

POLICY NOTE

THE FIREMEN'S PENSION SCHEME (AMENDMENT AND TRANSITIONAL PROVISIONS) (SCOTLAND) ORDER 2016

SSI 2016/431

The above instrument was made in exercise of the powers conferred by section 26(1) to (5) of the Fire Service Act 1947 and section 12 of the Superannuation Act 1972. Functions under these Acts as regards Scotland have been executively devolved to the Scottish Ministers. The instrument is subject to negative procedure.

Policy Objectives

The purpose of this instrument is to enable pension scheme members who joined the Firefighters' Pension Scheme 1992 and accrued 30 years pensionable service (the maximum pensionable service in the Scheme) prior to age 50 (the earliest point at which they could retire) to receive a refund of any contributions they paid after the point at which they had reached maximum pensionable service up until their 50th birthday. Any members who find themselves in this position in future will no longer have to pay contributions. This instrument therefore has retrospective effect to 1 December 2006.

Article 2(3) of the instrument amends rule G2 of the Scheme to ensure that any firefighters that have reached their maximum 30 years pensionable service before they can retire at age 50 will no longer have to pay employee pension contributions. In addition, the amendments clarify that a firefighter below the age of 50 who has reckoned 30 years pensionable service and has arrangements for additional pension benefits must pay contributions in relation to these until they attain age 50.

Article 3 of the instrument makes provision about the repayment of contributions paid during the period 1 December 2006 to 5 February 2017. Paragraphs (1) and (2) oblige the Scottish Fire and Rescue Service to make a payment described as "the required amount" to a firefighter who has made pensions contributions that by virtue of article 2 are no longer payable. Paragraph (3) sets out that this "required amount" should be in the form of a lump sum equal to the net contributions paid (after deducting the tax that the individual would have paid had they received the contributions as income), plus compound interest at the Bank of England base rate that applied over the period from when the contribution was made to the time of the repayment. As the refund payment constitutes an unauthorised payment under Finance Act 2004, the retired firefighter will be subject to a tax charge on the payment. The required amount is therefore increased by a set formula, with the increased proportion covering the charge. This formula is provided in article 3(3).

Consultation

A formal consultation was undertaken from 13 September to 11 October 2016. The consultation was issued to representatives of firefighters and employers and relevant Scottish and UK Government departments.

Financial Effects

The total costs are estimated to be £1.65m.

Business and Regulatory Impact Assessment

This policy does not impose any additional costs or reduce existing costs for business, third or public sector organisations and on that basis no Business and Regulatory Impact Assessment is required for these Regulations.

Scottish Public Pensions Agency
An Agency of the Scottish Government
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