

POLICY NOTE

THE FIREMEN'S PENSION SCHEME (AMENDMENT) (SCOTLAND) ORDER 2022

SSI 2022/79

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

The purpose of this instrument is to amend the provision for commutation of pension in the Firemen's Pension Scheme (Scotland) 1992

Policy Objectives

This issue relates to the Firefighters' Pension Scheme 1992 (FPS), set out in the above Order, which was closed to new members on 5 April 2006. Currently under regulation B7, members who retire with entitlement to an ordinary pension and who have reached their normal pension age (55) or have accrued at least 30 years' service may commute up to one quarter of their pension for a lump sum. In all other circumstances, the amount that a member with entitlement to an ordinary pension may commute is limited under rule B7 (5) and may not exceed 2.25 times the amount of pension.

A member may retire if they are aged 50 or over and have 25 or more years' service. However, as the commutation limit is likely to apply in these circumstances, should they commute the pension then the lump sum is restricted. This provision dates back to revoked inland revenue legislation.

Lump sum payments are actuarially neutral, meaning the retirement lump sum is the equivalent value of the pension being commuted. The Government Actuary's Department provides the actuarially-neutral factors which are used in the calculation of lump sums. Up until 2012, factors for lump sums in the FPS were calculated using data solely from England, due to a lack of specific data from Scotland being available. However, more detailed and robust data on Scotland was available from 2012.

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 in 2014 to implement an underpin ensuring that the higher of either the English or Scottish factors are applied to the lump sum at retirement. This underpin was due to end on 31 March 2022.

This instrument makes amendments to the existing provision for commutation in FPS to:

- Remove the limit on commutation of pension for members who are below normal pension age and have less than 30 years' service but are entitled to an ordinary pension (aged 50 with 25 years' service)

- Remove the end date for the underpin to commutation factors in England, where they are higher, so that the underpin continues indefinitely

Consultation

A formal consultation was undertaken from 24 December 2021 to 1 February 2022. All stakeholders were consulted including the Fire Brigades Union, Fire Officers Association and relevant Scottish and UK Government departments. A summary of consultation responses can be found on the Scottish Public Pensions Agency Website.

Impact Assessments

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.

The equality impact assessment has been completed and will be made available on the SPPA website in due course. No impact is expected.

Financial Effects

The changes provided by this instrument will not have a material impact on the costs of the scheme, which is subject to quadrennial valuations that taken into account the cost of scheme provisions.

Scottish Public Pensions Agency
An Agency of the Scottish Government
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