

# Pensions error means ex-police and firefighters will get payouts

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Thousands of retired police officers and firefighters are set to receive huge payouts after a multimillion-pound government pensions blunder.

Payments running into tens of thousands of pounds are to be paid to the retired officers or their survivors as a result of a failure to update pension calculations.

Treasury officials have estimated that it will cost at least £860 million in lump sums and backdated interest owed to the retired men and women, but the figure could be even higher as the total number eligible for the payouts is not yet known.

The payouts follow a ruling by the pensions ombudsman in a test case brought by the Fire Brigades Union (FBU) on behalf of William Milne, a retired firefighter. The ruling affects at least 5,000 retired firefighters as well as thousands of police officers.

Tony King, the ombudsman, found the Government Actuary's Department (GAD) guilty of "maladministration" that has resulted in thousands of officers and firefighters who retired between 2001 and 2006 receiving

potentially lower lump sums than they were due. He found that the department had failed to review and update factors, including future life expectancy rates, under which lump-sum payments of up to 25 per cent of a person's pension were calculated between 2001 and 2006.

Mr Milne retired from the Strathclyde Fire and Rescue Service, aged 50, in 2005 and chose to take a tax-free lump sum of £111,038 plus a pension of £22,207 year. A new calculation of his lump sum has resulted in him receiving an additional £25,000 including backdated interest.

Sean Starbuck, FBU national officer, said: "We have had a long and often frustrating legal battle to ensure that firefighters who pay about £4,000 a year in contributions get the pension they are entitled to. This is not additional money. This is money that firefighters have been owed, for 14 years in some cases, and is money they should and would have got at the time but for government incompetence. Hopefully we have helped put this right".

The union discovered the error when new factors for calculating lump-sum payments were introduced in 2008 and

backdated to 2007. The union challenged why the backdating had not gone back to 1998 when the last review of factors influencing the calculations took place.

The blunder occurred as the actuary department wrongly believed that under Whitehall funding arrangements introduced in the 1990s it was for individual government departments to order reviews of calculations governing lump-sum payments. In his ruling Mr King said: "This was an error of law ... and an improper surrender by GAD of its statutory functions".

The ombudsman's ruling led the Department of Communities and Local Government provisionally to estimate that it will cost at least £94 million, including backdated interest and tax to deal with firefighters' claims.

The Home Office's annual report says the Treasury has identified a potential liability of about £767 million for police pensions in England and Wales, which includes additional money due to retired officers plus interest. A spokesman said officials were working with the 43 police forces in England and Wales to see how many ex-officers might be affected.