

**WARWICKSHIRE FIRE AND
RESCUE LOCAL PENSION
BOARD OF THE FIREFIGHTERS'
PENSION SCHEME**

12 January 2017

Agenda

The Warwickshire Fire and Rescue Local Pension Board of the Firefighters' Pension Scheme will meet in Committee Room 2, Shire Hall, Warwick on 12 January 2017 at 1.30pm

1. **General**
 - i) **Apologies**
 - ii) **Board Members' Disclosures of Interests** (as stipulated by the Public Sector Pensions Act 2013 and set out in Annex A of the Agreed Board Terms of Reference).
 - iii) **Minutes of the Meeting 11 January 2016**
2. **Pensions Update Report (Verbal update by Liz Firmstone)**
3. **Scheme Advisory Board – update (Neil Buxton)**
4. **Communications Update (Neil Buxton)**
5. **Local Fire Pension Board Training (Katie Brown)**
6. **Next Steps**
7. **Any Other Business**

Jim Graham
Chief Executive
Shire Hall
Warwick
January 2017

Membership of the Warwickshire Fire and Rescue Local Pension Board of the Firefighters' Pension Scheme

Chair

Keith Bray

Employers' Representatives

Rob Moyney - Deputy Chief Fire Officer

Liz Firmstone - Communities Group - Strategic Finance Manager

Katie Brown - HR Manager (Fire)

Employees' Representatives

Marcus Giles – Fire Brigades Union (Fire and Rescue)

Paul Morley – Fire Officers Association (Fire and Rescue)

Tony Morgan – Retained Firefighters Union

Advisers

John Betts - Head of Finance WCC

Vicki Newbold – Senior Solicitor and Team Leader

For general enquiries please contact Paul Williams:

Tel: 01926 418196

Email: paulwilliamscl@warwickshire.gov.uk

Minutes of the Warwickshire Fire and Rescue Local Pension Board of the Firefighters' Pension Scheme Meeting on 11 January 2016

Present:

Members

Keith Bray (Chair), Katie Brown, Liz Firmstone, Marcus Giles, Tony Morgan, Gary Phillips

Officers

John Betts, Head of Finance
Neil Buxton, Pensions Manager
Sian Stroud, Senior Solicitor and Team Leader
Paul Williams, Democratic Services Team Leader

1. General

(1) Apologies

Paul Morley

(2) Board Members' Disclosures of Interests

None.

(3) Minutes of the Meeting held on 28 July 2015

The minutes of the meeting held on 28 July 2015 were agreed as an accurate record for signing by the Chair. There were no matters arising.

2. Administration Update

Neil Buxton (Pensions Manager) introduced the report explaining that a benchmarking club for Fire Pensions does not exist. The meeting was told that three funds had been approached since the Board's previous meeting with a view to undertaking some benchmarking. Two had replied. The results were broadly similar and indicated that Warwickshire was efficient.

The Fire Pension is relatively easy to administer and as a result costs are low. Such costs as there are are generally absorbed by the Council's Pensions Team. There has been some discussion about bringing a group of fire pensions under one administrator but this has not found favour.

Gary Phillips briefed the meeting on the recent transfer of Fire and Rescue nationally to the Home Office. This is part of a drive towards emergency

services falling under a single body. It is possible that, under this initiative, pensions could be brought under one administering body.

The Government has consulted on whether fire and rescue services should fall under the strategic lead of the Police and Crime Commissioner. At present there is little evidence of support for this. In Warwickshire the current Police and Crime Commissioner has stated that he would not support such a move.

The meeting was advised of two developments. First is the capping of contributions and the second is the fire evaluation by the Government Actuary's Department.

In addition it was noted that staff who are members of the Local Government Pension Scheme can now take a share of their pension at 55. However it was also pointed out that anyone doing so is obliged to opt out of the pension scheme. This is regarded as a deterrent by many. For members of the Fire Pension Scheme this is not an option as it is an unfunded public service scheme and as such it is not available.

3. Next Steps

Katie Brown informed the meeting that she has enquired about training for members. She agreed to speak to colleagues elsewhere to establish whether any local opportunities for training existed.

4. Any other Business.

The meeting was informed of an instance where the Independent Dispute Resolution Procedure had been used. This concerned pension contributions as they relate to payments to retained firefighters. It had been resolved that pension contributions should be paid on the basis of retainer fees only.

The board rose at 15.52

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Chair

Warwickshire Fire and Rescue Local Pension Board of the Firefighters' Pension Scheme

12 January 2017

Scheme Advisory Board Update

Recommendation

That the Warwickshire Fire and Rescue Local Pension Board of the Firefighters' Pension Scheme notes and comments on the report.

1.0 Introduction

1.1 This report seeks to update members of the Board on the Scheme Advisory Board.

2.0 Membership

2.1 The Scheme Advisory Board (SAB) has been established. There is equal membership of representatives of employers and employees. The Board is chaired by Malcolm Eastwood who is a former CFO for Hampshire Fire and Rescue Service and is a Board member of the Hampshire Board.

Latest Position - Due to changes at LGA there is a vacancy for an employer representative.

3.0 Purpose and Workplan

3.1 The purpose of the SAB is:

- Provide advice in response to a request from the Secretary of State on the desirability of making changes to the FPSs.
- Provide advice to scheme managers and local pension boards in relation to the effective and efficient administration and management of the FPSs

3.2 In order to discharge its statutory functions and to look at matters that the Government has asked the SAB to take forward, the workplan of the SAB is:

- Support and advise local boards
- Taking a lead on communications
- Ensure cost effectiveness of scheme administration
- Advise on best practice

- Look at benchmarking administration

Latest Position - The SAB will establish sub-committees to look at these areas.

4.0 Governance and Advice framework

- 4.1 The SAB has established a framework of regional groups (six) which meet quarterly and a technical group comprised of two from each regional group which will meet twice a year.
- 4.2 If an issue is raised by a local board (in its capacity of assisting the scheme manager) the item should be raised at the regional pension officer group. If not resolved this can then be escalated through to the technical group and on ultimately to the SAB.
- 4.3 The options available to the SAB are:
- SAB determine whether there is sufficient existing guidance for FAs to make a determination.
 - SAB determine whether a change to legislation is necessary to correct the regulations.
 - SAB determine that legal advice on the interpretation of a regulation would be of value to all authorities
 - SAB determine the issue can be dealt with by way of a simple guidance note.

5.0 Background Papers

None

	Name	Contact Information
Report Author	Neil Buxton	neilbuxton@warwickshire.gov.uk
Head of Service	John Betts	johnbetts@warwickshire.gov.uk
Strategic Director	David Carter	davidcarter@warwickshire.gov.uk
Portfolio Holder	Cllr Alan Cockburn	cllrcockburn@warwickshire.gov.uk

Warwickshire Fire and Rescue Local Pension Board of the Firefighters' Pension Scheme

12 January 2017

Communications Update

Recommendation

That the Warwickshire Fire and Rescue Local Pension Board of the Firefighters' Pension Scheme notes and comments on the report.

1.0 Introduction

1.1 This report seeks to update the Board on communications and includes as an appendix issue 2 of the "On Call" newsletter.

2.0 Communications

2.1 WFRA is an active member of a group of fire authorities which collaborate and produce communications for members of the Firefighter Pension Schemes. Membership of the Group currently consists of:

Cambridgeshire, Northamptonshire, Shropshire, Staffordshire,
Worcestershire, Warwickshire, Derbyshire, Nottinghamshire and the
Leicester, Leicestershire and Rutland Combined Fire Authority.

2.2 The Group has collaborated on newsletters for members of the scheme and there is an intention for further collaboration on specific information sheets and scheme guides.

3.0 Going Digital

3.1 Members of the Board may be aware that some authorities have gone paperless for pension updates. This would mean that scheme members could access information regarding their pension online via a self-service system. There would also be an intention to provide annual benefit statements online rather than to home addresses.

3.2 The Warwickshire Pension Fund is currently considering this as an option for members of the Local Government Pension Scheme and if this goes ahead the intention would be to roll this out to members of the Firefighter Pension Schemes.

4.0 Background Papers

None

	Name	Contact Information
Report Author	Neil Buxton	neilbuxton@warwickshire.gov.uk
Head of Service	John Betts	johnbetts@warwickshire.gov.uk
Strategic Director	David Carter	davidcarter@warwickshire.gov.uk
Portfolio Holder	Cllr Alan Cockburn	cllrcockburn@warwickshire.gov.uk

OnCall

Firefighters' Pension Scheme Update



> Contributions Holiday - an update

The amendment regulations have now been laid in Parliament and came into force on the 30 September 2016.

This means that members of the 1992 Firefighters' Pension Scheme who achieve 30 years' pensionable service prior to age 50 will be eligible for a contributions holiday.

The contribution holiday is only applicable to pension contributions deducted in respect of pensionable pay used towards 'final salary' benefits, and not from any contributions relating to Additional Pension Benefits (such as Continued Professional Development (CPD)).

Members who continue in employment beyond the age of 50 must resume paying contributions until retirement or will be classed as a deferred member with benefits payable at age 60.

The regulations state that a refund will be payable to members in the 1992 Firefighters' Pension Scheme who will have achieved 30 years before age 50 from the period 1 December 2006 to 29 September 2016. Active members who achieve 30 years' service before age 50

after this date will also be eligible for a contributions holiday. Those 1992 Scheme members who have or will move into the 2015 Scheme will not be eligible for the contributions holiday as there is no cap on this service.

What happens next?

Fire and Rescue Authorities are in the process of identifying the active and pensioner members who are affected and have/will be contacting them to inform them that they are eligible for a refund of contributions or to advise that contributions will cease when they achieve 30 years' service before age 50.

If they are still in active service at age 50 the contributions will begin to be deducted again.

Further guidance and a calculator from the Government Actuary's Department (GAD) have now been received that will enable your Fire and Rescue Authority to calculate any refunds due including interest.

Once this information has been submitted to the Government individual Fire and Rescue Authorities will be provided with the funds in order to make the payments.

It is anticipated that all refunds should be paid by 31 March 2017.

> Tax and pension benefits

There are two types of pension taxation that affect pension savings that you need to be aware of, the annual allowance and the lifetime allowance. This is in addition to any income tax you pay on your pension once it is in payment.

1. Annual Allowance

The annual allowance is the annual limit on pension savings that can be made in each year which will receive tax relief. If the value of pension benefits grow by more than this allowance the excess amount may become subject to a tax charge.

However, any "unused" annual allowance from the previous three years can be used to offset the tax charge. The last years annual allowance amounts are shown in the table below:

COMMENCING TAX YEAR	ANNUAL ALLOWANCE
6 April 2013	£50,000
6 April 2014	£40,000
6 April 2015	£80,000 for the period to 8 July and nil from 9 July but with a maximum carry forward of £40,000 from the pre 9 July period
6 April 2016	£40,000 but with tapering to £10,000 (explained below)

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➤ Tax and pension benefits continued...

From 6 April 2016 the annual allowance is reduced for individuals who have income over certain levels. Broadly affecting those:

- If "threshold income" is above £110,000 and,
- If "adjusted income" is above £150,000

Threshold income is broadly defined as total earnings, less what you pay in pension contributions.

Adjusted income is broadly threshold income plus the value that your pension grows by over the year.

If you satisfy both points the annual allowance will be reduced by £1 for every £2 that the adjusted income exceeds £150,000. However, the maximum reduction that can apply to the annual allowance is £30,000 leaving an annual allowance of £10,000.

How do I calculate my annual allowance pension growth?

The annual allowance is the amount by which the value of your pension savings may increase in any one year without having to pay a tax charge. The 'pension input period' (PIP) is the period over which your pension growth is measured.

From 6 April 2016, PIPs for all pension schemes were aligned with the tax year – 6 April to 5 April. The increase in the value of your pension savings each year is calculated by working out the value of your benefits immediately before the start of the PIP, increasing the value by inflation and then comparing it with the value of your benefits at the end of the PIP.

The calculation for assessing annual allowance pension growth in the Firefighters' Pension Scheme is calculated by multiplying the amount of your annual pension by 16 and adding any lump sum you are automatically entitled to from the pension scheme.

If the difference in the value of pension benefits at the end of the PIP less the value of your pension benefits immediately before the start of PIP (adjusted for inflation), is more than the annual allowance limit, you may be liable to pay a tax charge.

Each year you will be sent a pensions savings statement if your pension savings in the Firefighter's Pension Scheme exceeds the annual allowance limit for that year. The statement is based on the information on your pension record at the time of the calculation. If you breach the annual allowance the statement will be provide the options you have in dealing with the tax charge.

If you have pension benefits elsewhere, you will also need to take these into consideration. It is your personal responsibility to pay the correct amount of tax.

What if I breach the annual allowance and incur a tax charge?

There are two options in dealing with the tax charge.

The first is to arrange to pay the tax charge directly yourself to HMRC.

The second option is to use the "scheme pays" method.

Scheme pays is not available if;

- The tax charge is less than £2,000 or,
- Your threshold income is above £110,000 and your adjusted income is above £150,000 so you have a reduced annual allowance limit.

If either of the above two scenarios have occurred you have to pay the tax directly to HMRC.

If you are able to use scheme pays the tax is paid by your FRA on your behalf, but your annual pension will be permanently reduced to recover the money. This is known as the "annual allowance debit".

It is your responsibility (not the FRA or your pension administrator) to calculate the tax rate to be used in the calculation and to inform HMRC.

Information to help you understand annual allowance is available here:

www.gov.uk/tax-on-your-private-pension/annual-allowance

A calculator to assess carry forward and excesses is available here:

www.tax.service.gov.uk/paac

2. Lifetime Allowance

This is the overall limit on the amount of pension savings you can have during your working life without incurring a tax charge.

On the 6 April 2016 the lifetime allowance reduced from £1.25 million to £1 million.

If you had pension savings in excess of £1 million on the 5 April 2016 you may apply for protection which will provide you with a lifetime allowance limit equal to whatever the value of your pension benefits were on that date.

It is not possible to protect pension benefits of more than £1.25 million in this way therefore if your pension benefits were over £1.25 million on the 5 April 2016 your

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➤ **Tax and pension benefits continued...**

individual protection is capped at £1.25 million.

It is also worth noting if you had pension savings in excess of £1.25 million when the lifetime allowance was last reduced in April 2014, you still have until the 5 April 2017 to apply for previous protections with HMRC.

To calculate your lifetime allowance percentage, multiply your annual pension by 20 and divide by the lifetime allowance limit then multiply by 100.

If you breach 100% of the lifetime allowance, tax is payable on any excess over 100%.

This newsletter provides an overview of the rules governing taxation of pension savings. It is your personal responsibility to pay the correct amount of tax. Your FRA is not able to provide financial advice. If you are unsure about the best course of action, you should contact HMRC. You may need to take independent financial advice in order to ensure you understand your tax position.



➤ **Abatement and Protected Pension Age**



What is abatement?

Abatement is the process whereby a member's pension can be reduced or stopped if the member retires and then returns to work at a Fire and Rescue Authority.

From the 1 July 2013 the regulations changed so that anyone re-employed after this date in any role at a Fire and Rescue Authority could be abated (however not all Authorities may abate). Prior to this it was only operational staff that were being re-employed in an operational capacity that could be subject to abatement.

With effect from 1 July 2013, if your Fire and Rescue Authority chooses not to abate they must pay an amount into the pension fund equal to that which could have been subject to abatement. HM Treasury would prefer that all Fire Authorities do abate and have an abatement policy.

What is Protected Pension Age?

The minimum age at which a pension can be taken was increased on 6 April 2010 from 50 to 55.

The 1992 Firefighters' Pension Scheme is exempt from this provision, and members have a protected right to access their benefits before age 55, in accordance with the rules of the scheme.

These protected rights will be lost and the individual may be liable to tax on their pension benefits if, after taking pension benefits, the individual is employed by the same Fire and Rescue Authority or another Fire and Rescue Authority. Or if they have a concurrent employment as a firefighter which they do not retire from at the same time.

The protection will not be lost if:

- a break in employment of at least six months is taken
- or a break in employment of at least one month is taken and scheme rules provide that benefits may be abated (withdrawn in whole or in part)
- or a break in employment of at least one month and the re-employment is materially different

IMPORTANT, if you have a concurrent employment with a Fire and Rescue Authority you must take a break from this employment as well or you could lose your protected pension age protections. If you are in doubt check with your FRA.

Further information can be found on the HMRC website: www.gov.uk/hmrc-internal-manuals/pensions-tax-manual/ptm062230

If you are considering retiring and then becoming re-employed by the same Fire and Rescue Authority or another Fire and Rescue Authority, please contact your Pensions Administrator for further information regarding abatement and Protected Pension Age (PPA).

➤ Pensionable Pay and Temporary Promotions



There has been uncertainty around pensionable pay for some time, and rules within the 1992 scheme were a little unclear. However, a change in legislation that took place in July 2013 clarified this matter for both the 1992 and 2006 pension schemes.

The 2013 Order introduced an amendment for employers to make certain temporary allowances-which satisfy the prescribed requirements-pensionable under additional pension benefit arrangements (APBs).

The allowances are as follows:

- payments to reward additional skills and responsibilities outside the requirements of the firefighter member's duties under the contract of employment but which are within the wider functions of the job;
- any additional pay received whilst on temporary promotion or whilst temporarily carrying out the duties of a higher role;

- any non-consolidated performance related payment;
- any payments in respect of a firefighter member's continuing professional development continue to be covered by additional pension benefit.

The amendment provided protection for members of the 1992 and 2006 Schemes who were in receipt of temporary emoluments and allowances which were being treated as pensionable pay to continue to have been treated as pensionable pay for as long as they continue to receive them without any break in payment.

Under the 1992 and 2006 schemes, temporary emoluments are therefore only now pensionable by means of an APB (unless protected).

Please note the 2015 scheme, which is a career average scheme, does not include any temporary allowances as pensionable.

➤ We're going digital!

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We are developing our electronic communications, with the aim that in 2017, we go paperless for your pension updates!

This means the majority of our communication with you will be by electronic methods – through our website, e-mail and “Member Self Service” (the online self-service facility where you can view your pension details). Member Self Service isn't live yet for firefighters but you will be contacted when you can register.

It is the intention that Annual Benefit Statements and newsletters will be available electronically on our website and as we put these plans in place and we will keep you updated on progress.

If you don't have online access and still want to receive paper copies of the information we provide, you just need to write to your FRA including your name and National Insurance number in your letter.

Warwickshire Fire and Rescue Local Pension Board of the Firefighters' Pension Scheme

12 January 2017

Local Fire Pension Board Training

Recommendation

That the Warwickshire Fire and Rescue Local Pension Board of the Firefighters' Pension Scheme make observations on the list of topics for training.

1.0 Introduction

1.1 This report is intended to seek Board members' views on possible topics for training in the future. Members' views are sought on whether they would wish to undertake training in these areas and if so how it could be delivered.

- a. Finance Act 2004
- b. Role of HMRC
- c. Registration
- d. Role of 'scheme administrator'
- e. Tax relief on contributions
- f. Taxation of benefits
- g. Annual and lifetime allowances
- h. Member protections including Pension Protection Age
- i. National Insurance
- j. Contracting out (Pensions Scheme Act 1993) including impact of Single State Pension
- k. Impact of abolition of contracting out in 2016
- l. Future potential changes
- m. Horizon scanning future taxation issues

2.0 Background Papers

None

	Name	Contact Information
Report Author	Katie Brown	katiebrown@warwickshire.gov.uk
Head of Service	Sue Evans	sueevans@warwickshire.gov.uk
Strategic Director	David Carter	davidcarter@warwickshire.gov.uk
Portfolio Holder	Cllr Alan Cockburn	cllrcockburn@warwickshire.gov.uk