



Firefighters' Pension Scheme Circular

Circular Number:	FPSC 08/2006	Date Issued:	11 April 2006
Action:	For Information and action by Human Resource and Pension Administrators		
Title:	<i>Update on amendments to the Firefighters' Pension Scheme (FPS) and the Firefighters' Compensation Scheme (FCS)</i>		
Issued by:	Martin Hill Local Government and Firefighters' Pensions Division		

Summary:	<p>This circular advises Fire and Rescue Authorities on progress on the changes which are being made to the FPS from 1/6 April 2006 and the new FCS; and gives further guidance on the consequences of the new tax regime for pension and the new arrangements for ill-health awards.</p> <p>It also gives notice of further workshops on the New Firefighters' Pension Scheme for administrators.</p>
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The Chief Fire Officer	Medical/Occupational health managers
	Active members of the FPS

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1. FPS Amendments – Further guidance

- 1.1 As advised by FPS Circular 06/2006, various amendments to the FPS came into effect from 1st April and 6th April 2006. The amending order is now being finalised and it is expected that it will be made and laid before Parliament by the beginning of May and will come into operation in the latter part of May.
- 1.2 A copy of the latest draft of the order is being placed on our website.

2. Firefighters' Compensation Scheme (FCS)

- 2.1 FPS Circular 06/2006 also set out the new arrangements for injury related benefits in a freestanding FCS. The timing of the proposed scheme order will be the same as that for the amendments to the FPS referred to in section 1 above. HM Revenue and Customs have agreed that there will be no enforcement of unauthorised payment tax charges that might arise on any death or injury compensation payments made during the interim period on the basis that it would be more cost effective to hold off enforcing the charge rather than have to refund the charge once the amending legislation came into force. If the legislation is not enacted so as to have the necessary retrospective effect, the justification for deferral would lapse and the tax charges would then be enforced.
- 2.2 A copy of the latest draft of the order is being placed on our website.

3. New Tax Regime for Pensions:

(i) taking benefits and remaining employed as a firefighter.

- 3.1 It is our understanding of the new tax regime for pensions which came into effect on 6 April that previous rules limiting the opportunities for a person to draw pension and continue in employment have been relaxed. This has prompted enquiries as to whether and how a firefighter can draw pension from the Firefighters' Pension Scheme (FPS) and continue in employment.
- 3.2 Generally, scheme rules must not allow members to take pension benefits before they reach the minimum pension age. In the FPS, the minimum pension age is 50, provided the firefighter is able to reckon at least 25 years' pensionable service. The normal pension age is 55 regardless of length of service.
- 3.3 The rules of the FPS have not been amended and it will still be necessary for a firefighter to retire in order to draw pension benefits. However, the rules of the pension scheme do not prevent the re-employment of a firefighter after retirement. This means that, subject to the rules on minimum pension age and normal pension age being satisfied, a firefighter may now retire, draw pension and any commuted lump sum, and be re-employed immediately.
- 3.4 There are, however, some important points to note:
 - Re-employment is at the discretion of the employing authority;
 - Retirement will constitute a break in service so that membership of the FPS will be terminated;

- Rule K4 makes provision for the abatement of a pension payable under the FPS for any period during which the pensioner is employed as a regular firefighter with a FRA. The ODPM would expect the FRA with responsibility for payment of the pension to exercise their discretion to withdraw the whole or part of the pension on the principle that the annual rate of pay as a firefighter following re-employment plus the annual rate of FPS pension should not exceed the annual rate of pay as a firefighter received immediately prior to retirement; and
- On re-employment, the firefighter could be eligible for membership of the NFPS provided that the person meets the membership criteria, i.e. whose role includes a requirement to engage in firefighting or attendance at other emergencies. Otherwise consideration would need to be given on whether the person was eligible to join the LGPS.

3.5 In the light of the above and in anticipation of an increase in enquiries from FPS members, it is recommended that FRAs should formulate or review policies on re-employment so that there is clarity for firefighters about the approach of the FRA on the matter.

(ii) permitted maximum figure (earnings cap)

3.6 We are advised by HMRC that the permitted maximum figure for the 2006-07 tax year is £108,600.00.

3.7 Before 6th April 2006, section 590C of the Income and Corporation Taxes Act 1988 effectively applied the permitted maximum (or “earnings cap”) to pension schemes. Under HMRC modification regulations, which modify the rules of existing pension schemes for a transitional period ending no later than the end of tax year 2010-11, the effect of the permitted maximum on existing pension schemes is preserved despite the intended repeal of section 590C on 6th April. The regulations will continue to apply the permitted maximum during the transitional period as if section 590C had remained in force.

(iii) lifetime allowance

3.8 If the total amount of benefits due to a person from all registered pension schemes exceeds a “Lifetime Allowance” set by HM Revenue and Customs, tax charges may apply. This means that before a pension under the FPS comes into payment, the Fire and Rescue Authority need a declaration of the scheme member’s entitlement to other benefits. We have prepared the attached notes and declaration form to assist authorities in discharging their responsibilities. Copies will be available on the website.

4. New Ill-Health Award Arrangements

4.1 We have revised the Model Medical Certificates which are available at the Forms section of the firepensions website to reflect the new arrangements.

4.2 We have prepared the attached guidance note on the new arrangements for the information of members of the FPS and you may wish to bring this to the attention of active members of the scheme.

4.3 We are also in the process of preparing guidance for medical practitioners on the new arrangements and this will be issued in due course.

5. New Firefighters' Pension Scheme (NFPS) - financing

- 5.1 At paragraph 3.3 of FPS Circular 07/2006, we said that “During the bridging period, FRA should pay the employer contribution rate applicable to the NFPS (14.2%) for the recruits affected”. Since the circular was issued, we have been asked whether this figure was inclusive of the ill-health charge. It is. The exclusive rate is 11%, with the ill-health charge equal to 3.2%.

6. Workshops

- 6.1 We are planning two further workshops, primarily on the NFPS, for HR and Pension practitioners. These will be held on:

Monday, 15th May at the London FEPS Training Centre, Southwark

Thursday, 1st June at the Manchester FRA Training Centre.

- 6.2 We will be sending out further information shortly but if you would be interested in attending one of these events please e-mail to firepensions@odpm.gsi.gov.uk, marking your e-mail “Workshops”, and we will ensure that you receive information. Places will be limited to about 50 for each workshop.