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Firefighters' consultees

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20 December 2012

Dear Colleague

Firefighters' Pension Scheme (FPS) and New Firefighters' Pension Scheme (NFPS) - Consultation on draft regulations for proposed employee contribution increases

In a statement to Parliament on 28 November 2012, the Cabinet Secretary for Finance, Employment and Sustainable Growth, John Swinney, announced the Scottish Government's decision to implement the second annual increment of UK Government proposed employee contribution increases for the Teachers', NHS, Police and Firefighters' schemes in Scotland. The full text of that statement can be viewed in the Official Report for that day and via the following link:

<http://www.scottish.parliament.uk/parliamentarybusiness/28862.aspx?r=7569&i=69154&c=0&s=pensions>

Attached is a copy of a Scottish Government consultation on proposed increases to employee contribution rates to take effect from April 2013 for the Firefighters' Pension Schemes. However as trade unions remain opposed to the policy of increasing member contributions it has not been possible to reach agreement on proposed rates. Consequently, the proposals contained in the attached consultation represent the Scottish Government's considered view of the most appropriate rates to apply in the circumstances.

To simplify the process you can respond to this consultation online via the following link:
http://www.sppa.gov.uk/index.php?option=com_wrapper&view=wrapper&Itemid=1495

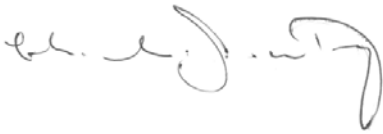
Alternatively responses may be made by completing the Consultation Response Form attached to this letter which can either be submitted electronically to firepensionsreform@scotland.gsi.gov.uk or via mail to the following address no later than **1st February 2013**.



The Firefighters' Employee Contributions Consultation
Policy Branch
SPPA
7 Tweedside Park
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A copy of the consultation documentation is also available on the Agency's website at:
http://www.sppa.gov.uk/index.php?option=com_content&view=article&id=716&Itemid=260

Yours faithfully



Chad Dawtry
Director of Policy



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Firefighters' Pension Scheme (FPS) and New Firefighters' Pension Scheme (NFPS)

CONSULTATION ON DRAFT REGULATIONS FOR PROPOSED INCREASES TO EMPLOYEE CONTRIBUTION RATES EFFECTIVE FROM APRIL 2013

1. Purpose

1.1 This consultation sets out the Scottish Government's proposals for the second annual increase in employee contributions to the Firefighters' Pension Schemes, which are due to apply from April 2013.

1.2 The Scottish Government invites views on the proposed employee contribution rates and on the draft regulations (attached) intended to bring these increases into effect. The Scottish Government has set out, at section 6, specific questions on which it would welcome responses, though consultees may respond on any aspect of the proposals.

1.3 **This consultation is solely concerned with further increases in employee contribution rates proposed to apply to the Firefighters' Pension Schemes in Scotland with effect from 1 April 2013.** In due course, the Scottish Government may consult on proposals for a potential third annual increase in employee contributions. It will also consult on proposals for longer-term reform of the Firefighters' Pension Scheme in Scotland following partnership negotiations.

2. Consultation timetable

2.1 This consultation runs from 20 December 2012 to 1 February 2013.

3. The Scottish Government's position on employee contribution rate increases

3.1 The Scottish Government has set out its position on employee contribution increases on a number of occasions, most recently during the Cabinet Secretary for Finance, Employment and Sustainable Growth's statement to Parliament on 28 November 2012. The full text of that statement can be viewed in the Official Report for that day and via the following link: <http://www.scottish.parliament.uk/parliamentarybusiness/28862.aspx?r=7569&i=69154&c=0&s=pensions>



4. Principles

4.1 The Scottish Government takes its commitment to affordability, sustainability and fairness in public sector pension deals seriously. In proposing the increases outlined in this consultation it has reflected its commitment to protect the lowest paid and minimise the risk of opt outs from the Firefighters' Pension Schemes. The protection being proposed is that a Firefighter earning up to the whole time equivalent of £15,000 will see no increases applied this year. Above that level, increases are being spread progressively in order to ensure that those earning higher salaries pay proportionately more for their pensions.

4.2 The limited data on opt-outs available for the Firefighters' Pension Schemes to-date shows no identifiable increases in opt outs since the introduction of the first round of employee contribution increases. We understand that a similar picture has emerged from other public service schemes.

5. Proposed increase in contributions 2013-14

5.1 The Scottish Government proposals again mirror the rates proposed for the scheme in England that the employee contribution rates from 1 April 2013, should deliver a 1.28 percentage point increase, on average, across the two firefighters' pension schemes during 2013-14. This will lead to a cumulative 1.92 percentage point increase during 2012-13 and 2013-14. The Scottish Government will continue to review the effect of contribution rate increases, including on opt outs, before making any final decisions for contribution rate increases.

5.2 The following tables set out the proposed employee contribution tariffs to apply to the firefighters' pension schemes from 1 April 2013.

Earnings under £21,000

5.3 A new pensionable pay band of 'more than £15,000 and up to and including £21,000 has been introduced which is based on the proposals from the Department of Communities and Local Government (CLG) for the scheme in England. The Scottish Government recognises that no firefighter in their current role earns a salary below £21,000, but the inclusion of these pay bands and rates mirrors the CLG proposal.

Firefighters' Pension Scheme (1992)

| Pensionable pay band | Current rate (%) | Proposed increase from 2013-14 (%) | Increase net of tax relief (%)* | Total (%) contribution rate 2013-14 |
|--|------------------|------------------------------------|---------------------------------|-------------------------------------|
| Up to and including £15,000 | 11.0 | 0.0 | 0.0 | 11.0 |
| More than £15,000 and up to and including £21,000 | 11.6 | 0.3 | 0.24 | 11.9 |
| More than £21,000 and up to and including £30,000 | 11.6 | 1.3 | 1.04 | 12.9 |
| More than £30,000 and up to and including £40,000 | 11.7 | 1.5 | 1.20 | 13.2 |
| More than £40,000 and up to and including £50,000 | 11.8 | 1.7 | 1.36 | 13.5 |
| More than £50,000 and up to and including £60,000 | 11.9 | 1.8 | 1.08 | 13.7 |
| More than £60,000 and up to and including £100,000 | 12.2 | 1.9 | 1.14 | 14.1 |
| More than £100,000 and up and including £120,000 | 12.5 | 2.0 | 1.20 | 14.5 |
| More than £120,000 | 13.0 | 2.0 | 1.20 | 15.0 |

* The specific rate of tax relief depends on the members' personal circumstances

Example: A firefighter in the Firefighters' Pension Scheme 1992 earning £28,500 would pay an additional 1.3 percentage points in contributions – a revised rate of 12.9 per cent. However, with tax relief, the effective increase in the contribution rate is 1.04 per cent (or on the overall rate of 12.9 per cent a net rate of 10.32 per cent).



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A pensions contributions calculator is available on the SPPA website:
<http://www.sppa.gov.uk/Documents/Firefighters/Firefighters%20Useful%20Resources/Consultations/2012/FPS%20calculator.xls>

This may be used to estimate the impact on individuals of the proposed increase in contributions from 1 April 2013.

New Firefighters' Pension Scheme (2006)

| Pensionable pay Band | Current rate % | Proposed increase from 2013-14 (%) | Increase net of tax relief (%)* | Revised rate (%) |
|--|----------------|------------------------------------|---------------------------------|------------------|
| Up to and including £15,000 | 8.5 | 0.0 | 0 | 8.5 |
| More than £15,000 and up to and including £21,000 | 8.8 | 0.3 | 0.24 | 9.1 |
| More than £21,000 and up to and including £30,000 | 8.8 | 0.8 | 0.64 | 9.6 |
| More than £30,000 and up to and including £40,000 | 8.9 | 1.0 | 0.80 | 9.9 |
| More than £40,000 and up to and including £50,000 | 9.0 | 1.1 | 0.88 | 10.1 |
| More than £50,000 and up to and including £60,000 | 9.1 | 1.1 | 0.66 | 10.2 |
| More than £60,000 and up to and including £100,000 | 9.3 | 1.2 | 0.72 | 10.5 |
| More than £100,000 and up and including £120,000 | 9.5 | 1.3 | 0.78 | 10.8 |
| More than £120,000 | 9.7 | 1.4 | 0.84 | 11.1 |

* The specific rate of tax relief depends on the members' personal circumstances.



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Example: A firefighter in the New Firefighters' Pension Scheme 2006 earning £28,500 would pay an additional 0.8 percentage points in contributions – a revised rate of 9.6 per cent. However, with tax relief, the effective increase in the contribution rate is 0.64 per cent (or on the overall rate of 9.6 per cent a net rate of 7.68 per cent).

A pensions contributions calculator is available on the SPPA website:
<http://www.sppa.gov.uk/Documents/Firefighters/Firefighters%20Useful%20Resources/Consultations/2012/NFPS%20calculator.xls>

This may be used to estimate the impact on individuals of the proposed increase in contributions from 1 April 2013.

5.4 As illustrated in the above examples Firefighter employee contributions are deducted from gross pay before income tax is deducted. As a result, their contributions normally benefit from tax relief provided for contributions made to an individual's pension scheme.

5.5 Individuals can use a pensions calculator available on the SPPA website to estimate what if any increase in contributions they will face from 1 April 2013

Employee contributions for specific scheme members

5.6 It is proposed that, as for 2012-13, the rate of contributions paid by retained firefighters' is based on their reference pay, with the rate then applied to their actual pensionable pay. For part-time members, the rate of contributions payable will be determined based upon the full time equivalent salary for that member, with the actual amount payable based upon the full time equivalent salary for that member. This ensures that members pay the same rate of contributions on a per hour basis as Full Time Equivalent staff.

6. Views sought on the proposals

6.1 This consultation sets out the proposals for increasing employee contributions from 1 April 2013. The Scottish Government would welcome views on the following questions:

Question 1: Do the proposed tiered contributions meet the Scottish Government's objectives of protecting the low paid and minimising opt outs from the scheme?



Question 2: Are there any other rates which you think will help to further minimise any opt outs from the firefighters' pension schemes, but will deliver the necessary increase?

Question 3: Are there any consequences of the proposed contribution tiers that you consider have not been addressed?

Question 4: Do you consider that there are any potential equality issues? For example, is there anything in the proposals that might result in individual groups being disproportionately affected by the proposed contribution tiering?

Question 5: Are there any other specific issues around these potential increases and draft regulations that you would like the Scottish Government to consider?

The closing date for receipt of comments is 1 February 2013.

To simplify the process you can respond to this consultation online via the following link:

http://www.sppa.gov.uk/index.php?option=com_wrapper&view=wrapper&Itemid=1495

Alternatively responses may be made by completing the Consultation Response form attached to this letter which can either be submitted electronically to firepensionsreform@scotland.gsi.gov.uk or via email to the following address no later than 1 February 2013:

The Firefighters' Employee Contributions Consultation
Policy Branch
SPPA
7 Tweedside Park
Tweedbank
Galashiels
TD1 3TE

7. Next steps after the consultation ends

7.1 A summary of the responses to this consultation will be made available on the SPPA website.

7.2 A full Equality Impact Assessment evaluating the approach proposed for the Firefighters' schemes in respect of the proposed increase in contributions will be published in due course.



8. Confidentiality of Information

8.1 We need to know how you wish your response to be handled and, in particular, whether you are happy for your response to be made public. It would be helpful if you would complete and return the Consultation Response Form which forms part of the consultation questionnaire as this will ensure that we treat your response appropriately. If you ask for your response not to be published we will regard it as confidential, and we will treat it accordingly.

8.2 All respondents should be aware that the Scottish Government are subject to the provisions of the Freedom of Information (Scotland) Act 2002 and would therefore have to consider any request made to it under the Act for information relating to responses made to this consultation exercise.



ANNEX A: CONSULTATION RESPONSE FORM - FIREFIGHTERS' PENSION SCHEMES (SCOTLAND). CONSULTATION ON DRAFT REGULATIONS FOR PROPOSED EMPLOYEE CONTRIBUTION INCREASES EFFECTIVE FROM 1 APRIL 2013 (please complete and return to the address at the end of the form to ensure that we handle your response appropriately).

1. Name/Organisation

Organisation Name

Title

Surname

Forename

2. Postal Address

Postcode

Phone

Email

3. Permissions - I am responding as... (please complete either sections (a), (b) and (d) or sections (c) and (d):

Individual

or

Group/Organisation

(a) Do you agree to your response being made available to the public (in Scottish Government library and/or on the Scottish Government web site)?

Please state yes or no: _____

(b) Where confidentiality is not requested, we will make your responses available to the public on the following basis

Please state yes to one of the following:

Yes, make my response, name and address all available

or

Yes, make my response available, but not my name and address

or

Yes, make my response and name available, but not my address

(c) The name and address of your organisation **will be** made available to the public (in the Scottish Government library and/or on the Scottish Government web site).

Are you content for your **response** to be made available?

Please state yes or no:

(d) We will share your response internally with other Scottish Government policy teams who may be addressing the issues you discuss. They may wish to contact you again in the future, but we require your permission to do so. Are you content for Scottish Government to contact you again in relation to this consultation exercise?

Please state yes or no:



ABOUT YOU

I am responding ...

- as a member of the 1992 scheme (old scheme)
 - as a member of the 2006 scheme (new scheme)
 - on behalf of an Employer Organisation
 - on behalf of a Trade Union/Staff Association
 - other (please specify)
-

What is your gender?

- I am female
- I am male

I am employed as...

- a firefighter
 - a retained firefighter
 - a volunteer firefighter
 - a crew manager
 - a watch manager
 - a station manager
 - a group manager
 - an area manager
 - I'm retired
 - other (please specify)
-

What is your working pattern?

- I work part-time
- I work full- time
- Not applicable



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CONSULTATION QUESTIONS

Question 1: Do the proposed tiered contributions meet the Scottish Government's objectives of protecting the low paid and minimising opt outs from the scheme?

Yes

No

Comments:



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Question 2: Are there any other rates which you think will help to further minimise any opt outs from the firefighters' pension schemes, but will deliver the necessary increases?

Yes

No

Comments:



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Question 3: Are there any consequences of the proposed contribution tiers that you consider have not been addressed?

Yes

No

Comments:



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Question 4: Do you consider that there are any potential equality issues?
For example, is there anything in the proposals that might result in individual groups being disproportionately affected by the proposed contribution tiering?

Yes

No

Comments:



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Question 5: Are there any other specific issues around these potential increases and draft regulations that you would like the Scottish Government to consider?

Yes

No

Comments:



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Other comments: please use this space to provide any further comments.

Yes

No

Comments:

Please e-mail your response to firepensionsreform@scotland.gsi.gov.uk

or

Please post your response to:

The Firefighters' Employee Contributions Consultation
Policy Branch
SPPA
7 Tweedside Park
Tweedbank
Galashiels
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The closing date for this consultation is 1 February 2013.



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