

## **FIREFIGHTERS' PENSION COMMITTEE**

### **FIREFIGHTERS' PENSIONS: EMPLOYEE CONTRIBUTIONS**

#### **Note by DCLG**

At the meeting of the Committee on 17<sup>th</sup> November, in introducing paper FPC(10)15, the Chairman reported that DCLG was awaiting clarification from HM Treasury of how the increase in contribution rates should be applied and what, if any, flexibilities there were.

2. DCLG Ministers have now been informed by the Chief Secretary to the Treasury that the Firefighters' Pension Schemes for England will be expected to deliver annual savings of £33m-£37m by 2014-15 and that to ensure that the overall target can be met the Schemes should deliver 40 per cent of the savings in 2012-13, 80 per cent in 2013-14 and the full amount in 2014-15.
3. Ministers have made clear that the design of contribution increase options to achieve these savings should reflect their commitment to:
  - protect low earners;
  - make the increase progressive, so those on higher salaries make higher contributions; and
  - minimise any increase in opt-out
4. Ministers have agreed the need to be in a position to announce the full details of the increase in contributions in time for Budget on 23 March 2011, and to begin formal consultation on the changes immediately after this date.
5. Given the decision by Ministers to require Schemes to deliver greater savings in years 1 and 2, than in year 3, some adjustment is needed to the figures set out in section 7 of FPC(10)15, as we had worked on the basis of a minimum increase of 1% in each year. The increase to deliver the savings would now need to be 1.2% in 2012/13; 1.2% in 2013/14; and 0.6% in 2014/15. The increase in contributions by members of the NFPS would also need to be brought forward and also be incremental.
6. We are still in process of collecting data from fire and rescue authorities on numbers of members in each role so that we can estimate more accurately yield from any increases in contributions.
7. The figures given in paragraphs 7.2 – 7.4 will need to be adjusted to reflect the revised targets for the three years. It must be emphasised that these figures are indicative and provisional and are provided to assist discussion by the FPC. A contribution tariff will need also to be considered.

In the first year:

all members of the FPS by 1.2% to 12.2%	£ 9.96m
station officers & group managers by additional 1.2% to 13.4%	£ 1.61m
area & brigade managers by additional 2.4% to 14.4%	£ 0.54m
all members of the NFPS by 1% to 9.5% and introduce tiered contributions	<u>£ 2.00m</u>
Total	£14.11m
proportion of total pay bill	1.39%

In the second year:

all members of the FPS by 1.2%, i.e.13.4% basic & 14.6% station officers & group managers, and 15.6% for area & brigade managers	£ 9.96m
area & brigade managers by additional 1% to 16.6%	£ 0.23m
all members of the NFPS by 1% to 10.5%	<u>£ 2.00m</u>
Total	£12.19m
Running total	£26.30m
proportion of total pay bill	2.60%

In the third year:

all members of the FPS by 0.6%, i.e. 14%, 16.2% & 17.2%	£4.98m
all members of the NFPS by 0.5% to 11%	<u>£1.0m</u>
Total	£5.98m
Running total	£32.28m
proportion of total pay bill	3.19%

Conclusion

8. DCLG will need to review the calculations once it has received complete data from fire and rescue authorities but it is clear that this is a challenging target in principle to achieve that set by HM Treasury particularly if, as is expected, the pensionable pay bill of the FRS in England reduces over the period.

The Committee is invited to note developments and comment.