

**EXPLANATORY MEMORANDUM TO**  
**THE FIREFIGHTERS' PENSION SCHEME (ENGLAND) (AMENDMENT)**  
**ORDER 2014**

**2014 No. 445**

**THE FIREFIGHTERS' PENSION SCHEME (AMENDMENT) (ENGLAND)**  
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**THE FIREFIGHTERS' COMPENSATION SCHEME (ENGLAND)**  
**(AMENDMENT) ORDER 2014**

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**1.** This combined explanatory memorandum has been prepared by the Department for Communities and Local Government and is laid before Parliament by Command of Her Majesty.

**2. Purpose of the instruments**

2.1 These instruments make provision for access to a pension scheme for retained firefighters employed by a fire and rescue authority in England between 1st July 2000 and 5th April 2006 inclusive. They also provide for the pension contribution rates payable by members of the Firefighters' Pension Scheme 1992 (the "1992 Scheme") and the New Firefighters' Pension Scheme 2006 (the "2006 Scheme") from 1st April 2014.

**3. Matters of special interest to the Joint Committee on Statutory Instruments**

3.1 None.

**4. Legislative Context**

4.1 Section 26 of the Fire Services Act 1947 enables the Secretary of State to establish a pension scheme, by order, for the payment of pensions, allowances and gratuities to employees of fire brigades and includes provision for the making of employee contributions. The Firefighters' Pension Scheme 1992 was established under this power and is set out in Schedule 2 to the Firemen's Pension Scheme Order 1992 (S.I. 1992/129). The name of the scheme was changed to the Firefighters' Pension Scheme by article 4(1) of S.I. 2004/2306. The Fire Services Act 1947 was repealed by sections 52 and 54 of, and Schedule 2 to, the Fire and Rescue Services Act 2004 (c.21). Subsections (1) to (5) continue to have effect in relation to England, Scotland and Wales for the purposes of the Firefighters' Pension Scheme 1992 by virtue of S.I. 2004/2306 and S.I. 2004/2918.

4.2 Section 34 of the Fire and Rescue Services Act 2004 allows the Secretary of State, by order, to make provision for a pension scheme for firefighters. The pension scheme set out in Schedule 1 to the Firefighters' Pension Scheme (England) Order 2006 (S.I. 2006/3432) is made under this power. The 2006 Scheme replaced the 1992 Scheme.

4.3 Section 34 of the Fire and Rescue Services Act 2004 also allows the Secretary of State, by order, to make a scheme for the payment of compensation to or in respect of firefighters who have been injured or who have died. The compensation scheme set out in Schedule 1 to the Firefighters' Compensation Scheme (England) Order 2006 (S.I. 2006/1811) ("the Compensation scheme") is made under that power. Section 34(3) provides that an order under section 36 may take effect from a date which is earlier than that on which the order is made.

## **5. Territorial Extent and Application**

5.1 These instruments apply to England.

## **6. European Convention on Human Rights**

As the instruments are subject to negative resolution procedure and do not amend primary legislation, no statement is required.

## **7. Policy background**

- What is being done and why

### **A. RETAINED FIREFIGHTERS**

7.1 Retained firefighters are a group different from regular firefighters in that they only attend a fire station when they receive an emergency call-out or other activities. They have historically been precluded from membership of the 1992 Scheme but have been entitled to join the 2006 Scheme since 6<sup>th</sup> April 2006.

7.2 Following the introduction of the Part-Time Workers (Prevention of Less Favourable Treatment) Regulations 2000, approximately 12,000 retained firefighters submitted Employment Tribunal claims seeking equal treatment with whole-time regular firefighters. The Employment Tribunal subsequently decided under the terms of the Part-Time Workers Regulations that retained firefighters were entitled to equal treatment with whole-time members of the 1992 Scheme on the pension's aspects of the claim. The Department for Communities and Local Government was given responsibility for negotiating the terms of a Settlement with the Fire Brigades Union.

7.3 This legislation makes amendments to both the 1992 and the 2006 schemes and the Compensation Scheme in order to provide retained firefighters, employed by English Fire and Rescue Authorities between 1st July 2000 and 5th April 2006 inclusive, with access to a modified section (the "modified scheme") of the 2006

Scheme. This provides similar, albeit not identical, pension benefits as those provided under the 1992 Scheme. The Department and the Fire Brigades Union agreed that it would be more appropriate to provide access through a 'modified' section of the 2006 Scheme. The 2006 Scheme already makes provision for retained firefighters, including mechanisms and formulas for calculating a retained member's pension. In addition to this, the 2006 Scheme is the more modern scheme with provision for nominated partners.

7.4 The legislation makes the amendments to implement the terms of the Settlement that was agreed with the Fire Brigades Union. The main terms of the modified scheme are:

- a uniform accrual rate of 1/45<sup>th</sup>
- a Normal Pension Age of 55 years
- a deferred pension age of 60 years
- fixed commutation factors to reflect the commutation rates in the Firefighters' Pension Scheme 1992 that are applicable on the day before the amending legislation is made
- the contribution rate payable will be calculated at the rate applicable to the Firefighters' Pension Scheme 1992 in respect of the period of service being purchased (i.e. for service before 1st April 2012 the contribution rate will be 11% of pay; for service from 1st April 2012, it will be the relevant tiered contribution rate in force for the 1992 Scheme at the relevant point.)
- a death grant of two times pensionable pay
- a time limited retrospective death grant of 2.5 times pensionable pay in respect of those who would have been eligible to be members if they had not died before 6th April 2006
- an opportunity for eligible members to purchase additional pensionable service in 1/45<sup>ths</sup>
- the ability for eligible members to convert existing New Firefighters' Pension Scheme 2006 service to the proposed new pension arrangements
- the transfer of external pension benefits into the proposed new pension arrangements will be in accordance with the terms of the New Firefighters' Pension Scheme 2006
- ill-health pension arrangements, lower and higher tier, will be in accordance with the terms of the New Firefighters' Pension Scheme 2006
- the abatement of a member's pension will be in accordance with the terms of the New Firefighters' Pension Scheme 2006
- any member who subsequently opts out of the modified scheme will not be permitted to rejoin that scheme.

7.5 The legislation makes the following amendments in order to make provision for the agreed terms of the Settlement:

### *Amendments to the 2006 Scheme*

- Part 1 is amended to ensure that references to firefighter member, deferred member or pensioner member in the standard 2006 Scheme also apply to special members. This will ensure that the standard rules of the 2006 Scheme, which are not included within the modified section, will apply to special members of the modified scheme.
- Part 2 is amended to set out:
  - the qualifying conditions and eligibility criteria for the new categories of membership of the modified scheme (i.e. special firefighter member, special deferred member, and special pensioner member);
  - that any special members who make a contributions election (i.e. opt out) will become entitled to a special deferred pension and will not be permitted to rejoin the modified scheme. This mirrors the 1992 Scheme which is currently closed to new membership.
  - the normal retirement age of 55 years and normal benefit age as 60 years for special members of the modified scheme to reflect the 1992 Scheme.
- Part 3 is amended to:
  - set out the methodology for calculating a special member's ordinary pension;
  - provide for an accrual rate of 1/45<sup>th</sup> for the modified scheme;
  - set out that the ill-health provisions in the modified scheme will reflect those of the standard 2006 Scheme;
  - provide for retrospective ill-health pensions for those individuals who have an eligibility to join the modified scheme and who were dismissed on grounds of ill-health, or who retired prior to 6th April 2006 and, as such, never had the opportunity to join either the 1992 or 2006 schemes and benefit from their ill-health benefits. Entitlement to a retrospective ill-health pension will be subject to confirmation from an Independent Qualified Medical Practitioner that the individual was permanently disabled for performing the duties of a firefighter at the time they left their employment and that they are still permanently disabled on the date of the medical assessment;
  - set out the arrangements whereby a special member can commute part of their annual pension for a lump sum.
- Part 4 is amended to:
  - make provision for survivor benefits in respect of a special member;
  - set out that the amount of survivor benefits in respect of a special member will be reduced by 2.5% for each year by which the survivor's age exceeds, by more than 12 years, that of the deceased. This mirrors the standard rules of the 2006 Scheme.
- Part 5 is amended to:
  - set out that the death grant in respect of a special firefighter member will be two times the deceased's special pensionable pay at the time of his

death. This mirrors the death grant provided under the terms of the 1992 Scheme;

- make provision for the payment, on application, of a time limited death grant for the surviving spouse (or child, where there is no surviving spouse) of an individual who would have had an eligibility to join the modified scheme but that they died prior to 6th April 2006. This is to reflect the fact that the deceased individuals never had the opportunity to join the 1992 Scheme and, as such, their survivors never got the opportunity to benefit from the death in service benefits;
  - set out that the application for a time limited death grant needs to be made to the employing authority before 1st April 2015 which is the date when the 2006 Scheme closes to new entrants.
- Part 6 is amended to set out:
    - that a pension credit member's pension will come into payment from age 60 years, where the pension debit member is a special member of the modified scheme. This mirrors the 1992 Scheme;
    - the conditions by which a pension credit member can commute part of their annual pension for a lump sum, where the pension debit member is a special member of the modified scheme. This mirrors the 1992 Scheme.
  - Part 8 is amended to remove the definition of Independent Qualified Medical Practitioner) as the term is already defined in Part 1.
  - Part 9 is amended to set out that a special deferred pensioner will not become entitled to the early payment of their pension before age 60 years, unless the employing authority determines otherwise. This mirrors the 1992 Scheme.
  - Part 10 is amended to:
    - make provision for any period of a special member's service during the limited period where special contributions have been paid to be included as qualifying service. This ensures that these periods will be recognised for the purposes of determining a special member's entitlement to an award;
    - set out the periods of service that should be considered as special pensionable service and should be included for the purposes of calculating the special member's pension.;
    - restrict the accrual of special pensionable service to 30 years. This mirrors the maximum pensionable service that can be accrued in the 1992 Scheme;
    - set out the conditions for purchasing additional 1/45<sup>ths</sup> of special pensionable service.
  - Part 11 is amended to:
    - clarify the final pensionable pay for an individual who joins the modified scheme as a special deferred or special pensioner member. This will enable the calculation of the special member's pension;

- set out the employee contribution rates to be paid by special members of the modified scheme and, as such, the periodical contributions that they need to make as a member of the modified scheme;
  - set out the conditions whereby a special member will be able to pay special contributions in respect of service during the limited period and, therefore, take up the opportunity to join the modified scheme;
  - set out the prescribed stages by which an employing authority should implement the Options exercise which will give eligible individuals an opportunity to join the modified scheme;
  - provide the employing authority with discretion to extend the prescribed stages of the Options exercise, where necessary, subject to concluding the exercise prior to 1st April 2015;
  - set out arrangements by which an employing authority can calculate special pensionable pay during the limited period. This will enable the employing authority to calculate the past service that a special member will be entitled to purchase in the modified scheme;
  - set out the conditions by which an eligible individual can elect to join the modified scheme;
  - provide arrangements for which special contributions can be paid in respect of a special member's service during the limited period;
  - make provision for the pro-rating of a special deferred or special firefighter member's special pensionable service where they do not pay the full amount of special contributions in respect of their election;
  - set out that where a special member dies prior to paying the special contributions in respect of their election, it will be taken that all outstanding contributions have been paid.
- Part 12 is amended to:
    - provide arrangements for transferring pension benefits into and out of the modified scheme;
    - provide a bespoke arrangement for transferring service accrued under the 1992 Scheme into the modified scheme. This will ensure that any individual with a deferred 1992 Scheme pension in respect of service that is continuous to their retained service (which provides an entitlement to join the modified scheme), will have the opportunity to transfer that service into the modified scheme at a rate of 1 year in the 1992 Scheme for 1 year in the modified scheme. This will put the member in the position that they should have been had they been able to join the 1992 Scheme for any periods of retained employment since 1st July 2000;
    - provide a bespoke arrangement for converting special membership in the modified scheme to membership in the standard 2006 scheme; and for converting membership in the standard 2006 scheme to special membership in the modified scheme. This will provide those individuals who have an entitlement to join the modified scheme but who took the opportunity to join the standard 2006 Scheme in respect of their retained service from 6th April 2006, with an opportunity to convert their special membership in the modified scheme to their standard 2006 Scheme membership. It will also provide an alternative opportunity to convert their standard 2006 Scheme membership to their special membership in the modified scheme. This will ensure that any earlier decision to join the

standard 2006 Scheme does not disadvantage them over those individuals who did not join the standard 2006 Scheme from 6th April 2006.

- Adds a new annex AB1 to set out the employee contribution rates applicable to the modified scheme from 1st April 2012.

#### *Amendments to the 1992 Scheme*

- Schedule 6 is amended to provide for the bespoke arrangements for transferring service accrued under the 1992 scheme to the modified scheme.

#### *Amendments to the Compensation Scheme*

- Part 1 is amended to:
  - provide definitions for the additional terms used in the modified scheme;
  - provide separate definitions to distinguish between a ‘retained firefighter’ and a ‘volunteer firefighter’ (the modified scheme does not apply to volunteer firefighters);
  - make it clear that the Compensation Scheme applies to retained firefighters;
  - correct an existing error that omits the mechanism for determining an individual’s pensionable pay where they are neither a member of the 1992 or 2006 Scheme.
- Part 2 is amended to provide prorated injury awards for retained firefighters to reflect their part-time employment status. Retained firefighters will be treated similarly to part-time regular firefighters for the purposes of receiving compensatory injury awards.
- Parts 3, 4 and 5 are amended to make clear that the provisions are applicable to retained firefighters.
- Part 8 is amended to remove the current ‘protected right’ which provides retained firefighters employed before 6th April 2006 and who are permanently disabled and retired because of a qualifying injury with a whole-time equivalent injury award. This was to reflect the fact that these individuals did not have access to a pension scheme, and, therefore, ill-health benefits, in respect of their employment as a retained firefighter. The removal of the protected right will ensure that following the introduction of the modified scheme, retained firefighters will be treated similarly to part-time regular firefighters for the purposes of receiving compensatory injury awards. Transitional protections have been introduced so that the protected rights will continue to apply for any future cases where it is determined that the qualifying injury was sustained prior to the introduction of the modified scheme.
- Part 10 is amended to make clear that the provision is applicable to retained firefighters.

- Schedule 1 is amended to correct an existing error that omits the mechanism for determining an individual's pensionable pay where they are neither a member of the 1992 or 2006 Scheme.
- Schedule 2 is amended to:
  - provide a mechanism to calculate a special award where the individual is neither a member of the 1992 or 2006 schemes;
  - provide a mechanism to pro rata special awards in respect of retained firefighters. This will ensure that retained firefighters will be treated similarly to part-time regular firefighters.
- Schedule 3 is amended to:
  - provide a mechanism to calculate a child's special allowance where the individual is neither a member of the 1992 or 2006 schemes;
  - provide a mechanism to pro rata a child's special allowance in respect of retained firefighters. Retained firefighters will be treated similarly to part-time regular firefighters.
- Schedule 4 is amended to:
  - provide a mechanism to calculate an adult dependent relative's special pension where the individual is neither a member of the 1992 or 2006 schemes;
  - provide a mechanism to pro rata a dependent relative's special pension in respect of retained firefighters. This will ensure that retained firefighters will be treated similarly to part-time regular firefighters.

## **B. FIREFIGHTERS' PENSION SCHEME – PENSION CONTRIBUTIONS FROM APRIL 2014**

### *The Hutton review of public service pensions*

7.6 In June 2010, the Government commissioned Lord Hutton of Furness to chair the Independent Public Service Pensions Commission to review public service pensions and to make recommendations on how they can be made sustainable and affordable in the long-term, and fair to both public sector workers and the taxpayer. As part of the review, the Commission was invited to produce an interim report, to consider the case for delivering savings for public service pensions within the Spending Review period.

7.7 The Commission published its interim report on 7th October 2010. The report set out that the value and cost of public service pensions have increased by around a third because of longer life expectancy over the last fifty years, and that these costs had generally fallen to the taxpayer. Lord Hutton therefore recommended that if the Government wished to make short term savings, then raising contribution rates would be the most effective way to achieve that objective.



This would also make for a fairer balance between what employees pay and what other taxpayers contribute.

### *Spending Review*

7.8 The Government accepted Lord Hutton's rationale and announced at Spending Review 2010 that public service workers would be asked to contribute more towards their pensions. In particular, the Spending Review set out plans for savings, equivalent to an average increase of 3.2 percentage points in employee contributions to be phased in over three years, by 2014-15.

### *Protections for low and high earners*

7.9 The Government set out that any proposed increases in contribution rates should protect low earners and be progressive, so that high earners pay proportionately higher increases to reflect their more generous pensions. The Government also determined a number of parameters to achieve the required savings, these were:

- there should be no increase in employee contributions for those earning less than £15,000.
- there should be no more than a 1.5 percentage point increase in total by 2014-15 for those earning up to £21,000.
- high earners would pay more, but no more than 6 percentage points (before tax relief) by 2014-15.

### *Firefighters' Pension Schemes – 2012 and 2013 contribution increases*

7.10 The two firefighters' pension schemes, like other public service schemes, were asked to deliver savings from increases to employee contribution rates. A statutory consultation proposing increases in the firefighters' pension schemes in England from 1st April 2012, was published on 9th September 2011. In light of the responses received to the statutory consultation, Ministers decided to proceed with an altered contribution rate which sought to generate an increased yield of 0.64 percentage points from 1st April 2012, rather than the originally proposed 1.28 percentage points.

7.11 The proposed increases in the firefighters' pension schemes in England from 1st April 2013 were set out in a consultation paper published on 29th November 2012. Following the consultation, the Government announced that there remained a rationale to proceed with the increased contributions from 1st April 2013, averaging 1.28 percentage points, as consulted on.

- Consolidation

7.12 There are no current plans to consolidate the legislation governing either the 1992 Scheme, 2006 Scheme or the Compensation Scheme. This is because a new pension scheme for firefighters will be introduced from 1st April 2015.

## **8. Consultation outcome**

### **A. RETAINED FIREFIGHTERS**

8.1 On 23rd July, the Department published the consultation paper, *Retained Firefighters' Pension Settlement – a consultation to provide access to a modified pension scheme*. The consultation ran for 6 weeks from 23rd July to 3rd September 2013. The Department engaged with the principal representative bodies early, prior to consultation, and throughout development of the Settlement terms. The Fire Brigades' Union was involved throughout as the other party to the negotiated Settlement. Detailed technical consultation on implementation of the Settlement also continued after the deadline through the firefighters' pension technical community.

8.2 The consultation paper set out the proposed terms that have been agreed between the Department and Fire Brigades' Union to provide retained firefighters employed by Fire and Rescue Authorities in England between 1st July 2000 and 5th April 2006 inclusive with access to a pension with comparable pension rights to those enjoyed by regular firefighters employed during the same period.

8.3 On publication, the Department drew the consultation paper to the attention of members of the Firefighters' Pension Committee, which includes trade unions, the Local Government Association and other key representative bodies. The Department also issued a notification to the chairmen of all fire and rescue authorities, the chief executives of the county councils, the clerks to all fire and rescue authorities, the London Commissioner, and the chief fire officers of all fire and rescue authorities alerting them to the publication of the consultation. The proposals have also been discussed at meetings of the Firefighters' Pension Committee, before, during and after the consultation period.

8.4 In total, 28 written responses were received. The main points that respondents raised were:

- concerns that fire and rescue authorities will be liable for the past service employer contributions;
- the lack of clarity over the quantum of past service costs to employers;
- the lack of clarity as to when the additional costs would impact on employers;
- concerns with the additional administrative burdens on fire and rescue authorities associated with implementing the Options exercise;
- the removal of the 'protected rights' for retained firefighters, with service from before April 2006, who suffer a qualifying injury to receive whole-time equivalent injury benefits;
- concerns that fire and rescue authorities would find it difficult to locate former employees who have an entitlement to join the modified scheme;

- concerns about the timetable for implementing the Options exercise which will provide those eligible individuals with the opportunity to join the modified scheme; and
- concerns over the complexity of administering the modified scheme.

8.5 A summary of the responses which prompted a change in the proposals consulted on are set out below. More detailed information on the responses can be viewed in the Government's response to the consultation which can be accessed at: <http://www.gov.uk/government/news/retained-firefighters-to-be-given-access-to-fire-service-pension-scheme>.

8.6 ***Availability of historic pay data*** - Three responses highlighted that the removal of protected injury awards for retained firefighters would in the future mean that any injury awards for retained firefighters would have to be prorated to reflect their retained service throughout their career. This would mean that employers would have to assess the employee's earnings over their full career which would be problematic for those employers that do not have access to this historic pay data.

8.7 The Department considered the points raised and has introduced new arrangements for determining a retained firefighter's historic earnings where no pay data is available. The new arrangements will mean that employers should, in the order given, consider the following when determining a retained firefighter's historic pay:

- Any relevant documentation provided by the employee where the fire and rescue authority is unable to access historic pay records; or
- Average pay data and/or turnout rates for retained firefighters at the specific fire stations that each retained firefighter was located in order to determine an average pay rate.

8.8 ***Options exercise timetable*** – Six responses highlighted concerns about the proposed timetable for implementing the Options exercise.

8.9 The Department considered the points raised and introduced a discretion that will allow employers to extend the deadlines of the various stages where necessary. The end date for the Options exercise remains 31st March 2015. The Department has also worked with administrators to ensure that they are ready to commence the Options exercise.

8.10 ***Technical Working Community*** - The Department also held meetings with a sub-group of the Firefighters' Pensions Technical Working Group to discuss the implementation of the Settlement agreement and to provide technical comments on the draft Statutory Instruments to the consultation.

8.11 The following scenarios were identified as part of the sub-group discussions:

(i) Individuals who joined the standard 2006 scheme and have already retired with a pension before having the option to join the modified scheme

- The Department proposes that these members will continue receiving the payment of their pension under the standard scheme and will still be able to exercise their entitlement to convert their service in the standard 2006 Scheme to the modified scheme. An appropriate offsetting mechanism has been introduced to limit the total pension benefits payable.

(ii) Converting standard 2006 Scheme service to special membership

- The Department proposes that where an individual takes the opportunity to convert their standard 2006 Scheme service into special service in the modified scheme and subsequently permanently defaults in the payment of the increased contributions, the election to convert will be revoked as the requirement for continuous pensionable service has not been satisfied.

iii) Converting standard 2006 Scheme service to special membership

- The Department proposes that where an individual's standard 2006 Scheme service includes a service credit in respect of a transfer-in from another exporting pension arrangement, the service credit in respect of a transfer-in will be converted in accordance with bespoke factors and guidance provided by the Government Actuary. This will ensure that the service credit is converted to an actuarial equivalent service credit in the modified scheme.

(iv) Qualifying Service

- The Department proposes that individuals who join the modified scheme will be able to include any retained service accrued prior to 1st July 2000 for the purposes of considering their eligibility to receive awards only. However, retained service accrued prior to 1st July 2000 will not be used for the calculation of the member's pension.

## **B. FIREFIGHTERS' PENSION SCHEME - CONTRIBUTIONS FROM APRIL 2014**

8.12 On 29th November 2013, the Department published the consultation paper, *Firefighters' Pension Scheme (1992) and New Firefighters' Pension Scheme (2006): Proposed increases to employee contribution rates, effective from 1st April 2014 – Consultation*. Six weeks before the consultation commenced, views on the proposed contribution rates were sought from members of the Firefighters' Pension Committee, whose membership includes trade unions, the Local Government Association and other key representative bodies. The Committee was made aware that the Government remained committed to securing, in full, the savings of 3.2 percentage points and that there would be a formal consultation in due course. As key interested parties had been made aware of the proposals prior to the start of the formal consultation period, the Government felt it appropriate for the consultation to last six weeks, and the consultation therefore closed on 10th January 2014.

8.13 The consultation paper set out the proposed changes to increases in employee contributions by 1.28 percentage points from 1st April 2014 resulting in a cumulative 3.2 percentage point increase between 2012-13 and 2014-15. Research undertaken during 2012, and information collected on the number of firefighters opting out of their pension scheme, indicated that, across the two schemes,

members of the New Firefighters' Pension Scheme 2006 were the most likely to opt out. The proposals therefore provided some continued protection to the level of increases faced by 2006 Scheme members.

8.14 On publication, the Department drew the consultation paper to the attention of members of the Firefighters' Pension Committee. The Department also announced the consultation in the 'Fire and Rescue Monthly Bulletin', which was sent, on 9th December 2013, to the Chairs of all Fire and Rescue authorities, the Chief Executives of the County Councils, the Clerks to all Fire and Rescue Authorities, the London Commissioner, and the Chief Fire Officers of all Fire and Rescue Authorities.

8.15 There were 19 responses to the consultation, of which 2 were from individuals, 11 were from Fire and Rescue Authorities and 6 were from representative bodies (of which 5 were trade unions).

8.16 Some respondents offered support for elements of the proposals set out in the consultation, for example, continued protection for members of the New Firefighters' Pension Scheme 2006. However, 10 respondents specifically objected to the proposed level of contribution increases, with some arguing that further increases were not necessary at all. Some respondents suggested that if any increase was necessary, then a lower contribution increase, phased over a longer period of time should be considered.

8.17 The main points raised were that:

- the full effects of the contribution increases from April 2012 had not yet impacted and that, along with the reforms to public service pension schemes from April 2015, would have an adverse impact on the number of firefighters choosing to opt out of or not join the pension schemes.
- the tiered contribution rate increases would have an impact on workforce management, including earlier retirement for senior officers who would be forced to pay more, deterring individuals from applying for promotion if it meant paying increased contributions, and act as a disincentive for persons to join the scheme or the service.
- the proposals did not take into account that firefighters already pay one of the highest contribution rates in public service pension schemes.

#### *Government response to the consultation*

8.18 The statutory consultation on contribution increases closed on 10th January. Detailed consideration has been given to the responses to the consultation, with Ministers considering the responses alongside the information that continues to be collected by the Department on the number of firefighters opting out of, or choosing not to join, the pension scheme. The number of firefighters opting out of the Firefighters' Pension Scheme 1992 remain low and in line with the number of opt outs in 2012-13 and in previous years, prior to the introduction of contribution increases. There has been a slight increase in the number of firefighters opting out

of the New Firefighters' Pension Scheme 2006 compared with the number of firefighters who chose to leave the scheme during 2012-13. The joiner rate of regular firefighters to the pension scheme is currently at 92%.

8.19 Due to the low level of opt outs overall, the Government has concluded that it is justified in proceeding with the increased contributions from April 2014 in order to deliver the full savings of 3.2 percentage points, and to continue to provide some protection for members of the New Firefighters' Pension Scheme 2006, who are the members more likely to opt out of the pension scheme. This will help rebalance costs between what taxpayers and public service workers, including firefighters, contribute towards public service pension schemes.

8.20 A more detailed analysis of the consultation outcome is available on the Gov.uk weblink. The Government is mindful of the need to continue monitoring the effects of contribution increases, including on those firefighters who may opt out or choose not to join the scheme.

## **9. Guidance**

9.1 The Department does not intend to issue any statutory guidance on complying with these statutory instruments. The Department is liaising with Fire and Rescue Authorities in order to develop joint guidance to support administrators implement the new pension arrangements for retained firefighters employed by a fire and rescue authority in England between 1st July 2000 and 5th April 2006 inclusive.

## **10. Impact**

10.1 The impact on business, charities or voluntary bodies is nil.

10.2 The introduction of the retained settlement will create a past service deficit. This will be recovered from fire and rescue authorities over a period of not more than 15 years, and will be determined by subsequent Scheme Valuations. Increased costs will be considered along side future Spending Review decisions.

10.3 An Impact Assessment has not been prepared for this instrument.

## **11. Regulating small business**

11.1 The legislation does not apply to small business.

## **12. Monitoring & review**

12.1 The Department will monitor any impact of these instruments as part of their ongoing management of the 1992 and 2006 pension schemes and the Compensation scheme. To help inform this process, the Department will engage with fire and rescues authorities who manage the schemes to ensure that if any problems arise they are brought to the attention of the Department.

12.2 In addition, the Department will continue to review the impact of 2014-15 contribution increases, including on the number of members opting out or choosing not to join the pension schemes.

### **13. Contact**

13.1 Retained Firefighters' Pension Scheme: Anthony Mooney at the Department for Communities and Local Government (Tel: 030344 42188 or email: [anthony.mooney@communities.gsi.gov.uk](mailto:anthony.mooney@communities.gsi.gov.uk)) can answer any queries regarding the instrument.

13.2 Employee Contributions: Sharon Mayers at the Department for Communities and Local Government (Tel: 030344 43565 or email: [sharon.mayers@communities.gsi.gov.uk](mailto:sharon.mayers@communities.gsi.gov.uk)) can answer any queries regarding the instrument.