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Dear Matt,

Since my letter of 5 June, my officials have continued to meet with FBU officers about the issues raised in the Trade Dispute letter. I am now in a position to set out the Government's final offer in relation to the terms of the Firefighters' Pension Scheme 2015.

On employee contributions, I am content that 13.2% should be the employee contribution yield delivered across all of the Firefighters' Pension Schemes, not just the 2015 scheme. I have asked the Government Actuary's Department to project forward the pensionable pay bill to 2015, 2016 and 2017 to enable us to calculate the yield that will need to be delivered in the 2015 scheme in those respective years.

Based on the projections from GAD, we currently estimate that the employee contribution rate in 2015 will need to average 12.6% in 2015, 12.7% in 2016, and 12.8% in 2017 in order to deliver a 13.2% average across all of the Firefighters' Pension Schemes. These rates are based on a number of assumptions which will be reviewed when we consult on the employee contribution rate to apply in the 2015 scheme; that consultation will follow once the impact – including on opt-out – of the final year of contribution increases in 2014-15 has been reviewed. This will affect the contribution ratios in the 2015 scheme, which will not be fully known until the outcome of the valuation of the Firefighters' Pension Schemes which is due later this year.

Prior to the setting of the cost ceiling, the Government took into account a number of the points that the FBU raised on the underlying assumptions in the cost ceiling. This included changes to the ill-health retirement assumptions and the take up rate of commutation by scheme members, this was reflected in the cost ceiling when initially issued.

We have previously discussed the actuarial reduction terms, in particular the recommendation in Dr Williams' report to extend the enhanced actuarial reduction arrangements so that firefighters between 55 and 57 years of age would be able to access their pension early on improved terms compared to that set out in the Proposed Final Agreement. My proposal is to adopt Dr Williams' recommendation on early leavers, the outcome of which is that the actuarial reduction rate to be applied would be 21.8% at age 55, and 17.9% at age 56, using today's assumptions. The revised accrual rate would be 1/59.7<sup>th</sup>. This is an improvement on the terms set out in the Proposed Final Agreement, and also the

early retirement terms in the New Firefighters' Pension Scheme 2006 where the reduction at age 55 is around 40%, and at age 56 is around 37%.

I am also content to establish a Joint Working Party with the employers to examine some of the workforce management issues that you raise. The current, draft Terms of Reference for that group is:

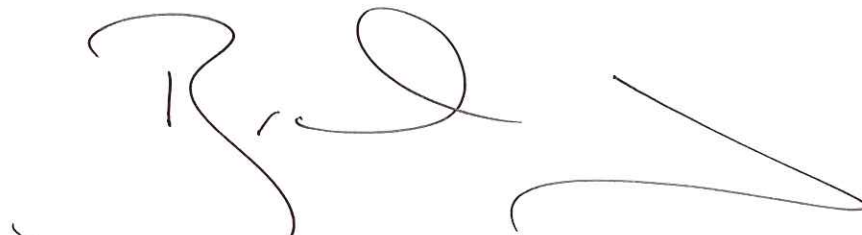
*"The Joint Working Party note that pension age will undergo a separate, regular review.*

*"This Joint Working Party will:*

- consider aspects of the role that have been identified as the most physically intensive and how they impact upon an individual's ability and fitness to carry out their role over time;*
- examine future options and trends in respect of continued employment and develop a best practice guide."*

This final offer has been made on the basis that it addresses the majority of the FBU concerns. As such, it is conditional on the FBU membership agreeing to its terms. I would be grateful if you could provide me with your response by 12 July, ahead of the summer recess.

I am copying this letter, for information, to Roseanna Cunningham MSP, Minister for Community Safety and Legal Affairs in the Scottish Government, Lesley Griffiths AM, Minister for Local Government and Government Business in the Welsh Government, and Edwin Poots MLA, Minister for Health, Social Services and Public Safety in the Northern Ireland Executive.



**BRANDON LEWIS MP**