

The Chief Executives, Fife Council and Dumfries & Galloway Council
Firemasters
Clerks to the Joint Boards

7 Tweedside Park
Tweedbank
Galashiels TD1 3TE
<http://www.sppa.gov.uk>

Telephone: 01896 893224
Fax: 01896 893230
James.preston@scotland.gsi.gov.uk

Our ref: FIR/06/01/01

26 April 2006

Dear Sir/Madam

SCOTTISH FIRE SERVICE CIRCULAR 13 /2006

FIREFIGHTERS PENSION SCHEME (FPS)

1 FPS Amendments – Further guidance

1.1 Scottish Fire Circular 9/2006 referred to various amendments to the FPS that are planned to come into effect from 6 April and 1 July 2006 together with the introduction of a new Firefighters Compensation Scheme (FCS). A copy of the consultation letter was attached to circular 9/2006.

1.2 With regard to the FCS HM Revenue and Customs (HMRC) 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 before the regulations come into force and take retrospective effect from 6 April. This is because 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 New Tax Regime for Pensions.

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

2.1 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.

2.2 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.

2.3 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.

2.4 There are, however, some important points to note:

- (i) Re-employment is at the discretion of the employing authority;
- (ii) Retirement will constitute a break in service so that membership of the FPS will be terminated;
- (iii) 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. It is expected 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
- (iv) 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. Any firefighter re-employed in these circumstances and wishing to join the NFPS would need to take into account the later normal retirement age and deferred pension age of the NFPS.

2.5 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.

(b) permitted maximum figure (earnings cap)

2.6 HMRC advise that the permitted maximum figure for the 2006-07 tax year is £108,600.00. 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.

(c) lifetime allowance

2.7 If the total amount of benefits due to a person from all registered pension schemes exceeds a “Lifetime Allowance” set by HMRC, tax charges may apply. This means that before a pension under the FPS comes into payment, the FRA need a declaration of the scheme member’s entitlement to other benefits. The attached notes and declaration form have been prepared to assist authorities in discharging their responsibilities.

3. New Ill-Health Award Arrangements

3.1 Fire circular 9/2006 also outlined that a new two-tier ill health system is planned for introduction from 1 July 2006. When considering the possibility of ill-health retirement any scheme member who has his/her case referred to the Independent Qualified Medical Practitioner from and including the 1st of July 2006 will be subject to the new system. Revised Model Medical Certificates will be made available nearer the time.

3.2 Attached is a member's guidance note on the new arrangements and you may wish to bring this to the attention of active members of the scheme. Guidance for medical practitioners on the new arrangements is currently being prepared and this will be issued in due course.

4. Workshops

4.1 ODPM ran a workshop last November in Birmingham outlining the proposals for the new scheme which included invitations for Scottish representatives. ODPM are now arranging a further workshop, primarily on the NFPS, for HR and Pension practitioners which will be available on two dates.

4.2 A similar workshop is also being arranged for Scottish representatives together with any practitioners from England who are unable to attend either of the ODPM events. The workshop will be held on Wednesday 14 June at the Scottish Fire College at Gullane. Application forms for those wanting to attend are at Annex A and should be returned no later than 15 May.

Yours faithfully



Jim Preston

WORKSHOP FOR FIREFIGHTERS' PENSION PRACTITIONERS

THE NEW FIREFIGHTERS PENSION SCHEME

WORKSHOP WEDNESDAY 14 JUNE SCOTTISH FIRE COLLEGE AT GULLANE

The programme so far will include:

- Amendments to the FPS and their implications;
- New Firefighters Pension Scheme - including Transitional Arrangements; and
- Two tier Ill Health Retirements

We would like to know what else you would find it helpful for us to cover in the limited time available.

<p>Name :</p> <p>Role</p> <p>Contact details</p> <p>In addition to the issues already identified I would like you to cover:</p> <p>1.</p> <p>2.</p> <p>3.</p>
--

If you wish to attend please return the attached form by e mail to Dorothy.Hamilton@scotland.gsi.gov.uk marking your e mail "NFPS workshops" **no later than 15th May.**