

FIREFIGHTERS' PENSION SCHEMES

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

1. Purpose

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

2. Introduction

2.1 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 third annual increase in employee contributions to the Firefighters' Pension Schemes in Scotland for 2014-15, from 1 April 2014. The consultation also included draft regulations necessary to implement the new rates.

2.2 The Scottish Government's consultation began on 27 January 2014 and closed on 14 February 2014; it covered increases for 2014-15 only. A short consultation period was necessary because of need to bring in the contribution rises by 1 April 2014. This report summarises the 3 responses received by SPPA to that consultation.

3. Consultation process

3.1 The Scottish Government's consultation document was issued by email to Firefighter employers, Trade Unions and other stakeholders on 27 January 2014. The document was also posted on the SPPA website for access by firefighters. The consultation document set out the Scottish Government's suggested distribution of contribution rate increases (see tables below) and was based on those rates proposed by the Department for Communities and Local Government (DCLG) in its consultation issued in November 2013 for firefighters in England.

3.2 In proposing the implementation of the same contribution tiers as proposed in England and Wales, the Scottish Government has sought to protect the low paid, apply increases progressively and limit the level of opt out that higher contribution rates may generate.

3.3 The proposals were that:

- Those earning less than £15,000 (full-time equivalent rate) will pay nothing extra;
- Those earning up to £21,000 (full-time equivalent rate) will pay no more than 0.3% of pay extra in 2014-15 (before tax relief);
- Higher earners will pay extra, but no more than 2% of pay in 2014-15 (before tax relief).

Firefighters' (Scotland) Pension Scheme (1992)

Pensionable pay band	Current rate (%)	Proposed increase from 2014-15 (%)	Cumulative increase since 2012	Total (%) contribution rate 2014-15
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	11.9	0.3	1.2	12.2
More than £21,000 and up to and including £30,000	12.9	1.3	3.2	14.2
More than £30,000 and up to and including £40,000	13.2	1.5	3.7	14.7
More than £40,000 and up to and including £50,000	13.5	1.7	4.2	15.2
More than £50,000 and up to and including £60,000	13.7	1.8	4.5	15.5
More than £60,000 and up to and including £100,000	14.1	1.9	5.0	16.0
More than £100,000 and up and including £120,000	14.5	2.0	5.5	16.5

More than £120,000	15.0	2.0	6.0	17.0
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New Firefighters' (Scotland) Pension Scheme (2006)

Pensionable pay Band	Current rate %	Proposed increase from 2014-15 (%)	Cumulative increase since 2012	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	9.1	0.3	0.9	9.4
More than £21,000 and up to and including £30,000	9.6	0.8	1.9	10.4
More than £30,000 and up to and including £40,000	9.9	1.0	2.4	10.9
More than £40,000 and up to and including £50,000	10.1	1.1	2.7	11.2
More than £50,000 and up to and including £60,000	10.2	1.1	2.8	11.3
More than £60,000 and up to and including £100,000	10.5	1.2	3.2	11.7
More than £100,000 and up and including £120,000	10.8	1.3	3.6	12.1
More than £120,000	11.1	1.4	4.0	12.5

4. Analysis of Responses

The consultation posed 3 questions, one of which provided the opportunity to provide a general response on the policy. 3 responses were received. The main comments are summarised at **Annex A**.

Respondents		Permission to publish response given
Individual responses	1	Yes
Fire Brigades Union	1	Yes
Fire Officer's Association	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 included:

- 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;
- The 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 the 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 save for 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.

6. Next Steps

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 2014.

Annex A

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
Yes	0
No	3
Respondents who did not answer this question	0
Main Comments:	
<ul style="list-style-type: none">• There are no members of the FPS who have a full time equivalent salary of less than £21,000, therefore the protection proposals are inadequate and irrelevant.• This will not minimise opt outs from the scheme.• The contribution rates are driving members to consider their future in the scheme, with a large number considering the possibility of opting out.	

Question 2: Are there any other rates which you think should be used that will deliver the necessary increased contribution yield for 2014/15? If so, it would be very helpful if you would set out the rationale for your proposed rates and comment on the impact of those who would pay a higher rate.

	Responses
Yes	0
No	3
Respondents who did not answer this question	0
Main Comments:	
<ul style="list-style-type: none">• There is no further case or justification for contribution increases.• Asking the members of the 2006 scheme to pay more to help minimise the 1992 members is wrong and cannot be justified. This also poses a risk that members of the 2006 scheme will opt out.• These proposals will not deliver the expected savings, as many will opt out.	

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

	Responses
Yes	2
No	1
Respondents who did not answer this question	0
<p>Main Comments:</p> <ul style="list-style-type: none"> • The proposed rise in contributions will have a detrimental effect on the aspirations of firefighters for promotion. This concern has not been addressed. • There is no justification for tiered contributions in a CARE scheme. • There are also equality issues between lower and higher earners, members of the FPS and NFPS and between current members and new entrants to the scheme after April 2015. • Some firefighters have indicated that they will opt out with the intention of investing in property in order to realise a level of return that will sustain them in later life, being willing 	

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 are unaffordable to most of its members.
- 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.