

FIREFIGHTERS' PENSION COMMITTEE

MATTERS ARISING FROM 36th AND 37th MEETINGS

This paper updates members on the items discussed at the 36th and 37th meetings of the Firefighters' Pension Committee on 25th August 2010 and 2nd November 2010 respectively.

1. Firefighter Pension Schemes Data (para. 4.1 to 4.7, Note of the 36th FPC meeting)

As an action point from the 36th meeting updated rates of ill-health retirements and scheme membership data was circulated with the note of the meeting.

2. Restriction of Pensions Tax Relief (para. 5.1 to 5.10, Note of the 36th FPC meeting)

Please refer to item 3 of the agenda and associated committee paper FPC(10)13.

3. Firefighter Pensions: Options for the future/Cap & Share (para. 6.1 to 6.3, Note of the 36th FPC meeting)

At the 36th FPC members were invited to identify and submit the types of data required in order to discuss the future options in more detail. Annexed to this paper are exchanges between Ivan Walker and the Chairman.

***Department for Communities and Local Government
November 2010***

Firefighter Pensions: Options for the future/Cap & Share.

Email from Ivan Walker on 11th October 2010

As mentioned at the meeting on 25th August 2010, we would like to have some further information to assess the full implications of any proposals for changes to the FPS. As was explained at the meeting, it is not possible to reach any conclusions on the acceptability or otherwise of the changes that might be proposed without such information. Bryn Davies (our actuary) has asked, therefore, if more data could be provided on the following topics:

- The re-employment within the fire service of any ex-firefighters who have retired with a FPS pension and the proportion of those who are re-employed and join the NFPS
- Members of the FPS who transfer to the NFPS after completing 30 years of pensionable service;
- Experience of commutation by age and the proportion of their pension that FPS members commute on retirement; and
- More details of the impact on retirement patterns of fire fighters from the factors mentioned in FPC(10)3 in the second paragraph of the section headed "3. Closure of the FPS".

Please let me know what is possible.

The Chairman's responded on 28th October 2010:

I am replying to your e-mail.

- The re-employment within the fire service of any ex-firefighters who have retired with a FPS pension and the proportion of those who are re-employed and join the NFPS

We have no data but believe that until the change to the tax rules in 2006, it was unusual for a firefighter to be re-employed. Since then some authorities have adopted a policy not to re-employ or to re-employ only where there is a skills shortage and cover is required until the necessary training has been provided. In those authorities where re-employment is allowed, it is our understanding that this is normally on the basis of short-term contracts. In most cases, therefore, the individual will not satisfy membership requirements for the NFPS (because the contract is "in a temporary capacity").

- Members of the FPS who transfer to the NFPS after completing 30 years of pensionable service;

Again we have no data available. We think it unlikely that there will be many (if any) because it would mean the person taking a deferred pension in the FPS which could not be accessed before age 60.

- Experience of commutation by age and the proportion of their pension that FPS members commute on retirement; and

I understand from GAD that according to the valuation data provided in 2007, there were 778 members in the FPS who had more than 30 years service accrued at the 31st March 2007. Only 283 of these were under 50 years at the 31st March 2007, and so could not have retired at the valuation date. GAD have sent us the attached spreadsheet with the number of members in each role at each age.

The table below (also supplied by GAD) provides an estimate of the proportion of pension that members opted to commute based on the valuation data provided for retirements during the period 31st March 2003 up to the valuation date. They have excluded any authorities where no data was provided on the lump sums taken by members.

The table is based on the raw valuation data provided on the amount of lump sum commuted by members and the age at retirement: there are oddities in the data but I understand that it was not checked in detail in 2007 because it was not required for the valuation .

Having said that, it does appear to broadly support anecdotal evidence that those who commute almost always take the maximum permitted (25% under rule B7(4)), and that few members are affected by the additional limit in rule B7(5).

The data includes around 25 members for whom the amount of lump sum taken is very low (less than £500) and includes around 20 members who retired after the valuation date. The data also indicates that the commuted lump sum is zero for around 420 retirees during the period – we do not know for certain if this is because the members did not opt to commute any lump sum or if no data was available on the amount commuted. Therefore GAD have provided details on the estimated proportion commuted for all retirees during the period (including those with a zero lump sum); and also details of the estimated proportion commuted for those who retired during the period and for whom details on the amount of lump sum taken have been provided.

Age at Retirement	No of Members retired 2003-07	Proportion of pension Commuted overall	No of Members retired 2003-07 and took a lump sum	Proportion of pension Commuted by members who took a lump sum	Proportion who took a lump sum
40	29	20%	23	25%	79%
41	28	20%	22	25%	79%
42	36	20%	29	25%	81%
43	39	24%	37	25%	95%
44	43	21%	37	25%	86%
45	62	21%	52	25%	84%
46	64	22%	59	24%	92%
47	90	21%	79	24%	88%
48	96	23%	90	25%	94%
49	200	24%	190	25%	95%
50	919	23%	870	24%	95%
51	483	23%	465	24%	96%
52	404	23%	378	24%	94%
53	359	23%	339	24%	94%
54	528	22%	475	24%	90%
55	584	23%	547	25%	94%
56	62	23%	58	24%	94%
57	40	21%	34	24%	85%
58	16	23%	15	25%	94%
59	16	19%	13	24%	81%
60	109	19%	79	27%	72%

- More details of the impact on retirement patterns of fire fighters from the factors mentioned in FPC(10)3 in the second paragraph of the section headed “3. Closure of the FPS”.

I am not certain what factors you are referring to as this paragraph deals with the transfer terms offered in 2007.

Ivan Walker responded on 1st November 2010

Sorry the reference should be to the third paragraph.

You say there that you did not appreciate the extent to which firefighters would wish to continue in service after 30 years’ service or to seek employment in non-operational roles; or the impact of the abolition of the compulsory retirement age and change to the definition of a regular firefighter.

Do you mean that you had a quantifiable expectation, and a measured outcome?

The Chairman replied on 10th November 2010

The expectation was that all members of the FPS would retire at the earliest opportunity once they had accrued 30 years' service. In practice, the removal of the compulsory retirement age, etc have given individuals and authorities greater flexibility.

Whilst some authorities have a policy not to re-employ, we have information which shows that in 2009/10, 13 English authorities re-employed firefighters in operational roles and 20 in non-operational roles.

Of the 1,213 ordinary retirements in 2009/10 (see attached table, which has already been circulated), 93 were re-employed as firefighters and 57 in non-operational roles. Some of those re-employed will have been re-employed on short-term contracts.

We do not have figures for the earlier years.