

Written Ministerial Statement: Reforms to the Firefighters' Pension Schemes

People are now living longer, with the average 60 year old living ten years longer now than they did 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 at age 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. Taxpayers cannot be expected to meet all of these costs.

From December 2011, a number of proposals for reform 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 that period there have been further talks to try to resolve the dispute, and three consultations covering the pension regulations. We have listened to the responses made to these consultations and refined the scheme design to address points made by firefighters.

Today, the Government will lay regulations setting out the terms of the reformed firefighters' pension scheme before Parliament and these will incorporate the changes that we have agreed to the scheme design. Laying the regulations now gives fire and rescue authorities time to implement the changes before they come into effect in April 2015.

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. 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. 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 both the younger and older worker. 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 worker.

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.

As a result of our consultation and representations received, we have made a number of changes to the scheme originally proposed. 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.

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.

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 benefit from ill-health and survivor benefits, 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 Advisor. 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 role of firefighters. Copies of the associated documents will be placed in the library of the house and they are also available on my department's website.