



SCOTTISH PUBLIC PENSIONS AGENCY

Firefighter Pension Scheme Stakeholders

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Your ref:
Our ref:

12 July 2018

Dear Colleagues

The Firefighters' Pension Scheme Amendment (Increased Pension Entitlement) (Scotland) Order 2018.

Contracted out employment was abolished from April 2016 with the introduction of the new single tier State Pension. Guaranteed Minimum Pensions (GMP) accrued for contracted-out service between April 1978 and April 1997. They reflect the level of earnings related state pension a member would have received had they not been contracted out. With the ending of contracting out public service schemes are undertaking a reconciliation of their GMP data with HMRC which is currently scheduled to conclude no later than December 2018.

For those scheme members who reached state pension age before April 2016 and had claimed their state pension the annual indexation of GMP is shared between the scheme and the Department for Work and Pensions (DWP). Any GMP accrued between April 1978 and April 1988 DWP pays the full indexation. For any GMP accrued between April 1988 and April 1997 the scheme pays any annual increase up to the value of 3% with any remainder paid by DWP.

In cases where either no GMP details are held or the GMP data is incorrect, the result can be indexation has been applied incorrectly leading to an overpayment which is compounded year-on-year by further incorrect indexation being applied. The GMP reconciliation exercise will establish what the correct GMP rate is and allow for affected pensions to be corrected.

There may also be a small number of cases where the incorrect GMP data has led to an underpayment of pension. In these cases the affected pension will be corrected going forward with any arrears being paid to the pensioner.

The Indexation of GMPs for those reaching state pension age after April 2016 is fully paid by the scheme so similar errors will not arise going forward from that date.

A similar exercise was undertaken in 2008/2009 which identified GMP related overpayments across the public service schemes. At that time Scottish Ministers chose to allow the pension in payment to remain unadjusted going forward for affected pensioners in the Police, Firefighter and Local Government Pension schemes. This was achieved by introducing legislation that provided for a new scheme award known as an Increased Pension Entitlement (IPE) which reflected the GMP-related overpayment. Scottish Ministers have decided that a similar approach should be taken for GMP-related overpayments that arise from the current reconciliation exercise. Again this means that affected pensioners in the Police, Firefighters' and Local Government schemes will see their existing level of pension maintained by the award of an IPE. Full details of this decision were set out in [Firefighters' Pension Schemes Circular 2018/03](#).

The circular advised that amendment regulations providing for the IPE would be issued later in the year. The attached draft regulations provide for the introduction of an IPE for affected pensions identified as part of the reconciliation exercise. It remains the case that SPPA will not be able to identify which pensioners are affected until the reconciliation exercise concludes in late 2018 but the draft regulations have been prepared ahead of that so that the legislation can be ready when details of the affected pensioners becomes clear.

The draft regulations effectively make amendments to the existing provisions which introduced an IPE in 2009. There are no changes to the approach taken in 2009 and the aim of the draft amendments is to:

- (i) Calculate the value of the IPE which is based on the annual GMP related overpayment for 2018/19. This will reflect those cases where a GMP was not held but should have been and also where a GMP was held but post reconciliation the amount held has been confirmed as being incorrect.
- (ii) Apply the IPE from 8 April 2019 which will allow the annual indexation to be applied. Although entitlement to an IPE begins on 8 April 2019 the effect of the Pensions (Increase) Act 1971 is that annual increases must apply to an IPE from the beginning date of the original pension award (usually the day after the person's date of retirement). The IPE is defined as the amount a pension would have to be at the beginning date of a pension in order for that amount, after annual increases have been applied, to equal the GMP related payment.
- (iii) The regulations provide for payments made before 8 April 2019 to be authorised but any overpayments accrued prior to 8 April 2019 will be for the scheme's Accountable Officer to determine.
- (iv) The net outcome aims to allow the affected member's pension to continue at its current rate but from 8 April 2019 award an IPE which will be subject to the applicable PI on that date with the members pension indexed reflecting the corrected GMP record.

Consultation

Comments are invited on the draft regulations. You may complete the Consultation Response Form attached at Annex A which can be submitted electronically to Claire.McGow@gov.scot or by post to the following address:

Firefighters' Pensions Consultation SPPA Policy 7 Tweedside Park Tweedbank
Galashiels TD1 3TE A printable Consultation Response Form is included at Annex A.

A printable Consultation Response Form is available via the following link:

[http://sppa.gov.uk/Documents/Firefighters/Firefighters Useful Resources/Consultations/2018/printable response form.docx](http://sppa.gov.uk/Documents/Firefighters/Firefighters%20Useful%20Resources/Consultations/2018/printable%20response%20form.docx)

A copy of the consultation documentation is also available on the Agency's website at:

<http://sppa.gov.uk/Documents/Firefighters/Firefighters%20Useful%20Resources/Consultations/2018/Consultation%20Document.pdf>

The consultation will close on 11 October 2018 and we ask that anyone wishing to respond does so by then.

We intend to publish a summary of consultation responses as soon as possible after the consultation closes. We would like to be able to include any response you make in that summary. However, if you ask us not to publish your response to this consultation, we will regard it as confidential. Respondents should also be aware that the Scottish Government is subject to the provisions of the Freedom of Information (Scotland) Act 2002 and will have to respond appropriately to any relevant request made to the SPPA under that Act for information concerning this consultation exercise.

Yours faithfully

Claire McGow
Policy Manager

(d) We will share your response internally with other Scottish Government policy teams who may be addressing the issues you discuss. They may wish to contact you again in the future, but we require your permission to do so. Are you content for Scottish Government to contact you again in relation to this consultation exercise?
Please state yes or no:

ABOUT YOU

I am responding ...

- as a member of the 1992 scheme (old scheme)
 - as a member of the 2006 scheme (new scheme)
 - as a member of the 2006 Modified scheme
 - as a member of the 2015 scheme (CARE scheme)
 - on behalf of an Employer Organisation
 - on behalf of a Trade Union/Staff Association
 - other (please specify)
-

What is your gender?

- I am female
- I am male

I am employed as...

- a firefighter
 - a retained firefighter
 - a volunteer firefighter
 - a crew manager
 - a watch manager
 - a station manager
 - a group manager
 - an area manager
 - I'm retired
 - other (please specify)
-

What is your working pattern?

I work part-time

I work full- time

Not applicable

Comments:

Please e-mail your response to: Claire.McGow@gov.scot
Or post your response to:

The Firefighters' Pension Scheme Consultation
Policy Branch
SPPA
7 Tweedside Park
Tweedbank
Galashiels
TD1 3TE

The closing date for this consultation is **11 October 2018**.