

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

EXECUTIVE COMMITTEE

7 NOVEMBER 2011

1. FIREFIGHTERS' PENSION SCHEMES

Report of the Chief Fire Officer.

Recommended

THAT the Committee approve, on behalf of the Authority, the response to the consultation document from the Department for Communities and Local Government: Firefighters' Pension Scheme (1992) and New Firefighters' Pension Scheme (2006) – proposed increases to employee contribution rates effective from 1 April 2012.

2. PURPOSE OF REPORT

This report is submitted to the Committee to seek approval to the Authority's response, to the Department for Communities and Local Government consultation document on the Firefighters' Pension Scheme (1992) and New Firefighters' Pension Scheme (2006) - Proposed increases to employee contribution rates effective from 1 April 2012.

3. BACKGROUND

- 3.1 Lord Hutton was commissioned to review public sector pension schemes and within his interim report recommended that, if the Government wanted to make short term savings, then raising employee contributions would be an effective way to achieve this.
- 3.2 The Government accepted Lord Hutton's rationale and at the Spending Review announced their intention to raise employee contributions in public service schemes equivalent to 3.2 per cent of the pensionable pay and for this to be phased in over three years from April 2012.
- 3.3 On 19 July 2011, the Chief Secretary to the Treasury announced that scheme specific consultations should begin on contribution increases for 2012-13.

- 3.4 This report sets out the recommended response from West Midlands Fire and Rescue Authority.
- 3.5 The scope of this consultation is to seek views on the following proposed changes to the firefighters' pension schemes in England:
- Increased levels of employee contribution rates, effective from 1 April 2012.
 - The introduction of tiered contribution levels, so that higher earners will pay a higher rate of contribution.
 - Different levels of increase for the Firefighters' Pension Scheme (1992) and New Firefighters' Pension Scheme (2006).
 - Specific handling of contributions for retained and part time firefighters.
- 3.6 Following consultation a summary of the responses will be published on the Department's website within three months of the end of consultation.
- 3.7 The Department have confirmed that the consultation complies with the Code of Practice on Consultation with the exception of the concurrent publication of the Impact Assessment. The Impact assessment will be published following the consultation, so that the respondent's view's may inform the Assessment made.
- 3.8 Prior to the publication of this consultation the Department has engaged with key stakeholders, including Employer and Union representatives, through the Firefighters' Pensions Committee as well as other interested parties, where contribution increases have been discussed.
- 3.9 The specific proposals can be viewed in Appendix 1.
- 3.10 **To review the Departments proposal please see:**
<http://www.communities.gov.uk/publications/fire/firefighterpensioncontributions>

- 3.11 The consultation questions and recommended responses are identified below:

Question 1:

Do the proposed tiered contributions meet the objectives set out by the Government in the Spending Review?

West Midlands Fire and Rescue Service (WMFRA) Response Q1:

At the Spending Review the Government announced intentions to increase employee contributions by 3.2 percentage points on average, to be phased in over the three years to 2014/15. This appears to have been achieved.

However, there does appear to be a large difference in the pay band £60,000 to £100,000 in comparison with other pay bands on average between £10-20,000. This pay band covers £40,000 which is disproportionate.

Question 2:

Are there any consequences of the proposed contribution tiers that you consider have not been addressed?

WMFRA Response Q2:

It has been suggested that there is an anticipated 1% attrition rate of membership to the FFPS and NFPS as a result of the proposed changes. However, the impact of people wishing to withdraw from the pension scheme and the subsequent impact on the long term sustainability of the schemes may not have been fully addressed.

Question 3:

Do you consider that there are equality issues that will result in any individual groups being disproportionately affected by the proposed contribution tiers? If so, what do you consider to be the nature and scale of that disproportionate affect?

WMFRA Response Q3:

The impact of this change will affect all members of the pension schemes. Within this Service it will affect more men than women. However, this is due to the Service employing more men than women in firefighting roles.

There will be an impact on older employees as they will generally have longer service and possibly achieved more senior roles so will fall into the high rate bands. Younger firefighters, women and ethnic minorities currently mainly occupy roles within the £21,000 - £40,000 pay bands. However, it does not appear that they will be disproportionately impacted by the proposal.

The outcome of the total proposed changes to the scheme including the proposals of the previous consultation will be felt not just now but later on considering the ongoing economic climate and the potential detriment from 'opt outs'. This could be mitigated by giving a choice of **alternative options** to members on entry to the scheme, such as no increase in pension contributions for increase in retirement age or reduced benefits. This is a choice that is not being offered here and would take into consideration individual employee's ability (and desire) to actually pay additional contributions.

Questions 4:

Is there a tariff which you think will help to further minimise any opt outs from the firefighters' pension scheme?

WMFRA Response Q4:

WMFRA believe that the greatest risk of opt out potentially comes from the pay bands £21,000 to £40,000. The pay band for the £60,000 - £100,000 also seems a large band. It may be beneficial to reduce the contribution rates for the £21,000 - £40,000 band and include an additional band between £60,00 - £100,000. This may however create a disproportionate increase for this pay band.

Question 5:

Is the treatment under the proposal of part time workers and retained firefighters clear?

WMFRA Response Q5:

Yes, the treatment under the proposal of part time firefighters is clear. That is that a part time employee will pay the contribution rate appropriate for the full time salary and the increase would be paid on the actual pensionable pay.

The treatment under this proposal is also clear for retained members and the contribution rates will be based on the full time equivalent pensionable pay with the same qualifying period.

However, WMFRA do not currently employ a retained service.

4. **EQUALITY IMPACT ASSESSMENT**

In preparing this report an initial Equality Impact Assessment has been undertaken. The Department for Communities and Local Government have confirmed that they will use the evidence and views provided by the consultation to fully inform all Impact Assessments. These Assessments will inform any final decisions and will be published on the Department's website.

5. **LEGAL IMPLICATIONS**

The course of action recommended in this report does not raise issues of a legal nature which should be drawn to the attention of the Authority's Monitoring Officer as the responses form part of a consultation process. The outcome of the consultation may have legal implications.

6. **TRADE UNION CONSULTATION**

As the consultation process for the Model policy are still ongoing there has been no agreement yet. Area Commanders have had the opportunity to put forward comments on our consultation response. The Department is seeking the view of stakeholders including Fire and Rescue Authorities, and employee/employer representatives.

7. **FINANCIAL IMPLICATIONS**

There are no direct financial costs for the Authority related to this consultation process – the proposal is to increase employee contributions.

BACKGROUND PAPERS

Communities and Local Government – Firefighters' Pension Scheme (1992) and the New Firefighters' Pension Scheme (2006): Proposed increased to employee contribution rates, effective from 1 April 2012 – consultation document published September 2011.

VIJ RANDENIYA
CHIEF FIRE OFFICER