

EXPLANATORY MEMORANDUM TO

The Firefighters' Pension Scheme (Northern Ireland) Regulations 2015

SR 2015 No. 78

1. Introduction

- 1.1. This Explanatory Memorandum has been prepared by the Department of Health, Social Services and Public Safety to accompany the Statutory Rules (details above) which are laid before the Northern Ireland Assembly.
- 1.2. The Statutory Rules are made under powers conferred by sections 1(1), (2)(f), (3) and (4), 2, 3(1), (2), (3)(a) and (c), 4(1), (2) and (5), 5(1), (3)(c) and (5), 7(1) and (4), 8(1)(a), (2)(a) and (4), 11(1), 12(1), (6) and (7), 14, 18(1), (2), (4) and (5) to (9), paragraph 6 of Schedules 1 and 2, Schedule 3, paragraph 6 of Schedule 5 to the Public Service Pensions Act (Northern Ireland) 2014, and is subject to the negative resolution procedure.

2. Purpose

- 2.1. The Firefighters' Pension Scheme (Northern Ireland) Regulations 2015 ('the 2015 scheme') establishes a scheme for the payment of pensions and other benefits to, or in respect of firefighters in Northern Ireland.

3. Policy Objectives

- 3.1. The purpose of this rule is to provide, in implementation of the Public Service Pension Act (Northern Ireland) 2014, a reformed pension scheme for firefighters in Northern Ireland.
- 3.2. The reforms initially recommended by the independent Public Service Pensions Commission ('the Commission') which was led by Lord Hutton of Furness are set out in the 2014 Act.
- 3.3. The Act paved the way for the delivery of these reforms and set out a number of the key requirements for a new public service pension scheme to be introduced from 1 April 2015.
- 3.4. The Act provided flexibility for the Normal Pension Age for firefighters to be considered in scheme regulations. Following discussions with unions, a Proposed Final Offer on the scheme design for the Firefighters' Pension Scheme 2015 in Northern Ireland was agreed.

4. Northern Ireland Proposed Final Offer – Scheme Benefits

4.1. The proposed scheme benefits are:

- a) A pension scheme design based on career average revalued earnings
- b) An accrual rate of 1/64.8 of pensionable earnings each year
- c) There will be no cap on how much pension can be accrued
- d) A revaluation rate of active members' benefits in line with average weekly earnings
- e) Pensions in payment and deferred benefits to increase in line with Prices Index (currently CPI)
- f) Member contribution rates in the 2015 scheme from 1 April 2015 to be consistent with those payable from 1 April 2015 by firefighters in England and Wales
- g) Tariffs for the 2015 scheme are likely to provide for lower rates for new recruits, with some tiered progressive increases for middle, high, and higher income earners
- h) Retirement from the scheme's Normal Pension Age of 55 for all active members
 - All other members will have their 2015 scheme benefits actuarially reduced on a cost neutral basis from the scheme's deferred pension age
- i) The Department of Finance and Personnel under 10 (9) of the Public Service Pensions Act 2014 must conduct a review at intervals of not less than every two years following commencement of section 10 as to how the provisions of the Act affect the persons set out in section 1(2) (includes firefighters) and shall lay a report of the review before the Assembly on or before six months following the commencement of the review
- j) Late retirement factors for members retiring from active service to be actuarially neutral from Normal Pension Age
- k) A deferred pension age equal to the individuals' State Pension Age
- l) optional lump sum by commutation at a rate of £12 for every £1 per annum of pension foregone

- m) abatement in existing schemes to continue
- n) ill-health retirement benefits to be based on the arrangements in the New Firefighters' Pension Scheme (Northern Ireland) 2007, but enhancements reflect the Normal Pension Age of 55
- o) all other ancillary benefits to be based on those contained in the New Firefighters' Pension Scheme (Northern Ireland) 2007
- p) members rejoining after a period of deferment of less than 5 years can link new service with previous service, as if they had always been an active member
- q) members transferring between public service schemes would be treated as having continuous active service
- r) an employer contribution cap with a symmetrical buffer.

There will be transitional protection in respect of:

- All accrued rights are protected and those past benefits will be linked to final salary when members leave the Firefighters' Pension Scheme (2015).
- All active members who, as of 1 April 2012, have 10 years or less to their current Normal Pension Age will see no change in when they can retire, nor any decrease in the amount of pension they receive at the current Normal Pension Age. This means members will remain in their existing schemes and not transfer to the Firefighters' Pension Scheme (2015).
- There will be a further 4 years of tapered protection for scheme members. This means that members who are up to 14 years from their current Normal Pension Age, as of 1 April 2012, will have limited protection so that on average for every month of age they are beyond 10 years of their Normal Pension Age, they gain about 53 days of protection, before they transfer to the Firefighters' Pension Scheme (2015).

5. Consultation

- 5.1. On 6th October 2014, the Department published the consultation document – *Policy for the NI Firefighters' Pension Scheme (2015)*. The document consulted on the NI Proposed Final Offer and the policy direction in respect of Scheme Benefits, Funding Arrangements and Transitional and Governance Arrangements. A copy of the consultation document and a summary of responses received can be found on the DHSSPS website.

<http://www.dhsspsni.gov.uk/showconsultations?txtid=74048>

- 5.2. The consultation ran from 6 October 2014 until 30 November 2014. The consultation document was available on the Department's website and was advertised in the local press. The key stakeholders the Northern Ireland Fire and Rescue Service and the FBU were advised of the consultation by the Department.
- 5.3. From 24 November 2014 until 14 December 2014 the Department ran a separate targeted consultation in relation to the HMT requirement to introduce modifications to primary legislation as a result of the introduction of the Firefighters' Pension Scheme (2015) from 1 April 2015.
- 5.4. The proposals outlined modifications to primary legislation necessary to ensure the new 2015 Career Revalued Earnings (CARE) pension scheme operates as intended in terms of its interaction with the wider framework of pensions and tax legislation.

6. Equality Impact

- 6.1. The Order will have no adverse differential impact on equality of opportunity.

7. Regulatory Impact

- 7.1. As the Order will impose no additional costs on businesses, charities or the voluntary sector a full Regulatory Impact Assessment has not been completed.

8. Financial Implications

- 8.1. In line with the reform of public service pensions, these changes will support the introduction of a reformed scheme from 2015 that is designed to ensure long-term sustainability and affordability.

9. Section 24 of the Northern Ireland Act 1998

- 9.1. It is the view of the Department that this Order is compatible with section 24 of the Northern Ireland Act 1998.

10. EU Implications

- 10.1. Not applicable

11. Parity or Replicatory Measure

- 11.1. This Order will ensure Northern Ireland maintains parity with their counterparts in England, Scotland and Wales.

