

MINUTES OF THE 153rd MEETING OF  
**THE CENTRAL ADVISORY COMMITTEE ON PENSIONS AND COMPENSATION**

Thursday 20 October 2011 – HR27 MOD – Main Building at 1100hrs

**Present:**

Minister (DPWV) (Chairman)  
Lt Col Jerome Church (Retd)  
Ros Campbell  
Lt Col Jim Keating (Retd)  
Lt Col Ray Holland (Retd)  
Lt Cdr David Marsh (Retd)  
Cathy Walker  
Kim Richardson  
Lisa Bainbridge  
Professor Sir Anthony Newman Taylor

Dr Anne Braidwood  
Col Fiona Gardner  
Gp Capt Andrew Berridge  
Capt John Lavery  
Jon Parkin  
Philip Gould (Secretary)

**Apologies received from:**

Sue Freeth  
AVM Tony Stables (Retd)  
Cdre Andrew Cameron (Retd)  
Maj Gen John Moore-Bick (Retd)  
Jeff Garrett

**In Attendance:**

Manmeet Gill  
Gp Capt Ian Pollitt  
Duncan Haigh  
Alan Nisbet

**1. CHAIRMAN'S OPENING COMMENTS**

1.1 Minister(DPWV) welcomed members to the 153rd meeting of the CAC, and in particular to Ros Campbell, Chairman of the War Widows' Association (WWA), who was attending her first meeting in that role.

1.2 Minister(DPWV) thanked Lt Col Ray Holland (Ret'd), Chair of Veterans Advisory and Pensions Committees (VA&PC), after serving six years on the CAC. Minister praised Ray's substantial and valuable contribution to the CAC on compensation and pensions matters. The Committee seconded the Minister's words.

**2. MINUTES OF THE 152<sup>nd</sup> MEETING**

2.1 Ray Holland requested two amendments to the previous minutes as follows:

Para 4.3. Amend the last line to read 'war widow/ers' and not 'war pensioners'

Para 9.1. Add. Any future SPVA IT contract should include the facility to make changes as they occur at minimal cost, and the possibility of including 'in-house' programmers should be considered.

2.2 Subject to these amendments, the minutes of the last meeting were approved by

the Committee.

### **3. MATTERS ARISING FROM THE PREVIOUS MINUTES**

3.1 At the previous meeting, Minister(DPWV) agreed to write to HM Treasury reflecting CAC members' concerns about the change in indexation for uprating pension and compensation schemes from the Retail Prices Index (RPI) to the Consumer Prices Index (CPI), and in particular the impact of the change on the Armed Forces Compensation Scheme (AFCS) Guaranteed Income Payment (GIP) recipients.

3.2 Minister(DPWV) explained that he had written to Treasury Ministers reflecting the CAC's concerns on this issue. In response, the Chief Secretary acknowledged the strength of feeling of CAC members, but was unable to offer any exemption as this would potentially undermine the Government's overall position on the RPI/CPI change. Minister(DPWV) recognised that CAC members would be disappointed with this outcome, but should be reassured that their concerns had been treated seriously. He also noted that the September inflation figures – which would form the basis of uprating pension and compensation benefits from April 2012 - had been announced. The difference between CPI (at 5.2%) and RPI (at 5.6%) was not great.

3.3 David Marsh (FPS) queried whether there was likely to be any move away from using September's figures as the basis of the following April rises. Minister(DPWV) stated that he was not aware of any plans to change this.

3.4 Lisa Bainbridge (RBL) asked whether there was any progress in regard to the undertaking given in the coalition's programme for government to include housing costs in the CPI measure of inflation. Minister(DPWV) said he was not aware of any developments in this regard.

3.5 Jon Parkin (SPVA) updated the Committee on further action points from the last meeting. Gill Grigg (ex-WWA chair) had raised concern that war widows who had remarried had few means of finding out they can have their pension reinstated. In addition, Gill was concerned that correspondence received from SPVA was not always clear as to which scheme an individual was receiving benefits under.

3.6 Jon Parkin stated he had asked the SPVA Communications Team to run an article in Veterans World Magazine drawing attention to those widow/ers who have had their war widow/ers pensions restored (ie. those who have remarried but the new relationship has ended). In addition, SPVA would highlight the relevant information on their website. He had also reviewed notification letters and concluded that, as they did clearly state which scheme they referred to, no amendments or in-house IT changes were necessary. However, SPVA would look at the clarity of language used in other letters and ensure that, when a new IT contract is agreed, there will be better scope to make changes, and at less cost.

#### 4. CAC REVIEW

4.1 Minister(DPWV) reminded members that a review of CAC was necessary as part of a wider Government review of all Non-Departmental Public Bodies. Phase One of the review had been carried out internally and had recommended the CAC should continue. A paper summarising committee members' views on Phase Two of the review, which focused on corporate governance, had been circulated ahead of the meeting outlining a suggested approach to the issues raised.

4.2 Kim Richardson (NFF) highlighted some omissions at paragraph three (which lists the organisations that have representatives on the CAC) in the Phase One report. It was agreed that these should be corrected.

4.3 Lisa Bainbridge expressed concern regarding the proposal in Phase Two that the committee's role in providing advice on the Armed Forces Pension Scheme (AFPS) should be removed as there was often a link between pension and compensation scheme issues. Manmeet Gill explained that implementation of this proposal was dependent on acceptance by the Government of the Hutton Review recommendation that separate pensions governance arrangements be introduced.

4.4 Ray Holland commented that the CAC's Terms of Reference should be rewritten with more emphasis on the appointment of individuals rather than organisations. Jerome Church (BLESMA) stated that appointments, whether of individuals or organisations, should be based on who has the appropriate knowledge of pensions and compensation. Jerome Church added that the Committee should not cover welfare issues.

4.5 Kim Richardson commented that, when she joined the Committee, following the Boyce Review of the AFCS, it was agreed her post would be rotational between the three Service Family Federations. This should be reflected in the TORs.

4.6 Summarising, Minister(DPWV) noted the Committee's broad agreement to the recommendations in the Phase Two paper subject to members' comments on the terms of reference and post-Hutton pensions governance announcements.

**AP01 PCV will correct minor omissions in the Phase One report.**

**AP02 PCV to circulate revised terms of reference in light of discussion for the Committee's consideration.**

#### 5. STEWARDSHIP REVIEW

5.1 The Committee considered a paper by Head of Pensions, Compensation and Veterans which provided an update on the recent consultation on changes to the War Pensions Scheme (WPS). The paper recommended that, as consensus could not be reached between members on the one outstanding proposal - to move to a lump sum rather than an ongoing pension at 20% disablement - that no further action should be taken. The Committee agreed this recommendation, and therefore the Stewardship

Review was formally closed.

## **6. AFCS INDEPENDENT MEDICAL EXPERT GROUP UPDATE**

6.1 Professor Sir Anthony Newman-Taylor updated the Committee on the work of the Independent Medical Expert Group (IMEG). The Group had met three times this year with one further meeting programmed for December. The major focus of the first two meetings had been noise-induced hearing loss (NIHL), with the third and next meeting looking at mental health.

6.2 Professor Newman-Taylor explained that in looking at these issues, evidence from veterans support groups and experts in the fields was being considered, but in the case of NIHL there was a lack of good scientific evidence.

6.3 NIHL issues considered included the threshold at which compensation becomes payable, the implications of hearing loss for civilian employability and the life course of significant hearing loss when it is acquired in young adult life.

6.4 With regard to mental health, Professor Newman-Taylor stressed that the issues involved were much wider than just Post Traumatic Stress Disorder (PTSD). He reported that the IMEG was analysing the impact of mental health on individual and family life, and civilian employability. The IMEG was also looking at the attribution of mental health disorders to service and who should determine this. Professor Newman-Taylor acknowledged that this was an extremely difficult issue. He added that IMEG had also begun to examine the link between military service and diseases, beginning with multiple sclerosis and asthma.

6.5 Minister(DPWV) thanked Professor Newman-Taylor for the update. Kim Richardson supported, and sought reassurance that the IMEG would continue its work. Manmeet Gill explained that MOD was currently in discussion with the Cabinet Office regarding the future of the IMEG beyond March next year when its previously agreed remit is due to expire. Minister(DPWV) stated that he supported IMEG's continuance.

## **7. PENSIONS FOR LIFE**

7.1 Ros Campbell highlighted her Association's long held concerns with regard to the small group of war widow/ers who do not retain their war widow/ers pension for life. Ros explained that the group - around 4,000 in total - comprised those widowed on or after 1<sup>st</sup> April 1973. Ros explained she was not seeking extra provision for these widow/ers but the retention of what they were already receiving. WWA would therefore continue to campaign on this issue.

7.2 Minister(DPWV) cautioned that HM Treasury remained firmly of the view that such a change could have retrospective implications and would therefore have wider impact beyond the WPS. Jon Parkin added that there was still a cost involved in keeping in payment pensions that would otherwise be surrendered. Minister(DPWV) reminded the Committee of John Moore-Bick's previous undertaking to produce a

factual paper on the issue, in conjunction with SPVA and PCV, for future consideration.

7.3 David Marsh asked whether any consideration could be given to ending the means test for reinstating pensions on remarriage under the AFPS. Duncan Haigh undertook to look into this and report back at the next meeting.

**AP03 FPS to draft Pensions for Life paper for future CAC consideration.**

**AP04 PCV to look into the means test issue and report back at the next meeting.**

## **8. PENSIONS TAX**

8.1 Duncan Haigh gave the Committee an update on 'Scheme Pays', a process designed to help mitigate the effect of changes to the annual allowance tax liability for public service schemes. He explained that under this process an individual could elect for tax charges to be paid on their behalf by the pension scheme and recovered by a reduction in pension benefits paid on retirement. The method for calculating the reduction had yet to be finalised with HM Treasury but interim arrangements had been put in place by SPVA to cover the 2011/12 tax year.

8.2 Duncan Haigh added that HM Treasury clearance of revised guidance on the discount rate to be used for calculating Cash Equivalent Transfer Values (CETVs) was expected to be given shortly, following which the Government Actuary's Department (GAD) could work out on new CETV factors. Once this work had been completed, a Defence Information Notice (DIN) would be issued to armed forces personnel. Jon Parkin added that SPVA was working to produce a calculator which pension scheme members would be able to use to help determine whether they would face an annual allowance tax charge.

## **9. FUTURE AFPS**

9.1 Gp Capt Ian Pollitt gave a presentation to the Committee on the work of the Future Armed Forces Pension Scheme team, which had recently been established to design a new pension scheme in light of Lord Hutton's Review of public service pensions. A copy is attached at Annex to these minutes.

9.2 Gp Capt Pollitt explained that consultation with scheme members and the CAC would take place in due course but there were many issues to discuss further with HM Treasury before that point was reached, including accrued rights, the accrual rate and the future of the early departure payment. However, Gp Capt Pollitt emphasised that any benefits already earned under the existing schemes were protected.

9.3 Minister(DPWV) thanked Gp Capt Pollitt for his presentation. Jon Parkin added that SPVA would work closely with the new MOD team on this project, and was looking to expand its effort on the delivery side.

## **10. VA&PC REVIEW**

10.1 Minister stated that he had hoped to give members a copy of the VA&PC review report but was still awaiting Cabinet Office agreement to its recommendations. It was hoped this would be forthcoming shortly.

## **11. AOB**

11.1 Kim Richardson asked what progress SPVA had made with revisiting AFCS awards in the light of the recommendations of the Boyce Review. Jon Parkin reported that, out of a total of over 12000 cases, 10000 had now been reviewed and that he was confident the remaining 2000 cases would be completed by the deadline of June 2012.

11.2 In addition, Jon Parkin reported that SPVA were working to reduce the waiting times on AFCS appeals and extra resources have been allocated to this task, including a combined WPS/AFCS appeals team which had resulted in waiting times for first tier tribunal cases falling by 25 per cent. Kim Richardson requested an update on these figures at the next meeting.

**AP05 SPVA to provide an update on clearance of cases at the next meeting.**

## **12. DATE OF NEXT MEETING**

12.1 The date of the next meeting will be circulated to members in due course.

Philip Gould  
Secretary to the CAC  
21 November 2011