



AGENDA ITEM: 7

NORTH WALES FIRE AND RESCUE AUTHORITY EXECUTIVE PANEL

21st September 2006

THE FIREFIGHTERS' PENSION SCHEME – UPDATE

Report by Chris Enness, Deputy Chief Fire Officer

Purpose of Report

1. To provide an update on the introduction of the New Firefighters' Pension Scheme 2006, amendments to the Firefighters' Pension Scheme (1992) and the relaxation in the pension tax regime in respect of providing an opportunity for a person to draw a pension and continue in employment.

Introduction

2. In the White Paper *Our Fire and Rescue Service* the Government committed itself to introducing new pension arrangements for firefighters that were more suited to the Fire and Rescue Service of the future.
3. The main objectives of the new scheme revolve around:
 - Recruitment and retention
 - Affordability
 - Bringing firefighters' pensions into line with other members of the Fire and Rescue Service and public sector employees
 - Flexibility and diversity



Introduction *(continued)*

4. The Firefighters' Pension (Wales) Scheme (Amendment) Order 2006 which mirrors the scheme in England came into force on 23 June 2006, thus amending and consolidating the Firefighters Pension Scheme 1992. The Order was issued with retrospective effect to 6 April 2006. We are still awaiting the enactment of the New Firefighter Pension Scheme (Wales) 2006; it is expected that the process in Wales will be 2-3 months behind the enactment in England

Amendments to the Firefighters' Pension Scheme (1992)

Closure of Scheme

5. New recruits employed by the Fire and Rescue Service after 5 April 2006 will not be eligible to join the existing scheme.

Death and Injury Benefits

6. The non-contributory compensatory provisions covering death and injury that are currently in the Firefighters' Pension Scheme are to be removed to a free-standing Firefighters' Compensation Scheme. There are no changes to the death and injury provisions and, where possible, the provisions have been lifted intact and placed in the new Firefighters' Compensation Scheme. This amendment is effective from 1 April 2006.

7. New Arrangements for Ill-Health

The provision for determining a Scheme Member's entitlement to an ill-health award has been amended to keep the 1992 Scheme in line with the two-tier arrangement being introduced in the 2006 Scheme. Lower tier would be paid where a member is capable of regular employment (other than as a firefighter); higher tier would be paid where a member is not so capable.



Introduction *(continued)*

Taking Benefits and Remaining Employed as a Firefighter

8. The new pension tax regime introduced on 6 April 2006 aimed to simplify the complex tax rules thereby reducing inflexibility that discouraged people from saving. The 15% contribution limits for tax relief has been replaced by the Single Lifetime Allowance of total fund value (initially set at 1.5m), whilst members are now free to contribute to as many pension arrangements at the same time as they wish. The introduction of flexible retirement also removed tax regime restrictions in respect of receiving some or all benefits whilst continuing to work, thus being able to accrue further benefits from same employer.

Subject to the rules on minimum pension age and normal pension age being satisfied, a firefighter may now retire and draw pension and any lump sum, and be re-employed by the Service. However, provision is made within the terms of the Firefighters' Pension Scheme for the abatement of a Pension payable, for any period during which the pensioner is employed as a regular Firefighter.

For an individual to be considered for re-employment, the following criteria must be satisfied:-

- Any individual who has achieved, or is about to achieve 30 or more years' service with the Fire and Rescue Service, and who has reached the minimum or normal pension age as detailed in the Firefighters Pension Scheme
- The individual must be intending to retire within six weeks of application for re-employment, with a normal retirement Pension.
- The individual must be medically fit to continue in role.



Introduction *(continued)*

- The individual's performance and conduct will also be considered, including any current disciplinary awards.
- The individual must possess particular skills, knowledge, or experience that the NWFRS would find difficult to replace in the short term.
- Individuals retiring on the grounds of ill-health, regardless of whether a lower tier or higher tier award, and individuals retiring with an injury award will not be considered

New Firefighters' Pension Scheme (2006)

Membership

9. Membership of the new scheme, which will be known as the Firefighters' Pension Scheme (Wales) 2006, will be open to firefighters (- i.e. those on the wholetime and the retained duty systems) who will be defined as persons whose role on joining the Fire and Rescue Service includes attendance at fires or other emergencies.

New Recruits Employed from 06 April 2006

10.
 - Close the existing scheme to new recruits to the Service from 6 April 2006
 - Set out a bridging arrangement whereby new recruits (wholetime and part-time) will be placed in the existing scheme temporarily until the order for the new scheme has been made
 - Provide for post 5 April 2006 entrants, their spouses, civil partners and dependants to cease to be members or dependants of members of the existing scheme on the day the new scheme is brought into operation



Introduction *(continued)*

- New recruits to the Retained Duty System will not be able to join the existing scheme during this bridging period and will have to await enactment of the scheme prior to commencing contributions. Individuals opting into the new scheme upon enactment will be eligible for retrospective membership from 1 April 2006
- The bridging period is expected to be for 12 month period. When the new order comes into effect, those new recruits affected will be transferred to the New Scheme automatically

Retained Duty System Firefighters

11. Retained Duty System Firefighters will be eligible to join the New Firefighters' Pension Scheme; however there is an on-going issue in respect of a House of Lords judgement in the claim by retained firefighter for membership of the existing scheme.

The judgement has no implications for the Government's proposal to introduce new pension arrangements for Retained Duty System firefighters from 06 April 2006. The New Scheme will be open to new recruit Retained Duty System Firefighters and existing Retained Duty System Firefighters will also have the option to join the new scheme.

Recommendations

12. That the Executive Panel
 - 12.1 receives this update on the Fire Fighters' Pension Schemes for information purposes; and
 - 12.2 delegate to the Chief Fire Officer the responsibility to formulate a policy taking into account the legislative changes to the pension scheme, to include the re-employment of staff following retirement.