

FIREFIGHTERS PENSION SCHEME

REPORT ON THE CONSULTATION FOR COMMUTATION CHANGES TO THE FIREFIGHTERS' PENSION SCHEME (1992) (SCOTLAND)

1. Purpose

1.1 The purpose of this paper is to provide stakeholders with a summary of the feedback received to the Scottish Government's consultation on proposals for amending provisions in the Firefighters' Pension Scheme (1992) (Scotland), (the 1992 scheme). The draft statutory instrument sought to extend an existing policy to provide retiring officers with the better of actuarial factors available in Scotland, or England and Wales "the underpin". Secondly the instrument introduces changes to officers retiring under the relevant voluntary retirement age with less than 30 years' service. Currently, these officers would have access to a pension commencement lump sum limited to 2.25 times their ordinary pension.

1.2 Changes are proposed to be implemented on 1st April 2022

2. Background – commutation

2.1 At retirement with a full ordinary pension, officers are able to commute up to 25% of their pension to a lump sum on an actuarially neutral basis. However, where an officer is under their voluntary retirement age and has less than 30 years' service a longstanding provision limits this lump sum to 2.25 times the ordinary pension.

2.2 In 2016 The Home Office allowed for discretion to waive the restriction on commutation of pension in the English Firefighters' Pension Scheme 1992 for firefighters who are under 55 and have less than 30 years' service, giving Fire and Rescue Authorities discretion to waive the restriction in the interests of efficiency.

The Underpin

2.2 The Government Actuary's Department (GAD) provide the actuarially-neutral factors which are used in the calculation of lump sums. Up until 2012, factors for lump sums in the 1992 scheme in Scotland were calculated using data solely from England and Wales, due to a lack of specific data from Scotland being available. However, more detailed and robust data on Scotland was available from 2012.

2.3 Due to increased mortality rates in Scotland amongst normal aged pensioners, Scottish factors were lower, which would consequently lead to

lower lump sums. Considering the impact of pension reform and the principle of protection, Scottish Ministers decided to implement an underpin ensuring that the higher of either the England and Wales or Scottish factors are applied to the lump sum at retirement.

3. Consultation

3.1 The Scottish Public Pensions Agency, on behalf of the Scottish Government, conducted a public consultation inviting stakeholders to register their views on changes to existing provisions for commutation in the 1992 scheme. The consultation ran from 24 December 2021 to 1 February 2022.

3.2 The current provisions in place restrict commutation provisions for officers who are under 55 and have less than 30 years' service. Removal of the cap is actuarially neutral. Proposals here remove the cap entirely allowing officers to access the full commutation provision of 25% of pension. During this consultation views were sought explicitly around the proposed timing of 1st April as implementation date for removal of the cap, with Scottish Ministers recognising that changes to the treatment of lump sums could have an impact on retirement patterns and in year costs of lump sum payments.

3.3 The underpin currently in place which allows Scottish officers to access commutation factors using England and Wales data is due to end on 31 March 2022. The proposal here is to extend the underpin indefinitely. Whilst factors are regularly reviewed, the factors applicable to the scheme England and Wales have generally provided a slightly higher lump sums than the Scottish-specific factors.

3.4 This report summarises the 3 responses received to the consultation.

4. Consultation process

4.1 The Scottish Government's consultation document was issued by email to stakeholders on 24th December 2021 and the documentation was also posted on the Scottish Public Pensions Agency's website.

5. Analysis of responses

5.1 The consultation invited comments on two proposals for inclusion in the scheme draft regulations. The main comments are summarised in part 6.

Respondents can be broken down as follows:

Respondents	Permission to publish response given
Staff side representatives (2)	Not specified
Fire Brigades Union	
Fire Officers Association	
Individual responses (1)	
Employer side 0	

6. Key Messages

Staff Side responses

Fire Brigade Union

- The Fire Brigades Union (FBU) response was brief, indicating they support this proposal and have no concerns.

Fire Officers Association

- The Fire Officers Association were content with the proposal to extend the existing underpin which provides retiring firefighters with access to the commutation factor available to an equivalent firefighter in England, should that provide for a higher lump sum.
- They were also content with the Scottish Ministers' proposal to remove the 2.25 times ordinary pension restriction on the amount of lump sum available to retiring firefighters who have not accrued maximum pensionable service.

The Scottish Government was grateful for the confirmation of the staff side's position.

Individual Response

Pensioner Member

- I agree the commencement date is set at 1st April 2022 as per the proposal. The SPPA has a duty that the implementation of this amendment does not prevent any Firefighters who use rule B7 (5) to retire due to them awaiting the remedy to the Sargeant Pensions age discrimination case.
- The SPPA also must ensure that the additional costs from allowing a quarter to be commuted does not affect the stability of the pensions scheme to the detriment of its members.

The Scottish Government was grateful for the response from this member. In answer to the issues raised:

- The implementation of the amendment will have no impact on Firefighters who use rule B7 (5) to retire whilst awaiting the outcome of the Remedy consultation as these changes commence from 1st April 2022 and will not be retrospective.
- This amendment is actuarially neutral and should not impact the stability of the pension scheme.

7. Next Steps

The Scottish Government has considered the responses to the consultation exercise and with the agreement of stakeholders intends to amend the above noted provisions to commutation from 1st April 2022.