Hampshire Fire and Rescue Authority

Firefighters' Pension Board **Item 9**

21 November 2016

Temporary Promotions

Report by Chief Finance Officer

Contact: Jonathan Hurford-Potter Telephone:01962 667991 – email: jonathan.hurford.potter@hants.gov.uk

1 Summary

1.1 The Human Resources (HR) Committee will be meeting on the 22 November 2016 to consider a paper and recommendations regarding the retrospective treatment of Temporary Promotions (TP) for serving and retired firefighters. The HR report is attached to this report as Appendix A.

2 Recommendation

2.1 That the Board notes the recommendations contained within the HR committee report which, subject to approval or modification, will be presented to the Full Authority for consideration on the 8 December 2016.

3 Introduction and background

3.1 Last year it was identified that there was a change in the pension regulations that altered the pensionable status of earnings when firefighters were on TP. A decision was therefore made by F&GP Committee in February 2016 to retrospectively confirm that TPs would remain pensionable, but the benefits would be accrued as an Additional Pension Benefit (APB) in line with the regulations, rather than counting towards final salary pension benefits.

3.2 Following investigations initiated by the Hampshire Firefighter's Pension Board it came to light that the regulations around the pension treatment of temporary promotions were changed in July 2013 after the Government recognised the tax problems being caused for some Firefighters and because of the financial strain on the national pension scheme. At this time all Fire Authorities were required to make a decision about whether or not temporary promotions would be treated as pensionable.

3.3 If the Authority decided they were pensionable then ALL future pension contributions made by Firefighters when on temporary promotion have to be treated as an Additional Pension Benefit (APB). APB's are treated separately for tax purposes in that they count against annual allowances as an absolute sum rather than through a calculation relating to final salary and defined benefits. This helps to significantly reduce any tax liability and some pension benefit is earned irrespective of whether or not the temporary promotion ends. However, since the extra salary whilst on TP does not count within the final salary pension benefits, the overall benefits are not as great if the firefighter is within 3 years of retirement.

3.4 If the Authority decided that temporary promotions were not pensionable then no additional contributions were due from the individual on the additional salary they earned but no pension benefit or tax liability was created.

3.5 F&GP Committee, in its role as Scheme Manager at the time, agreed that TPs would be pensionable as this was in line with the previous regulations and it was felt that firefighters should gain some pension benefit whilst working at the higher levels.

3.6 Since that decision was made, significant work has been undertaken to identify those firefighters that are affected by this and then extract the necessary information to enable the revised tax and pension benefit calculations to be undertaken.

3.7 The paper identifies the number of firefighters affected and allocates each to one of 3 Cohorts:

- Retired firefighters who have incorrectly benefitted from a higher final salary based pension since July 2013 (defined as Cohort 1).
- Active firefighters who could retire within three years of the date they were notified of the change in the regulations which is 5 August 2016 (defined as Cohort 2).
- Active firefighters whose retirement date is later than three years of the date they were notified of the change in the regulations which is 5 August 2016 (defined as Cohort 3).

3.8 The recommendations relate to the treatment of each Cohort and the associated financial consequences.