

# firefighters' PensionSpecial

Government information

March 2006

## Safe and secure

**The debate over pensions has gathered momentum – to the extent that what was once regarded as a rather dry financial area has often made front-page headlines.**

The Turner Report, an independent report on the UK pensions system published in November last year, didn't mince its words. It said that the Government, employers and workers would have to do some hard thinking and take tough action in order to make sure that there was a pension for workers when they retired.

Members of public sector pension schemes are fortunate that the Government guarantees their pensions. But the Government has a duty to ensure that scheme benefits are appropriate and provide the taxpayer with good value for money.

All public sector pensions are being reviewed, and reforms to the Firefighters' Pension Scheme (FPS) start in April. These have come as the result of discussions and consultations in the Firefighters' Pension Committee that have continued since 1998.

The aim is to make sure that the reforms that are being laid down now will work as well as possible in the future.

But, inevitably, with an issue that is so important and emotive, many people are worried about what the changes will mean for them.

The Government has been listening to concerns about the new pension arrangements and discussing them with representative organisations. Significant changes have been made to the proposals which will help safeguard the future plans of existing firefighters and give protected rights to Retained Duty System firefighters who opt to join the new pension scheme. At the same time, the Government is ensuring that the overall costs of the existing and new firefighters' pension schemes together do not increase as a proportion of fire and rescue service expenditure.

This newsletter is to help you understand the reforms to the FPS.



Photo: West Yorkshire Fire and Rescue Service

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## How the numbers stack up

### The scheme now...

With 34,000 active members and 32,000 pensioners, and members who have deferred their pensions, the Firefighters' Pension Scheme (FPS) is one of the most generous of the public sector pensions (including the ambulance and coastguard services) – but it is also the most expensive and costs continue to rise. The total expenditure on pensions in 2006/07 will be £378 million and it's estimated that net pension costs will absorb 25 per cent of fire and rescue service expenditure by 2007.

### FPS: members' contributions

Members contribute 11 per cent of their pensionable pay. This high level ensures that members can enjoy a full pension, of two-thirds of a final salary, from the age of 50 with 30 years' service.

### FPS: taxpayers' contribution

The full cost of the scheme is now 37.5 per cent of pensionable pay and is set to increase, but with no increase in members' contributions. This means the taxpayer must pay 26.5 per cent.

### Other public sectors: members' contributions

Although other public sector workers normally pay between 6 and 7 per cent of their pensionable pay, full pensions are usually paid at the age of 60 or 65 with 40 years' service.

### Other public sectors: taxpayers' contribution

Other public service schemes cost between 18 and 22 per cent of pensionable pay, which means the taxpayer pays 12 to 15 per cent.

### ...and in the future

The changes will reduce costs and make sure that, for the time being, there will be no need for higher contributions from members – and the FPS and New Firefighters' Pension Scheme (NFPS) will **still** be among the most generous of public sector pensions.



Photo: Merseyside Fire and Rescue Service

## UK pensions – the bigger picture

**The Turner Report, published in November last year, offered perhaps the loudest wake-up call so far in the pensions debate.**

The report said that:

- unless a new pensions settlement is agreed and put in place, the problems in the pension system will grow increasingly worse;
- people are living longer and this will become a problem if we fail to think through the policy responses required;

- the key to the future is the basic principle: the state pension age has to go up with life expectancy;
- unless people are willing to discuss a rise in the state pension age, they are not serious participants in the debate.

**Fact: by 2050 there will be twice as many pensioners as there are in 2006.**

## At a glance

### What is happening on 6 April?

- The **New** Firefighters' Pension Scheme (NFPS) will be introduced for **all** new firefighters joining the fire and rescue service from 6 April 2006.
- The **existing** Firefighters' Pension Scheme (FPS) will be closed to new members from this date.

### How will I be affected as an FPS member?

- You will not be affected. The FPS will remain the pension scheme for those who are already members of the scheme.
- There are some changes to the arrangements for ill-health retirements. Please see page 4.
- Maximum pension benefits will remain two-thirds of pensionable pay.

### What benefits do I get in the NFPS?

- The NFPS is open to **all** firefighters – including regulars (whether full or part-time) **and** retained firefighters.
- Employee contributions are **less** at 8.5 per cent rather than the 11 per cent in the FPS.
- There are unmarried partner benefits.
- If a firefighter dies, his/her survivors get a lifetime award.
- Two-thirds of pensionable pay will be paid at age 60 after 40 years' service.
- Members aged 55 can decide to retire and take an actuarially reduced pension (this means the amount is decided by a professional pension expert) or, under certain conditions and with the agreement of their fire and rescue authority, take an unreduced pension.
- Members can also stay on in the fire and rescue service and accrue their pensions for a further five years so that there is a bigger pot at the end.

### If I'm an FPS member, can I transfer to the NFPS?

Yes. You may want to take advantage of:

- lower contributions;
- unmarried partner benefits;
- the opportunity to build a bigger fund, over a longer period of time.



Photo: West Midlands Fire Service

## I'm in emergency fire control – am I eligible to join the NFPS?

- No. Emergency fire control staff remain members of the Local Government Pension Scheme (LGPS), which is also introducing reforms in 2008. There's more information on the dedicated LGPS website at [www.lgps.org.uk](http://www.lgps.org.uk).
- Discussions have begun to explore the possibility of emergency fire control staff having access to the NFPS, subject to costs.

## How are ill-health retirements affected after 6 April?

The criteria for ill-health retirement have **not** changed. However, after 6 April, there will be **two** different awards – depending on the length of service and type of ill-health:

- One awards a pension, based on length of service, to a member who **is** able to do another regular job (defined as 30 hours a week).
- The other awards an **enhanced** pension to a member who is **not** able to do another regular job.



## What happens if I'm forced to retire because of an injury I get while on duty?

The Government is reviewing death and injury benefits and there will be a **full** consultation before any changes are made to the current provisions.

In the meantime, to comply with new tax rules, all death and injury benefits will be looked after under a separate compensation scheme. This also makes sure that the pension scheme can remain a registered scheme so that members can continue to get the tax benefits from their pension contributions.

The Government is taking the opportunity to put the Grey Book death benefits of five times pensionable pay on a statutory basis.



## Retained firefighters

- Included in the pension scheme for the first time, in response to demand.
- Put on the same footing as part-time firefighters as far as pensions are concerned.
- Rights to compensation under the FPS protected for employment before April 2006.



Photo: Warwickshire Fire and Rescue Service

## Busting a few myths

### **Increasing the normal pension age in the NFPS from 55 to 60 will increase the risk of ill-health and injury retirements.**

There is no compulsory retirement age for firefighters and, subject to fitness, firefighters may remain in employment beyond the current normal pension age of 55.

Improved standards of fitness and good quality occupational health arrangements, plus greater opportunities to develop competencies in supporting the wider functions of the service, in particular fire safety, mean that there is not expected to be any adverse impact from the normal pension age for new entrants being set at age 60.

The minimum pension age under the NFPS will be 55, and fire and rescue authorities will have discretion to allow scheme members to retire with a pension from this age.

### **These changes are only happening because in the boom times the firefighters' pension fund was squandered.**

There has never been a central fund because public sector pension funds are 'pay as you go'. This means that employees and taxpayers pay the pensions each year but these contributions become part of the general revenue stream. Regardless of the ups and downs of the economy or of the Stock Exchange, public sector pensions are guaranteed.



### **FPS members will have to work longer.**

No. The Government is prepared, after further discussions, to withdraw the proposal to raise the minimum pension age for existing firefighters.

### **The NFPS is a bad pension scheme.**

It will be one of the best public sector pension schemes. It offers a good final salary pension. Plus, retained firefighters can join the NFPS – and there are benefits for unmarried partners.

### **The changes are being made to save money.**

The Government is acting now to ensure that the fire and rescue service has good quality and secure pensions which remain affordable, viable and acceptable to the taxpayer.

If costs are not reduced now, it will not be possible to offer a good pension scheme to the firefighters of the future, and front-line services will be put at risk.

### **I'll lose £3,000 from the ill-health 'lower-tier' settlement.**

Ill-health awards are not compensation for duty-related injuries but recognition that a person is no longer fit to undertake the duties of their role.

Even if you had a minimum-wage job, you'd still earn £7,200 in the first year alone. The skills that firefighters develop in their careers mean that they generally earn well above the minimum wage when they leave the fire and rescue service.

All public sector schemes are required to move towards two-tier ill-health arrangements and the fire and rescue service is no exception.



## The fire and rescue service – a changing role in a modern world

The London bombs. The Buncefield oil depot explosions. It is no surprise that fire and rescue service personnel are well-regarded and trusted members of their communities across the country.

But as well as dealing with fire and rescue incidents, the fire and rescue service also has a wide range of other vital roles that reflect changing attitudes in a fast-moving society where the emphasis is on risk-awareness, prevention, training and knowledge.

In future, there will be an even greater emphasis on community roles such as fire safety and prevention in schools, businesses and public places, with scope for different career opportunities within the fire and rescue service and over a longer period of time.

Today, the fire and rescue service offers a more varied career than it did in the past, opportunities to develop a range of transferable skills, and one of the best pension schemes in the public sector. It is hardly surprising that the service is attracting new 'older' recruits, often in their late 20s and 30s, who've had other jobs and feel that the fire and rescue service will give them better job satisfaction – and a decent pension. This also means that more firefighters want to remain in the service over the age of 55 to maximise their pensions.



Photo: Merseyside Fire and Rescue Service

## Planning ahead

It is never too early to plan ahead for retirement, taking into account all your unique circumstances, family needs, future plans – and, of course, your income and outgoings.

**Get sound financial advice** and don't necessarily go with the first adviser you meet – some are on commission from finance companies to sell particular products; independent financial advisers (IFAs) are regulated by the Financial Services Authority (FSA), the industry regulator, and can give advice about a range of products.

There are many sources for finding IFAs, but [www.fsa.gov.uk](http://www.fsa.gov.uk) is the website for the FSA, which lists approved advisers and has useful sections on pensions.

### Other useful websites

[www.odpm.gov.uk/firepensions](http://www.odpm.gov.uk/firepensions) has the background consultation documents and draft guidance for the new financial arrangements.

[www.dwp.gov.uk](http://www.dwp.gov.uk) has more on the Turner Report and other pension information.

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