

FIREFIGHTERS' PENSION COMMITTEE REVIEW OF OPT-OUTS: TERMS OF REFERENCE

Note by the Secretariat

Issue

- The Government is committed to reviewing the impact of the 2012-13 contribution increases on scheme members before taking final decisions on how future increases in 2013-14 and 2014-15 will be delivered.

Proposal

- As an interested party, the Firefighters' Pension Committee (FPC) has a role and interest in providing evidence to the Government Review through the Secretary of State. It is proposed that the FPC collates historic, current and prospective scheme specific data and experience on the impact of proposed increases to employee contributions from 1 April 2012.
- It is proposed that the FPC undertakes a review of the impact on the Firefighters' Pension Schemes in England and that the outcome of the FPC review should be submitted as evidence to the Government Review. Draft Terms of Reference for this review, including an invitation for parallel action by the devolved administrations, are contained as an annex to this paper.

Conclusion

- The committee is invited to consider, comment on, and agree the draft Terms of Reference attached at the annex.

Background

1. The Department will shortly set out its response to the consultation paper on proposed increases to employee contributions to apply from April 2012. This will set out the Department's final position on the contribution tariffs and tiers that will apply to each of the Firefighters' Pension Schemes from April 2012.
2. The Heads of Agreement for the Firefighters' Pension Scheme makes clear that the Government remains committed to securing, in full, the Spending Review savings from all public service pension schemes of £2.3bn in 2013-14 and £2.8bn in 2014-15, and will consult formally on implementation in due course.
3. However, before doing so, the Government has committed to reviewing the impact of the 2012-13 contribution increases, including on opt-out, before taking final decisions on how future increases will be delivered. Interested parties will have the opportunity to provide evidence and views to the Government as part of that Review.

Review of the impact of the 2012-13 contribution changes, including the effect of membership opt-outs, in England

Draft Terms of Reference

To conduct a review of the impact of increased employee contributions in the firefighter pension schemes on opt outs and participation rates in the Firefighters' Pension Scheme (FPS) and the New Firefighters' Pension Scheme (NFPS).

This review will be conducted under the auspices of the Firefighters' Pensions Committee so as to make a contribution to the Government's review of the proposed Year 1 contribution increases.

The Review will consider/identify:

- How many firefighters have been recruited over the last 12 months (identified by gender, age and duty system)
- Planned recruitment for the next 12 months (identified by duty system)
- The number of potential members of the FPS and NFPS;
- The actual number of active members of each scheme;
- These to be identified according to duty system (whole time/retained) in each scheme;
- These to be identified according to gender and race in each scheme;
- These to be identified according to age in each scheme;
- These to be identified according to length of service in each scheme;
- These to be identified according to current substantive role (rank); in each scheme;
- These to be identified according to current long term temporary role (rank); in each scheme;
- The number of Opt outs in each scheme, in total, and by each of the criteria, and any reasons given for opting out of the scheme;
- The number of new employees choosing not to join a firefighter pension scheme and any reasons given for not joining;
- The number of expressions of interest in opting out;
- The attitudes of employees towards contribution increases only;
- The attitudes of employees towards contribution increases combined with other proposed changes to the schemes from 2015 (e.g. cost; CARE; NPA etc)
- The attitude of employees towards the pension schemes and the potential impact of such changing attitudes to the viability of the schemes.

This review will be conducted by means of joint (quantitative) surveys of Fire and Rescue Authorities. In addition there shall be qualitative work undertaken (for example by means of focus groups) so as to identify the views and concerns of employees which may affect the long term viability of the schemes and participation in any scheme after 2015.

This review will commence in April 2012 with further quantitative surveys as required. The review will be completed in time to input into the broader Government review. There will be no further proposals for employee contributions increases until the Government review has reported its findings, which will include consideration of this fire service review.

Scope of Review

Whilst an FPC-led review can only formally cover English FRAs, the devolved administrations will be invited to consider the methodology, adopt a similar approach, and be involved with relevant meetings on the review.