The Fire Brigades Union

Established 1918

General Secretary: Matt Wrack

Bradley House, 68 Coombe Road, Kingston-upon-Thames, Surrey, KT2 7AE

Telephone: 0208 541 1765 Facsimile: 0208 546 5187 E-mail: office@fbu.org.uk

Circular: 2014HOC0638MW

14th November 2014

TO: **ALL MEMBERS**

Dear Brother/Sister,

PENSIONS – ANSWERS TO LETTER FROM PENNY MORDAUNT TO COALITION MPs

The Fire Minister Penny Mordaunt has circulated a letter to coalition MPs. As with the previous similar letters to firefighters it is extremely biased. Some of the points she has raised have started appearing in responses back to FBU members who are lobbying their MP. Members who are speaking to MPs should also be aware that these points may form their response. The comments made in this response may assist.

To provide a balanced view a copy with our comments will also be distributed to all MPs.

PM: Dear Colleague,

THE FIREFIGHTERS PENSION SCHEME 2015

Last Tuesday regulations were laid before parliament which set out the terms of the reformed firefighters' pension scheme. Reform of the firefighters' pension scheme is vital. People are now living longer and the average 60 year old lives ten years longer now than in the 1970s.

As a result, the cost of public service pensions has increased in real terms by around a third over the last ten years and is now £32 billion a year. The average firefighter retiring aged 50 today is expected to live and draw a pension for 37 years in retirement after a career of 30 years. Lord Hutton, in his independent report, found that the Firefighters' Pension Scheme 1992 is the most expensive public service scheme and it is forecast to have a cash flow deficit of nearly £600 million by 2018-19. It is not fair on taxpayers to be expected to meet all of these costs.

FBU: This is an utterly illogical argument. The 1992 Firefighters Pension Scheme (FPS) has been closed since 31 March 2006 and all subsequent new entrants to the fire service were only eligible to join the 2006 New Firefighters Pension Scheme (NFPS). The FPS is an unfunded 'pay as you go' scheme meaning in theory that the benefits in payment are

paid by the active members of the scheme. The act of closing the scheme to new entrants would therefore always mean that the number of active members (those paying in) reduces while the number of those in retirement (receiving benefits) grows. The inevitable result of closing the scheme to new entrants is therefore to increase the deficit. In the long term, however, the deficit will reduce until it disappears completely.

At the time of closing the 1992 FPS all current members were told that they would remain in this scheme until their retirement. This assurance was subsequently scrapped under the current proposals. This decision was taken less than 5 years after the NFPS was imposed and has completely changed the situation. It now means that thousands of firefighters who pay over £4,000 a year from a salary of just over £29,000 will be forced into a scheme that has an unworkable normal pension age which does not take account of the physical nature of the role. The promises they were given on joining the service will be broken.

The argument that the 1992 FPS is the most expensive public service pension schemes needs to be balanced by the recognition that it is one of the most expensive public service pension schemes in terms of employee contributions and the taxpayer is not being expected to meet all of the costs. Under the current government proposals, the employees' share of the total costs will become one of the highest in any public sector scheme. The proposals for firefighters are less generous than the arrangements for government Ministers.

PM: From December 2011, a number of proposals for reform of the firefighters' pension scheme were discussed between the Department, employers and the firefighter representative bodies. Over a year after the Government published its preferred scheme design in May 2012, the Fire Brigades Union balloted its members for strike action. Since then there have been ongoing talks to try to resolve the dispute, and three consultations covering the pension regulations. We have listened to the responses made by all and refined the scheme to address some of the points made by firefighters. Laying the regulations now gives fire and rescue authorities time to implement the changes before they come into effect in April 2015.

FBU: The FBU has outlined various key concerns with the proposals, demonstrating and evidencing why the scheme remains unworkable. We have suggested several ways that these concerns could be addressed. Other administrations have considered and acted to address or partly address these concerns within the cost restrictions placed upon them. However, DCLG have chosen not to improve their current proposals.

PM: We are also consulting on an amendment to the Fire and Rescue National Framework for England to ensure that no firefighter aged 55 or over will face a risk of being left without a job or a good pension.

FBU: Currently a firefighter in England faces a real threat of dismissal without them being able to access to an unreduced pension. The 'good' pension suggested is one that would be reduced by over a fifth (21.8%). Firefighters do not accept that this offers any realistic choice.

The FBU has suggested how a smaller reduction could be achieved meaning that in this situation a firefighter would have a reduction of around 12%. The Government Actuary's Department (GAD) has confirmed that this is achievable within the cost restrictions placed on the scheme but DCLG has refused to offer this option. The Scottish government has formally proposed to adopt the FBU suggested method and is now suggestion that the reduction at 55 will be around 9%. The Welsh government is also planning to consult on this proposal.

The FBU has also provided legal advice illustrating clearly why the national framework does not provide the guarantee that the minister suggests. This has been clarified beyond doubt, including in a meeting involving lawyers from both sides. DCLG lawyers were not able to deny the very real threat of dismissals to firefighters in these circumstances. The DCLG process simply states that employers must simply 'have regard' to the national framework. This still allows the employer the discretion to dismiss a firefighter simply for experiencing a reduction in fitness related to age. The regulation option suggested by the FBU has been adopted in Scotland and introduces a regulation *which protects the firefighter in this situation from dismissal and provides access to an unreduced pension.*

PM: Our proposals underpin the fitness and capability processes that exist within individual fire and rescue authorities and complement the work being undertaken by a fitness group chaired by the Chief Fire and Rescue Adviser, Peter Holland. This group will provide an important opportunity for employers, employees and Government to consider the issues around fitness in more depth, and suggest practical action to address them. These steps will benefit all firefighters, not least women firefighters, and those who will work beyond 55 if they so wish.

FBU: Members of the FBU National Women's Committee met with the minister and raised several key concerns in relation to the current proposals. Some were generic while some were more specific to women firefighters. Despite giving an indication that she would be considering the points raised the proposals were not amended in the slightest and the concerns were completely ignored. The proposal imposes a pension scheme that will disproportionately impact upon women. The Williams' report recognised this as a significant concern. It remains unaddressed.

PM: As the impact of working beyond 55 years of age will only take start to take effect in 2022, there is time to ensure appropriate procedures are in place to reassure and support younger and older workers.

FBU: We are committed to ensuring firefighters have a pension scheme for the future that is fit for purpose in the long term and not just for the first 7 years until 2022. It seems that the fire Minister's remedy is simply to hope the problem goes away – or leave it to her successors.

PM: This process, linked with generous ill-health arrangements and the opportunity for redeployment, should ensure that firefighters can continue to receive one of the best pension packages of any public sector worker.

FBU: Suggesting there is an opportunity for redeployments is inaccurate. Firefighters had a similar promise in 2006 when the NFPS with an NPA of 60 was imposed. They were told that as the service moved increasingly from intervention to prevention, other roles would become available for firefighters to take up. This was inaccurate then and it is even more inaccurate now, as most non-operational roles have been reclassified as green book roles, attracting a lower salary to reduce employer costs.

PM: A third of all firefighters are already members of the New Firefighters' Pension Scheme 2006, which has a Normal Pension Age of 60. The 2015 scheme maintains a Normal Pension Age of 60 as recommended by Lord Hutton and incorporated into the Public Service Pensions Act 2013. Firefighters are the only workforce that will not see an increase in their open scheme's Normal Pension Age as part of the reforms.

FBU: Firefighters and the public recognise that expecting firefighters to fight fires and rescue people age 60 is ludicrous and dangerous. Firefighters who had an NPA of 60 imposed upon them in 2006 were given assurances that there would be redeployment opportunities available as they became unable to maintain their operational fitness. This argument is addressed in the previous FBU comment.

*It is misleading to suggest that firefighters will not see an increase in their NPA. In reality, thousands of active members of the firefighters pension scheme who were previously fully protected against changes to their normal pension age **will** now see an increase to their normal pension age as part of these proposals.*

PM: As a result of our consultation and representations received, we have made a number of amendments to the original scheme. We have extended the enhanced early retirement arrangements so that they now apply from age 55, meaning that, as a member of the 2015 scheme, a firefighter retiring from age 55 will keep a significantly higher proportion of their pension than if they were in the 2006 scheme. The changes mean that firefighters will have the same Normal Pension Age and enhanced early retirement provisions as available to members of the reformed police pension scheme, and a lower Normal Pension Age than the non-uniformed services.

> *FBU: The FBU submitted a pre-action letter challenging DCLG's initial proposal, which had a reduction of 47.1% for a firefighter retiring at age 55. The 21.8% proposal was removed by the previous minister Brandon Lewis in November 2013. We are confident that our potential challenge on age discrimination grounds convinced DCLG to reintroduce the 21.8% proposal. It is worth noting 21.8% is still a **huge reduction** and we believe the way it is worked out is unlawful and have suggested a way it could be addressed. The FBU has submitted a legal challenge on this issue.*

PM: Members of the Firefighters' Pension Scheme 2015 will also earn more pension for each year that they are a member of the 2015 scheme than if they were in the 2006 scheme. The reformed 2015 scheme further improves on the existing firefighters' pension schemes by removing the cap on the amount of pension that can be earned, providing pension enhancements when taken after Normal Pension Age, and giving members greater flexibility by allowing partial retirement. The 2015 scheme also introduces a career average pension arrangement, which is a fairer pension scheme for lower paid members who tend to have flatter career progression.

We have also put in place very generous protections, which see a greater proportion of firefighters protected from the reforms than any other large public service pension scheme. A member of the Firefighters' Pension Scheme 1992 who, on 1 April 2012 was aged 45 or over, will see no change in their benefits or retirement age. Firefighters aged 41 or over at that date will receive tapered protection, meaning that they will continue in their existing scheme for a longer period of time. As a result, less than a quarter of firefighters will see a change to their Normal Pension Age in April 2015, and no firefighter will have to work beyond their current Normal Pension Age until 2022.

> *FBU: The FBU has **campaigned for increased protection** since the proposals were first suggested. The current proposals do not protect those nearest to retirement, because they are simply based upon age and do not take into account length of service as other schemes (for example, as the police schemes do). This length of service protection has been proposed in Scotland.*

PM: Where firefighters are transferring to the 2015 scheme, they can be reassured that the pension they have built up in their existing schemes will be fully protected, and they can still choose to retire at the age they currently expect (which could be from age 50). Pension earned in the 1992 scheme will be enhanced further to recognise loss of access to double accrual, and all benefits earned in existing schemes will be calculated on the member's final salary on retirement. 1992 scheme members will also see a reduction in their employee contributions of two percentage points in 2015-16. After tax, this puts £460 back in their pockets in that financial year.

Members will continue to receive ill-health and survivor benefits if required, providing important cover for the member and their family should the worst happen. The department has also agreed to reduce the cost for authorities that choose to retire a firefighter over the age of 55 with an unreduced pension, providing them with greater flexibility to manage their workforces.

Importantly the reforms are fairer for taxpayers. They put the schemes onto a sustainable footing by removing the final salary risks associated with the old schemes, and by introducing a cost cap to limit future taxpayers' exposure on the costs of the scheme.

The Government recognises the importance of reassuring firefighters about changes to their pension in the future. We have given a 25 year guarantee that no changes to scheme design, benefits or contribution rates will be necessary, other than within the reform framework. On 10 October 2014, we issued a consultation on setting up a national Scheme Advisory Board and local pension boards, following Lord Hutton's recommendations on better scheme governance. We have proposed that local pension boards will include serving firefighters who will, for the first time, have a direct involvement in looking after their pensions. Alongside the pension regulations, the Department is also responding to the 'Normal Pension Age for Firefighters' review prepared by Dr Williams who made three recommendations to deal with the design of the pension scheme and a further seven recommendations on supporting firefighters remain operationally fit until age 60. We have accepted two of the three recommendations on the pension scheme design, and the 2015 scheme reflects this. However, the Department could not accept the recommendation to reduce the pension of firefighters who are permanently unable to undertake the role of a firefighter. The remaining recommendations concern fitness standards, assessments, training and data collection, all of which will be considered by the fitness group to be chaired by the Chief Fire and Rescue Adviser. Finally, the Department is content to commission subsequent reviews to further consider the impact of a Normal Pension Age of 60 on firefighters.

We have arrived at this final scheme after extensive consultation and consideration. It is a sustainable and fair pension package, which takes into account the unique and vital role of firefighters.

> *FBU: The minister has written previously to firefighters in England outlining that her goal is to deliver the 'best deal possible for firefighters'. She took up the post in July, but the proposal is **exactly the same** as the one that was put forward by her predecessor Brandon Lewis.*

Yours fraternally,

M. Wrack

MATT WRACK
GENERAL SECRETARY

SS/EMH