

# FBU Pensions Bulletin



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October 2012 • Number 7

## PUBLIC SERVICE PENSIONS BILL

### FBU says government pension proposals are unaffordable, unworkable and unacceptable

The Public Service Pensions Bill, which is currently being discussed at Westminster, reads like a done deal. It is not a deal agreed with firefighters – particularly with regard to the normal pension age (NPA) and the proposed increases to the employees' contributions.

The government's "offer" published on 24 May 2012 included a commitment to review both the NPA for firefighters and firefighters' contributions<sup>1</sup>. Both these reviews are ongoing and due to report before the end of this year. The legislation does not take note of the evidence presented for these reviews.

The Fire Brigades Union, which represents the vast majority of professional firefighters in the fire and rescue service, has not accepted the government's current proposals for a new firefighters' pension scheme. The union believes that an occupational pension scheme for firefighters must reflect the realities of firefighting if it is to remain sustainable in the long run.

**The FBU believes the legislation should be amended to reflect the concerns of firefighters. There is still time to devise a workable new scheme.**

#### 1) Normal Pension Age

The Public Service Pensions Bill 9(2) currently proposes a normal pension age (NPA) of 60 for firefighters in the proposed pension scheme. The NPA is defined in the Bill 9(5) as "the earliest age at which a person is entitled to receive

benefits under the scheme (without actuarial adjustment) on leaving the service to which the service relates"<sup>2</sup>.

This means the government is proposing that all firefighters continue to attend house fires, factory and office fires, car accidents, explosions, civil disturbances, terrorist incidents, floods and other emergencies until they are **60 years of age**. At present, nearly 24,000 or two-thirds of firefighters in a pension scheme are members of the Firefighters' Pension Scheme (FPS)<sup>3</sup>. The NPA for these firefighters is 55 years of age, with most able to retire in their early 50s.

**The Fire Brigades Union believes that this proposal is unworkable for firefighters and will destroy the firefighters' pension scheme.**

#### Nature of firefighting

Firefighters perform a number of activities individually and in teams such as running, crawling, climbing, lifting, lowering, carrying and hammering. Common activities include ladder lifting and raising, hose running and connection, connecting hoses to water supplies, manipulating and operating portable pumps, rescue and evacuation procedures, and wearing breathing apparatus. Worst case scenario plans involve "casualty evacuations, search and rescue, operating heavy rescue equipment, propping and shoring buildings, and carrying equipment over uneven surfaces (rubble, ploughed fields, etc)"<sup>4</sup>.

<sup>2</sup> HM Treasury, *Public Service Pensions Bill 2012-13*

<sup>3</sup> CLG, *Firefighters' Pension Scheme 2015: Equality Statement*, September 2012

<sup>4</sup> Optimal Performance Ltd, *Operational physiological capabilities of firefighters: Literature review and research recommendations*. Fire Research Technical Report 1/2005 p.24

<sup>1</sup> Bob Neill, *Written ministerial statement: Fire and Rescue Service*, 24 May 2012, Hansard 77WS

The public rightly expects the fire service to operate in inherently dangerous situations to save life and property and to render other assistance. The firefighters' pension scheme reflects the nature of the job. Firefighters' work can be "physically demanding and require sustained effort for long periods, often in arduous conditions"<sup>5</sup>. It is a career widely recognised as "among the most extreme non-military, vocational experiences" in modern life<sup>6</sup>.

## Medical evidence

The government has provided no evidence that firefighters can work in an operational role – which means going out daily on a fire appliance to intervene in emergencies - until they are 60. Less than 1% of wholetime firefighters currently work beyond 55<sup>7</sup>.

The NPA figure of 60 was proposed in John Hutton's pension report as something for government to "consider", but no evidence was provided to justify it<sup>8</sup>. The FBU has written to Lord Hutton seeking his supporting evidence for this figure, but has received no reply.

Previous government reports into the normal pension age for firefighters – such as the Haisman report and the Fire Service Pensions Review during the 1990s - **accepted that 55** was the right NPA, given the nature of the occupation and the physiological demands on firefighters. There have not been substantial changes to firefighters' roles since then to justify making operational firefighters work to 60.

## Health and fitness

No evidence has been produced to show how firefighters can maintain their health and fitness to work safely until they are 60. There are "recognised age related declines in physical potential" in people for well understood physiological reasons<sup>9</sup>. Because firefighting is accepted as a physiologically challenging profession dealing with safety-critical emergencies, these concerns are a matter of life or death for firefighters and the public.

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5 Richard Stevenson, Paul Wilsher and Kevin Sykes, *Fitness for Fire and Rescue. Standards, Protocols and Policy*, FireFit Steering Group, 2009 p.7

6 Michael Haisman, *Age limits for serving firefighters*, Home Office Fire Research and Development Group, 1996 p.34

7 CLG, *Annual Returns, Age and Gender of Wholetime and Retained duty system personnel (headcount) in England at 31 March 2011*

8 Independent Public Service Pensions Commission, *Final Report*, 10 March 2011 p.14

9 Richard Stevenson, *Testing Physical Capability in the UK Fire & Rescue Service. Review and Recommendations*. FireFit Steering Group, 2006

Academic papers generally conclude that only elite athletes can maintain the levels of fitness required by the UK fire and rescue service for firefighting well into their 50s. Most fire and rescue services already have fitness policies in place, yet firefighters' themselves say that working into their 50s is very tough.

There is no public enthusiasm for an aging fire service. Similarly, research for CLG on firefighter attitudes to their pension, including the impact of increased employee contribution rates (August 2012), indicated grave concern with an NPA above 55. Many firefighters when asked were adamant that they would not be able to be "running around putting out fires at 60".

**The FBU believes MPs have the right to ask to see the government's evidence for making such a drastic change to firefighter pensions.**

## Equality

The fire and rescue service has made progress in recent years making the service more representative of the communities we serve. Since the early 1980s, more women and minority ethnic people have been recruited. This has undoubtedly improved the quality of the service.

The imposition of inappropriate and unrealistic fitness standards, together with expensive and time-consuming testing regimes designed to make all firefighters work longer, are also likely to drive large numbers of highly effective professionals, especially women operational firefighters, out of their jobs.

**The FBU believes that firefighters should reflect the diversity of the communities we serve. That means a pension scheme that is appropriate to the job we do and the people who do it.**

## Redeployment

Around 13,000 firefighters are members of the New Firefighters' Pension Scheme (NFPS), of whom 7,000 are retained (part-time) firefighters and with the remainder wholetime<sup>10</sup>. The NFPS, imposed by the last government in 2006, has an NPA of 60. **No supportive health or medical evidence was provided** for this change. Instead the government promised that the changing nature of the job, with more fire prevention work, would create roles that older firefighters could be redeployed into.

The government stated at the time that "greater emphasis

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10 *Firefighters' Pension Scheme 2015: Equality Statement*, September 2012

on fire safety will create a wider range of job opportunities where some experience of firefighting and other emergency work will be beneficial”<sup>11</sup>. This was the main argument used to justify the new NPA. The FBU said at the time it was based on false assumptions and brought in without supporting evidence. Since then, fire authorities have restructured and removed any potential redeployment opportunities (apart from exceptional cases).

The FBU has recently surveyed every fire and rescue service to determine what opportunities they had for redeploying firefighters deemed unfit for operational duty on ill-health grounds. Annually this currently involves less than one hundred firefighters in England, with an NPA of 55<sup>12</sup>. **Only 5 of the 46 English fire and rescue services** confirmed that they currently have any redeployment opportunities. The total number of redeployment presently available for England is **16 posts**<sup>13</sup>. Clearly this is far too few even for existing requirements, never mind increasing numbers of firefighters if the NPA becomes 60 for all.

This evidence invalidates the government’s claims and shows the flawed logic behind previous changes. The current position does not reflect the scenario suggested by the government when this decision was made.

The FBU believes that a sustainable occupational pension scheme should reflect the nature of the profession. In the case of firefighters, it should include an NPA that the vast majority of firefighters are capable of reaching.

Firefighters believe that designing a new pension scheme around an NPA of 60 will simply destroy it in the near future – with huge increases in ill health retirements, a surge of capability dismissal cases or mass opt-outs. Such a scenario will end up damaging an essential public service and cost the public purse more.

**The FBU believes that MPs will not support a pension scheme based on an unworkable NPA and which is premised on sacking hard working firefighters in the years before they can retire, after a lifetime of public service.**

## Higher NPA could be more expensive

During earlier discussions over firefighters’ pensions, the Government Actuary’s Department (GAD) confirmed that

<sup>11</sup> ODPM, *Government Proposals for a New Firefighters’ Pension Scheme: Government response to the consultation*, 21 September 2005

<sup>12</sup> CLG, *Fire and Rescue Service: Operational Statistics Bulletin for England 2011-12*, 25 September 2012

<sup>13</sup> FBU research, October 2012

increasing the NPA from 55 to 60 would lead to more ill-health retirements. To try to cost this, the FBU asked First Actuarial consultants to provide an assessment of the potential impact of any rise in ill-health retirements on the existing schemes<sup>14</sup>.

First Actuarial found that ill-health retirements dramatically increase with age. The current assumption for ill-health retirements is 5%. An increase in ill-health retirement by only 10% to 15% will nullify any savings, while an increase by 20% would actually make the proposal scheme more expensive than the current arrangements.

## 2) Contribution increases

Firefighters in the FPS already **pay 11.6% of salary** in pension contributions – among the highest in the public and private sectors. Officers pay more – up to 13% for the highest earners. In April this year, these contributions rose from 11%, despite firefighters experiencing a second year of a pay freeze.

For firefighters in the NFPS, contributions now start at 8.8%, up from 8.5%. Officers pay more – up to 9.7% for the highest earners<sup>15</sup>.

The government originally planned to increase FPS contributions by 1.3% this year (and 0.6% for the NFPS). It assumed that 1% might opt out as a result of these changes. The FBU presented evidence that 12% or more would be “very likely” to opt out as a result. This would have wiped out any financial gains the government might have made, as well as hitting hardworking firefighters’ pockets and damaging the pension scheme.

The Public Service Pensions Bill does not set out the increased level of contributions expected from firefighters over the coming two years, nor does it set out how much firefighters will be expected to pay once the new scheme begins in 2015.

However the written ministerial statement of 24 May 2012 stated that firefighters will be expected to pay **at least 13.2% of their salaries** in the new scheme<sup>16</sup>. The increase would be a whopping **4.7% extra contributions** for younger and retained firefighters in the NFPS – an increase of **at least £110 more per month** for wholetime firefighters. It would

<sup>14</sup> First Actuarial, *Report to FBU: Impact of Government’s proposals for members of the FPS and NFPS*, 31 August 2011

<sup>15</sup> *Firefighters’ Pension Scheme (1992) and New Firefighters’ Pension Scheme (2006): Proposed increases to employee contributions rates: Consultation - Summary of Responses*

<sup>16</sup> Bob Neill, *Written ministerial statement: Fire and Rescue Service*, 24 May 2012, Hansard 77WS

represent over £50 extra per month for firefighters in the FPS. Officers would pay as much as 16%, or over £250 per month.

**The FBU believes that MPs should challenge the unfairness of expecting firefighters to bear the costs of deficit reduction, despite playing no part in damaging the government's finances.**

### **Increased costs to government**

Research for CLG on firefighter attitudes to their pension, including the impact of increased employee contribution rates (August 2012), makes it clear that firefighters overwhelmingly oppose increases of this magnitude – particularly when tied to a higher normal pension age. Any increases in the context of a pay freeze and inflation are unfair.

All these considerations suggest that a new pension scheme built around further increased contributions will be self-defeating: any revenue gained by the Treasury from increased contributions will be lost as firefighters react to further reductions in their current living standards by opting out or not joining when they have the opportunity.

In 2011, CLG indicated that the proposed increase to firefighter contribution rates would realise a cash saving of £33 million per annum by 2014, based upon an opt out

rate of 1%. However, a YouGov survey for the FBU in 2011 found that 12% of firefighters said they were “very likely” to opt out if contributions rose, while one in four (27%) said they were “likely” to leave it. Opt outs above 7% would wipe out any revenue gained – and more firefighters opting out could end up **costing the taxpayer** an extra quarter of a million pounds over three years.

It is possible the government will end up having to put more revenue in to prop up the scheme. The FBU has presented evidence from First Actuarial consultants, which indicates the substantial cash flow problems these contribution increases could create for the sustainability of the scheme<sup>17</sup>. The worst case scenario is that the new pension scheme proves unworkable and crashes.

**The FBU believes that there is a real danger of a significant number of firefighters opting out of a new pension scheme and thereby making such a scheme unsustainable for the rest. Firefighter pensions are rightly seen as part of the social contract for firefighters, who risk their own wellbeing throughout a long career to help others.**

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<sup>17</sup> First Actuarial, *Report to FBU: Impact of Government's proposals for members of the FPS and NFPS*, 31 August 2011



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