

Item 9

Pensions – Early retirement and commutation cap under rule B7 (4)

Purpose

This report seeks to update members on a draft proposal that was submitted to the Pensions committee which proposed amendments to the Firefighters Pension Scheme.

Summary

This report summarises a draft proposal that seeks to make changes to the Firefighters Pension Scheme.

Recommendations

Members are asked to:

- Note the contents of the report

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Background

1. In order to support the need for Fire and Rescue Authorities to achieve the necessary reductions in budgets over the next two to three years, a draft proposal was submitted to the Pensions committee which proposed amendments to the Fire-fighters Pension Scheme.

The issues

2. In essence, the proposal set out recommendations which would give FRA's, the discretion on the grounds of efficiency to allow fire service personnel the ability to commute 25% of their accrued pension into a lump sum where they elect to retire before 30 years service at aged 50 or above. Currently anyone with less than 30 years service or less than 55 years of age is only able to commute up to a maximum of approximately 11.75%.
3. An example of how this can impact on a person's lump sum can be found at **Annex A**.
4. Consultation has taken place with various interested parties such as the Police Pension fund (due to similarities in the schemes), Treasury and HMRC who see no obstacle in tax law to prevent such a payment.
5. In order to prevent any further burden on the Fire-fighters Pension Scheme, FRAs would be expected to fund the additional element of the lump sum. As the example attached shows, this would, for a Firefighter who currently earns around £28k per annum, equate to approximately £35K. However, this cost would be recovered in year 1 by reducing the salary + associated 'on costs' of not backfilling the post.

Conclusions and next steps

6. Cllr Fred Walker represents the Fire Services Management Committee on the Pensions Committee and, with officers, will continue to keep the Committee informed of the progress of this proposal.

Financial Implications

7. Any changes to the Firefighters Pension Scheme will have implications for individual FRAs, as indicated by the examples given at **Annex A**.

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Example

- A firefighter aged 50 with 25 years service
- Current pay for the role of £28,199.00 p.a.

Under the FPS rules would receive the following annual pension and lump sum using the current restricted pension factors:-

Pension: £12,429.82 p.a.
Lump sum: £31,723.88

However if the restriction on the lump sum was removed the figures would be:-

Pension: £10,574.63 p.a.
Lump sum: £66,972.63

i.e. the additional pension given up would amount to £1,855.19 p.a. and the lump sum would increase by £35,248.75.

This compares with working the full 30 years:

Pension: £14,099.50 p.a.
Lump Sum: £89,301.30

(*The above figures are basis on a Firefighter aged 50 and are subject to variation dependant on the age at retirement)