



Department for
Communities and
Local Government

Consultation on the regulations to introduce a new Firefighters' Pension Scheme from April 2015

© Crown copyright, 2014

Copyright in the typographical arrangement rests with the Crown.

You may re-use this information (not including logos) free of charge in any format or medium, under the terms of the Open Government Licence. To view this licence, www.nationalarchives.gov.uk/doc/open-government-licence/ or write to the Information Policy Team, The National Archives, Kew, London TW9 4DU, or email: psi@nationalarchives.gsi.gov.uk.

This document/publication is also available on our website at www.gov.uk/dclg

If you have any enquiries regarding this document/publication, email contactus@communities.gov.uk or write to us at:

Department for Communities and Local Government
Eland House
Bressenden Place
London
SW1E 5DU
Telephone: 030 3444 0000

For all our latest news and updates follow us on Twitter: <https://twitter.com/CommunitiesUK>

23 May 2014

ISBN: 978-1-4098-4231-6

Contents

Section 1	Introduction	5
Section 2	Policy Context	6
Section 3	Timing and Related Proposals	10
Section 4	Outcome of the previous statutory consultation and proposals for regulatory consultation	12
Section 5	Proposals for employee contribution rates	19
Section 6	Next steps and questions	22

The consultation process and how to respond

Scope of the consultation

Topic of this consultation:	Firefighters' Pension Scheme Regulations 2014.
Scope of this consultation:	<p>This consultation seeks responses from interested parties on the draft regulations for the new Firefighters' Pension Scheme to come into force on 1 April 2015 and also views on the employee contribution rates to apply in the new scheme.</p> <p>In particular, the consultation covers:</p> <ul style="list-style-type: none">- a more detailed set of draft regulations to the earlier consultation which commenced on 18 December 2013 and covered membership and the benefits structure in the new scheme. A copy of the previous consultation can be found at: https://www.gov.uk/government/consultations/firefighters-pension-scheme-from-april-2015- inclusion in the regulations of the valuation, financing, and public sector transfer club arrangements that will apply in the scheme.- proposed employee contribution rates to apply for members of the Firefighters' Pension Scheme 2015. Further details can be found at section 5 in this consultation document. <p>Separate consultation exercises will follow in relation to the detailed transitional provisions (for those current firefighter members who transfer across to the 2015 scheme) and on the Governance arrangements.</p>
Geographical scope:	This consultation applies to England only.
Impact Assessment:	The Department does not intend to produce an Impact Assessment in relation to this consultation. The employer contribution of the firefighters' pension scheme 2015 will be determined by the valuation of the scheme, which is ongoing.
Equality Statement:	Following consideration of responses to the previous consultation, the Equality Statement which was published alongside the previous consultation has been updated. An updated version has been published alongside this further consultation.

Basic information

To:	This consultation is primarily aimed at fire and rescue authorities, members of the firefighters' pension schemes, and key employer and employee representative bodies.
Body responsible for the consultation:	The Department for Communities and Local Government.
Duration:	This consultation will run for 6 weeks, from 23 May to 4 July.
Enquiries:	<p>For any enquiries, please contact the Firefighters' Pension Team on firepensions@communities.gsi.gov.uk.</p> <p>Alternatively, please call: Andrew Cornelius: 0303 444 2171</p> <p>Any complaints about the way this consultation is being handled should be addressed to: consultationcoordinator@communities.gsi.gov.uk.</p>
How to respond:	<p>Please respond by email to: firepensions@communities.gsi.gov.uk.</p> <p>Alternatively, please send postal responses to: Firefighters' Pension Team Zone 5/F6, Eland House Bressenden Place London SW1E 5DU</p> <p>Responses should be received by close on 4 July 2014.</p>
Confidentiality and data protection	<p>Information provided in response to this consultation, including personal information, may be published or disclosed in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000, the Data Protection Act 1998 and the Environmental Regulations 2004).</p> <p>If you want the information that you provide to be treated as confidential, please be aware that, under the Freedom of Information Act 2000, there is a statutory code of practice with which public authorities must comply and which deals, amongst other things, with obligations of confidence. In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system</p>

	<p>will not, in itself, be regarded as binding on the department.</p> <p>DCLG will process your personal data in accordance with the Data Protection Act 1998 and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties. Individual response will not be acknowledged unless specifically requested.</p>
Additional ways to become involved:	Key interest groups, including the fire and rescue authorities and relevant unions, will be engaged directly.
After the Consultation:	A summary of responses to the consultation will be published on the Department's website within three months of the end of the consultation period.
Compliance with the Consultation Principles guidance:	The consultation complies with the Consultation Principles guidance.

Background

<p>Getting to this stage:</p>	<p>The Government commissioned Lord Hutton to chair the Independent Public Service Pensions Commission to review public service pension schemes to make them affordable and sustainable in the long-term, and fair to both public sector workers and the taxpayer. Lord Hutton’s final report was published on 10 March 2011. In that report he made clear that change is needed to “make public service pension schemes simpler and more transparent, fairer to those on low and moderate earnings”. The Government accepted Lord Hutton’s recommendations as a basis for reforming public service pension schemes.</p> <p>On 23 May 2012, a Proposed Final Agreement was published on the scheme design for the Firefighters’ Pension Scheme in England to be introduced from April 2015 (“the 2015 scheme”).</p>
<p>Previous engagement:</p>	<p>The Government held a series of meetings with representative bodies, including unions and employers, to discuss the reforms to the firefighters’ pension scheme, prior to the publication of the Proposed Final Agreement.</p> <p>The Department has engaged with key stakeholders, including employer and union representatives, during 2013 to discuss the detail of the scheme.</p> <p>On 18 December 2013, the Department issued for statutory consultation a set of draft regulations covering the core elements of the new scheme, in particular, the provisions relating to membership and benefits. Responses to this consultation, and discussions with the Technical Working Group (comprising of employer representatives and pension administrators) have been taken into account in this latest consultation exercise.</p> <p>In addition, employee contribution rates in the Firefighters’ Pension Scheme were discussed at the Firefighters’ Pension Committee on 22 April 2014.</p>

Section 1

Introduction

- 1.1 People are now living much longer and, as a result, the cost of public service pensions have increased by around a third. Despite recent reforms, most of these increased costs are being met by taxpayers. All public service pension schemes, including the Firefighters' Pension Scheme, are being reformed to make them more affordable.
- 1.2 Currently for every £1 paid into the Firefighters' Pension Schemes by the employee, the taxpayer contributes £5. The reforms to the Firefighters' Pension Scheme will therefore ensure a fairer balance between what firefighters pay and what other taxpayers contribute.
- 1.3 Under the reforms, firefighters will continue to get one of the most generous public service pensions – with guaranteed levels of benefit and inflation proofing. A firefighter who earns £29,000 and retires after a full career aged 60, will get a £19,000 a year pension. The total pension that a firefighter will receive rises to £26,000 when they become entitled to their state pension.
- 1.4 This document commences a second period of statutory consultation on the new Firefighters' Pension Scheme 2015 which will come into effect from 1 April 2015. It also seeks views on employee contribution rates to apply in the new Scheme.
- 1.5 Comments on the proposals and draft regulations are now invited and should preferably be sent by email to firepensions@communities.gsi.gov.uk. Alternatively, postal replies may be sent to:

The Firefighters' Pension Team
Zone 5/F6,
Eland House,
Bressenden Place
London
SW1E 5DU
- 1.6 The closing date for responses is 4 July 2014.
- 1.7 An overview of the draft regulations are explained in Section 4 and the proposals for employee contribution rates are found at Section 5.

Section 2

Policy context

Why Reform?

- 2.1 This second consultation on the Firefighters' Pension Scheme regulations, which are to come into force from April 2015, continues the process of reform that began with the commitments given in the Government's programme to review the long term affordability and sustainability of public service pension schemes.
- 2.2 The Government commissioned Lord Hutton to chair the Independent Public Service Pensions Commission to review public service pensions and to make recommendations on how they can be made sustainable and affordable in the long-term and fair to both public service workers and the taxpayer.
- 2.3 The Independent Public Service Pensions Commission published its final report on 10 March 2011. This set out a number of recommendations which the Commission made to the Government. These recommendations included that a new career average revalued earnings (CARE) scheme should be adopted for general use in the public service schemes, that members should have a greater choice when to start drawing their pension benefits and flexible retirement should be encouraged. The Commission also recommended that a Normal Pension Age of 60 should be set for the uniformed services (armed forces, police and firefighters), which was in line with the Normal Pension Age for members of the New Firefighters' Pension Scheme 2006.
- 2.4 In addition, the Commission recommended that the Government should honour in full the pension promises of accrued rights and maintain the final salary link for past service.
- 2.5 Following the publication of the final report, the Government and the Trades Union Congress held a series of meetings to discuss public service pension scheme reform. One outcome of these discussions was that there should be scheme level discussions alongside the central process to ensure a fuller understanding of the implications of reform for each individual scheme.

Reforms to the Firefighters' Pension Scheme

- 2.6 Extensive and constructive scheme level discussions took place between the Department and employer and union representatives to discuss the core scheme design for the reformed firefighters' pension scheme. The future service cost of the Firefighters' Pension Scheme 2015 had to be reconciled by the Government Actuary's Department to fall within the overall agreed gross cost ceiling of 27%.
- 2.7 Following discussions, a Proposed Final Agreement on the scheme design for the Firefighters' Pension Scheme 2015 in England was published on 23 May 2012. The Government made clear that this set out their final position on the main elements of

the scheme design, which unions were then to take to their Executives. A full version of the Proposed Final Agreement can be found at (<https://www.gov.uk/government/publications/firefighters-pension-scheme-proposed-final-agreement>).

- 2.8 The Proposed Final Agreement aims to strike a balanced deal between public service workers and the taxpayer. This will ensure that public service workers continue to have access to good pensions, while taxpayers benefit from greater control over their costs.
- 2.9 Under the reforms firefighters will continue to get one of the most generous public service pensions – with guaranteed levels of benefit and inflation proofing. A firefighter who earns £29,000 and retires after a full career aged 60, will get a £19,000 a year pension. The total pension that a firefighter will receive rises to £26,000 when they become entitled to their state pension. A firefighter would need to contribute double to a private pension pot to get an equivalent pension.
- 2.10 Currently for every £1 paid into the Firefighters’ Pension Schemes by the employee, the taxpayer contributes £5. The tax payer funding is through two routes: the contributions paid by individual fire and rescue authorities into the pension schemes and through the Government “top-up” grant. The Firefighters’ Pension Schemes are unfunded schemes which means that current scheme income (through employee and employer contributions) pays for current scheme expenditure, with the difference between the two topped up by a Government grant. The grant for the Firefighters’ Pension Scheme in 2012-13 alone was £370 million (up from £260 million in 2008-09), with a further £187 million paid by employers. Firefighters contributed £106 million during this period.
- 2.11 The reforms to the firefighters’ pension scheme will ensure a fairer balance between what firefighters pay and what other taxpayers contribute.

Public Service Pensions Act 2013

- 2.12 The Public Service Pensions Act received Royal Assent on 25 April 2013. The Act makes the general provision for public service pension schemes, and connected purposes. The Act sets out that defined benefits schemes must be a career averaged revalued earnings scheme (or a defined benefits scheme of such other description as HM Treasury regulations must specify) and that the Normal Pension Age for the uniformed services (armed forces, police and firefighters) must be aged 60. The Act can be found at: <http://www.legislation.gov.uk/ukpga/2013/25/contents/enacted>.
- 2.13 Regulations for each public service pension scheme, including the Firefighters’ Pension Scheme 2015, will be made under the relevant powers in the Public Service Pensions Act 2013.

Overall Firefighters’ Pension Scheme design

- 2.14 The main elements of the scheme design were set out in the Proposed Final Agreement and these are the main parameters for forming the basis of the statutory

consultation on member benefits as set out below:

- A pension scheme based on career average revalued earnings
- An accrual rate of $1/58.7^{\text{th}}$ of pensionable earnings each year
- There will be no cap on how much pension can be accrued
- A revaluation rate of active members' benefits in line with average weekly earnings
- Pensions in payment and deferred benefits to increase in line with the Prices Index (currently the Consumer Prices Index)
- Flexible retirement from the scheme's minimum pension age of 55 built around the scheme's Normal Pension Age of 60, with members being able to take their 2015 scheme benefits as follows:
 - for all active members who are aged 57 or more at retirement, 2015 scheme benefits taken before Normal Pension Age will be actuarially reduced with reference to the 2015 scheme's Normal Pension Age, rather than the deferred pension age.
 - all other members will have their 2015 scheme benefits actuarially reduced on a cost neutral basis from the scheme's deferred pension age.
- Authority initiated early retirement for members of the 2015 scheme from age 55 to be in accordance with the arrangements set out in Part 3, Rule 6 of the New Firefighters' Pension Scheme 2006
- Late retirement factors for members retiring from active service to be actuarially neutral from the Normal Pension Age
- A deferred pension age equal to the individual's State Pension Age
- Optional lump sum by commutation at a rate of £12 for every £1 per annum of pension foregone in accordance with HMRC limits and regulations
- Ill-health retirement benefits to be based on those contained in the New Firefighters' Pension Scheme 2006
- All other ancillary benefits to be based on those contained in the New Firefighters' Pension Scheme 2006
- Members rejoining after a period of deferment of less than 5 years can link new service with previous service, as if they had always been an active member
- Members transferring between public service schemes would be treated as having continuous active service

There will be transitional protection in respect of:

- All accrued rights are protected and those past benefits will be linked to final salary when members leave the Firefighters' Pension Scheme 2015.
- All active members who, as of 1 April 2012, have 10 years or less to their current Normal Pension Age will see no change in when they can retire, nor any decrease in the amount of pension they receive at the current Normal Pension Age. This means members will remain in their existing schemes and not transfer to the Firefighters' Pension Scheme 2015.
- There will be a further 4 years of tapered protection for scheme members. This means that members who are up to 14 years from their current Normal Pension Age, as of 1 April 2012, will have limited protection so that on average for every month of age they are beyond 10 years of their Normal Pension Age, they gain about 53 days of protection, before they transfer to the Firefighters' Pension Scheme 2015.

2.15 Discussions on detailed aspects of the Firefighters' Pension Scheme 2015 have taken place during 2013 and 2014 between the Department, employer and union representatives, and other interested parties.

2.16 Further guidance on the Firefighters' Pension Scheme in England to be introduced from April 2015 can be found in published guidance located at <https://www.gov.uk/government/publications/firefighters-pension-scheme-reforms>

Section 3

Timing and Related Proposals

Timing

- 3.1 The reformed firefighters' pension scheme will come into force on 1 April 2015. The intention is to give authorities sufficient time to make the necessary arrangements to ensure that IT/payroll systems and information is in place prior to the regulations coming into force on 1 April 2015. This may see the member benefit regulations for the new scheme being made prior to the regulations on the Governance and transitional arrangements.
- 3.2 The Department has previously held meetings with the Technical Working Group and members of the Firefighters' Pension Committee to discuss the previous draft regulations that were consulted on in December 2013 and changes were made as a result of these discussions.

Related Proposals

- 3.3 The Department is also planning to hold further separate consultations on other aspects of the 2015 scheme design during 2014. The consultations will cover the following areas.

Transitional Arrangements

- 3.4 Detailed transitional provisions will be required for those existing firefighter members of the Firefighters' Pension Scheme 1992 and the New Firefighters' Pension Scheme 2006 who will transfer across to the Firefighters' Pension Scheme 2015 ("the transitional members") – either on 1 April 2015 or, for those with tapered protection, when their tapered protection period ends. The Proposed Final Agreement sets out that there will be full statutory protection for accrued rights for all members. Further details can be found in the previous consultation document at:
<https://www.gov.uk/government/consultations/firefighters-pension-scheme-from-april-2015>
- 3.5 Further guidance is available on the Gov.uk website for existing members of the firefighters pension schemes as follows:

Further guidance for firefighters:

[https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/226064/130731 - Further guidance for firefighters Combined Document.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/226064/130731_-_Further_guidance_for_firefighters_Combined_Document.pdf)

Frequently Asked Questions:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/224505/firefighters_pension_scheme_reforms.pdf

Pension Scheme Calculator:

<https://www.gov.uk/government/publications/firefighters-pension-scheme-reforms-pension-scheme-calculator>

3.6 The Department intends to consult on the proposals for the transitional arrangements in Autumn 2014.

Governance

3.7 Section 5 of the Public Service Pensions Act 2013 requires public service pension schemes to establish a pension board. The pension board will be required to assist the scheme manager in securing the effective and efficient governance and administration of the pension scheme and any statutory scheme connected with it, and ensure that they are operated to an appropriate standard. Pension boards will have oversight of the fire and rescue authorities' administration of the Firefighters' Pension Schemes 1992, 2006 and 2015. In addition the pension boards assist schemes to secure compliance with any requirements imposed by the Pensions Regulator, and will undertake any further matters as the scheme regulations may specify.

3.8 The Public Service Pensions Act 2013 also specifies that scheme regulations must establish a scheme advisory board. The scheme advisory board will have responsibility for providing advice to the Secretary of State, at the Secretary of State's request, on the desirability of changes to the scheme. The regulations may provide for the scheme advisory board to provide advice to scheme managers or the scheme pension boards in relation to the management and administration of the firefighters' pension schemes.

3.9 The Department is in the process of engaging with key employer and employee representatives on the governance arrangements that should apply for the firefighters' pension schemes. The intention is that the proposals for pension boards and scheme advisory boards will be consulted on during Summer 2014.

Section 4

Outcome of the previous statutory consultation

Responses

- 4.1 Twenty seven written responses were received to the first statutory consultation which ran from 18 December 2013 to 12 March 2014. In addition, the Department met with the Firefighters Pension Scheme Technical Working Group and key employer and employee representatives during the consultation period to discuss the regulations and consider any representations made.
- 4.2 The responses received to the first consultation exercise have been considered in preparing the attached set of draft regulations and changes have been made. Further information on the key regulatory changes that have been made is set out further in this section.
- 4.3 A short summary of the written responses to the first consultation is set out below. However, given that the membership and benefit regulations are again being consulted on, the intention is to publish one document covering a summary of all written responses to both the first and second consultations, and the Government's response.
- 4.4 Nineteen respondents stated that the initial reading of the first set of regulations that were consulted on met the design for the Firefighters' Pension Scheme 2015 as set out in the Proposed Final Agreement. Two employee representatives (trade unions) highlighted that the terms of the Proposed Final Agreement had not been agreed, or that the proposals were not workable or sustainable. One further employee representative highlighted that, by having a Normal Pension Age of 60, there was a need to ensure that the correct level of support was provided to operational staff, especially those retained firefighters.
- 4.5 One employee representative stated that discussions were still on-going regarding the pension scheme design and that their response was therefore an initial response, and could therefore change subject to any potential changes to the scheme design.
- 4.6 A number of the nineteen respondents and some other responses received said that it was difficult to provide an overall assessment, or comment, on whether the full terms of the Proposed Final Agreement had been met, without being sighted on the full set of regulations covering the employee contributions, funding, valuation, governance and transitional arrangements. These respondents stated that it would have been more helpful if the Department had consulted on one full set of regulations rather than through a staged approach.
- 4.7 Twenty respondents said that the proposals in the regulations, where it had been determined that they should, were sufficiently based on the current benefits in the New Firefighters' Pension Scheme 2006, although a couple of respondents welcomed clarification regarding pensionable pay arrangements. Twenty two

respondents said the proposed ill health benefits were in line with existing arrangements for 2006 scheme members.

- 4.8 Regarding part time and retained firefighters, fifteen respondents felt that the regulations were clear as to how these groups were to be treated under the arrangements for the 2015 scheme. However, some respondents said they would welcome further clarity on this issue although they did not specify what areas should be clarified.
- 4.9 Nineteen respondents felt that there would be administrative challenges with the new scheme. These included the administration of the two pot approach for those members who transferred from the existing firefighters pension scheme to the reformed scheme; costs associated with the administration of the scheme; the training for pension administrators and for members of the new pension boards; and the timescales for implementation of the new scheme which would be dependant on the final regulations being made.
- 4.10 In terms of the Equality Statement that was published alongside the consultation, thirteen respondents said that they felt that the statement covered all the equality issues and that there were not any further to be addressed. Others raised concerns on the Normal Pension Age of 60 and the impact this would have on females, and that there needed to be further consideration of part-time working and those firefighters who undertook multiple periods of maternity leave.
- 4.11 In further response to the question as to whether there were any equality issues that needed to be considered that were not contained within the published equality statement, four fire and rescue authorities took the opportunity to acknowledge that the reformed scheme provided increased flexibility for individuals to retire prior to the Normal Pension Age. However, these authorities set out that if any actuarial reduction around this was not to be cost neutral, then further clarification would be needed as to who would bear any financial liability in regard to this matter.

Initial Government response

- 4.12 A full Government response covering points raised to the previous, and this second, consultation will be published in due course.
- 4.13 The Government is mindful that fire and rescue authorities need time to implement the terms of the Firefighters' Pension Scheme 2015. This second consultation builds on the regulations that were part of the first consultation and now includes regulatory consultation on funding, valuation, and public sector transfer club arrangements.
- 4.14 The Department's view was that it was preferable to begin the consultation process as early as possible even if the consultation focused on the membership and benefits in the reformed scheme. The Department is continuing to engage with key stakeholders and the main software providers on the proposals for the Governance and transitional arrangements, prior to the regulatory consultation on these issues. The Department has noted the initial comments from some respondents that the proposed transitional protections should be extended. However, a greater proportion of firefighters are protected from the changes than any other large workforce and the

Government does not intend to extend this further.

- 4.15 Retained, part-time and volunteer firefighters will accrue pension benefits at a rate of 1/58.7th of their pensionable earnings. Similarly, regular firefighters will accrue pension benefits on the same rate based on their pensionable earnings. Where a retained or volunteer firefighter's pension will be based on their assumed pensionable pay, then the regulations make provision for a retained or volunteer firefighter's daily rate to be calculated and then this rate is applied to each day that the period of "assumed pensionable pay" applies.
- 4.16 There will always be some challenges in implementing changes to a pension scheme and the Department has engaged fully with scheme administrators both before and during the consultation process to identify those challenges and mitigate them where appropriate. This period of engagement will continue over the coming months as fire and rescue authorities prepare for implementation of the 2015 scheme. Neither the previous, nor this, consultation makes provision in relation to pension boards or the requirement for them to be suitably trained. Discussions on the training requirements for pension boards are taking place with employee and employer representatives and will be the subject of a separate consultation on governance for the Firefighters' Pension Schemes.
- 4.17 In terms of the comments received on equality issues, the originally published Equality Statement has been updated and the revised version has now been published alongside this second consultation.

Proposals for Consultation

- 4.18 The draft regulations form part of this consultation. The paragraphs below provide a summary of the new sections and a brief summary of the key changes made to the regulations that were previously consulted on.

Employer Contributions – Part 8, Chapter 3

- 4.19 Chapter 3 is a new section and sets out that employers will need to pay contributions based on a member's pensionable earnings or, where applicable, based on a member's assumed pensionable pay. The actual employer contribution will not be specified in the regulations, but the regulations set out that the Secretary of State will notify scheme managers of the employer contribution rate, as determined by the valuation.
- 4.20 This Chapter also confirms the charges and contributions that an employer will need to make when a member is retired on ill-health grounds or through an employer initiated retirement, and makes provision for contributions to be repaid to the employer, in certain circumstances, following the cessation of a member's higher or lower tier ill health pension. These proposals are in line with the existing rules in the New Firefighters' Pension Scheme 2015.

Firefighters' Pension Fund – Part 9

4.21 This new Part makes provision for the financing arrangements in the Firefighters' Pension Scheme 2015. The regulations set out that the Firefighters' Pension Fund established and maintained by the authority for the purposes of the Firefighters' Pension Scheme 1992 and the New Firefighters' Pension Scheme 2006, shall also be used for the purposes of payment and receipts in respect of the Firefighters' Pension Scheme 2015. The policy intention is that the treatment of payments and transfers into and out of the Firefighters' Pension Fund in respect of this scheme, and the treatment of surpluses and deficits, mirror arrangements for the existing firefighters' pension schemes.

Public Service Transfer Club – Part 4 (Pension Accounts) and Part 10 (Transfers)

4.22 The Government has confirmed that the public service transfer club will continue to operate. Separate guidance will be produced on the detail of the club arrangements. However, the regulations have been amended to make provision for pension accounts to include amounts of any club transferred earned pension and Part 10 on transfers now includes arrangements for club transfers into, or out of, the scheme.

Actuarial valuations and the employer cost cap – Part 11

4.23 This is a new Part and sets out that a scheme actuary must be appointed by the Secretary of State to carry out work, including valuations, in connection with the firefighters' pension schemes. The Part also sets out that scheme managers are responsible for providing to the scheme actuary any data that is required in accordance with the Valuations and Cost Cap Directions. The employer cost cap, introduced to provide backstop protection to the taxpayer will be specified in the regulations.

4.24 The regulations (regulation 152) also make provision for a procedure for reaching agreement where the costs of the scheme fall at a certain margin (currently 2% as specified in Treasury regulations) above or below the cost cap, so that the costs of the scheme are returned to the level of the employer cost cap.

Key changes made to the regulations

Interpretation (regulation 3): has been updated to provide for amended and new definitions used within the overall regulations. It should be noted that where definitions are provided for in other legislation, then general practice is to make reference to this other legislation rather than replicate it in these regulations.

Pensionable Service (Chapter 2 of Part 3): this chapter has been modified, setting out when someone commences pensionable service in the Firefighters' Pension Scheme 2015 and when exceptions would apply. The regulations cover the situations of automatic enrolment, opting into the scheme and automatic re-enrolment. It also allows for someone to opt out of the scheme and sets out that a person who opts out of the scheme within the first 3 months of employment or being automatically re-enrolled will not have been in

pensionable service on that occasion. The refund of contributions in this instance is now dealt with in Part 8.

Pensionable Pay (regulation 18): this regulation follows the approach in the New Firefighters' Pension Scheme 2006. The Department is continuing to discuss the definition with the Firefighters' Pension Committee.

Descriptions of pension (regulation 23): this is a new regulation and provides for a description of each type of pension used within Part 4.

Calculation of "retirement PIA index adjustment (regulation 26): is a new regulation and sets out how this adjustment is to be calculated for amounts of accrued added pension.

Determination of "the age addition" (regulation 27): this regulation has been modified to reduce the vesting period from two years to one year for those members who join the Firefighters' Pension Scheme 2015 after the age of 59 in order to qualify for this age addition (which applies where firefighters take their pension after the Normal Pension Age of 60).

Amount of pension for a scheme year (regulation 35): the regulation has been modified clarifying that there is to be no cap on the amount of pension earned under this scheme.

Establishment of added pension account (regulation 39): This regulation has been modified to expand the circumstances when an added pension account must be closed.

Closure of deferred member's account on re-entering pensionable service (regulation 48): This regulation has been amended to allow for a member to choose which deferred account is to be closed, if they previously had more than one deferred account. If the member doesn't choose within 3 months of re-entering pensionable service then it will be for the scheme manager to decide.

Qualifying Service (regulation 55): The regulation has been updated so that where a person has multiple employment contracts, and therefore multiple memberships, qualifying service should be linked appropriately to those employments that have the most similar characteristics across the two schemes. However, if this is not obvious then it will be for the scheme member to select which service under the 1992/2006 scheme should be added to the service in the 2015 scheme.

Entitlement to full retirement pension (members aged at least 55) (regulation 56): The regulation has been updated to make clear the notice to the scheme manager must be given before the date on which the full pension is claimed, and that if a person exercises the partial retirement option they will be entitled to a full retirement pension.

Exercise of partial retirement option (members aged at least 55) (regulation 60): This regulation has been amended to make clear that if a person has more than one active member accounts they can exercise the option in respect of some or all of these accounts.

Annual rate of ill-health awards (regulation 63): The regulation has been amended to make clear that any amount commuted under the lower tier ill health pension will not be taken into account when calculating the higher tier ill health pension.

Commencement of pensions (regulation 67): is a new regulation and sets out when payment of pension will commence in certain circumstances including payment of pensions to active or deferred members and those persons in receipt of an ill-health pension.

Meaning of surviving partner (regulation 74): provides for a definition of a surviving partner which includes the spouse or civil partner of a member. This regulation has now been amended and a co-habiting partner, where certain conditions have been met, can be a surviving partner. There is therefore no longer a requirement for someone to nominate their partner for survivor benefits.

Bereavement pension: surviving partner/eligible child (regulations 79 and 89): These regulations have been amended and now allow for, on the death of an active member, the bereavement pension to be calculated using the person's pensionable pay or assumed pensionable pay (if applicable) at the date of their death.

Lump sum payable on death of active member (regulation 93): this regulation has been updated to make clear that if a person has more than one active member's account, a lump sum death benefit is payable in respect of each of these accounts.

Lump sum payable on death in certain circumstances (regulation 95): is a new regulation and sets out that if a person was a pensioner member and an active member of the scheme then the lump sum payable is the greater of the total amount of lump sum payable on the death of an active member compared with the lump sum payable on the death of a pensioner member.

Member leaves all pensionable service before qualifying for retirement benefits (regulation 112): this is a new regulation and sets out that a refund of contributions must be made to a person if they leave pensionable service before they have qualified for benefits in respect of that service.

Member opts out after automatic re-enrolment date (regulation 113): this is a new regulation and sets out that if a member opts out within 3 months of being automatically re-enrolled in the pension scheme then any contributions made since the period of automatic re-enrolment will be refunded.

Transfers (Part 10): The regulations in Part 10 have been substantively amended since the previous consultation, including the detail relating to certificates that need to be provided when a member transfers from one fire and rescue authority in England to another. Provision has now been made in Parts 2 and 3 for public sector club transfer arrangements.

Guaranteed minimum pension (regulation 168): is a new regulation and sets out the circumstances to apply in terms of pensions payable, and the postponement of pensions, and the interaction with the guaranteed minimum pension.

Payments for added pension (Schedule 1): this Schedule has been updated. The Schedule now makes clear that an added pension election can not be made if it would exceed the overall amount of extra pension, allows for periodical payments to cease if the member chooses (and not just in the cases of financial hardship), and only allows members to pay contributions on their actual pay when they are on statutory maternity pay or on paid ordinary maternity leave, paid ordinary adoption leave or paid paternity leave.

Transitional provisions (Schedule 2): this Schedule has been updated and now includes the protections that may apply where an active member of an existing public service pension scheme or an active member of an existing public body pension scheme transfers to the Firefighters' Pension Scheme 2015. The policy intention is that someone who is fully protected in their existing public service scheme or an existing public body pension scheme, transfers to the fire service, and would meet the criteria for full protection in the New Firefighters' Pension Scheme 2006 would continue to be a full protection member. Similarly someone who has tapered protection in their existing public service scheme, transfers to the fire service, and would meet the criteria for tapered protection in the New Firefighters' Pension Scheme 2006 would continue to be a tapered protection member.

Section 5

Employee Contributions

- 5.1 The Firefighters' Pension Scheme 2015 regulations will also need to provide for the employee contribution rates that are payable by members of the scheme. This section sets out the Government's proposals for employee contribution tariffs for the Firefighters' Pension Scheme 2015. Following the consultation the Government's final position on contribution rates to take effect from 1 April 2015 will be implemented by amendment to the attached draft of the 2015 scheme regulations.

Background to the contributions in the Firefighters' Pension Scheme 2015

- 5.2 The Proposed Final Agreement set out that employee contribution rates would average 13.2% from April 2015, with protection for new entrants. Brandon Lewis MP, the Fire Minister, wrote to the fire service unions on 19 June 2013 confirming that employee contribution rates across all three firefighters' pension schemes will average 13.2%.

Full Time Equivalent pay

- 5.3 The Government is proposing that contribution tariffs will be based on a member's full time equivalent pay, which is in line with the arrangements for the existing 1992 and 2006 schemes. The Department previously considered with employee and employer representatives whether contribution tariffs should be based on a firefighter's actual salary, which would benefit retained or part-time firefighter members who typically have lower annual earnings. However, basing tariffs on a firefighter's actual pay would require small increases in the rates payable by whole-time firefighters. If there was a change in the make up of the firefighter workforce in the future, for example a greater proportion of part-time or retained firefighters, then to base contributions on actual pay runs the risk of under collecting on the average of 13.2%.

Tiered bandings

- 5.4 The proposal is that there should be four tiered bandings in the 2015 scheme. Tier 1 would provide some protection for new entrants and, in year 1, would apply to those firefighters earning £0 to £27K. Tier 2 would apply to those firefighters earning over £27K to £50K, tier 3 would apply to those earning over £50K to £142.5K and tier 4 would be for those members earning over £142.5K.
- 5.5 It was raised during discussions with employee and employer representatives that there should have been only three tiered bands, with tier 3 applying to those earning over £50K and no fourth tier. However, the Government believes that it is appropriate for a fourth tier to apply in line with the terms of the Proposed Final Agreement so that higher earners contribute more towards their pension benefits.

- 5.6 The Government's position is that either the uprating of the tiered contribution bands should be set out in the scheme regulations or automatically uprated in line with an appropriate and independent index. Consideration was given as to whether the uprating should be linked to average weekly earnings (which is the measure used to revalue an active Firefighters' Pension Scheme 2015 benefits) or the Consumer Prices Index. However, if the level of firefighters' pensionable pay increased to a lesser or greater extent than either of these measures then firefighters may pay a lower or higher tariff than intended and therefore an overall average contribution rate may be delivered that fell short of, or exceeded, the required 13.2%.
- 5.7 The Government has therefore determined the bandings that will apply over each of the next four years as set out in the tables below and these will be set in the scheme regulations. There will be no increase to the uprating of tier 4 during 2015-16 to 2018-19. A further consultation will be required at some stage during the first four years of the Firefighters' Pension Scheme to determine the uprating required to the tiered bandings from April 2019 onwards.

Contribution rates

- 5.8 The table below sets out the Government's proposals for employee contribution rates to apply in the first four years of the 2015 scheme.
- 5.9 As a significant proportion of firefighters will continue to remain members of the Firefighters' Pension Scheme 1992, with the contribution rate payable by a firefighter earning approximately £29,000 being 14.2%, then the rate required in the Firefighters' Pension Scheme 2015 over the first four years of the scheme is lower than the average of 13.2%. However, in the long term the average 13.2% will need to be delivered in the Firefighters' Pension Scheme 2015.

2015-16	Employee contribution rate payable
£0 and up to £27,000	10.0%
Over £27,000 and up to £50,000	12.2%
Over £50,000 and up to £142,500	13.5%
Over £142,500	14.5%

2016-17	Employee contribution rate payable
£0 and up to £27,270	10.0%
Over £27,270 and up to £50,500	12.5%
Over £50,500 and up to £142,500	13.5%
Over £142,500	14.5%

2017-18	Employee contribution rate payable
£0 and up to £27,543	10.5%
Over £27,543 and up to £51,005	12.7%
Over £51,005 and up to £142,500	13.5%

Over £142,500	14.5%
---------------	-------

2018-19	Employee contribution rate payable
£0 and up to £27,818	11.0%
Over £27,818 and up to £51,515	12.9%
Over £51,515 and up to £142,500	13.5%
Over £142,500	14.5%

Section 6

Next Steps

6.1 The Department invites consultees' views and any evidence relating to all aspects of this statutory consultation by 4 July 2014. In particular, comments are welcomed on the following key questions:

Question 1

Do the revised draft regulations continue to meet the design parameters of the Firefighters' Pension Scheme 2015 as set out in the Proposed Final Agreement published on 24 May 2012?

Question 2

Do the benefits (including the ill-health retirement benefits and other ancillary benefits) in the draft regulations sufficiently match those in the New Firefighters' Pension Scheme 2006, with sufficient adaptations for a career average revaluation earnings arrangement?

Question 3

Do the proposals for the employer additional contributions for ill health awards and the employer additional contributions for a member who has been "employer initiated retired" sufficiently match the existing arrangements in the New Firefighters' Pension Scheme 2006?

Question 4

Do the proposals for the arrangements for the Firefighters' Pension Fund sufficiently match those in the New Firefighters' Pension Scheme 2006?

Question 5

Can you foresee any challenges with the proposals for the procedure for ensuring the cost of the scheme is returned to the level of the cost cap as set out at regulation 152?

Question 6

Do you have any comments on:

- The proposals that employee contribution rates in the 2015 scheme are based on a member's full time equivalent pay?
- The proposals for there to be four tiered bands, with some protection for new entrants?
- The level of the tiered bands to be set each year between 2015-16 to 2018-19 as shown in the tables in Section 5?

Question 7

Do you consider that there are any further equality issues, which the Department hasn't considered in the published revised Equality Statement which will result in individual groups being disproportionately affected by the reforms? If so, what do you consider to be the nature and scale of that disproportionate effect?