

## **EXECUTIVE NOTE**

### **THE FIREFIGHTERS' PENSION SCHEME AMENDMENT (SCOTLAND) ORDER 2010 (SSI 2010/66)**

The above instrument was made in exercise of the powers conferred by section 26(1) to (5) of the Fire Services Act 1947. The instrument is subject to negative resolution procedure.

#### **Policy Objectives**

The purpose of the instrument is to give Scottish Ministers powers to make direct grant payments to joint fire and rescue boards/fire and rescue authorities in order to assist them to meet their liabilities under the 1992 Firefighters' Pension Scheme, which was closed to new members with effect from 6 April 2006. A similar instrument (the Firefighters' Pension Scheme (Scotland) Order 2007 Amendment Order 2010) has also been laid to make similar provision in respect of the 2007 Firefighters' Pension Scheme.

This SSI and the Firefighters' Pension Scheme (Scotland) Order 2007 Amendment Order 2010 are the first of several instruments required to introduce new financial arrangements for the funding of joint fire and rescue boards'/fire and rescue authorities' liabilities under the pension schemes.

At present, joint fire and rescue boards/fire and rescue authorities administer and pay pensions to local firefighters using funding provided through the Local Government Settlement together with member contributions which is intended to equal the net pension costs. However, this system lacks both flexibility and transparency in relation to clearly identifying pensions costs particularly where there are significant fluctuations in the number of anticipated retirements and associated lump sum payments.

The basic principle of the new funding arrangements is that "pension in payment" costs will be met through a combination of employee contributions and a new actuarially-based employer's contribution calculated as a percentage of pensionable pay. Where this is insufficient to meet the annual cost of pensions in payment a "top-up" payment will be made by the Scottish Government. Under the new arrangements, funding for employer's contributions and "top-up" payments will be paid by direct grant from the Scottish Government to joint boards/fire and rescue authorities rather than through the Local Government Settlement.

The new financial arrangements will apply to both fire and police pensions. Scottish Ministers already have powers to pay police grant direct to police boards by virtue of the Police (Scotland) Act 1967, as amended. Two SSIs covering each of the firefighter pension schemes are required to provide Scottish Ministers with equivalent powers to pay direct grant to joint boards/fire and rescue authorities. This direct grant will cover the costs of the employer's actuarially based annual contributions towards the discharge of their future liability for the payment of pensions under the pension schemes.

Two orders are required as there are currently two pension schemes in operation (as part of the modernisation of the Fire and Rescue Service and in line with the reform of public sector pensions the firefighters' pension scheme made under the Fire Services Act 1947 was closed to new members with effect from 6 April 2006 and a new scheme was set up under the Fire

and Rescue Services Act 2004). Scottish Ministers require the powers to make payments on the basis of information provided on request, by joint boards/fire and rescue authorities, in respect of both schemes with effect from 1 April 2010.

Two further instruments will be laid later in the year which will detail the requirements for the setting up and maintenance by joint boards/fire and rescue authorities of new pension accounts through which the cost of pensions will be managed. In addition, joint boards/fire and rescue authorities will be required to take into account any guidance issued by Scottish Ministers in respect of the accounting procedures to be applied in respect of the direct grant.

## **Consultation**

The following bodies have been consulted during the preparation of the instrument:

- Police and Fire Pensions Steering Group members (representing the Scottish Government; COSLA; the Association of Chief Police Officers Scotland; the Chief Fire Officers' Association (Scotland); the Police Conveners' Forum; and the Fire Conveners' Forum).
- Police and Fire Pensions Working Group members (representing the Scottish Government; the Association of Chief Police Officers Scotland; the Chief Fire Officers' Association (Scotland); and local authority Directors of Finance.
- Scottish joint fire and rescue boards/fire and rescue authorities.
- Scottish fire and rescue services.

In addition, the draft orders were published on the local government finance pages of the Scottish Government website and on the Scottish Public Pensions Agency website and comments were welcomed from all other interested parties.

## **Financial Effects**

The instrument is not expected to have any financial effects on the Scottish Government, local government or on business.

Scottish Government  
Scottish Resilience  
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