FireFighter

Pensions Special September 2005

FANCY A PAY CUT?

The ODPM proposes to amend the existing FPS for all current members and to introduce a new FPS for new firefighters. The plan is that both proposals will take effect on the 1st April 2006. Given the tight timescale however there is every chance that this timetable will slip.

The following is a summary of the new amendments for the existing FPS proposed by the ODPM following the 2004 consultation exercise.

Retirement age

There will be no "compulsory" retirement age in the sense of an age at which a member can be required to retire. Instead, a member will be able to carry on in the job as long as they remain fit enough for duty.

The minimum age at which a firefighter can leave and draw an immediate and unreduced pension will go up from 50 to 55 (regardless of the length of pensionable service).

Transitional Arrangements and Protection for Existing Pension Rights

In practice, the critical issue is the transitional arrangements to protect pension rights accrued pre- and post- April 2006:

Members who reach age 50 before the 1st April 2013 and have 25 or more years of service will not be affected by the changes. There has been some speculation that this date might be put back but the Government has not announced any intention to change it.

The earliest age at which other members will be able to take their pension without any reduction is age 55. They will still be able to take it at age 50 - 55 if they have 25 or more years of service **but there will be a reduction.**

The pension earned before the 1st April 2006 will be unreduced. The pension earned after the 1st April 2006 will be reduced, by approximately 5% for each year between the age of retirement and age 65. In other words, if a member retires at age 50, the reduction applied to post-April 2006 service will be 75% (15 years x 5%).

Alternatively they will be able to work to the age of 55. They will continue to accrue years of pensionable service between the ages of 50 and 55, up to a maximum of 35 years, but the accrual for the last five years will be in 1/45ths. So, after 35 years pensionable service the pension will be 35/45ths of final pensionable salary (that is 40/60ths plus 5/45ths).

As a third alternative, they could continue in work to age 50+ and after 30 years pensionable service, join the new Firefighters' Pension Scheme. The pension in the new scheme accrues in 1/60ths (see below) but the contribution rate is lower. At eventual retirement at age 55, his or her pension would be 40/60ths plus 5/60ths of final

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pensionable salary.

If they decide to leave the pension scheme instead, once they have built up a 2/3rds pension (for instance to take out a personal pension) they will be treated as an early leaver. In that event the pension will not be drawn until age 65 in line with the deferred pension arrangements.

Deferred Pension
This will also apply to any member who leaves the scheme at any other age (either by opting out of the scheme or leaving the FRS): the pension will normally be payable at age 65. It could be paid before then:

a. On the grounds of permanent ill health at any age, without any reduction.
b. At the age of 55 a member can request for it to be paid earlier, but the cost of the early payment would be met by the member via an actuarial reduction of benefits.
c. A member with less than 2 years service can claim a refund, or transfer accrued pension rights into another pension scheme.

Ill-health Early Retirement
There will be a two-tier arrangement, applicable to all existing members from day one.

If a firefighter, as the result of an injury or disease becomes unfit to perform the duties of a regular firefighter, then the FRS will have to look to see if there are other non-fire fighting roles that they can perform. If there are, then the firefighter concerned will not be able to take an ill-health pension at all.

If there is no possibility of continued employment in the FRS, then the new two tier scheme will come into play.

Higher Tier: those permanently disabled and unable to work again will receive an immediate enhanced pension based on a new sliding scale.

Lower Tier: this will be paid to those who can take other regular employment. They will receive an immediate pension based on length of service with no enhancements.

The decision whether a firefighter is (a) unfit to perform the duties of a firefighter or (b) unfit for any other work will be made under the current procedures for ill health early retirement.

Enhanced pensions will continue to be paid to firefighters forced to retire following a qualifying injury. The details are unknown because the consultation paper has not been published yet, even though the proposal is that it will come into effect on the 1st April 2006.

The ODPM is committed to the introduction of a new FPS for firefighters joining the Fire Service after the 1st April 2006. Again, given the tight timescale there is every chance that this timetable will slip. The new FPS will be an unfunded final salary scheme.

The following is a summary of the new scheme proposed by the ODPM following the 2004 consultation exercise.

The Scheme

1 The existing Firefighters' Pension Scheme will be closed on the 31st March 2006 and all new entrants to the Fire and Rescue Service will join the new pension scheme from that date (unless they elect to opt out in favour of a personal pension or no pension at all).

2 Membership will be open to firefighters irrespective of their duty system. So retained firefighters will be able to join but Firefighters' (Control) will not. Members of the existing scheme will be able to elect to join the new scheme. All members will still be able to transfer pension rights earned elsewhere into the scheme and purchase additional service by lump sum.

3 On entry a member might be excluded from the ill health provisions, if they are considered to be at greater risk of early retirement on the health grounds. In that case, they would pay a reduced contribution rate.

4 Pensionable pay will be defined as core pay and permanent emoluments. It will exclude overtime, flexible duty allowance, Retaining Fee and Retained Long Service Bounty payments to name but a few. CPD payments are still subject to review.

5 Scheme members would pay a contribution of about one third of the cost of the scheme Depending on the final design, the cost will range from 19% to 24% and the employees' contributions will therefore be between of 6.5% to 8% of pensionable pay.

6 There will be a single accrual rate of 1/60th with optional commutation up to a maximum of a 1/4 of pensionable pay at a flat rate of £12 for every £1 commuted, which will be the same for men and women.

Retirement Age

7 There will be no compulsory retirement age. The "normal" retirement age will be 60 but members will have an option to work beyond then if fitness permits.

8 The minimum retirement age will be 55. However, if a member retires before the normal retirement age, the cost of the early payment would be met by the member via an actuarial reduction of benefits. Their pension will be reduced, by approximately 5% for each year between the age of retirement and age 65. In other words, if a member retires at age 50, the reduction will be 75% (15 years x 5%).

Deferred Pensions

9 Deferred Pension age will normally be paid at the age of 65, but may be paid earlier:

a On the grounds of permanent ill health at any age, without any reduction.

b At the age of 55 a member can request for it to be paid earlier, but the cost of the early payment would be met by the member via an actuarial reduction of benefits.

c A member with less than 2 years service can claim a refund, or transfer accrued pension rights into another pension scheme.

Ill Health Retirement

If a firefighter, as the result of an injury or disease, becomes unfit to perform the duties of a regular firefighter, then the FRS will have to look to see if there are other non-fire fighting roles that they can perform. If there are, then the firefighter concerned will not be able to take an ill-health pension at all.

If there is no possibility of continued employment in the FRS, then the new two tier scheme will come into play.

10 a **Higher Tier.** Those permanently disabled and unable to work again will receive an immediate enhanced pension based on a sliding scale. Enhancements will be limited by reference to normal pension age, or 40 years' service, whichever is the lower.

b **Lower Tier**. Will be paid to those who can take other regular employment will receive an immediate pension based on length of service with no enhancements.

11 Ill Health Pensions will be subject to review by the FRA's

a. **Higher Tier.** If the condition of the former member improves so that the member can seek regular employment, the enhancement will be removed and substituted by a pension based on length of service.

b. **Lower Tier.** If the condition of the former member improves so that they could return to a role as a firefighter the pension will cease and be replaced by a deferred pension, the Authority will also have to consider re-employing the member.

Survivor Pensions

12 Widows' benefits will be extended to unmarried partners who have registered their partnership and civil partners.

13 For serving scheme members the spouse/partner's pension will be 50% of the member's notional pension. In the case of retired members it will be 50% of the former members' pension.

14 **Children.** The scheme will be extended to the children of unmarried partners, civil partners, step children, adopted children and other children dependant on the member or the spouse, unmarried partners and civil partners.

Five Year Guarantee

15 The member's estate will be guaranteed a maximum sum equal to 5 years pension (thereafter reducing incrementally for payments made), should the member die within 5 years of retiring. In the case of retired members spouse/partners will continue to receive 50% of the form members' pension.

16 At the members request they will be able to allocate part of their pension to a dependant.

Death Benefit

17 Death benefit would be 3 x pensionable pay.

Index Linking

18 Inflation proofing will be in line with the Retail Prices Index.

Firefighters' (Control) – LGPS

The Government decided not to proceed with proposed changes to the LGPS in April 2005 saying they intended to seek further consultation with key stake-holders! The key changes were to be:

- **Removal of the 85 Rule (the effect of which would be to increase the normal retirement age for most members from 60 to 65)**
- **To raise the earliest retirement age from 50 to 55 (excluding ill-health retirements)**

However, the Green Paper on Pensions still remains in the background. This sets out a whole series of proposals, to be introduced by 2008, for the future of the Local Government Pension Scheme, most of which, unsurprisingly, would be detrimental to our members. The following is a summary of some of those proposed changes:

Increased Contribution Rates for Members
Contributions would vary between 5.5% to 9% depending on earnings - contributions are currently 6%. For most Firefighters' (Control) that means contributions would go up.

Abolishing the Rule of 85
There was no clear commitment to protect current members' service, but a likely hefty reduction in pensions for those wishing to retire before 65.

Pensionable Pay
Restricted: Would be basic salary excluding allowances etc.

Il-Health Retirements - Two Tiered Scheme
The proposals intended to differentiate between:
(i) Those who are permanently incapable of performing any gainful employment -
(ii) Those incapable of continuing in their role but capable of other gainful employment.
Only those people in the second category would get an enhanced pension. However, a second tier of un-enhanced ill-health retirement benefits could be available to those who are incapable of continuing in their role, but who are capable of undertaking other employment.

Both the enhanced and the un-enhanced benefit would be subject to review, and could cease or be reduced if the member took up subsequent employment.

"While there may be improvements for **some** workers within the governments proposals, the vast majority of those on the two schemes that affect FBU members will find any new changes to those schemes to be to their detriment."

Paul Woolstenholmes
National Officer, Pensions

What you can do:

- **Keep up to date and attend branch meetings.**
- **Ensure the issue of pensions is on the agenda of all meetings.**
- **Set up a branch campaign group to lobby branch member MP, at local level.**
- **Elect a brigade pensions contact for your branch.**
- **Assist us in lobbying MP's to stop cuts to the pension scheme at national level.**
- **Be prepared to work with and support other public service unions in their campaigns to stop cuts to their pension schemes.**