

Firefighter Pension Schemes (England) Update

Scheme Advisory Board (England)



Who is on the board

Chair – Malcolm Eastwood

Employer Representatives

- Cllr Rebecca Knox
- Cllr John Fuller
- Cllr Philip Howson
- Cllr Thomas Wright
- Cllr Darrell Pulk
- Cllr Roger Price*
- **Vacancy**

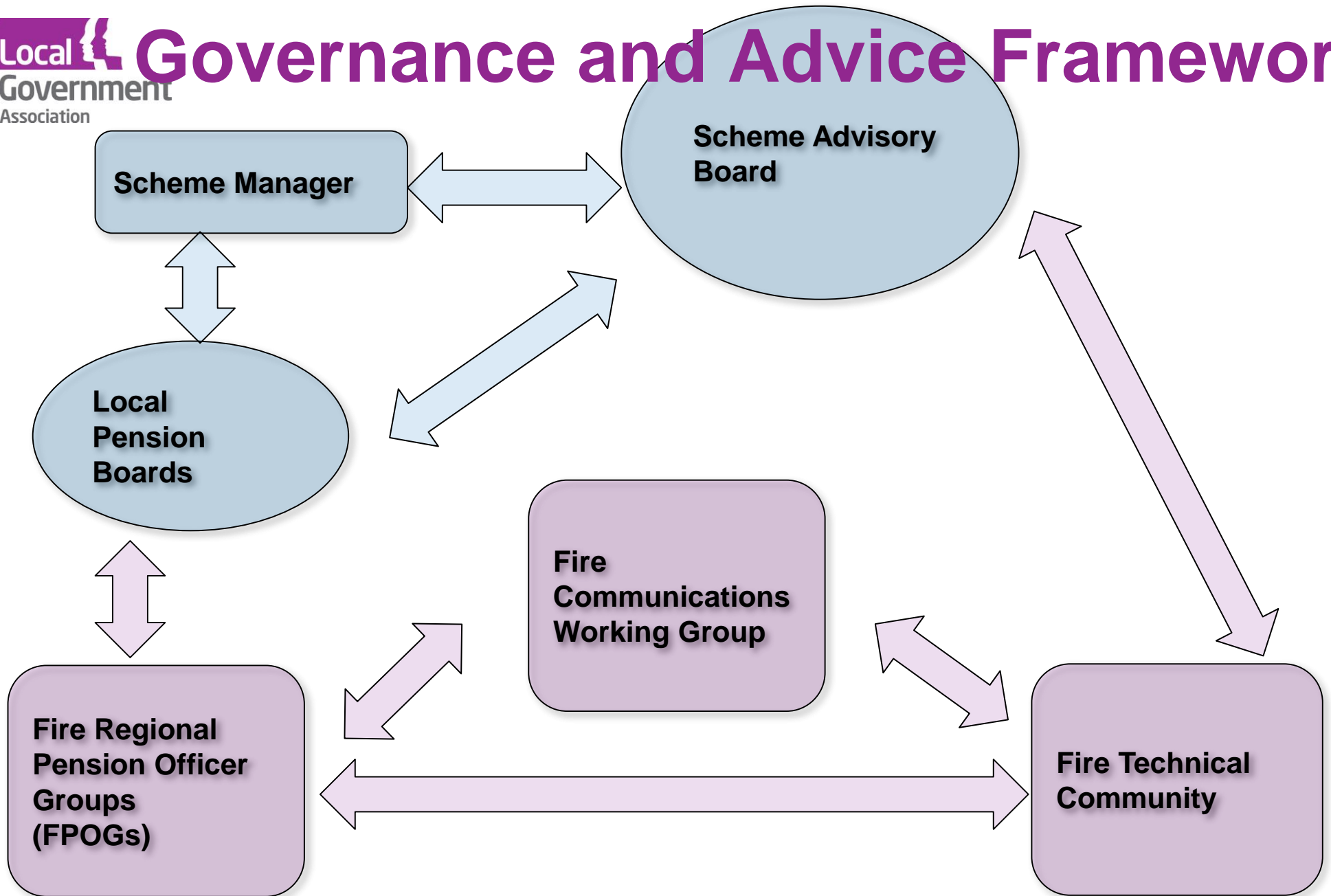
Employee Representatives

- Sean Starbuck (FBU)
- Dave Limer (FBU)
- Samantha Rye (FBU)
- Francis Bishop (FBU)
- Des Prichard (APFO)
- Glyn Morgan (FOA)
- Tristan Ashby (RFU)

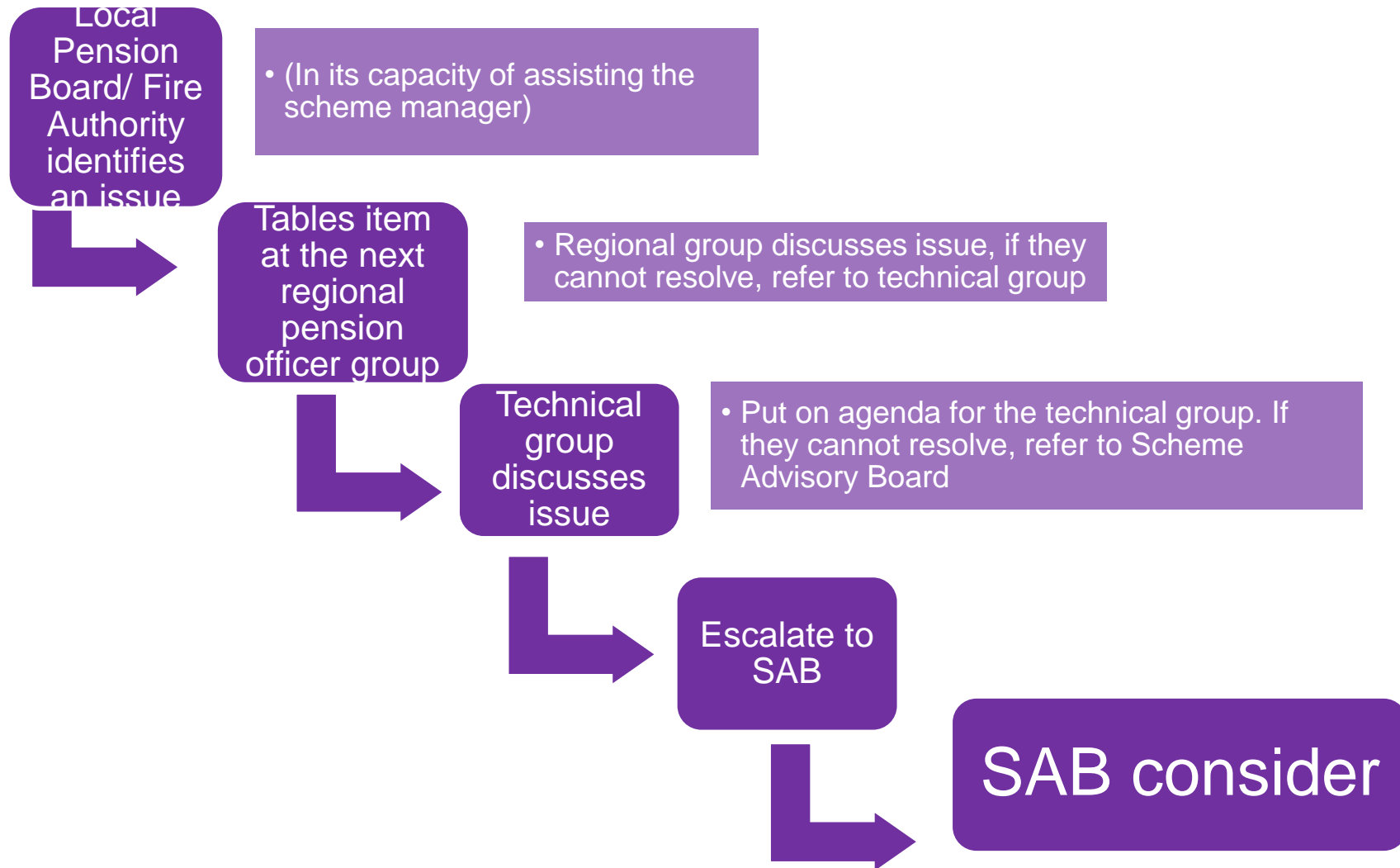
Workplan

- Support and advise Local Pension Boards
 - Taking a lead on communications
 - Ensure cost effectiveness of scheme administration
 - Advise on best practice
 - Look to benchmark administration
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Governance and Advice Framework



Escalation Framework



Scheme Advisory Board Possible Options

- A. SAB determine whether there is sufficient existing guidance for Fire Authorities to make a determination.
 - B. SAB determine whether a change to legislation is necessary to correct the regulations.
 - C. SAB determine that legal advice on the interpretation of a regulation would be of value to all authorities
 - D. SAB determine the issue can be dealt with by a simple guidance note.
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Regional

- Set up across the UK – six in total, for the purpose of information sharing and collaborative working between administrators and FRAs
 - Can escalate to Technical Community
 - Feedback to Local Pension Boards
 - Each authority should determine a representative to attend
 - Local Pension Boards should understand who their regional group representative is.
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National

- **Fire Technical community**
 - To consider and interpret legislation
 - To forward plan for key changes in legislation
 - Sharing learning
 - Escalate to Scheme Advisory Board
 - **Fire Communications working group**
 - To collaborate on information/communications available
 - To enable consistency of approach across administrators and Fire Authorities
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Central

- **LGA Firefighters Pension Adviser (Clair Alcock)**
 - Co-ordinates advice and guidance on a national basis
 - National discussion forums
 - National training events
 - Key point of liaison between Home Office, FRAs & Scheme Advisory Board
 - **Home Office (Previously DCLG)**
 - –Provides legislative framework
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Pension Board



- Assist Scheme Manager
- Ensure Compliance
- Ensure efficiency & effectiveness of administration
- Advise on member communications
- Monitor complaints

Scheme Manager



- Administer schemes
- Make scheme decisions
- Issue Communications
- Publish data
- Auditing
- IDRP

Scheme Advisory Board



- Advise Secretary of State on request of desirability to change of scheme rules
- Cost Cap/Valuation
- Support LPB's
- Benchmarking
- Oversee standards
- Strategic communications

Local Pension Board Forum

- Regulations
 - Guidance
 - Member Communications
 - Notices and Bulletins
 - <https://knowledgehub.local.gov.uk/group/firefighters-pension-scheme-local-pension-board-members-group-forum/forum>
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Update on current and future issues

Current/Future Issues

- Protected Pension Age – Ombudsman determination
 - Tax changes, annual allowance and lifetime allowance
 - Age 18-20 issues and refund of contributions
 - Pension Scheme Transitional Protection Employment Tribunal Claim
 - Annual Benefit Statements and Scheme Valuation deadlines
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PPA - Ombudsman

- Recent [Ombudsman's Determination PO-7096](#)
 - Employer of a member with a PPA should have provided information about the possible adverse tax consequences of becoming re-employed after starting to receive his pension.
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Protected Pension Age (PPA)

- Only applies to those under age 55.
 - In 2010, changes to the Finance Act 2004 changed the normal minimum pension age from 50 to 55. Firefighters (and Police Officers) were given a protected pension age, meaning they could still retire early under the rules BUT that if they were re-employed unless they satisfied the employment conditions the benefits paid to them could become unauthorised payments and they would face a tax bill.
 - Tax bill could be taxation of lump sum, plus every pension instalment, until they reach age 55 up to 70%.
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Re-employment Conditions

- the member not re-employed until at least 6 months after they became entitled to their benefits under the scheme
 - the member is re-employed within 6 months but after a break of at least 1 month but the pension scheme is a public service pension scheme and the member's benefits under the scheme include a scheme pension which is liable, until at least attaining age 55, to abatement whilst the member is so employed
 - the member is employed within 6 months but after a break of at least 1 month in an employment(s) which is(are) materially different in nature from the employment in which the member was employed immediately before becoming entitled to their benefits.
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Other effects

- The effect of the determination is that Pension Boards and Scheme Managers should ensure that information on important tax changes is provided to employees who are or may be affected by them.
 - This is not just in relation to protected pension ages, but with regards possible tax charges that may be applied on exceeding annual allowance or lifetime allowances
 - [Link](#) to Eversheds document this view was based on:
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Taxation Changes

- Lifetime Allowance
 - Annual Allowance
 - Pension Input Periods
 - Tapered between £40,000 & £10,000
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Lifetime allowance

	Lifetime Allowance Limit
2006	£1.5 million
2011	£1.8 million
2013	£1.5 million
2014	£1.25 million
2016	£1 million

Lifetime allowance

- The LTA is being reduced from £1.25m to £1m from 6 April 2016.
 - Protection against this reduction will be available for members who've already built up large pensions in the Firefighters' Pension Scheme and elsewhere.
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Lifetime allowance

	1992	2006	2015
Salary	£74,500	£83,500	£83,000
Pension	£49,666.67 (40/60*£74,500)	£55,666.67 (40/60*£83,500)	£55,611.39 (1/59.7 * £83,000 * 40)
Lump Sum	£258,266.70 (£49,666.67 * 0.25 * 20.80*)	£167,000 (£55,666.67 * 0.25 * 12)	£166,834.20 (£55,611.39 * 0.25 * 12)
Pension after lump sum	£37,250 (£49,666.67 * 0.75)	£41,750 (£55,666.67 * 0.75)	£41,708.54 (£55,611.39 * 0.75)
LTA	£1,003,267 (£37,250*20+ £258,266.70)	£1,002,000 (£41,750 * 20 +£167,000)	£1,001,005.00 (£41,708.54 * 20 + £166,834.20)

* Factor at age 55

Lifetime allowance

- From 6 April 2016, there'll be two new types of 'transitional protection':
 - Fixed Protection (FP16) – any member can apply for this protection, whether the benefits exceed £1million or not, provided there is no 'relevant benefit accrual'.
 - Individual Protection (IP16) – A member can apply for this protection if the value of benefits in registered pension schemes from all sources is between £1m and £1.25m as at 5 April 2016.
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Lifetime allowance

- HMRC have produced three messages for
 - Scheme Members
 - Scheme Administrators
 - Independent Financial Advisors
 - These are available on line on the [knowledge hub](#) and also in appendix 1 of the [pension schemes newsletter 74](#).
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Lifetime allowance

- **Employer Responsibilities**
 - Communication to employees.
 - Let members know that lifetime allowance protection regimes will be available to protect their pension savings.
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Annual Allowance

- There are some significant changes to the Annual Allowance during the 2015/16 tax year, which include;
 - A. Tapering of the Annual Allowance between £40,000 and £10,000 for people with 'adjusted income' more than £150,000 for the 2016/17 tax year onwards.
 - B. Changes to the period over which the growth in pension is assessed for AA purposes, known as Pension Input Period.
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A) Tapered Annual Allowance

- Applies to those with an adjustable income of over £150K.
 - Reduces the individual's Annual Allowance by £1 for every £2 that the individual's adjusted income exceeds £150K, to a maximum of a £30K reduction.
 - Individuals with a threshold income of less than £110k will be exempt from the changes
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How the taper is applied

Adjusted Income	Threshold Income (exceeds £110k)	Tapered Reduction	Net Annual Allowance
£140,000	£116,200	< £150k – Taper does not apply	£40,000
£150,000	£124,500	< £150k – Taper does not apply	£40,000
£160,000	£132,800	$((£160,000 - £150,000) / 2) = £5000$	£35,000
£170,000	£141,100	$((£170,000 - £150,000) / 2) = £10000$	£30,000
£180,000	£149,400	$((£180,000 - £150,000) / 2) = £15000$	£25,000
£190,000	£157,700	$((£190,000 - £150,000) / 2) = £20000$	£20,000
£200,000	£166,000	$((£200,000 - £150,000) / 2) = £25000$	£15,000
£210,000	£174,300	$((£210,000 - £150,000) / 2) = £30000$	£10,000

Annual Allowance – Employer Responsibilities

- FRAs will need to determine the threshold income and adjusted income for employees.
 - It is the individuals' responsibility to provide all the information necessary to determine the adjusted income
 - Provide a pension savings statement by the 6th October following the end of the tax year for employees where; exceeded their annual allowance or where pensionable earnings exceed £110,000.
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B) Pension Input Period

- The Pension Input Period (PIP) is the period used to assess a member's pension accrual in a given tax year against the Annual Allowance.
 - From 6 April 2016, all Pension Input Periods are required to be aligned with the tax year e.g. the Pension Input Period for 2015/16 will run from 1 April 2015 to 5 April 2016 (an extra 5 days).
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Employer Responsibilities

- Under regulation 15A of the Registered Pension Schemes (Provision of Information) Regulations 2006, the employer must provide to the scheme administrator such information as will enable the scheme administrator to calculate the pension input amount, no later than 6th July following the tax year in which the pension input period ends.
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18-20 Contributions Holiday

- Secretary of State will now allow members under the age of 50 who have accrued 30 years' service to take a contributions holiday from the time they attain 30 years' reckonable service until they reach age 50
- This is only for those firefighters who would still be in the 1992 scheme on reaching 50
- This will need amending regulations before any action can be taken.
- Home Office working on regulations as a priority.

Annual Benefit Statements

1992 Scheme

2006 Scheme

Retained Modified Scheme

2015 Scheme



10 different types of member

	Protected	Tapered	Unprotected	Transitional
1992 Scheme	√	√	X	√
2006 Scheme (Standard member)	√	√	X	√
2006 Scheme (Special member)	√	√	X	√
2015 Scheme	x	x	√	√

Annual Benefit Statements & Valuation

- Very tight deadlines
 - Reliant on correct data from payroll
 - Employer webinar arranged in March – low take up
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Why?

- [Public Sector Pensions Act 2013 Section 14](#)
 - Defined benefit (DB) schemes must provide an ABS to all active members no later than 17 months after the scheme regulations establishing the scheme come into force, and annually thereafter.
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Connected Schemes

- [Public Sector Pension Act 2013 Section 30](#)
 - The provisions of the act apply both to the new pension scheme and any connected scheme
 - 1992, 2006 and modified 2006 are all connected schemes.
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TPR Annual Benefit Statement Guidance

What information to communicate

Annual benefit statements

The scheme manager must provide annual benefit statements to active members of DB public service pension schemes in accordance with any directions issued by HM Treasury or the Department of Finance and Personnel in Northern Ireland. The statement must include:

- ▶ a description of the benefits earned during a member's pensionable service
- ▶ any other information specified by HM Treasury or the Department of Finance and Personnel in Northern Ireland directions

The first statement must be provided within 17 months of the scheme regulations coming into force.

For more information, see our guide and checklist:

[Guide: issuing annual benefit statements for public service pension schemes \(PDF, 66kb, 14 pages\)](#)

[Checklist: preparing annual benefit statements for public service pension schemes \(PDF, 29kb, 2 pages\)](#)

Administrator Processes

Data Cleansing	Modified Retained Data Starters / Leavers Part Time Temporary absence
Receive end of year data from employers	
Check and query data received	
Load into system	Check matches leavers and starters Check matches temporary leave records

Administrator Processes

Software testing	
Run end of year processes to build 2015 scheme pension records	
Check and query results of end year	
Run annual benefit statements	Provisional Mode Actual Mode
Finalise formats and send to printers	

Timescales ?

April	Receive employer data
May	Check and Load data, Process any queries on data
June	Run end of year processes (requires software) Process queries and errors
July	Run statements in provisional and actual modes
August	Printing and issuing

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