-health Retirements in the Public Service in 2000. The TUC and CBI were involved in the review. Public service pension schemes are required to implement these arrangements.

2. New Firefighters' Pension Scheme (NFPS)

- 2.1 It remains the intention that the NFPS should come into operation for new entrants to the Fire and Rescue Service with effect from 6th

April 2006, when the FPS will be closed to new members. The scheme will be open to regular, retained duty system and volunteer firefighters.

- 2.2 Ministers are satisfied that with improved standards of fitness, good quality occupational health arrangements, and with the increasing emphasis on fire safety and prevention, raising the normal pension age from 55 to 60 in the NFPS is justified. In addition the NFPS will provide fire and rescue authorities with the flexibilities to allow early retirement with pension from age 55.
- 2.3 It has been agreed that the flexible duty allowance (FDA) should be pensionable in the NFPS, as it is in the FPS. Provisions in the NFPS will allow a member to step down into a post which is paid less or without, for example, the FDA and for a split pension to be paid. This means that pensions will reflect contributions paid.
- 2.4 The contribution rate for members of the NFPS will be 8.5% of pensionable pay.

3. Transitional arrangements

- 3.1 With effect from 6th April, new entrants; optants out from the FPS; and others who have resigned from the Fire and Rescue Service with a deferred pension but rejoin the Service, will only be eligible to join the NFPS.
- 3.2 However, as the necessary order under section 34 of the Fire and Rescue Services Act 2004 is not expected to be made before June 2006, it will apply retrospectively. In the meantime, it is proposed that new entrants, etc. should be placed on a temporary basis in the FPS so that they have the protection provided by the scheme in the event of death or permanent disablement. They will pay a contribution of 8.5% of pensionable pay. The necessary amendment to the FPS is being prepared.
- 3.3 As the FPS will be closed from 6th April, fire and rescue authorities should consider informing optants out, or those on career breaks from the service who intend to return to employment, that they will not have an entitlement to rejoin the FPS, and that they may wish to consider their position. Those on unpaid absence but who remain employed will retain membership of the FPS.

4. Retained Duty System (RDS) Firefighters

- 4.1 Ministers have considered further the position of existing RDS firefighters who opt to join the NFPS and have decided that their rights to benefits under the FPS if they are permanently disabled and the infirmity was occasioned by a qualifying injury should be protected. This will mean that benefits will reflect service before and after opting to join the NFPS.

5. Control Room staff

- 5.1 Ministers have agreed that we should discuss the basis on which control room staff should have access to the NFPS and a working group is being set up to take this matter forward. The unions who represent this group of staff (FBU and GMB) and the interests of other members of the Local Government Pension Scheme are being invited to nominate representatives, as are the employers.
- 5.2 Ministers have made clear that they have no objections in principal but need to be satisfied about possible extra costs.

6. Injury Compensation arrangements

- 6.1 The proposals for a new compensation scheme form part of a wider public sector review but Ministers aim to bring forward the proposals for firefighters and publish later this spring. There will be full consultation on the proposals before final decisions are made and any new scheme is implemented.
- 6.2 In the meantime, the existing arrangements are being placed in a self-contained compensation scheme which will operate in parallel with the FPS and NFPS.

UPDATE ON THE NEW PENSION ARRANGEMENTS – No. 2/2006

The purpose of this update is to provide informed answers to the questions which we expect to be raised with us and administrators in the Fire and Rescue Service following the FBU's Recall Conference on 16th February. It should be read in conjunction with update No. 1/2006 and earlier briefings.

The Firefighters' Pension Scheme (FPS)

1. Is it true that the proposal to raise the minimum pension age for those who cannot retire before 2013 will not be implemented?

Yes. Ministers have made clear that they will withdraw the proposal to raise the minimum pension age in 2013.

2. If I work for more than 30 years, will I still be able to earn a pension of more than 40/60th?

No. The proposal to allow a pension based on 35 rather than 30 years' service was linked to raising the minimum pension age to age 55. Scheme members will be able to transfer into the NFPS if they wish to work for more than 30 years and accrue additional service. There will a number of options available, including drawing or preserving benefits in the FPS and joining the new scheme for future service.

3. Is it true that the flexible duty allowance will not be pensionable from April 2006?

No. It is intended that the flexible duty allowance should continue to be pensionable under the FPS and also be pensionable under the NFPS.

4. What do you mean by "stepping down" and "split pensions"?

Stepping down will be when a person decides to transfer to a post for which the pay is lower than that from which he/she is transferring. For example, a scheme member may be in a post which attracts a flexible duty allowance but decides that he/she would prefer not to have to be available for duty on this basis.

A split pension allows this to be done without loss of that part of their pension on which contributions have been paid at the higher level of pay. When the person retires, the pension is calculated by reference to the two parts of service.

5. Why have Ministers not agreed to withdraw the proposal to introduce two-tier ill-health arrangements?

Ministers have made clear that they are not prepared to withdraw this proposal. Whilst the level of ill-health retirements in the Fire and Rescue Service continue to decline, they are still higher than in other public services. This has a cost to the tax payer which has to be managed. The new arrangements provide for this.

The arrangements will continue to give protection to all staff and enhancements to those who cannot take regular employment. The definition of "regular" as an average of 30 hours per week over a 12 months period is considered to be fair.

6. Is it true that when the FPS is closed in April members will be transferred into the New Firefighters' Pension Scheme?

No. The scheme will not be closed to existing members. Members will be given the option to transfer but there will be no compulsion.

The New Firefighters' Pension Scheme (NFPS)

7. When will the new Firefighters' Pension Scheme come into operation?

The new Firefighters' Pension Scheme (NFPS) will be open to firefighters joining the Fire and Rescue Service from 6th April 2006. The existing Firefighters' Pension Scheme (FPS) will be closed to new members from that date.

8. We have not yet seen the NFPS, is it fair that new entrants should not be allowed to join the existing scheme?

Full information about the NFPS is available and guides will be available for new entrants.

We recognise that the order establishing the new scheme will not be made before June, so we will be amending the FPS to give new entrants the protection of that scheme on an interim basis but they will be moved into the NFPS as soon as the statutory procedures have been completed.

Retained Duty System (RDS) Firefighters

- 9. Is it true that existing RDS firefighters will be given protection so that they will not be worse off if they opt to join the NFPS?**

Yes. Ministers have agreed that existing RDS firefighters should remain eligible for benefits under the FPS if they are injured on duty. This will mean that any normal pension will be based on membership of the NFPS but if they are permanently disabled as a consequence of a duty related injury they will be entitled, as at present, to ill-health and injury awards calculated by reference to a regular firefighter in the same role and with the same service.

- 10. I am entitled to receive a bounty payment after 6th April when the NFPS comes into operation, I have been told it will not be paid. Is this fair?**

The Bounty is paid under the terms and conditions of RDS firefighters. The circumstances in which it is paid, and whether or not it is paid, is a matter for agreement in the National Joint Council.

Concerns have been expressed to Ministers by representatives of RDS firefighters about the fact that firefighters will not receive payments after the end of March 2006. We have asked the Local Government Employers to consider the matter further.