

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

EXECUTIVE COMMITTEE

4 FEBRUARY 2013

1. **FIREFIGHTERS' PENSION SCHEMES**

Report of the Chief Fire Officer

Recommended

THAT the Committee approve the response to the consultation document from the DCLG: Firefighters' Pension Scheme (1992) and New Firefighters' Pension Scheme (2006) – proposed increases to employee contribution rates effective from 1 April 2013.

2. **PURPOSE OF REPORT**

This report is submitted to the Committee to seek approval to the 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 2013.

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. The responses to this consultation were published on 29 March 2012 along with the intention to seek to generate an increased yield of 0.64 percentage points from the two firefighters' pension schemes, rather than the originally proposed 1.28 percentage points.
- 3.4 This report sets out the recommended response from West Midlands Fire and Rescue Authority.
- 3.5 This consultation seeks views on the proposed increase in employee contribution rates from 1 April 2013 for members of the Firefighters Pensions Scheme (1992) and New Firefighters' Pension Scheme (2006):
- 3.6 Following consultation a summary of the responses will be published on the DCLG website within three months of the end of consultation.
- 3.7 The DCLG have confirmed that the consultation complies with the Code of Practice on Consultation. A partial Equality Statement has been completed and will be updated following responses to this consultation exercise.
- 3.8 Prior to the publication of this consultation the DCLG 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 DCLG's specific proposals can be viewed at:
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/15615/employee_contributions.pdf

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

Question 1:

Do the proposed tiered contributions meet the design parameters as set out by the Government?

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.

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. Evidence gathered indicates that there will be a spike in opt out rates in the first months following the implementation of any changes. Whilst this was much higher than had previously been experienced it was not as high as the 1% suggested. The impact of this second rise may be greater and this matter may need careful consideration.

Notwithstanding the above, 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. WMFRA have noted an increase in transfers out taking place and this is an area where greater focus may need to be given.

Question 3:

Do you consider that there are equality issues which the Department hasn't considered in the (partial) Equality Statement which 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 effect?

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 such as the 50 / 50 option offered by the Local Government Pension Scheme.

Questions 4:

Is there a tariff which you think will help to further minimise any opt outs from the firefighters' pension scheme, but will deliver the cumulative 1.92 percentage point increase across 2012/13 and 2013/2014?

WMFRA Response Q4:

WMFRA believe that the greatest risk of opt out potentially comes from the pay bands £21,000 to £40,000 and this is borne out by the outcome of the review. Despite this evidence it is difficult to generate the required additional income without imposing much higher rises on the higher bands. As such the proposed solution seems to be the only option to deliver the increase needed.

4. **EQUALITY IMPACT ASSESSMENT**

In preparing this report an initial Equality Impact Assessment has been undertaken. The DCLG 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 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 is 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. The Proposed increase to employee contribution rates, effective from 1 April 2013 - consultation.

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