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21 November 2005

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Dear Sir or Madam

## **THE FIREMEN'S PENSION SCHEME (FPS) ORDER 1992**

Please find attached the final draft of the New Firefighters' Pension Scheme Order for Scotland. All new recruits including regular retained and volunteer firefighters will automatically become members of the new scheme from 6 April 2006 unless they opt out of the scheme. Regular firefighters recruited from 6 April have already been paying the reduced contribution rate of 8.5% in anticipation of their membership of the new scheme and the Order has retrospective effect to 6 April 2006.

Although, as with the current scheme, the policy to maintain a UK wide approach on firefighter pensions continues, any distinctive Scottish issues in relation to the NFPS need to be considered by both the Scottish Executive and SPPA in preparing regulations for the new scheme. The attached draft Order is principally based on the Order produced for England by the Department of Communities and Local Government (DCLG). That Order has been subject to continuous consultation through the Firefighters Pension Committee (FPC) as the scheme's blueprint and regulations have been developed. The FPC is made up of members from official, employer and staff associations and includes representatives from Scotland so you may already have seen the developing draft regulations prepared by DCLG.

It is now our intention to move towards finalising and laying the Scottish regulations as soon as possible. Consideration must also be given to the limited Parliamentary time available to us as a result of next year's Scottish Parliamentary Election. For ease of reference excluding specific Scottish references e.g. Scottish regulations, Scottish Ministers etc the main difference between the enclosed draft and that issued by DCLG relates to the separate funding mechanisms used in England when compared to the rest of the UK.

Therefore, Part 13 of the DCLG draft which relates to the new financing arrangements has been excluded from the Scottish draft and the current funding arrangements for the

Firefighters' Pension Scheme (FPS) in Scotland remain in place. The introduction of the new financing arrangements by DCLG mean that there will no longer be a requirement for a transfer payment to be made where a member transfers between English authorities. Service is transferred by the use of a service certificate from the transferring authority. However, transfer payments will continue for all other UK inter fire authority transfers and the attached regulations confirm this whilst at the same time also attempt to make use of the issue of a service certificate. A normal cash transfer value should be calculated and issued in conjunction with the service certificate.

In addition to the introduction of the NFPS regulations there are also changes to both the FPS and the Firefighters Compensation Scheme that are required as a consequence of the new tax regime from April 2006 and the introduction of the NFPS Regulations. I have therefore also attached two further shorter draft instruments for consideration as follows:

### **The Firefighters' Pension Scheme Amendment (Scotland) Order.**

Included in the amendments are:

- Changes to Rules B2 and B5 to allow any transfer payment made to the scheme, irrespective of length of service, to qualify for a pension;
- B5 is amended by restricting a lump sum payable from a lower tier award only, in line with the NFPS;
- Lump sum payments paid under Rule E5 and E6 are to be restricted to the HMRC applicable limit and
- In Schedule 1 the definition of "Retained members" is amended to bring it in line with the definition of "Regular firefighter".

### **The Firefighters' Compensation Scheme (Scotland) Order**

Included in the amendments are:

- Cross references referring to "the Pension Scheme" differentiate between the FPS and NFPS;
- Confirmation that retained firefighters recruited from 6 April 2006 will be eligible for pro rata compensation awards using a new Part 3 of Schedule 1;
- For members of the FPS the limitations where adult survivor benefits cease on marriage, formation or reformation of a civil partnership carry over from the FPS. Similarly the NFPS rule providing for a reduction in survivor pension where the survivor is at least 12 years younger carries over for NFPS members;
- In part 9 "Reduction of award in case of default" the different deferred ages for each scheme need to be included and
- Confirmation of which Authority would be responsible for payment of awards including where a firefighter is employed by more than one authority.

Given the tight timescales involved I would be grateful for any comments you may have by **19 December 2005**

Yours faithfully



Jim Preston

Addressees

COSLA

Fire Brigades Union (Scottish Region)

Chief and Assistant Chief Fire Officers Association (Scottish Region)

Retained Firefighters Union (UK)

Audit Scotland

National association of Pension Funds

Women's National Commission

DCLG Fire Pensions section

DCLG LGPS Pensions section

Home Office Police Pension section

HM Treasury

Government actuary's Department

DWP

HMRC

Scottish Executive Justice Department FSEPD

Office of the Solicitor, Scottish Executive