

## **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 increasing 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 increasing employee pension contributions to the Firefighters' Pension Schemes in Scotland for 2012-13, starting 1/4/2012. 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 2012-13 Scottish Government budget. The UK Government is seeking to raise contributions by 3.2% average pay by April 2014.

The Scottish Government's consultation began on 7 October 2011, closed on 17 November 2011 and covered increases for 2012-13 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 2012. This report summarises the 17 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 7<sup>th</sup> October 2011. 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 July 2011 for firefighters in England.

The proposals were that:

- Those earning less than £15,000 (full-time equivalent rate) will pay nothing extra;
- Those earning up to £21,000 in the old scheme and up to £30,000 in the new scheme (full-time equivalent rate) will pay no more than 0.6% of pay extra in 2012-13 (before tax relief);
- Higher earners will pay extra, but no more than 2.4% of pay in 2012-13 (before tax relief).

### **Proposed FPS increases commencing from 1 April 2012**

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%	0.6%	11.6%
More than £21,000 and up to and including £30,000	11%	1.3%	12.3%
More than £30,000 and up to and including £40,000	11%	1.4%	12.4%
More than £40,000 and up to and including £50,000	11%	1.6%	12.6%
More than £50,000 and up to and including £60,000	11%	1.8%	12.8%
More than £60,000 and up to and including £100,000	11%	2.0%	13.0%
More than £100,000 and up to and including £120,000	11%	2.1%	13.1%
More than £120,000	11%	2.3%	13.3%

## Proposed NFPS increases commencing from 1 April 2012

Pensionable pay band (wholetime equivalent pay)	Current rate	Proposed additional rate 2012-13	Revised contribution 2012-13
Up to and including £15,000	8.5%	0.0%	8.5%
More than £15,000 and up to and including £30,000	8.5%	0.6%	9.1%
More than £30,000 and up to and including £40,000	8.5%	0.8%	9.3%
More than £40,000 and up to and including £50,000	8.5%	0.9%	9.4%
More than £50,000 and up to and including £60,000	8.5%	1.0%	9.5%
More than £60,000 and up to and including £100,000	8.5%	1.1%	9.6%
More than £100,000 and up to and including £120,000	8.5%	1.2%	9.7%
More than £120,000	8.5%	1.3%	9.8%

Further consultation will take place on the draft regulations

### 4. Analysis of Responses

The consultation posed 9 questions, one of which provided the opportunity to provide a general response on the policy. Seventeen responses were received, and only a few gave direct answers to some or all of the questions. The main comments are summarised at **Annex A**.

Respondents		Permission to publish response given
Individual responses	8	2
<b>Staff Representative Organisations</b>	(Scottish) representation	
Fire Brigades Union		Not stated

<b>Employer groups</b>	<b>No. Employees</b>	
Chief Fire Officers Association	Not stated	Not stated
Strathclyde Fire and Rescue	Not stated	Not stated
COSLA	Not stated	Not stated
APFOS	Not stated	Not stated
Fire Officer's Association	Not stated	Not stated
Central Scotland FRS	Not stated	Not stated
Fife Council	Not stated	Yes

## **5. Key messages**

Most respondents, including all those staff side organisations who responded, were opposed to any increase in employee contributions; the issue of an increase in opt-outs being of significant concern, some stating that the future viability of the schemes are at risk due to the estimated numbers of members who have voiced concern over the increase in contributions. Also, the fact that firefighters already pay a high contribution rate at 11% compared to other public sector schemes was highlighted as a major reason for opposing any rises in the firefighter schemes.

## **6. Next Steps/Conclusion**

Having considered each of the consultation replies it has been decided to proceed with the rates that are being introduced into the schemes in England. A further consultation on the draft regulations reflecting this approach was issued on 22 December

**Question 1: Should we adopt the England and Wales proposals or adjust them to reflect circumstances in Scotland as long as these still achieve the required additional contribution yield for 2012/13?**

	Responses	Main comments made
Adopt	5 (29%)	<ul style="list-style-type: none"> <li>• Firefighters pay higher contributions – yield should be spread amongst those paying lower contributions</li> <li>• Reason given to change the pension does not reflect Scotland's mortality rate and low number of firefighters</li> <li>• By adopting E&amp;W proposals there would be national consistency</li> <li>• Seems like a reasonable proposal and would support a similar increase as English counterparts</li> </ul>
Adjust	2 (12%)	
Question answered but no view given	0	
Respondents who did not answer this question	10 (59%)	

**Question 2: How might any Scotland specific adjustments fit with our policy of having agreed salary scales/terms and conditions across the UK?**

	Responses	Main comments made
Adopt	1 (6%)	<ul style="list-style-type: none"> <li>• National consistency would be preferable</li> <li>• Have to consider fairness across entire membership and could not support a move to vary conditions of service between Scotland and other parts of UK</li> </ul>
Adjust	1 (6%)	
Question answered but no view given	5 (29%)	
Respondents who did not answer this question	10 (59%)	

**Question 3: How might any Scotland specific adjustments be set to ensure that no-one in Scotland pays higher levels of contributions than their UK counterparts?**

	Responses	Main comments made
Question answered with view given	3 (18%)	<ul style="list-style-type: none"> <li>• Lower the fixed maximum contribution that any employee can be required to make</li> <li>• Shouldn't be paying any level of higher contribution regardless of what other UK countries are doing</li> <li>• Cannot answer without full details of the circumstances in Scotland.</li> </ul>
Question answered but no view given	4 (23%)	
Respondents who did not answer this question	10 (59%)	

**Question 4: Do the proposed tiered employee contributions from April 2012 achieve the appropriate balance between:**

- **Protecting the low paid;**
- **Minimizing potential opt out from the scheme;**
- **Ensuring that they are set progressively, so that higher earners pay proportionately more?**

	Responses	Main comments made
Yes	2 (12%)	<ul style="list-style-type: none"> <li>• Nothing the Government can do to prevent a mass exodus from the pension scheme</li> <li>• Concern that any increase in contribution rates could lead to a rise in level of opt-outs and that such increases could fuel demands for higher pay awards in the future.</li> <li>• Should opting out take place in large numbers, the extra contribution income that Government is seeking to generate may be transformed into a net reduction in income.</li> <li>• No evidence that there will be increase in opt outs</li> <li>• Proposal that those earning more pay proportionately more is the fairest way</li> </ul>
No	5 (29%)	
Question answered but no view given		
Respondents who did not answer this question	10 (59%)	

		<ul style="list-style-type: none"> <li>• Treasury's opt-out rate assumptions appear to be little more than arbitrary and not arrived at through any robust methodology.</li> <li>• Proposed contribution tiers will have a negative impact on the opt-out rates in both schemes (gross under assumption at 1%)</li> </ul>
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**Question 5: 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 tiers?**

	Responses	Main comments made
Yes	4 (23%)	<ul style="list-style-type: none"> <li>• Anyone who has transferred in a pension will be adversely affected</li> <li>• Everything about proposals are against equality.</li> <li>• Do not believe that the proposals discriminate as everyone within a particular pay band is equally disadvantaged</li> <li>• Indirectly discriminatory impact on older staff as likely to be older employees who are higher earners and therefore have the highest level of increase. They will also have the least time to make personal financial adjustments.</li> <li>• Remain unconvinced that the proposed tiered contributions are justified, considering the high initial contributions and the range of tiering proposed.</li> </ul>
No	3 (18%)	
Question answered but no view given	0	
Respondents who did not answer this question	10 (59%)	

**Question 6: Are there any other specific issues around these potential increases that you would like the Scottish Government to consider?**

	Responses	Main comments made
Yes	7 (41%)	<ul style="list-style-type: none"> <li>• Requiring those firefighters who are not members of a pension scheme to join and contribute, thus making membership mandatory.</li> <li>• Legality of the whole thing</li> <li>• A mechanism whereby bandings are increased (probably in line with CPI) otherwise members will drift into higher pay bandings and pay even higher rates of contribution</li> <li>• Proposal for first year increase cannot be seen in isolation. Whilst acceptance that contributions will increase, this has to be set against a background of pay freezes, public sector reform and HMRC tax changes.</li> <li>• Have GAD taken into account that an increasing number of principal officers are subject to the earnings cap?</li> </ul>
No	0	
Question answered but no view given	0	
Respondents who did not answer this question	10 (59%)	

**Question 7: From an administrative perspective, are there any particular issues that need to be taken into account in introducing a tiered system for the firefighter schemes?**

	Responses	Main comments made
Yes	2 (12%)	<ul style="list-style-type: none"> <li>• Likelihood is that the payroll system will be able to deal with however many tiers are introduced.</li> <li>• In relation to the administration of the tiered payments, this is a similar process to the current LGPS and therefore lessons learnt and difficulties associated with this should be considered.</li> <li>• System already set up for this type of arrangement</li> </ul>
No	2 (12%)	
Question answered but no view given	0	
Respondents who did not answer this question	13 (76%)	



**Question 8: If the contribution rate is set for each year, do you think it would be appropriate to review this for significant changes in salary? If so, what threshold should be used?**

	Responses	Main comments made
Yes	6 (35%)	<ul style="list-style-type: none"> <li>• Should be set at the same rate as MPs</li> <li>• If pension contributions are to rise by 3.2% over 3 years then so should our salary</li> <li>• It would be appropriate for the contribution rate to be revised where an employee takes up a new post and the new FTE salary would result in a different contribution rate.</li> <li>• The same principles that are applied to the LGPS in terms of mid-year pay increases could be reflected in the proposals</li> <li>• Simplest approach would be to review and amend contribution rates annually but this would reduce the income from contributions.</li> </ul>
No	1 (6%)	
Question answered but no view given		
Respondents who did not answer this question	10 (59%)	

**Question 9: Do you consider that the proposals for determining the contribution rate for new firefighters and those with multiple-employment are appropriate?**

	Responses	Main comments made
Yes	3 (18%)	<ul style="list-style-type: none"> <li>• Those with multiple employment should be paying an additional premium as they are using Fire service rest periods to boost their salary. Most of whom make no additional pension payments.</li> <li>• If a regime of contribution increases is unavoidable, then the arrangements seem reasonable.</li> </ul>
No	3 (18%)	
Question answered but no view given		
Respondents who did not answer this question	11 (64%)	

## Other comments from respondents:

- position adopted by DCLG in order to achieve the objectives set by Treasury should be viewed over the longer term. Impossible to ignore the wider reform of pension schemes when responding to this consultation.
- disparity between the high percentage of contributions currently paid by firefighters compared with other public sector workers; argues that minimum employee contribution rate of 8.1% should be set for all public sector workers.
- little consideration given by DCLG to high earning employees
- concern that DCLG are proposing a higher level of contribution by higher earners to the FPS 1992, when higher earners in PPS are subject to proposals at a lower level.
- wishes to know whether there is any financially modelled “tipping-point”, where the level of opt-out has an impact on the future viability and sustainability of the scheme.
- Proposals will make it less financially attractive for middle managers to apply for more senior positions.
- No actuarial valuations so increase in contributions not appropriate.
- Seen by workforce as ‘pay cut’
- Need to take account of long-term impact – while Hutton still ‘on table’ inappropriate to take forward this proposal
- Concern over opt-outs. Impact on recruitment of scheme members.
- Level of contribution rates should not be considered in isolation – need to look at bigger picture.
- Work morale will suffer
- Danger that promoted posts won’t get filled.
- Police and fire reform coinciding with other changes like this does not seem sensible.
- believe the increases are being introduced as a mechanism to raise funds for deficit reduction
- Proposed increases will not raise the revenue the Treasury expects due to high expected levels of opt out.
- High levels of opt out also threaten future viability of the schemes.
- Firefighters already pay extremely high contribution rates compared to other public and private sector schemes.
- Could have adverse affect on career decisions
- Considerable hardship already for firefighters – no pay increase and two-year pay freeze.
- Impact on take home pay too great
- Personnel coming towards end of service will retire at earliest opportunity – loss of experience
- Impact on promotion aspirations
- Should be a minimum notice period of 3 months to enable administrative arrangements
- Firefighters paying a greater proportion of scheme costs than members of unreformed pension schemes

- Assessment needed of each public sector pension scheme to identify overall costs – then increases to be applied in a manner that brings about a situation where each scheme pays a comparable proportion of the overall costs for that scheme
- Sense amongst firefighters that pensions have been mis-sold
- Charging by bands would be fairer than tiering – help people go for promotion
- Difficulty with pro-rata approach for retained members – majority not salaried so should be a % cont. rate based on actual income rather than reference pay. Could be issues re Part-time Workers Regulations 2000.
- Longevity figures disputed