DEPARTMENT FOR COMMUNITIES AND LOCAL GOVERNMENT

Fire and Rescue Service

The Parliamentary Under Secretary of State for Communities and Local Government (Bob Neill): On 9 February I reported to the House on the Heads of Agreement on the firefighters' pension scheme to be introduced in 2015, which set out the Government's final position on the main elements of scheme design. My officials have continued discussions with the fire fighter unions and the Local Government Association over the remaining details of the firefighters' pension scheme.

The Government pays tribute to the importance of the work undertaken by our fire and rescue service and the bravery, dedication and professionalism of the men and women who work within it. The Government is committed to providing public service pensions that are sustainable, fair and effective.

Building on the proposals brought forward by Lord Hutton, the proposed final agreement aims to strike a balanced deal between public service workers and the taxpayer. They will ensure that public service workers continue to have access to good pensions, while taxpayers benefit from greater control over their costs.

Public sector pensions will remain among the very best available - a guaranteed level and inflation proofed. Only 1 in 10 private sector workers have access to such schemes.

I can now report to the House that discussions on the design parameters for the firefighters' pension scheme in England to be introduced in 2015 have been concluded. This sets out our final position on proposed scheme design, which we are asking unions to take to their Executives as the outcome of negotiations.

The headline elements of the proposed final agreement are set out below. The Government intends to maintain constructive dialogue with the fire fighter unions and the Local Government Association as detailed work goes forward.

There will be full statutory protections provided in the new Scheme for the accrued rights of existing Scheme members:

- all benefits accrued under final salary arrangements will be linked to the members' final salary, in accordance with the rules of the members' current schemes, when they leave the reformed scheme
- full recognition of a members' expectation to double accrual for service accrued under the Firefighters' Pension Scheme 1992 ('the 1992 scheme'), so that a member's full continuous pensionable service upon retirement will be used to calculate an averaged accrual rate to be applied to service accrued under the 1992 scheme
- members to be able to access their 1992 scheme benefits when they retire at that scheme's 'ordinary pension' age (i.e. from age 50 with 25 or more years pensionable service), subject to abatement rules for that scheme. Pensionable

service for the purpose of calculating the ordinary pension age will include any continuous pensionable service accrued under both the 1992 scheme and the 2015 scheme

- members of the 1992 scheme will continue to have access to an actuarially assessed commutation factor for benefits accrued under that scheme

There also will be transitional statutory protections for qualifying, existing members:

- all active scheme 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 their current Normal Pension Age. This protection will be achieved by the member remaining in their current scheme until they retire, which could be beyond 31 March 2022.

- there will be a further 4 years of tapered protection for scheme members. 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. The last day of protected service for any member will be 31 March 2022.

The core parameters of the new Scheme are set out below:

a. a pension scheme design based on career average revalued earnings

b. an accrual rate of 1/58.7th of pensionable earnings each year

c. there will be no cap on how much pension can be accrued

d. a revaluation rate of active members' benefits in line with average weekly earnings

e. pensions in payment and deferred benefits to increase in line with Prices Index (currently CPI)

f. Member contribution rates in the 2015 scheme from 1 April 2015 will average 13.2%, equal to the expected average of contribution rates in the 1992 and 2006 schemes on the 31 March 2015. However, as announced by the Chief Secretary to the Treasury on 20 December 2011, the Government will review the impact of the proposed 2012-13 contribution changes, including the effect of membership opt-outs, before taking final decisions on how future increases will be delivered in 2013-14 and 2014-15, and in the new scheme. Interested parties will have a full opportunity to provide evidence and their views to the Government as part of the review

g. without prejudice to the outcome of that review, tariffs for the 2015 scheme are likely to provide for lower rates for new recruits, with some tiered progressive increases for middle, high, and higher income earners

h. flexible retirement from the scheme's minimum pension age of 55, built around the scheme's Normal Pension Age of 60, with members able to take their pension from the scheme's minimum pension age, 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

i. 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

j. the Normal Pension Age will be subject to regular review. These reviews will consider the increasing State Pension Age and any changes to it, alongside evidence from interested parties, including unions and employers. It will consider if the Normal Pension Age of 60 remains relevant, taking account of the economical, efficient and effective management of the fire service, the changing profile of the workforce and the occupational demands of, and fitness standards for, firefighting roles

k. this regular review will be informed by research to be carried out, within the auspices of the Firefighters' Pension Committee, which will monitor and collate scheme data and experience

l. late retirement factors for members retiring from active service to be actuarially neutral from Normal Pension Age

m. a deferred pension age equal to the individuals' State Pension Age

n. an optional lump sum by commutation at a rate of £12 for every £1 per annum of pension foregone in accordance with HM Revenue and Customs limits and regulations

o. abatement in existing schemes to continue

p. ill-health retirement benefits to be based on the arrangements in the 2006 scheme

q. all other ancillary benefits to be based on those contained in the 2006 scheme

r. 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

s. members transferring between public service schemes would be treated as having continuous active service

t. an employer contribution cap with a symmetrical buffer.

The scheme actuary has confirmed that this scheme design does not exceed the cost ceiling set by the Government on 2 November. Copies of the proposed final agreement and scheme actuary verification have been deposited in the Library of the House.