POLICY NOTE

THE FIREFIGHTERS' PENSION SCHEME (SCOTLAND) REGULATIONS 2015

SSI 2015/19

The above instrument was made in exercise of the powers conferred by section 1 (1) and (2)(d) of, and paragraph 6 (c) of Schedule 2 to, the Public Service Pensions Act 2013 ("the 2013 Act). The instrument is subject to negative procedure.

Policy Objectives

The purpose of this instrument is to provide, in implementation of the 2013 Act, for a reformed pension scheme for firefighters in Scotland. A further instrument is being prepared that will complete the statutory arrangements for the reformed scheme and provide the necessary transitional arrangements for the current scheme.

Occupational pensions policy is reserved to the UK Government. The reforms initially recommended by the independent Public Service Pensions Commission which was led by Lord Hutton of Furness are now set out in the 2013 Act. The 2013 Act requires Scottish Ministers to introduce a reformed firefighters' pension scheme in Scotland from 1 April 2015. This instrument reflects that requirement and introduces a reform scheme which includes a pension based on the member's average career earnings, a normal pension age of 60 and a deferred pension age equal to the state pension age.

In addition, the instrument sets out the operation of a career average revaluation scheme (CARE). These Parts provide that each member will build up a pension each year calculated at 1/61.6th of the member's pensionable earnings. The pension is held in a pension account and at the start of each financial year (i.e. 1 April) indexation is applied. Indexation is applied at different rates depending on the member's status in the scheme. An active member (that is a member who is participating in the scheme and paying contributions) receives a revaluation rate in line with average weekly earnings. Deferred members (former active members who have left the scheme without applying for benefits) and pensioner members receive indexation equal to the rate of the Consumer Prices Index.

The schemes offers partial retirement flexibilities, and provides for early retirement from age 55 either from an individual's choice whereby the pension

is actuarially reduced to reflect its early payment or under an employer-initiated early retirement on the grounds of business efficiency with the actuarial reduction cost being met by the employer. Additionally the Regulations provide for a pension to be paid from age 55 where the individual is unable to meet the required fitness standards for the role and the employer confirms the conditions for retirement on these grounds are met. Retirement benefits can also be increased by the purchase of added pension.

Under the terms of the 2013 Act, protection against the introduction of the 2015 reform scheme is included for members of the existing firefighters' schemes. In addition to providing full protection to those members who were within 10 years of their scheme's normal pension age as at 1 April 2012, the Regulations also provide full protection for those firefighters who were within 10 years of being able to claim a full unreduced pension on completion of 30 years' service at that date. Partial protection provided on a tapered basis is also provided for current scheme members who as at 1 April 2012 were between 14 and 10 years from either the scheme's normal pension age or being able to receive a full unreduced pension on completion of 30 years' service. At the end of the tapered protection period the member will automatically move to the 2015 CARE scheme with service accrued up to that point protected and linked to the individual's final salary at retirement.

The employee contribution rate from 1 April 2015 will be determined following further discussion with stakeholders. The employer contribution rate will be set once the 2012 scheme valuation has concluded. The contribution rates will be included in the further instrument mentioned above.

Consultation

To comply with the requirements of section 21 of the 2013 Act, a consultation was undertaken from 11 November 2014 to 6 January 2015. All stakeholders were consulted, including the Fire Brigades Union, Fire Officers Association and relevant Scottish and UK Government Departments. Seven responses were received in total, four from individuals, two from firefighters' unions and one from the pension software provider. A copy of the consultation document and a summary of responses will be made available on the Scottish Public Pension Agency's website www.sppa.gov.uk.

Impact Assessments

The equality impact assessment has been completed and will be made available in due course. No impact is expected.

Financial Effects

In line with the reform of public service pensions, these changes will support the introduction of a reformed scheme from 2015 that is designed to ensure long-term sustainability and affordability.

Business and Regulatory Impact Assessment

This policy introduces reform to the pension scheme for firefighters in Scotland, following recommendations by the Independent Public Service Pensions Commission. This policy does not impose any additional costs or reduce existing costs for business, third or public sector organisations and on that basis no Business and Regulatory Impact Assessment is required for these regulations.

Scottish Public Pensions Agency
An Agency of the Scottish Government
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