

## **EXECUTIVE NOTE**

### **THE FIREFIGHTERS' PENSION SCHEME (SCOTLAND) AMENDMENT ORDER 2012 SSI 2012/107**

### **THE FIREMEN'S PENSION SCHEME AMENDMENT (SCOTLAND) ORDER 2012 SSI 2012/106**

1. The above instruments are made in exercise of the powers conferred by section 26 of the Fire Services Act 1947 and sections 12 and 16 of the Superannuation Act 1972 (with regard to the first instrument) and sections 34 and 60 of the Fire and Rescue Services Act 2004 (with regard to the second instrument). Functions under those Acts as regards Scotland have been executively devolved to the Scottish Ministers. Both instruments are subject to negative resolution procedure and extend only to Scotland.
2. The first instrument amends the Firefighters' Pension Scheme Order 1992, under which the old firefighters' pension scheme is administered. The second instrument amends the Firefighters' Pension Scheme (Scotland) Order 2007 under which the current firefighters' pension scheme is administered.

#### **Background**

3. The Firefighters' Pension Scheme Order 1992 and the Firefighters' Pension Scheme (Scotland) Order 2007 require members to pay contributions to the scheme as a condition of membership.
4. Although the Scottish Ministers have responsibility for the Firefighters' Pension Schemes in Scotland, wider policy for occupational pensions is reserved to the Westminster Parliament. The 2010 UK Spending Review set out the UK Government's intention to increase employee contribution rates in public service pension schemes by 3.2 percent of pay by April 2014. This was expected to be achieved in three annual increments in April 2012, April 2013 and April 2014. Following consideration of this policy and the available alternatives, Scottish Ministers determined to apply the first increment.

#### **Policy Objectives**

5. These instruments make amendments to the Firefighters' Pension Scheme (FPS) and New Firefighter Pension Scheme (NFPS) Orders to reflect increases in member contribution rates to apply from 1 April 2012. In the amendments to the FPS order rule G2 (pension contributions) of Part G (pensionable pay and contributions) is amended to introduce a table which includes pay bands and corresponding contribution rates applicable to scheme members for the scheme year 2012/13. For the NFPS Order paragraph (1) of Rule 3 (pension contributions) of Chapter 1 of Part II (pensionable pay, pension contributions and purchase of additional service) is amended to introduce a table which includes pay bands and corresponding

contribution rates applicable to scheme members for the scheme year 2012/13. Both amendments apply the new contribution rates for each scheme from 1 April 2012.

### **Sensitivity**

6. The policy to increase contributions is strongly opposed by active scheme members. Trade Unions, staff associations, employer organisations such as the Convention of Scottish Local Authorities (COSLA). Scottish Ministers have also placed on the record their principled opposition to the increases being introduced at this time. On 5 September 2011, the UK Government confirmed its intention to apply financial sanctions to the Scottish settlement if the increases were not applied in Scotland. Having unsuccessfully sought to explore alternatives with representatives of lead stakeholder groups, Ministers concluded that they were required to apply the increases for 2012/13. In so doing, the Scottish Government has ensured that lower paid workers receive protection from the full effects of the increases. This is offset by requiring higher earners to meet a higher proportion of the increases. Consequently, employee contribution rates are to be spread over 8 pensionable pay related bands.
7. In ensuring that Scottish scheme members paid no more than their UK counterparts the rates agreed reflect those being introduced to the s firefighter schemes in the rest of the UK.

### **Consultation**

8. The proposed increases have been the subject of formal policy consultation (7 October to 17 November 2011) and draft regulations (22 December 2011 to 3 February 2012). That formal consultation was issued to representatives of firefighter employers and employees, other Scottish Government interests and UK Government departments. In addition, the policy proposals were discussed at a Scottish stakeholder group set up specifically to discuss this particular issue.
9. Responses to the policy consultation highlighted both individual and Trade Union opposition to the rise in contributions. No workable alternative to was suggestion in responses.

### **Financial implications**

10. The increases, as designed, are expected to raise in the region of an additional £1 million from both schemes a year from 1 April 2012.
11. No Regulatory Impact Assessment has been prepared because no impact on the private or voluntary sector is foreseen.

### **Equality Impact Assessment**

12. An Equality Impact Assessment has been prepared and will be made available on the SPPA website.