

HERTFORDSHIRE COUNTY COUNCIL

HERTFORDSHIRE FIRE PENSION BOARD

25 JULY 2019 AT 10:00AM

Agenda Item No:

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REPORT ON VOLUNTARY SCHEME PAYS POLICY FOR FIREFIGHTERS PENSION SCHEME

Report of the Director of Resources

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1. Purpose of report

- 1.1 To update the Fire Pension Board following presentation of the Voluntary Scheme Pays (VSP) policy for the Firefighters Pension Schemes (FPS) to Pension Committee on 12 July 2019.

2. Recommendations

- 2.1 That the Fire Pension Board notes the VSP policy, attached as Appendix A, has been agreed by Pensions Committee and will apply from 1 August 2019.

3. Background

- 3.1 A report which provided information on 'voluntary scheme pays' (VSP) in the firefighters' pension schemes was presented to the Hertfordshire Fire Pension Board on 19 July 2018.
- 3.2 The report outlined that in some circumstances a member of the Firefighters' pension schemes could not use Mandatory Scheme Pays (MSP) to pay a tax charge, and that it was possible for a Fire Authority (including County Councils) to operate VSP to pay the tax bill where a member could not use MSP. VSP is not a fire scheme discretion; the Fire Authority has the power under the scheme rules to adjust the member's benefit to recover the charge.
- 3.3 The Hertfordshire Fire Pension Board requested further information before a proposal could be presented to Pensions Committee for agreement.
- 3.4 A further report was presented to the Hertfordshire Fire Pension Board on 28 March 2019.
- 3.5 The report provided a detailed explanation of VSP and noted the three likely categories that could trigger it. Only members in the 1992 scheme could ask for the tax to be paid from the pension scheme and have the

money recovered from their pensions in the future (MSP), or could settle directly over the remainder of their service.

- 3.6 In view of the fact that HMRC would not allow MSP to apply to more than one scheme, LPP asked whether Hertfordshire Fire Authority would consider payment to HMRC by VSP at the first available date to avoid interest accrual. Prompt confirmation of this option would enable firefighters to be advised that they could manage their tax bill by VSP when Annual Allowance letters are sent in Autumn 2019.
- 3.7 The Hertfordshire Fire Pension Board requested that Officers develop a policy on VSP in the firefighters' pension schemes for consideration by Pensions Committee on 12 July 2019, the Firefighters Pension Board to be notified of the outcome and the policy at its meeting on 25 July 2019.
- 3.8 The policy was subsequently produced and was presented and approved by Pension Committee on 12th July 2019. This policy will be live from 1st August 2019 and the LPP will use it from this date when considering members pension benefits.

4. Firefighter Pension Schemes Voluntary Scheme Pays Policy

- 4.1 The policy sets out that Hertfordshire Fire and Rescue Service (HFRS) will only accept requests for VSP if the member of the firefighters pension scheme does not meet the MSP criteria, but the member still wishes to pay their tax charge by Scheme Pays.
- 4.2 The policy sets out that The Local Pension Partnership (LPP) will contact any member who has a pension growth in excess of £40,000 in all fire schemes. This will ensure that all members affected by either MSP or VSP are given all options to make arrangements to make the necessary payments to HMRC. If, once notified, the scheme member chooses to use MSP or VSP the LPP will liaise with Hertfordshire to make payment to HMRC and the necessary deduction to the member's pension benefits.

5. Financial Implications

- 5.1 VSP does not impact the Council's finances however if one of the affected firefighter's dies before paying off their VSP the Fire Pension Fund itself would bear the impact.

6. Equalities Implications

- 6.1 There are no equality implications of the issue to the pension schemes.

Background reports:

Hertfordshire Fire Pension Board – 19 July 2018

<https://democracy.hertfordshire.gov.uk/ieListDocuments.aspx?CId=154&MId=270&Ver=4>

Hertfordshire Fire Pension Board – 28 March 2019

<https://democracy.hertfordshire.gov.uk/ieListDocuments.aspx?CId=154&MId=273&Ver=4>