

Fire fighters' Pension Committee (FPC)
FOA comment on Paper FPC(05) 18
Tax Simplification and Injury Benefits Changes Required at A day

Whilst the following was written prior to the 12th December FPC meeting, it was not possible to submit the document in time for it to be considered beforehand. Some of our comments were, to some extent, answered during the meeting but our original comments remain to highlight areas that may need to be addressed when taking matters forward.

Compensation for Death and Serious Injury is one such area where, at the meeting, assurance was given that previous arrangements will be incorporated into the Order. However, concern remains that current Treasury rules and tax changes may have impact upon the ability to do so.

Compensation for death and serious injury

With regard to compensation for death and serious injury, we are concerned over the length of time it is taking to make statutory provision for payment. Making the necessary arrangements does not appear to be a priority as it is now unlikely that an order will be put in place before April 2006.

Had a compensation scheme order been made closer to the time that Grey Book provision was declared ultra vires we believe that almost identical provision could have been made. However, the delay means that the provision will now be subject to the new tax regime and we fear that benefits could be reduced, have an impact on other benefits or result in additional taxation. We feel that, there would have been more chance of preserving an existing benefit had the provision been in place before April 2006.

Can we have some assurance that every effort will be made to preserve the existing compensation benefit without impact on other benefits or personal taxation?

2. Life Time Allowance

Will the 20:1 factor for determining value of the pension against the life time allowance remain constant. We would be concerned if, at some stage, it were proposed to calculate this value as the equivalent fund value that would be required to produce the level of pension received.

With the 20:1 calculation method, rough calculations indicate that only those with pensionable pay in excess of approx. £114,000 would breach the lifetime limit. This is not likely to affect members of the FOA but other staff associations may hold some concerns.

3. Pension contributions

The freedom to make additional pension investments is welcomed and we, therefore, support removal of rule G7(3).

5. Maximum pension entitlement

We feel that existing scheme's rules should be amended as close as possible to April 1st to give some incentive for scheme members to remain in service. It is considered that the service is currently losing many skilled and experienced staff who are leaving as soon as they complete 30 years' service. The FOA is concerned that the quality of service may be reduced unless a period longer than the 3 year or so 'exodus' period resulting from the large intake of staff some 30 years ago.

With the incentive of counting additional service beyond 30 years, we feel that the window for skills transfer may be extended to the benefit of the service and the community. Such provision may prove cost effective in that it could reverse the increasing trend of re-employing retired staff who had, pre-retirement, occupied key roles.

Given the current commutation rules and use of commutation tables, age will be a limiting factor here as the value of the above incentive will diminish at age 52. However, without altering commutation arrangements, many staff who could retire at age 50 could remain in post for two additional years which may be sufficient to bridge any potential skills gap.

Dependent upon the likely impact of changing commutation arrangements within the current scheme, it may be possible to reach agreement on new arrangements to allow scheme members to work beyond age 52 without detriment to benefits.

The new tax regime provides an opportunity to address a long-standing issue that affects scheme members who joined before the age of 20. Staff associations have considered the situation where contributions are paid for up to 32 years for benefits based on 30 years service as unfair. We urge that, as a gesture of goodwill, the scheme be amended to base a member's pension on the total period of service during which contributions are paid.

7. Retirement age

Whilst re-stating our objections to any increase in the retirement age for firefighters, given the intent to do so, we find it necessary to support the proposal to make the appropriate amendment to exempt members of the scheme