

FIREFIGHTERS' PENSION SCHEMES

REPORT ON CONSULTATION ON PROPOSAL TO INCREASE EMPLOYEE CONTRIBUTION RATES AND SUMMARY OF RESPONSES

1. Purpose

The purpose of this paper is to provide a summary of the feedback received to the Scottish Government's recent consultation on the second annual increase in employee contributions to the Firefighters' Pension Schemes.

2. Introduction

The Scottish Public Pensions Agency, on behalf of the Scottish Government, conducted a public consultation inviting stakeholders to register their views on the Scottish Government's proposals for the second annual increase in employee contributions to the Firefighters' Pension Schemes in Scotland for 2013-14, from 1 April 2013. That consultation followed the Scottish Government's decision to apply these increases in Scotland following confirmation from the UK Government that failure to do so would result in deductions from the 2013-14 Scottish Government budget. The UK Government is seeking to raise contributions by 3.2% average pay by April 2015.

The Scottish Government's consultation began on 20 December 2012 and closed on 1 February 2013; it covered increases for 2013-14 only. A short consultation period was necessary because of the UK Government's insistence on the need to bring in the contribution rises by 1 April 2013. This report summarises the 79 responses received by the SPPA to that consultation.

A copy of the consultation documents can be accessed on the SPPA website at [Fire Consultations](#).

3. Consultation process

The Scottish Government's consultation document was issued by email to Firefighter employers, Trade Unions and other stakeholders on 20 December 2012. The document was also posted on the SPPA's website for access by firefighters. The consultation document set out the Scottish Government's suggested distribution of contribution rate increases (see table below) and was based on those rates proposed by the Department for Communities and Local Government (DCLG) in its consultation issued in November 2012 for firefighters in England.

The proposals were that:

- Those earning less than £15,000 (full-time equivalent rate) will pay nothing extra;
- A new pensionable pay band of 'more than £15,000 and up to and including £21,000 has been introduced (relating to NFPS). 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
- Those earning up to £21,000 (full-time equivalent rate) will pay no more than 0.3% of pay extra in 2013-14 (before tax relief);
- Higher earners will pay extra, but no more than 2% of pay in 2013-14 (before tax relief).

Proposed FPS increases commencing from 1 April 2013

Pensionable pay band (wholetime equivalent pay)	Current rate	Proposed increase	Revised rate
Up to and including £15,000	11%	0.0%	11.0%
More than £15,000 and up to and including £21,000	11.6%	0.3%	11.9%
More than £21,000 and up to and including £30,000	11.6%	1.3%	12.9%
More than £30,000 and up to and including £40,000	11.7%	1.5%	13.2%
More than £40,000 and up to and including £50,000	11.8%	1.7%	13.5%
More than £50,000 and up to and including £60,000	11.9%	1.8%	13.7%
More than £60,000 and up to and including £100,000	12.2%	2.0%	14.1%
More than £100,000 and up to and including £120,000	12.5%	2.0%	14.5%
More than £120,000	13%	2.0%	15.0%

Proposed NFPS increases commencing from 1 April 2013

Pensionable pay band (whole time equivalent pay)	Current rate	Proposed increase	Revised rate
Up to and including £15,000	8.5%	0.0%	8.5%
More than £15,000 and up to and including £21,000	8.8%	0.3%	9.1%
More than £21,000 and up to and including £30,000	8.8%	0.8%	9.6%
More than £30,000 and up to and including £40,000	8.9%	1.0%	9.9%
More than £40,000 and up to and including £50,000	9.0%	1.1%	10.1%
More than £50,000 and up to and including £60,000	9.1%	1.1%	10.2%
More than £60,000 and up to and including £100,000	9.3%	1.2%	10.5%
More than £100,000 and up to and including £120,000	9.5%	1.3%	10.8%
More than £120,000	9.7%	1.4%	11.1%

4. Analysis of Responses

The consultation posed 5 questions, one of which provided the opportunity to provide a general response on the policy. 79 responses were received. The main comments are summarised at **Annex A**.

Respondents		Permission to publish response given
Individual responses	73	varying
Fire Brigades Union	1	Not stated
Employer Organisation	1	Not stated
Fire Officer's Association	1	Not stated
APFOS	1	Not stated
Other	1	Not stated
Fife Council	1	Yes

5. Key messages/stakeholder comments

Fire Brigade Union: as well as answering the question contained in the consultation document, the FBU highlighted other concerns on behalf of their members. These include:

- belief that the proposed increases in contributions will not raise the revenue the Treasury expects due to high expected levels of opt outs;
- Firefighters already pay high contribution rates as a proportion of salary compared to other public and private sector schemes;
- rise in contribution rates could have an adverse effect on firefighters' career decisions;
- the increase would be imposed on the back of no pay increase for 2009-2010 and the two-year pay freeze imposed from 2010;
- concern that the consultation document was heavily weighted towards the actual numbers of people who have opted out of the scheme since 1 April 2012 instead of considering potential for significant rises in opt out numbers;
- protection for the lowest pay in both schemes "largely irrelevant" as the protection arrangements have not covered any firefighter on any duty system. Individuals working part-time or job share arrangements will earn less than £21,000. These individuals will not benefit from any protection because the proposal is to base the contribution rate on the full-time equivalent salary rather than actual earnings;
- impact on the willingness of firefighters to apply for promotion to middle manager roles due to tiered contributions, along with the proposal for introduction of CARE scheme.

Fire Officers' Association: as well as answering the question contained in the consultation document, the FOA highlighted other concerns on behalf of their members. These include:

- belief that increases are unfair in relation to increases applied to other parts of the public sector;
- tiered contribution rates according to pay band disproportionately impact on firefighters who choose to progress a career;
- current Government strategy to get people to work longer and move people to have pensions is completely undermined by a level of contribution increase that is likely to drive people away from the Firefighters' and other public sector pension schemes;
- opt out review of limited value and misleading since figures are based on relatively small increases applied for 2012-13;
- outlined other consequential impacts on career progression, recruitment and early retirement.

Association of Principal Fire Officers: as well as answering the question contained in the consultation document, APFO highlighted other concerns on behalf of their members. These include:

- belief that there should be a consistent approach throughout the UK;
- argues that the Government should adopt a wider perspective and strategic view on public sector pension schemes rather than the "narrow scheme specific approach" that is currently being taken;
- belief that the consultation fails to recognise the compound impact of pay freezes, general taxation changes and inflation rates on the actual disposable income of staff;
- there is no staff in the earning bracket of £15k - £21k therefore none are protected;
- although they do not support the proposals, they argue that any increases in employee contributions for members of both schemes should be spread over a longer period of time.

6. Next Steps/Conclusion

The Scottish Government is now considering its response to the consultation exercise. The recommended contribution rates will be submitted to the Scottish Ministers for consideration and final approval. Once agreed they will be included in regulations and after further consultation will be laid before the Scottish Parliament to come into effect on 1 April 2013.

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?

	Responses	Main comments made
Yes	3	<p>Only to some extent, personnel have planned for their pension costs and benefits on joining the scheme, without expecting change.</p> <p>Higher tiered contributions for higher earners may produce a higher level of opt outs among higher earners. Also likely to lead to a significant number of rapid retirements.</p> <p>Protection for those earning under £21,000 is irrelevant and inadequate.</p> <p>Rises will lead to opt outs. All pensions should be protected and honoured in the fashion they were set up.</p> <p>Contributions are already amongst the highest in the country, no more increases. There has been no increase in opt outs since April 2012 at Fife Fire and Rescue. Firefighters, whilst unhappy about contribution increases, are aware of the benefits of remaining a member of the Firefighters' Pension Scheme.</p> <p>Ensuring that contribution rates continue to be set progressively is the fairest way.</p>
No	27	
Question answered with view given	17	
Question answered but no view given	13	
Respondents who did not answer this question	49	

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?

	Responses	Main comments made
Yes	10	<p>Increases are not necessary.</p> <p>Increases may lead to opt-outs from the scheme.</p> <p>Bring other schemes in line with ours instead of attacking our pensions.</p> <p>Bring increases in over a longer period.</p> <p>Leave the rates unchanged.</p> <p>Leave the current scheme as it is and produce a new one for new employees so they can make their own informed decisions.</p> <p>Increase would be more acceptable if the benefits and NPA remain the same as what we originally signed up for when joining the scheme.</p> <p>Has any consideration been given to tiered approach to contributions where contributions are based on how much pay falls in each tier?</p>
No	15	
Question answered with view given	19	
Question answered but no view given	6	
Respondents who did not answer this question	54	

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

	Responses	Main comments made
Yes	17	<p>Lower standard of future recruits.</p> <p>Anger and disengagement within existing employees.</p> <p>Being forced to opt out.</p> <p>Already have an “Affordable Pension Scheme” when the NFPS was introduced.</p> <p>The rise in costs is crippling firefighters.</p> <p>Morale.</p> <p>Increase in contributions, but no pay rise.</p>
No	8	
Question answered with view given	18	
Question answered but no view given	7	

Respondents who did not answer this question	54	
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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?

	Responses	Main comments made
Yes	12	
No	10	
Question answered with view given	11	
Question answered but no view given	11	
Respondents who did not answer this question	57	<p>Why should contributions percentage increase the more senior the role is? This will result in less people applying for promotion in the years to come as the difference in payscales would not be worth the hassle, pressure and responsibility.</p> <p>High earners should pay more as they will get more at the end.</p> <p>Already pay more than any other public servants and a new affordable scheme was introduced a few years ago. Bring the other schemes in line with us.</p> <p>The younger members of the service. We feel that there will be no option but to leave.</p> <p>Single households and one parent families will have more difficulty.</p> <p>It's equally unfair.</p> <p>Both schemes should have the same increase.</p>

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

	Responses	Main comments made
Yes	15	<p>To not implement the proposals as they exist as they are unfair.</p> <p>If contributions increases are "necessary" then protect the other aspects of the old scheme such as the retirement age. Also, provide a concrete agreement that increases will not continue to rise for the lifetime of the scheme</p> <p>Yes in terms of fairness the scheme that people entered should be the scheme which is honoured rather than moving the goalposts to suit.</p> <p>Maintain the current rates</p> <p>What is being done about those who joined at age 18 and have to pay such high levels of contributions for 32 years but only receive 30 years of benefit.</p> <p>How would the government envisage filling any short fall in the scheme if there were a high percentage of opt outs of the scheme?</p> <p>Firefighters are aware that their contributions will increase again from April 2013. However, the proposed increases cannot be seen in isolation. There is concern amongst firefighters about the impact of public sector pension reform and HMRC tax changes. All of these issues could impact on firefighting as a career choice and on career progression.</p>
No	7	
Question answered with view given	13	
Question answered but no view given	9	
Respondents who did not answer this question	57	

Other comments from respondents:

- .Firefighters risk their lives everyday to protect the public and pay more into their pensions than anyone else. It is NOT fair that our pensions are being attacked again after a new scheme was introduced previously that was supposed to be affordable.
- Increases in the Firefighters Pension is unaffordable to most of its members , we already pay the highest out any public sector pension and now its being increased which if we were getting a good deal when we retired would be ok , but as were getting a lot less is a disgrace.
- When the NFPS was introduced the in 2006 the opportunity was there to have a pension scheme that reflected the current times. By changing the scheme now would indicate that the work was not done properly at that time. Perhaps we require a New NFPS and leave the rest to expire naturally..