



Policy Review

Review of the Policy covering the Re-employment of Grey Book Employees in the Firefighters Pension Scheme (FPS)/New Firefighters Pension Scheme (NFPS) and Green Book Employees in the Local Government Pension Scheme (LGPS) following Retirement.

Prepared for:

Senior Management Team

5 September 2011

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1.0 Executive Summary

For Grey Book employees, on 1 December 2006 the Service Management Team (SMT) and the Hampshire Fire and Rescue Authority (HFRA) Human Resources (HR) Committee agreed that eligible employees may request to commute their pension lump sum and, following a break in service, be re-employed in their existing role. On 20 April 2007, the policy was extended to eligible Green Book employees.

Since the introduction of the original policy in 2006 and prior to the implementation of the freeze in July 2011 a total of 82 staff (all male) had utilised the option to retire, access their pension funds and gain re-employment with HFRS. Of these 49 (60%) remain employed at the time of writing. Further detailed data analyses are included later in the report.

A survey of the views of all HFRS staff has been undertaken and the results show, Grey book opinions given (total 173 - 11% of staff group) indicate 57% in favour of removing the policy with 43% preferring it be retained. Green Book staff opinions given (total 113 - 30% of staff group) indicate 80% in favour of removing the policy with 20% preferring it be retained. Overall the votes cast represented a 14.5% return against total staff numbers.

Whether staff were voting to retain or remove the policy a strong theme was present in a number of responses indicating that if the policy were to be retained there should be less emphasis on re-employment being a right or entitlement and more consideration given to proper business cases with decisions to offer re-employment made on an individual case by case basis.

The effectiveness of this policy as a tool for staff retention can be seen in the figures and charts at appendix A with significant numbers remaining employed particularly at the firefighter/supervisory management level. These are areas where staff reductions are currently being sought.

Natural staff turnover (sometimes termed wastage) for operational (Grey book) staff is anticipated to be in the region of 30 full time equivalent staff (FTE) in 2011-12 and 25 FTE in 2012-13, however these figures may increase if the anticipated pension scheme changes are unfavourable for those already approaching the 30 year mark. HFRS has so far had 17 leavers to date in 2011-12.

Recent consultations with those Representative Bodies who have expressed a view have unanimously indicated that HFRS should not continue to offer the current re-employment option. Further opinions are detailed in section 5 below.

A significant number of risks and advantages have been identified from new and previous research and from the views and opinions expressed by staff across all employee groups. These are detailed in the sections covering the impacts on people, resources and finances (see section 6, 7 & 8).

The options at section 10 provide five suggested outcomes ranging from complete removal of the policy to full retention with re-employment contracts issued on a permanent basis.

2.0 Introduction and Background

2.1 Prior to 6 April 2006, tax legislation required any payments received from pension schemes as a lump sum payment to be paid as non-taxable if the employee actually retired. The advice given from Her Majesty's Revenue and Customs (HMRC) was that if employment was then taken up which utilised the skills from their previous employment (under which a pension was paid) then to all intents and purposes they were not 'retired' and as such could become subject to penalties over and above normal taxation rates.

2.2 From 6 April 2006, under the Tax Simplification Rules, employees were able to receive their lump sum from the pension scheme and could take up similar employment without incurring any penalties. In order to receive the lump sum payment the employee must retire from their present post, which requires a clear break in service. If following this retirement the employee is re-employed, their monthly pension payment is abated, either in part or in whole, whilst they are in receipt of a salary payment if this takes their earnings above their pre-retirement HFRS earnings. The monthly pension payment is based on their final salary prior to any period of re-employment.

For Grey Book employees, on 1 December 2006 the Service Management Team (SMT) and the Hampshire Fire and Rescue Authority (HFRA) Human Resources (HR) Committee agreed that eligible employees may request to commute their pension lump sum and, following a formal break in service, be re-employed in their existing role. On 20 April 2007, the policy was extended to eligible Green Book employees.

2.3 Employees who are re-employed can also request to join a pension scheme appropriate to their individual circumstances to build up benefits within that scheme under their new contract of employment. For Grey Book employees, this would be the New Firefighters' Pension Scheme (NFPS) if they are re-employed into the role of a Watch Manager or below. If they are re-employed into the role of a Station Manager or higher, or are a Green Book employee, they can request to join the Local Government Pension Scheme (LGPS). There is no provision to join the FPS.

2.4 The decision on whether or not to re-employ an employee who retires is solely for individual employers to determine.

2.5 With effect from April 2011, based on a decision made by SMT and the Hampshire Fire and Rescue Authority HR Committee in November 2010, the Service's policy on re-employment was amended to state that a break in service must be of at least four weeks any subsequent re-employment after that would be on an 11 month fixed term contract.

2.6 Following further recommendations made by SMT on 4th July 2011, the Hampshire Fire and Rescue Authority HR Committee ratified a freeze on the current re-employment policy with effect from 12th July 2011 and sanctioned this review of the policy.

3.0 Methodology

3.1 Routine Notices requesting views and opinions and 'all-user' staff emails with voting facilities have been used to gather the views and opinions of all staff. The voting email gave two options for votes:

Option A - I feel the policy should be removed and no facility to take re-employment offered.

Option B - I feel the policy should be retained and staff offered re-employment wherever possible.

3.2 An email account was established to consolidate responses and enable analysis of the results. Current research and previous data gathered has also been incorporated into the review. Representative bodies were consulted and their views incorporated in the review report.

3.3 Responses have not been as numerous as had been hoped. This may be due in part to difficulties experienced with the 'all users' email circulation as this list does not include 'all users' as was initially understood. Many of the emails, in particular for operational Grey book staff, are sent to shared 'group' email boxes so could have been missed by operational staff. As soon as this was realised a teleprinter message was sent to all stations requesting responses be sent direct to the re-employment email account. A Routine Notice was also issued to try and minimise the effect of this and provide all staff with an opportunity to give their views. A number of further responses were received but the overall response rate remains low at 14.5% of total staff numbers.

4.0 Data

4.1 Since the introduction of the original policy in 2006 and prior to the implementation of the freeze in July 2011 a total of 82 staff (all male) had utilised the option to retire, access their pension funds and gain re-employment with HFRS. Of these, 49 (60%) remain employed at the time of writing.

4.2 The largest uptake of re-employment has been amongst the Watch Manager, Station Manager and Firefighter roles respectively with the vast majority occurring at age 50. The data indicates that the almost all Firefighters have remained in post after re-employment (approx 94% still employed) whereas Watch Manager & Station Manager roles have had more leavers during the period to date (approx 50% still employed).

4.3 Analysis of these figures is provided at Appendix A.

5.0 Consultation

5.1 Prior to the policy for re-employment being agreed in December 2006 formal consultation was undertaken with all relevant trade unions. Some offered their support for the policy; others did not make any submission one way or the other.

5.2 The Service is approaching the end of a period of individual consultation in respect of potential redundancies for this year, proposed via the Staff Review. During the

periods of consultation, trade unions have requested that HFRS reconsiders the policy on re-employment, as they believe it has a detrimental impact on the natural turnover rate within the Service.

- 5.3 Recent consultations with the Fire Officers Association (FOA), the FBU (Officers) section, RFU and Unison have unanimously indicated that HFRS should not continue to offer the current re-employment option. Additionally, views were expressed that if a policy were to be retained or re-introduced at a later date, greater emphasis should be placed on a robust business case supporting each application rather than re-employment being an automatic right. It was suggested a business case template specifically for this purpose be designed and used for all cases in any new policy. A further opinion that the Service should retain the option to offer re-employment in exceptional circumstances (even without a formal policy in place) was expressed.

6.0 People Impact Assessment

Research and previous data gathered regarding this policy together with the views and opinions of staff received have indicated the following risks and advantages for consideration:

- 6.1 Continuing to allow re-employment could be a barrier to HFRS in its long term aim to increase the diversity of the workforce, and in particular could have an adverse impact on recruitment opportunities for the wider community.
- 6.2 HFRS is currently over desired establishment levels for Firefighters if we work on the basis that all temporary promotion chains and secondments do not result in substantive appointments (i.e. all employees in these positions return to their base post). By continuing to allow re-employment, we are less likely to achieve the expected reductions in our workforce via natural turn over.
- 6.3 Retirement and re-employment is attractive to pension scheme members because it gives them a tax free lump sum through commutation, whilst allowing them to remain in employment in the same or similar role. Potential positive financial impacts are that it could result in increased movement from the FPS to the NFPS or LGPS where employer contributions are lower.
- 6.4 If a policy were to be continued HFRS could retain 'expertise' that would be lost if individuals were to retire. The Service invests substantially into many specific skill sets, often in disciplines that are not easy to recruit or retain (e.g. Technical Fire Safety). It could be argued that to gain the maximum benefit of that investment, retaining this knowledge and experience for as long as reasonably possibly would be economically judicious. This may also result in reduced recruitment and training costs
- 6.5 While the re-employment of experienced staff to maintain the levels of experience and knowledge appears to be a benefit to the Service, the need to do so could be seen a symptom of the failure of the Service to plan and prepare for the natural turn over of staff. If this process was properly managed there would be no need to re-employ retirees, as their replacements would be trained and ready to take over.

- 6.6 If the opportunity to re-employ were removed personnel may simply remain in post until they choose to retire. They would continue paying their pension contributions for no additional benefits whilst the value of their commutation may reduce as they age. Previous data gathered from staff re-engaging indicates that 29% of respondents would leave as soon as they were eligible to retire if re-employment was unavailable, 10% were only seeking re-employment for a period of up to 12 months, whilst 61% intended to continue in employment for more than 12 months. (sample size 31).
- 6.7 The policy is viewed by some staff as a block or inhibitor to promotion opportunities 'through the ranks' of the Service, and also as a check on staff turnover which is generally accepted as desirable to encourage 'new blood' into the organisation.
- 6.8 If the policy were removed staff could still remain employed for as long as they wished. It could be viewed as wholly incompatible to be trying to reduce numbers and contemplating Voluntary and Compulsory Redundancies whilst at the same time continuing with a policy that actively encourages long term retention. The lack of recruitment enabling 'new blood' to enter the work force could have long term implications for HFRS.
- 6.9 There is an argument that removal of the re-employment option would put pressure on the Service to ensure that staff are developed to their potential, rather than developed to their tasks. Additionally, keeping the rules transparent and consistent would increase moral throughout the Service, as staff would be able to see which opportunities were available for development and promotion, and be able to work towards individual goals.
- 6.10 HFRS has been exploring flexible working options for employees as Grey Book employees in particular have historically been employed on a full time basis only. Evidence suggests that a number of those Grey Book employees who have been re-employed under this policy have also requested part time working. There is a risk that, if allowed, all part time working opportunities within the Service will be filled by this employee group (i.e. white British males over a certain age), leaving restricted options for other employee groups to alter their working patterns, or for the Service to employ people directly on a part time basis. This could affect the ability to attract diverse and under-represented employee groups.
- 6.11 There is an argument that by continuing to allow re-employment, the Service's opportunity to attract younger employees to the Service is restricted. Whilst, there are no plans for recruitment currently, this policy may have a longer-term effect. HFRS has an ageing workforce, this may also impact on the reception given to the introduction of any new ideas/flexibilities etc to HFRS.

7 Physical Resources

There is no impact on physical resources. Arguably, there is a cost saving as Grey Book employees who are re-employed will retain their existing Personal Protective Equipment which would otherwise have to have been purchased for new employees. In addition, there would be a cost saving on training for the same reason as employees who are re-employed would not require the same level of training as a new operational employee.

8. Financial Implications

- 8.1 The overall cost implication is that individuals with the required length of service to take re-employment will be paid the maximum possible in their roles. For example, a Green Book employee is likely to be at the top salary point scale within their pay grade.
- 8.2 Where recruitment was necessary following retirement, although this is unlikely for the foreseeable future, any employment offered would initially be based on a lower salary as a starting point with pension contributions being commensurately less.
- 8.3 If HFRS no longer permitted re-employment, whilst it is likely that some individuals would continue in their employment regardless, others would inevitably leave in order to access their lump sum and pension. Employer contributions would cease, and no further entitlement to join the LGPS or NFPS would be a consideration.
- 8.4 If re-employment were not permitted, it is anticipated that the vacancy factor would also increase at a faster pace, therefore more quickly reducing staff numbers via natural turn-over and reducing the potential need for redundancy measures with their associated costs. Natural staff turnover (wastage) for operational (Grey book) staff is anticipated to be about 30 full time equivalent staff (FTE) in 2011-12 and 25 FTE in 2012-13, however these figures may increase if the anticipated pension scheme changes are unfavourable for those already approaching the 30 year mark. HFRS has had 17 leavers so far to date in 2011-12.

9 Conclusion

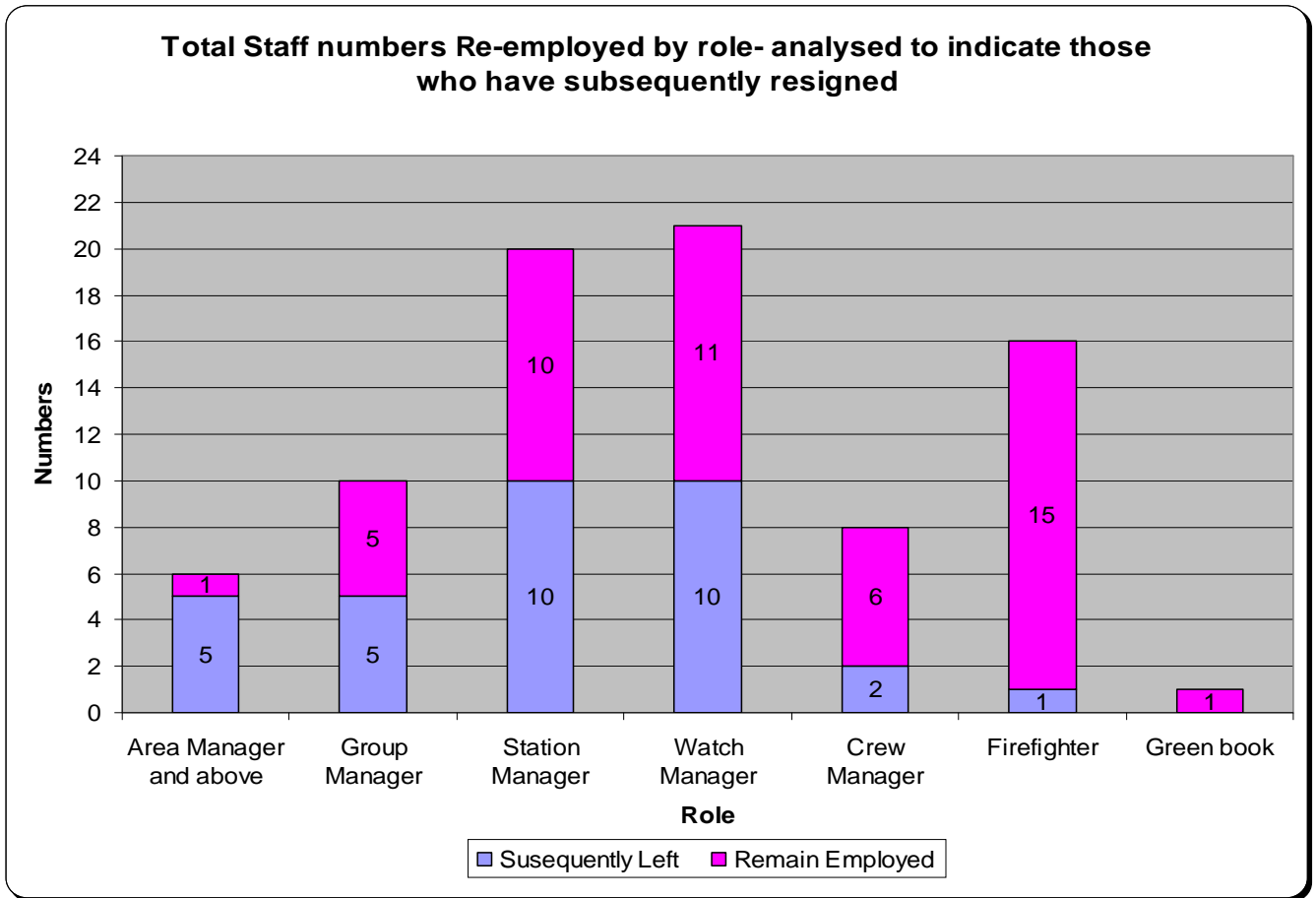
- 9.1 As can be seen by the statistics at Appendix C, Grey book opinions given (total 173 - 11% of staff group) indicate 57% in favour of removing the policy with 43% preferring it be retained. Green Book staff opinions expressed (total 113 - 30% of staff group) indicate 80% in favour of removing the policy with 20% preferring it be retained. The final chart in Appendix C considering the total vote indicates 188 (66%) in favour of removing the policy with 98 (34%) in favour of it being retained.
- 9.2 The effectiveness of this policy as a tool for staff retention can be seen in the figures and charts at appendix A with significant numbers remaining employed particularly in roles at the more junior grades, which is where staff reductions are currently being sought.
- 9.3 Whether staff were voting to retain or remove the policy a strong theme was present in a number of responses indicating that if the policy were to be retained there should be less emphasis on re-employment being a right or entitlement and more consideration given to proper business cases with decisions made on an individual case by case basis.
- 9.4 As can be seen from the preceding three sections there is a strong mix of ethical, moral and factual opinions both in favour and against this policy. These need to be taken into consideration along with the current financial pressures on the Service in reaching a decision as to the preferred way forward. Suggested options for the future of this policy are listed below in section 10.

10 Options

The following provides the options identified through the review process and the feedback received:

- 1) The options to request or offer re-employment are removed completely from the Exit policy.
- 2) The policy is removed at this time with the option to re-consider the position when the full effects of the current CSR have been absorbed by HFRS and when staffing and financial issues are once again relatively stable and balanced. This would provide future Service leaders the scope and freedom to make the best decision as to the validity and form of any new re-employment policy should they feel appropriate to introduce one at some point in the future.
- 3) The options to request or offer re-employment are retained but new re-employment contracts are offered on a permanent basis only. The four-week break in service would remain, removing any accrued rights acquired from previous continuous service prior to re-employment, but staff opting for re-employment would start accruing a new period of continuous service from the point of re-employment as if they were new employees. No 'fixed-term' element would be part of this option. A request for re-employment would require line-manager approval and need to be supported by a robust business case.
- 4) The option for staff to request re-employment is removed but the option for the service to offer a re-employment opportunity is retained on a case by case basis. It is envisaged that offers of re-employment under this option would be the exception rather than the rule and would only be considered by the service where business critical activities would be adversely affected by the departure of a key staff member. These scenarios should normally be managed by careful succession planning but this option could provide a safety-net to cover unanticipated departure situations. This would give the service the flexibility to offer re-employment either on a permanent or fixed-term basis dependant on each individual situation and the reasons the for the offer being made. If a fixed term contract were to be offered it would be on the understanding that this would be for a specific purpose or piece of work (e.g. handover of responsibilities, completion of a project etc) and no further employment would be offered when the fixed term contract terminated.
- 5) Delay a decision and continue the current freeze until the effects of the Comprehensive Spending Review are fully understood and realised within HFRS. The decision on the form of any re-employment policy could then be revisited at a suitable later date thereafter, and if retained, should be reviewed on a 1 or 2 yearly basis.

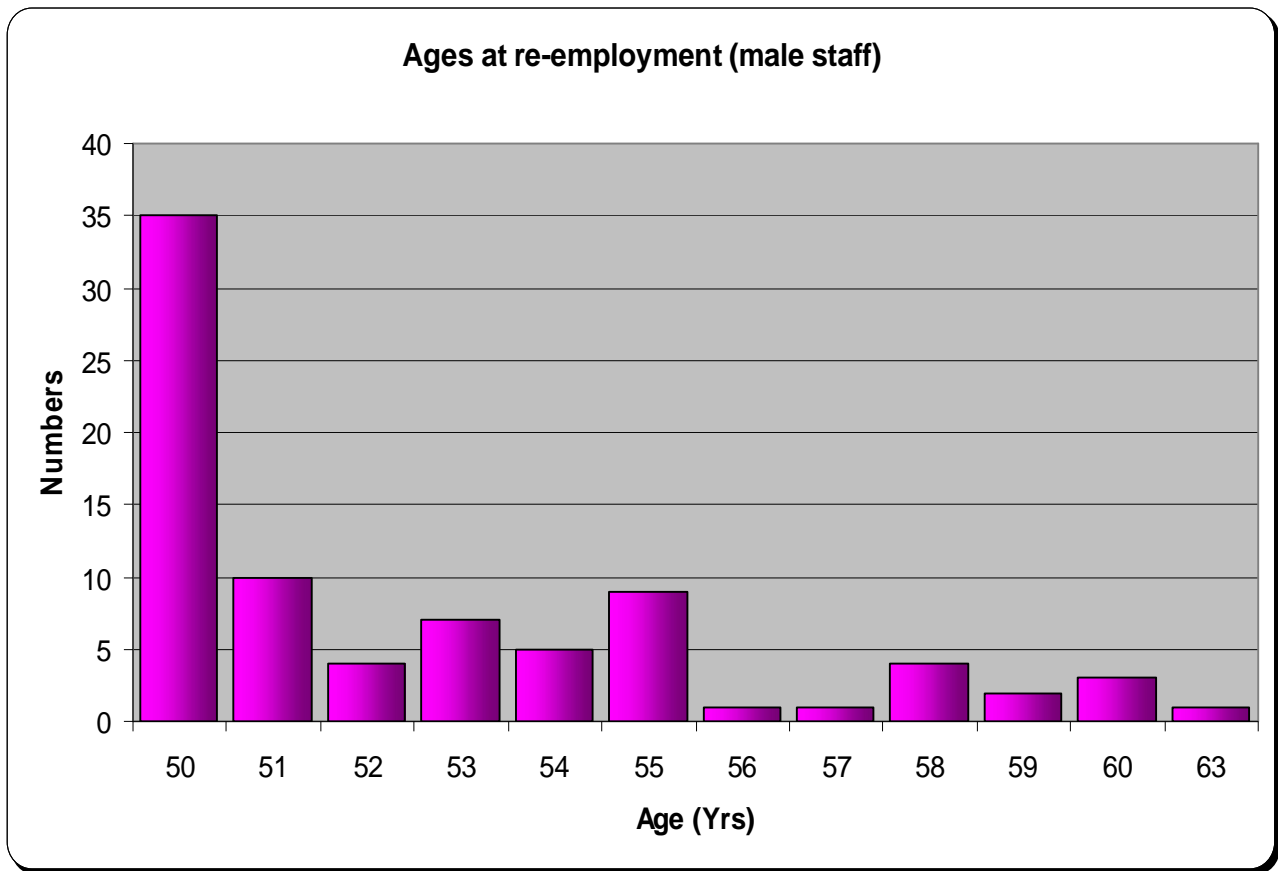
Appendix A: Re-employment to date analysed by role and continuity of employment



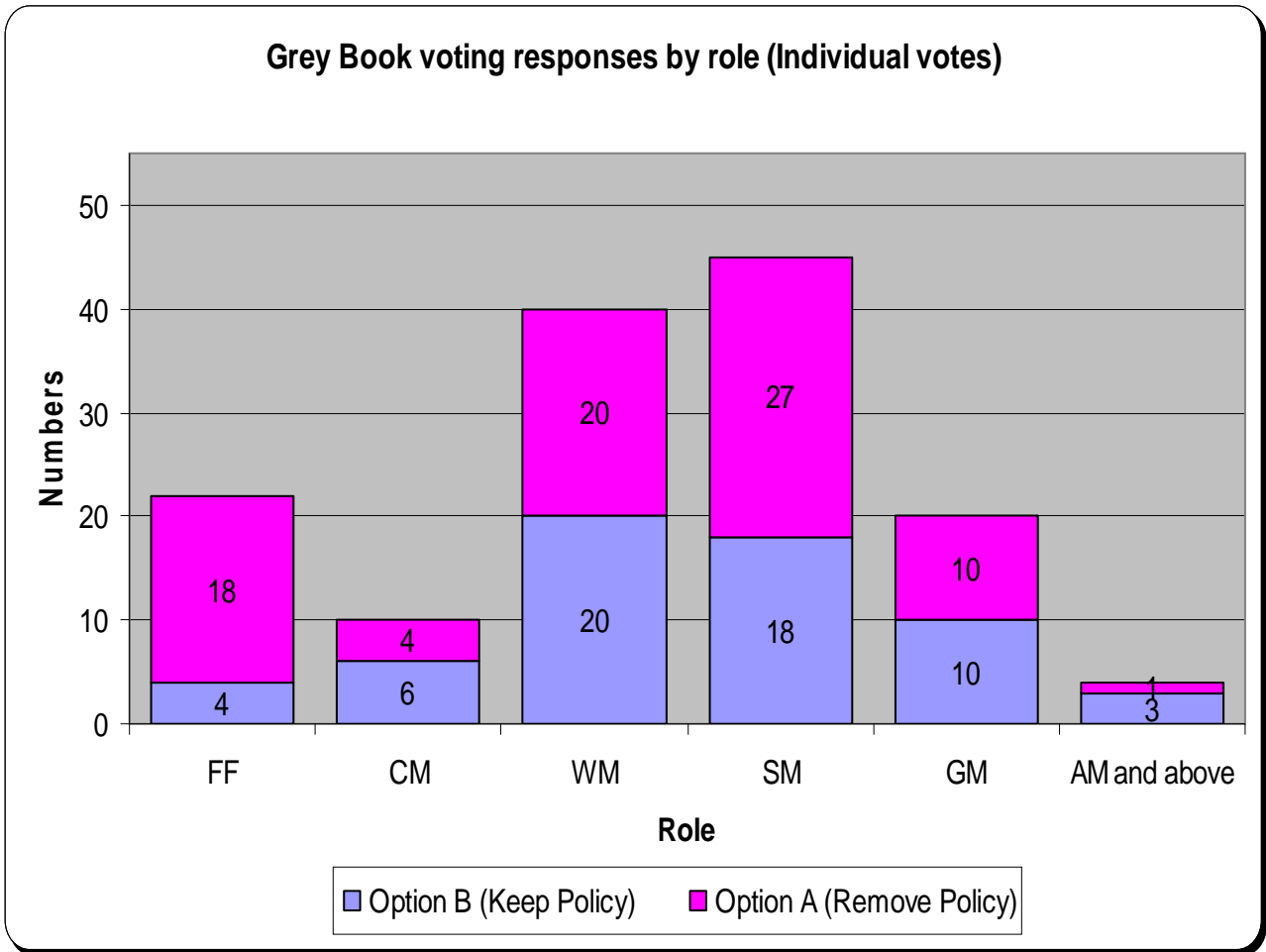
Percentage analysis by role

	FF	CM	WM	SM	GM	AM and Above
Remain Employed	94%	75%	54%	50%	50%	17%
Subsequently Left	6%	25%	46%	50%	50%	83%

Appendix B – Age profile at point of re-employment



Appendix C – Voting responses

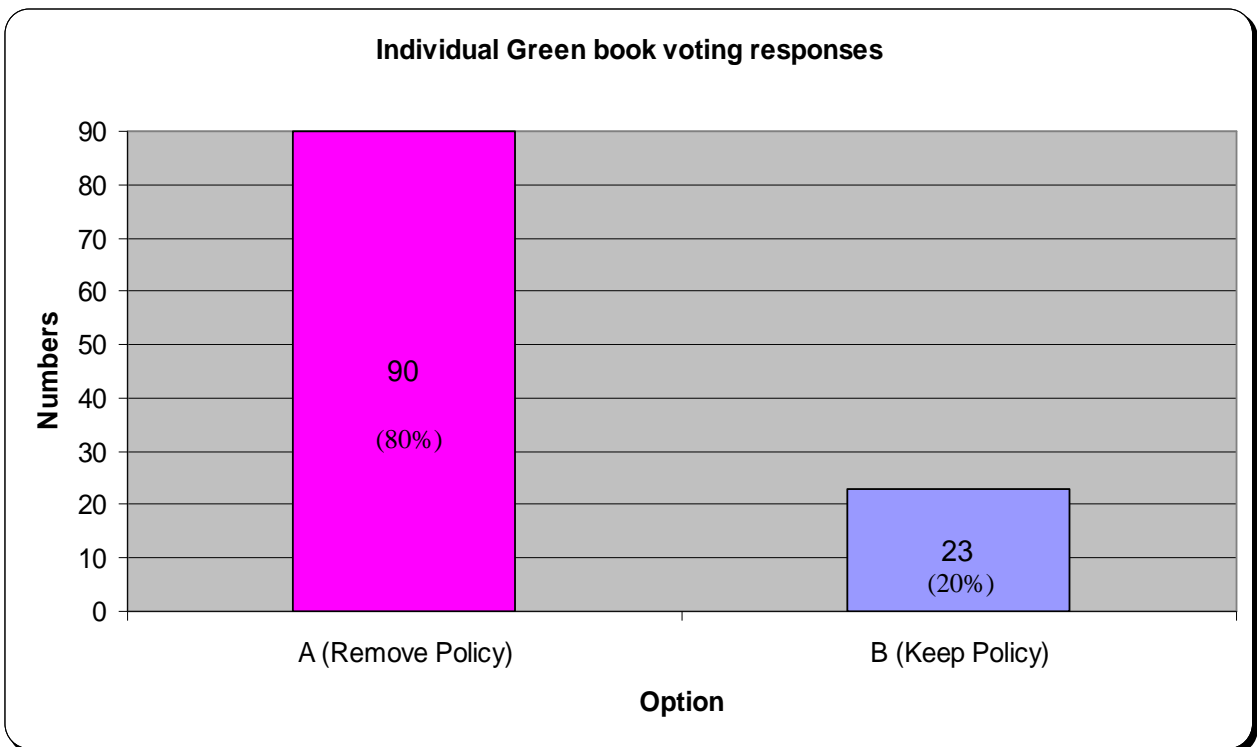
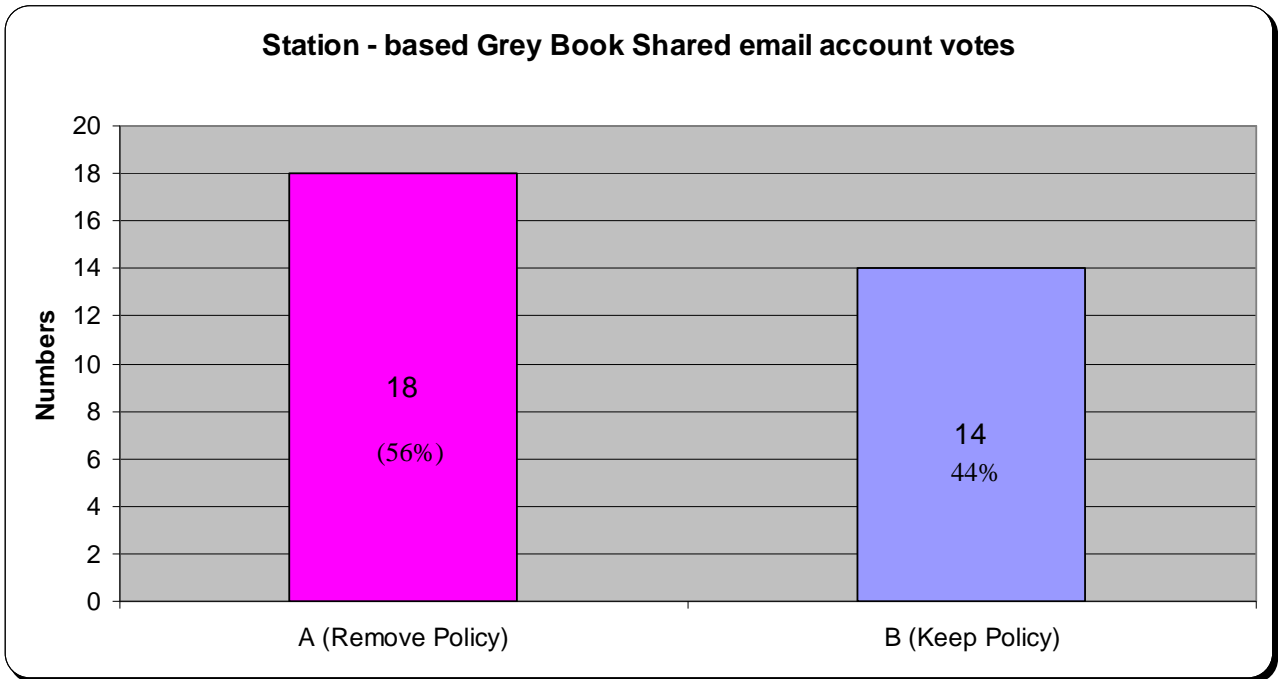


Percentage analysis of votes by role

	FF	CM	WM	SM	GM	AM and above
Option A - Remove Policy	82%	40%	50%	60%	50%	25%
Option B - Keep Policy	18%	60%	50%	40%	50%	75%

Appendix C (continued) – Voting responses

NB due to the ‘all users’ email circulation we are unable to ascertain from the responses from shared email accounts whether the votes indicate the view of a single individual or are the consensus view of the watch or station. We have therefore only counted each response as a single vote in the first chart below.



Appendix C (continued)– Voting responses

