

Proposed increases to employee contribution rates in Firefighter Pension Schemes

A Public Consultation

October 2011

Consultation on proposed increases to employee contribution rates in Firefighter Pension Schemes

Document Purpose	Consultation
Title	Consultation on proposed increases to employee contribution rates in Firefighter Pension Schemes
Author	The Department of Health, Social Services and Public Safety (DHSSPS)
Publication Date	24 October 2011
Target Audience	Trade Union representatives, Firefighter Pension Scheme members, NIFRS
Description	This document sets out for consultation proposals from the DHSSPS to delivering savings announced in the 2010 UK Government Spending Review by increasing employee contributions to the Firefighter Pension Schemes in 2012-13.
Cross Reference	Independent Public Service Pensions Commission: Interim Report
Action Required	Respond to: email address
Timing	Consultation ends on 20 January 2012
Contact Details	Department of Health, Social Services and Public Safety Public Safety Unit Annex 4 Castle Buildings Stormont Estate Belfast BT4 3SQ

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Consultation on proposed increases to employee contribution rates in Firefighter Pension Schemes

Introduction

1. Lord Hutton was commissioned by the Coalition Government to chair the Public Service Pensions Commission on public service pensions, with a view to making them sustainable and affordable in the long term. The Commission's interim report, published on 7 October 2010, stated that the costs of public service pensions have increased by around a third over the last fifty years due to the increase in life expectancy, and that these costs had generally fallen to the taxpayer. Lord Hutton therefore recommended that if the Coalition Government wished to make short term savings, then raising contribution rates would be the most effective way to achieve that objective. This would also make for a fairer balance between what employees pay and what taxpayers have to pay.
2. The Coalition Government accepted Lord Hutton's rationale and announced at the 2010 Spending Review its intention to increase employee pension contributions by 3.2 percentage points, to be phased in over the three years to 2014-15.
3. The Coalition Government has made clear that the proposed changes to public service pension schemes should ensure that public service pensions remain among the very best, providing a guaranteed pension level for all employees. The Chief Secretary to the Treasury confirmed that, following the wider proposals for reform of public service pension schemes, the pension individuals receive at normal pension age will be broadly as generous for low and middle income earners as it is now. Pension benefits already earned through years of service – accrued rights – will be honoured in full. For those close to retirement, this will mean little, if any, change to the pension they expect to receive.
4. The Northern Ireland Executive has agreed that Public Sector pensions in Northern Ireland, including firefighter pension schemes, should maintain parity with their UK equivalents.

5. This consultation seeks views on the following key proposed changes to the firefighters' pension schemes in Northern Ireland:

- 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 Order (Northern Ireland) 2007 and New Firefighters' Pension Scheme Order (Northern Ireland) 2007
- The specific handling of contributions for retained and part-time firefighters.

The Case for Increasing Contributions

6. Lord Hutton's interim report set out a clear rationale for increasing member contributions to public service pension schemes:

- People are living much longer than previous generations – the average 60 year old is living ten years longer now than they did in the 1970s.
- More of people's lives are now being spent in retirement – between 40 to 45% of adult life compared with around 30% for pensioners in the 1950s.
- The cost of providing pensions is increasing; annual expenditure on public service pensions over the last decade has increased by a third to £32bn.
- There needs to be a fairer balance between what employees pay and what other taxpayers contribute towards a public service pension.

7. Based on this rationale, the Spending Review 2010 set out plans for savings of £2.8bn per year by 2014 / 15 with £1.2bn savings to be made in 2012-13.

Delivery of Spending Review Savings

8. To deliver these savings, the firefighters' pension schemes, like other public service schemes, should deliver savings equivalent to an average increase of 3.2 percentage points in employee contributions by 2014-15. Further savings of £2.3bn will need to be made in 2013-14 and another £2.8bn in 2014-15, to deliver the 3.2 percentage point increase in employee con by 2014-15.
9. These savings are intended to rebalance the contributions made by employers and staff. The proposed increase for 2012-13 does not change the benefits provided by either of the firefighters' pension schemes, which remain among the best available.
10. At present, members of the Firefighters' Pension Scheme contribute 11 per cent of pensionable pay, compared with 21.3 per cent contributions from employers (excluding the ill-health charge). For members of the New Firefighters' Pension Scheme the balance is closer, with members contributing 8.5 per cent of pensionable pay, and employers 11 per cent.
11. The Coalition Government believes that any proposed increases in contributions rates should protect low earners and be progressive, so that high earners pay proportionally higher increases to reflect their more generous pensions. The Coalition Government also set out its preferred parameters for scheme design to achieve the required savings in the Chief Secretary's written Ministerial Statement of 19 July. These parameters, outlined below, are reflected in the tariff proposed in this paper:
 - There should be no increase in employee contributions for those earning less than £15,000

- There should be no more than a 1.5 percentage point increase in total by 2014-15 for those earning up to £21,000. This amounts to a 0.6 percentage point increase in 2012-13 on a pro-rata basis
- High earners will pay more, but no more than 6 percentage points (before tax relief) by 2014-15. This amounts to a 2.4 percentage point cap in 2012-13 on a pro-rata basis.

Proposals for Changes

Proposed Tariff

12. The proposals seek to apply a lower rate of increase to the New Firefighters' Pension Scheme Order compared to the Firefighters' Pension Scheme Order. The proposed increase in employee contribution rates will help to provide a fairer balance between what employees pay and what employers, or the taxpayer, pays. The existing levels of employee and employer contributions, excluding ill-health charges, are as follows:

	Firefighters' Pension Scheme Order	New Firefighters' Pension Scheme Order
Employer	21.3%	11.0%
Employee	11.0%	8.5%
Ill-health	5.2%	3.2%
Total	37.5%	22.7%

13. Currently, members of the Firefighters' Pension Scheme pay less than 30 per cent of the total cost of the Scheme. For the New Firefighters' Pension Scheme, members contribute 37 per cent of the total cost. As the imbalance between employee and employer contributions is less for the New Firefighters' Pension Scheme Order, a lower increase for its members compared to the Firefighters' Pension Scheme Order seems more appropriate.

14. Consistent with the policy principles outlined in paragraph 6 above, the proposed

employee contribution rates to apply from 1 April 2012 are as follows:

The Firefighters' Pension Scheme Order (Northern Ireland) 2007

Pensionable pay band	Proposed additional rate 2012-13	Revised contribution 2012-13
Up to and including £15,000	0.0%	11.0%
More than £15,000 and up to and including £21,000	0.6%	11.6%
More than £21,000 and up to and including £30,000	1.3%	12.3%
More than £30,000 and up to and including £40,000	1.4%	12.4%
More than £40,000 and up to and including £50,000	1.6%	12.6%
More than £50,000 and up to and including £60,000	1.8%	12.8%
More than £60,000 and up to and including £100,000	2.0%	13.0%
More than £100,000 and up to and including £120,000	2.1%	13.1%
More than £120,000	2.3%	13.3%

EXAMPLE: A firefighter in the Firefighters' Pension Scheme Order earning £28,200 would pay an additional 1.3 per cent in contributions – a revised rate of 12.3 per cent. However, with tax relief, the effective increase in the contribution rate is 1.0 per cent.

The New Firefighters' Pension Scheme Order (Northern Ireland) 2007

Pensionable pay band	Proposed additional rate 2012-13	Revised contribution 2012-13
Up to and including £15,000	0.0%	8.5%
More than £15,000 and up to and including £30,000	0.6%	9.1%
More than £30,000 and up to and including £40,000	0.8%	9.3%
More than £40,000 and up to and including £50,000	0.9%	9.4%
More than £50,000 and up to and including £60,000	1.0%	9.5%
More than £60,000 and up to and including £100,000	1.1%	9.6%
More than £100,000 and up to and including £120,000	1.2%	9.7%
More than £120,000	1.3%	9.8%

EXAMPLE: A firefighter in the New Firefighters' Pension Scheme Order earning £28,200 would pay an additional 0.6 per cent in contributions – a revised rate of 9.1 per cent. However, with tax relief, the effective increase in the contribution rate is 0.5 per cent.

Opt-out assumptions

15. It has been assumed that one per cent of the total salary within the unfunded public service schemes will opt out by 2014-15. This assumption has been scrutinised by the Office for Budget Responsibility. In developing the proposed tariffs, the Department has given consideration to the existing balance of employee and employer contribution rates and included protection for low earners, in order to minimise the level of opt out from the firefighters' pension schemes.

Retained members

16. Paragraph 3(c) of the New Firefighters' Pension Scheme draft Amendment Order outlines the proposed approach to determining the rate of contributions payable

by retained firefighters. The Department proposes that the rate of contributions paid by retained firefighters' is based on their reference pay. The rate is then applied to their actual pensionable pay. A retained firefighters' reference pay is the whole-time equivalent pensionable pay for that period of a regular firefighter employed in a similar role and with an equivalent qualifying service.

EXAMPLE: If a retained firefighter has three years qualifying service, then the contribution increase is likely to be based on the full time equivalent pensionable pay of a firefighter who has been employed for three years in a similar role.

Part time members

17. Paragraph 3(c) of the Firefighters' Pension Scheme draft Amendment Order and paragraph 3(d) of the New Firefighters' Pension Scheme draft Amendment Order set out the Department's proposal for part time staff. It is proposed that, for part time members, the rate of contributions payable will be determined based upon the full time equivalent salary for that member. The amount payable will then be based on the individual's pensionable (part time) pay.

EXAMPLE: A firefighter in the Firefighters' Pension Scheme Order works part time, doing 60 per cent of full time hours and earning £16,920. The full time equivalent salary is £28,200: The increase in contribution rate would be 1.3 per cent – the rate which applies to the full time salary of £28,200. However, the increase would just be paid on the firefighters' actual pensionable pay of £16,920.

How to Respond

If you wish to comment on the proposals contained within this document, please complete and return the response questionnaire which can be found in this consultation document or may be downloaded from the Department's website.

http://www.dhsspsni.gov.uk/index/consultations/current_consultations.htm

The completed response questionnaires can be returned by e-mail, post or fax.

Additional copies of the consultation package can be obtained by contacting the Department's Public Safety Unit either by phone or in writing. Details of the address and telephone number are shown below. Copies can also be downloaded from the consultation section of the Department's website.

If you require any of these documents in another format or language, please contact the Public Safety Unit.

The closing date for comments is 20 January 2012. Responses received after this date will only be considered in extreme circumstances and with prior agreement from the Department.

Please address any queries you may have regarding this consultation to Gillian McMaster.

By phone: 028 9052 2248
By fax: 028 9052 3343
By e-mail: firesafety@dhsspsni.gov.uk

By text phone: 028 9052 7668

In writing: Department of Health, Social Services and Public Safety
Public Safety Unit
Annex 4
Castle Buildings
Stormont Estate
Belfast
BT4 3SQ

Please ensure that the completed response questionnaire includes: your name, organisation (if relevant), address and telephone number, and whether your comments represent your own view or the corporate view of your organisation.

Please note that responses to this consultation will be subject to the Freedom of Information Act 2000 which gives the right of access to information held by public authorities.

Statutory Equality Duty in Northern Ireland

Section 75 of the Northern Ireland Act 1998 placed statutory equality obligations on all public bodies. Each public authority, in carrying out its functions in relation to Northern Ireland must have due regard to the need to promote equality of opportunity:

- between persons of different religious belief, political opinion, racial group, age, marital status or sexual orientation;
- between men and women generally;
- between persons with a disability and persons without, and
- between persons with dependants and persons without.

Public bodies are also required to have regard to the desirability of promoting good relations between persons of different religious belief, political opinion or racial group.

The DHSSPS has carried out a preliminary screening on this policy and that assessment suggests there will be no adverse impact in terms of equality of opportunity. However the Department is inviting responses to the following questions:

- Are the actions which are set out in this document likely to have an adverse impact on any of the 9 equality groups specified under Section 75 of the NI Act 1998?
- Are you aware of any indication or evidence – qualitative or quantitative – that the actions in this document may have an adverse impact on equality of opportunity or good relations?
- Does the proposed action plan afford an opportunity to promote equality of

opportunity and/or good relations?

- Are there any aspects of this action plan where potential human rights violation may occur?

Please Note

This consultation does not invite comments on the contribution rates for 2013-14 and 2014-15 as these will be the subject of further consultation.

This consultation concerns proposed increases relating to 2012-13 only.

Next steps after the consultation ends

Whilst it may not be possible to reply individually to responses, a summary of the responses to this consultation will be made available before or alongside any further action, such as laying legislation before the Assembly.

Confidentiality of information

The Information we receive, including personal information, may be published or disclosed in accordance with the access to information regimes (primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act 1998 (DPA) and the Environmental Information Regulations 2004).

If you want the information that you provide to be treated as confidential, please be aware that, under the FOIA, 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 will not, of itself, be regarded as binding on the Department.

The DHSSPS will process your personal data in accordance with the DPA and in most circumstances this will mean that your personal data will not be disclosed to third parties.

Comments on the consultation process itself

If you have concerns or comments which you would like to make relating specifically to the consultation process itself please contact:

Department of Health, Social Services and Public Safety
Public Safety Unit
Annex 4
Castle Buildings
Stormont Estate

Belfast
BT4 3SQ

Email: firesafety@dhsspsni.gov.uk

Response Form

Name:

Contact Address:

Postcode:

Contact Telephone

E-mail:

Are you replying on behalf of an organisation:

Yes / No

If yes please provide the name and address of that organisation.

1. May we contact you should clarification be required on your response?

Yes / No

2. Do the proposed tired contributions meet the objectives set out in the Government's Spending Review?

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

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

5. Is the treatment under the proposals of part time workers and retained firefighters' clear?

6. Any further Comments?

Please note that responses to this consultation will be subject to the Freedom of Information Act 2000 which gives the right of access to the information held by public authorities.

More than £15,000 and up to and including £21,000	11.6%
More than £21,000 and up to and including £30,000	12.3%
More than £30,000 and up to and including £40,000	12.4%
More than £40,000 and up to and including £50,000	12.6%
More than £50,000 and up to and including £60,000	12.8%
More than £60,000 and up to and including £100,000	13.0%
More than £100,000 and up to and including £120,000	13.1%
More than £120,000	13.3%

- (b) The Board shall determine the contribution rate payable by a regular firefighter on 1st April [for each year] [and notify the regular firefighter of that rate within [30] days].
- (c) Where the determination under sub-paragraph (b) relates to a part-time regular firefighter, the contribution rate which applies to him or her shall be determined in accordance with sub-paragraph (a) on the basis of the pensionable pay of a whole-time regular firefighter.
- (d) Where following a determination, there has been a permanent material change to the terms and conditions of a regular firefighter's employment which affects his or her pensionable pay during the year in relation to which the determination was made the Board may determine that the contribution rate notified in sub-paragraph (b) above shall cease to apply and the Board shall inform that regular firefighter of the revised contribution rate and the date from which the revised contribution rate will apply.
- (e) For the purposes of determining the appropriate pensionable pay band in the table set out in paragraph (2)(a), pensionable pay does not include any pensionable benefits paid to a regular firefighter by his or her employing authority under Article 16C(5) but those payments will be included in pensionable pay for the purposes of calculating the pension contribution to be paid."

Sealed with the Official Seal of the Department of Health, Social Services and Public Safety on ***

Name
A senior officer of the
Department of Health, Social Services and Public Safety

The Department of Finance and Personnel approves this Order.

Sealed with the Official Seal of the Department of Finance and Personnel on ***

Name
A senior officer of the
Department of Finance and Personnel

EXPLANATORY NOTE

(This note is not part of the Order)

**Draft Amendment Order for the New Firefighter' Pension Scheme Order
(Northern Ireland) 2007**

STATUTORY RULES OF NORTHERN IRELAND

2012 No.

FIRE AND RESCUE SERVICES

PENSIONS

**The New Firefighters' Pension Scheme (Contributions) (Amendment)
Order (Northern Ireland) 2012**

Made - - - - - ***
Coming into force - - - - - *1st April 2012*

The Department of Health, Social Services and Public Safety, in exercise of the powers conferred by Articles 10(1), (3), (4) and (5) of the Fire Services (Northern Ireland) Order 1984 (a), and now vested in it and with the approval of the Department of Finance and Personnel (b) in accordance with Article 10(1) of that Order makes the following Order:

Citation, commencement and application

4.—b) This Order may be cited as the New Firefighters' Pension Scheme (Contributions) (Amendment) Order (Northern Ireland) 2012.

- (1) This Order applies in relation to Northern Ireland only.
- (2) This Order shall come into force on 1st April 2012.

Amendment of the New Firefighters' Pension Scheme Order (Northern Ireland) 2007

5. Annex to the New Firefighters' Pension Scheme Order (Northern Ireland) 2007 (c) (in which the New Firefighters' Pension Scheme (Northern Ireland) is set out) is amended in accordance with article 3 of this Order.

6. In chapter 1 of Part 11 (pensionable pay, pension contributions and purchase of additional service), in article 63 (pension contributions) for paragraph (1) substitute—

“(1) (a) Subject to paragraph (d), a firefighter member shall pay pension contributions to the Board at the rate determined on the basis of his pensionable pay in accordance with the following table.

<i>Pensionable pay band</i>	<i>Contribution rate from 1st April 2012</i>
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(a) S.I. 1984/1821 (N.I. 11)
(b) Formerly the Department of Finance
(c) S.I. 2007/No 144

Up to and including £15,000	8.5%
More than £15,000 and up to and including £30,000	9.1%
More than £30,000 and up to and including £40,000	9.3%
More than £40,000 and up to and including £50,000	9.4%
More than £50,000 and up to and including £60,000	9.5%
More than £60,000 and up to and including £100,000	9.6%
More than £100,000 and up to and including £120,000	9.7%
More than £120,000	9.8%

- (b) The Board shall determine the contribution rate payable by the firefighter member on 1st April [for each year] [and notify the firefighter member of that rate within [30] days].
- (c) Where the determination under sub-paragraph (b) relates to a retained or volunteer firefighter the Board shall determine the contribution rate for that firefighter on the basis of the firefighter's reference pay.
- (d) Where the determination under sub-paragraph (b) relates to a part-time regular firefighter, the contribution rate which applies to that firefighter shall be determined in accordance with sub-paragraph (a) on the basis of the pensionable pay of a whole-time regular firefighter.
- (e) Where, following a determination under sub-paragraph (b), there is a permanent material change to the terms and conditions of a firefighter member's employment which affects his or her pensionable pay during the year in relation to which the determination was made, the Board may determine that the annual contribution rate notified under that sub-paragraph shall cease to apply and the Board shall inform that firefighter member of the revised contribution rate [determined in accordance with sub-paragraph (b) on the basis of the firefighter's pay following the material change], and the date from which the revised contribution rate will apply.
- (f) For the purposes of determining the appropriate pensionable pay band in the table set out in paragraph (1)(a), pensionable pay does not include payments made to a firefighter member by his or her employing authority in respect of his continual professional development, but those payments will be included in pensionable pay for the purposes of calculating the pension contribution to be paid."

Sealed with the Official Seal of the Department of Health, Social Services and Public Safety on ***

Name
A senior officer of the
Department of Health, Social Services and Public Safety

The Department of Finance and Personnel approves this Order.

Sealed with the Official Seal of the Department of Finance and Personnel on ***

Name
A senior officer of the
Department of Finance and Personnel