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The Chief Executives, Fife Council and Dumfries & Galloway
Council
Chief Fire Officers
Clerks to the Joint Boards
Members of Pensions Steering Group

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Your ref:
Our ref:

26 November 2010

Dear Colleague

The UK Government's Budget on 22 June 2010 announced the intention to switch the basis of uprating public service pensions from the Retail Prices Index (RPI) to the Consumer Prices Index (CPI). The decision on annual uprating is reserved to the UK Government and accordingly applied to the schemes in Scotland.

Pensions in payment and deferred awards are index-linked by virtue of the Pensions (Increase) Act 1971 whereby the rate is published by Treasury in an Order made under the Act. Thus, the change in indexation of pensions in payment will occur automatically without any statutory amendments. In addition where provisions of the Firemen's Pension Scheme Order 1992 and the Firefighters' Pension Scheme (Scotland) Order 2007 Pensions Rules refer to the Pensions (Increase) Act 1971, the CPI will automatically apply from 4 April 2011.

However there are references specifically to the RPI in the schemes rules and we have considered each one and at this point in time consider the following rules require amendment to reflect the change to CPI by referencing the Pensions Increase Act within the rules, from 4 April 2011.

The Firemen's Pension Scheme Order 1992, amended by the Firefighters' Pension Scheme Amendment (Scotland) Order 2008 to include rule B5B – the indexing of a scheme member's additional pension benefit (APB). B5B(3) contains reference to the Retail Prices Index to instruct that the APB should be increased by the same percentage as the percentage increase in the Retail Prices Index.

The Firefighters' Pension Scheme Amendment (Scotland) Order 2008 also included Rule B5C which details the index linking of a scheme member's APB in respect of the continual professional development (CPD) payments. B5C(3) contains reference to the Retail Prices Index to instruct that the CPD should be increased by the same percentage as the percentage increase in the Retail Prices Index.

The Firefighters' Pension Scheme (Scotland) Order 2007, as amended by the Firefighters' Pension Scheme (Scotland) Order 2008 (SSI 2008/160) to include rule 7A, which deals with



the indexing of a scheme member's additional pension benefit (APB). 7A(3) contains reference to the Retail Prices Index to instruct that the APB should be increased by the same percentage increase in the Retail Prices Index.

SSI 2008/160 also includes rule 7B which details the index linking of a scheme member's APB in respect of the continual professional development (CPD) payments. 7B(3) contains reference to the Retail Prices Index to instruct that the CPD should be increased by the same percentage increase as the Retail Prices Index.

The changes being drafted will reflect the need to apply CPI from 4 April 2011.

This letter commences the consultation on the proposed changes to the schemes outlined above. The regulatory amendments are currently being prepared as part of this consultation and will be issued as soon as possible but no later than 23 December 2010.

Any comments should be sent to me at the above address or by email to jenny.coltman@scotland.gsi.gov.uk by **7 January 2011**.

Yours sincerely

Jenny Coltman
SPPA

