

## Simple comparison between the government's proposed final agreement from May 2012 and the latest CLG proposals

<b>Firefighters' Pension Scheme: Proposed Final Agreement May 2012</b> This document sets out the Proposed Final Agreement on the scheme design for the Firefighters' Pension Scheme in England to be introduced from April 2015 ("the 2015 scheme"). The Government has made clear this sets out their final position on the main elements of scheme design, which unions will now take to their Executives. The Government reserves its position on all aspects of this proposed scheme design.	<b>Latest proposals June 2013</b>
<i>Accrued rights protection guarantee</i> 1. There will be full statutory protection for accrued rights for all members as follows: a. 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	No change
b. full recognition of a members' expectation to double accrual for service accrued under the Firefighters' Pension Scheme 1992 ('the 1992 scheme'), so that a members' 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	No change
c. 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	No change
d. members of the 1992 scheme will continue to have access to an actuarially assessed commutation factor for benefits accrued under that scheme.	No change
<i>4 Transitional protection</i> 2. There will be statutory based transitional protections for certain categories of members, as follows:	No change

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<p>a. all active scheme members who, as of 1 April 2012, have 10 years or less to their current Normal Pension Age<sup>1</sup> 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.</p>	
<p>b. 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 benefiting from the tapered protection will be 31 March 2022. At the end of the protected period, they will be transferred into the new pension scheme arrangements.</p>	No change
<p><i>Main scheme design parameters for a new Firefighters' Pension Scheme</i> 3. The main parameters of the new scheme from 2015 are set out below.</p>	
<p>a. a pension scheme design based on career average revalued earnings</p>	No change
<p>b. an accrual rate of 1/58.7th of pensionable earnings each year</p>	Changed to 1/59.7 <sup>th</sup> – this is a worsening to take account of the proposed enhanced early retirement options
<p>c. there will be no cap on how much pension can be accrued</p>	No change
<p>d. a revaluation rate of active members' benefits in line with average weekly earnings</p>	No change
<p>e. pensions in payment and deferred benefits to increase in line with Prices Index (currently CPI)</p>	No change
<p>5 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</p>	<p>Changed The latest proposal outlines that the average contribution rates will include the all the 3 schemes. The Brandon Lewis letter dated 19 June 2013 gives an estimate of what this will be for the 2015 scheme band that includes firefighters.</p>

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<p>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</p>	<p>It estimates that it will be;</p> <ul style="list-style-type: none"> <li>• 12.6% in 2005</li> <li>• 12.7% in 2016</li> <li>• 12.8% in 2017</li> <li>• There is no information provided for contribution levels beyond 2017</li> </ul> <p>It is important to recognise that there is a qualification on these rates. These lower contribution rates are based on assumptions that the FPS and NFPS contribution proposals for year 3 increases are fully implemented. If there is any change this will have to be reflected in the overall averages and could affect these. The FPS and NFPS contribution rates for year 3 have not been consulted upon and the opt out reviews are ongoing.</p>
<p>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</p>	<p>CLG is currently suggesting that the 2015 scheme has 4 tiers for employee contributions;</p> <ol style="list-style-type: none"> <li>1. 0-25k</li> <li>2. Above 25k- 50k</li> <li>3. Above 50k-100k</li> <li>4. Above 100k</li> </ol> <p>The suggested 0-25k is designed to cover the firefighters on trainee and development rate.</p>
<p>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<sup>2</sup></p>	<p>Changed – Brandon Lewis letter on 15<sup>th</sup> May 2013 proposes that active members of the 2015 scheme would have access their pension with an actuarial reduction from age 55 with the reduction made from NPA 60 instead of the deferred pension age (state pension age)          The figures contained in the letter show an actuarial reduction at age 55 of 21.8% and at 17.9% at age 56.</p>

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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	No change
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 2. Once a member is entitled to receive their 1992 scheme benefits, benefits taken from that scheme will not be actuarially reduced, even if the member has been transferred into the 2015 scheme.	No change
6 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	No change
l. late retirement factors for members retiring from active service to be actuarially neutral from Normal Pension Age	No change
m. a deferred pension age equal to the individuals' State Pension Age	No change
n. 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	No change
o. abatement in existing schemes to continue	No change
p. ill-health retirement benefits to be based on the arrangements in the 2006 scheme	No change
q. all other ancillary benefits to be based on those contained in the 2006 scheme	No change
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	No change

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s. members transferring between public service schemes would be treated as having continuous active service	No change
t. an employer contribution cap with a symmetrical buffer as set out below.	No change