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28 July 2011

Firefighters' Pension Scheme (England)
New Firefighters' Pension Scheme (England)

1. With the agreement of Ministers, this letter sets out the initial and medium term reform context for the Firefighters' Pension Scheme and the New Firefighters' Pension Scheme in England. It follows the Written Ministerial Statement by the Chief Secretary to the Treasury on 19 July 2011 to the House of Commons, and indicates anticipated next steps.

Written Ministerial Statement on Public Sector Pension Schemes

2. The Chief Secretary's Statement to Parliament sets out the basis upon which the Government now intends to proceed to implement policies first announced in the Autumn Spending Review on employee contributions, and on taking forward initial scheme specific discussions for long term pension reform announced in Budget 2010.
3. The Government has accepted the broad principles set out in Lord Hutton's final report as a basis for consultation. Following the high-level discussions held with the TUC, scheme specific discussions are now to take place on taking the principles forward. Long term reforms are unlikely to come into force before 2015.

4. The Government's position is that public service pensions will remain among the very best available, providing a guaranteed pension level for all employees. However, given that people are living much longer and so pensions become more expensive, people need to work for longer before drawing their pension. Employees are, therefore, being asked to ensure a fairer balance between what employees pay and what other taxpayers have to pay.
5. The principle elements for public service pension scheme reforms, as set out in the Statement (which can be accessed at http://www.hm-treasury.gov.uk/press_83_11.htm), are as follows:-
 - central talks between Ministers and the trade unions will continue alongside scheme-specific discussions
 - scheme-specific discussions are now to begin on wider reform arising from Lord Hutton's report;
 - cost ceilings will be set by 1 October by Treasury, based on Government Actuary's Department advice;
 - schemes will have the freedom to design the future shape of reforms within the cost ceiling and are subject to Treasury's approval of each scheme's longevity risk management arrangements
 - using the agreed cost ceiling, initial scheme specific proposals for reform in headline terms are required to be established by the end of October;
 - detailed scheme design discussions will then continue to allow the relevant legislation being introduced in the Parliamentary session 2012/13 to allow for a 2015 implementation date.
6. The cost ceilings will be based on Lord Hutton's proposals, but will go further and ensure that the pension individuals receive at normal pension age will be broadly as generous for low and middle earners as it is now. The ceilings will ensure that public service pension schemes remain affordable and sustainable, by setting a limit on the contribution made by employers and ultimately, the taxpayer. Further details on how the cost ceilings are to be set will follow.

7. From that position, Schemes are being invited to provide initial reform proposals in headline terms by the end of October. The programme envisaged then is to finalise detailed Scheme design elements so that the relevant legislation can be introduced in the 2012-13 Parliamentary session. This will allow full implementation for April 2015.
8. For the discussions on reforms to the firefighters' pension schemes, it is envisaged that the Department's Firefighters' Pension Committee will provide the co-ordinating basis of the discussion framework. It is anticipated, however, that a more focused, technical sub-group should be formed to consider detailed issues as part of those discussions. The Department will be in touch with members of the Firefighters' Pension Committee about taking these discussions forward.

Firefighter Pension Schemes - employee contributions

9. At the Spending Review, the Chancellor announced the Government's intention to phase in progressive changes to the level of employee contributions, which deliver annual savings of £2.8bn for the unfunded schemes, or 3.2 percentage points on average, by 2014-15. The intention was that these contributions would be phased in, with 40% (£1.2 billion) of those savings being delivered in 2012-13, a further 40% (£2.3 billion) delivered in 2013-14, and the remaining £2.8bn annual savings (20%) delivered in 2014-15.
10. Schemes have now been asked to begin the necessary statutory consultations on proposals to deliver savings of £1.2 billion in member contribution increases from April 2012. The consultation exercise will be completed in order to ensure implementation from April 2012.
11. The Government remains committed to securing, in full, the overall savings of £2.3bn in 2013-14 and £2.8bn in 2014-15. How to deliver these savings in those years, for instance by amending the scheme benefit structure instead of contributions increases, will now be considered in scheme specific discussions. These discussions will make proposals by the end of October on how these savings are to be achieved.
12. In considering the design of future contribution rates in public service schemes, the Government has set out the following principles:

- there should be no increase in employee contributions for those earning less than £15,000 and no more than a 1.5 percentage point increase in total by 2014-15 for those earning up to £21,000 (a 0.6 percentage point increase in 2012-13 on a pro-rata basis).
- higher earners will pay more but a cap is proposed on the maximum increase of 6 percentage points by 2014-15 (a 2.4 percentage point cap in 2012-13 on a pro-rata basis).

13. To meet the 2012-13 savings target from increased employee contributions in the Firefighters' Pension Schemes, formal consultation, including draft amending regulations, will commence in mid-August on proposed increases with effect from April 2012. Discussions about the proposed savings, including scheme design and employee contributions, will also take place at the next meeting of the Department's Firefighters' Pensions Committee, due to take place on 13 September, and at subsequent meetings within the statutory consultation period, due to end early November.

14. If, in the meantime, Scheme interested parties would like discuss any aspect of this work, please contact Andrew Cornelius on andrew.cornelius@communities.gsi.gov.uk, or Vickie Edwards on victoria.edwards@communities.gsi.gov.uk.



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