

# Frequently Asked Questions

## Pension reforms

### **Why is a new pension scheme for firefighters being introduced?**

People are now living much longer and, as a result, the cost of public service pensions have increased by around a third. Despite recent scheme changes, most of these increased costs are being met by taxpayers. As a result, all public service pension schemes, including the firefighters' pension scheme, are being reformed.

For 2012-13 the total taxpayer contribution to the Firefighters' Pension Scheme was £557 million, compared to £106 million from firefighters, meaning that taxpayers contribute £5 for every £1 put in by firefighters. For context, in 2008-09 the cash flow scheme deficit was £260 million, in 2012-13 it was £370 million, and in 2017-18 it is forecast to rise to £570 million.

### **Why can you not change the scheme for new joiners only?**

Lord Hutton, in his independent report, found that the Firefighters' Pension Scheme 1992 is the most expensive public service pension scheme and the most recent valuation found that the cost of the scheme has continued to rise.

If members of the 1992 scheme were exempted from the reforms, firefighters would continue to earn pension in the 1992 scheme into the late 2030s. However, a greater proportion of firefighters are protected than any other large public service workforce, and less than a quarter of firefighters will see any change in their retirement age in 2015 when the reforms come into force. It would not be fair on other public service workforces to exempt firefighters from the reforms when other workforces are having their pensions reformed.

### **Are there likely to be further changes in the future?**

The reforms seek to manage the two main drivers of cost - longevity and final salary – which should ensure that there is no need for further reforms. This is why the Government has given a 25 year guarantee that no changes to scheme design, benefits or contribution rates should be necessary for 25 years.

### **Why are you consulting on the pension reforms if no agreement has been reached?**

In May 2012, following extensive discussion with unions and employers, the Government published the Proposed Final Agreement as the basis for reform. The Government made clear that this set out their final position on the main elements of the pension scheme, which unions were to take to their Executives. This consultation implements the Proposed Final Agreement.

Leading up to the publication of the Proposed Final Agreement in May 2012, the Government agreed to 4 years of tapered protection, longer than the majority of other public service workforces; firefighters being able to retire from age 57 with improved terms; an immediate review of the Normal Pension Age and further, regular reviews to follow; and a lower employee contribution increase in 2012-13 and a formal review of opt outs.

Following further discussions with the unions, Brandon Lewis MP, Minister for the Fire Service, wrote in June 2013 proposing an extension of the improved early retirement terms down to age 55, lower, average employee contributions to apply for the 2015 scheme from 2015, and a Joint Working Party to examine workforce management issues around fitness.

## **What happens to the pension I have built up before April 2015?**

The pension that you have built up before you transfer to the 2015 scheme is fully protected, will be calculated on your salary at retirement, and can be taken at your current pension age. This includes from age 50 with 25 or more years of service for current 1992 scheme members.

## **Pension**

### **How much pension will I get?**

For every year that you work, you will earn 1/58.7<sup>th</sup> of your pay to be put into your pension account. So for instance if you earn £30,000, you will earn £511 in pension every year. This will be uprated in line with average weekly earnings, which is forecast to run at over twice the rate of inflation in the long term. A pension calculator for the reforms can be found at the link at the end of this document.

### **What is the maximum pension that I can earn?**

There is no cap on the amount of pension that you can earn in the Firefighters' Pension Scheme 2015. If you transfer across from the Firefighters' Pension Scheme 1992, you will not be limited to only 30 years service and will continue to earn pension for every year you remain in employment.

## **Contributions**

### **How much will I contribute in the new scheme?**

No decisions have been taken on employee contribution rates in the Firefighters' Pension Scheme 2015 as the Government agreed a request from the unions to consider the opt out rate before taking final decisions about contribution rates. However, the contribution rate across all of the firefighters' pension schemes will need to average 13.2%, meaning that the average rate in the 2015 scheme is likely to be 12.6% in 2015. This means that if you are in the 1992 scheme and transfer to the 2015 scheme, you will see a reduction in the contributions that you pay.

Your contributions also benefit from tax relief, meaning that for every £10 you put into the scheme, it actually only costs you £8.

### **What will my employer contribute in the new scheme?**

The employer contribution rate for the 2015 scheme is not yet known and will be established by the valuation of the scheme which is due to report early next year.

## **Retirement**

### **Why do these regulations not set the Normal Pension Age for the scheme?**

The Public Service Pensions Act 2013, which gained Royal Assent on 25 April 2013, already set the Normal Pension Age for the Firefighters' Pension Scheme 2015 at age 60.

### **If I retire before my Normal Pension Age, will my pension be reduced?**

Yes, if taken before Normal Pension Age, your 2015 pension will be reduced to reflect the fact that it will be in payment for longer and is therefore more expensive to provide. Any 1992 scheme pension that you earned before you transfer into the 2015 scheme will not be reduced.

### **Why was the offer on enhanced early retirement arrangements to age 55 withdrawn?**

The Government offered to change its final proposal on the basis that it addressed concerns raised by the Fire Brigades Union. The union was aware that continued industrial action would be taken as a rejection of the offer. Final decisions needed to be taken on the regulations for consultation and the valuation of the scheme and the FBU were not prepared to agree the change to the Proposed Final Agreement.

By withdrawing the offer no money has been taken out of the scheme and you will now earn more pension for each year that you are in service. More generous early retirement arrangements will still apply for firefighters who retire from age 57 than currently apply in the 2006 scheme as the reduction is calculated by less years. This is as a result of the constructive discussions that took place leading up to the Proposed Final Agreement.

### **If I retire after my Normal Pension Age, will my pension be increased?**

Yes, not only will you earn more pension for each year that you pay contributions after Normal Pension Age, your total pension will also be increased to reflect the fact that it is being taken later. The proposal is to pay an extra annual contribution into your pension account for each year or part year you work beyond the scheme's Normal Pension Age.

### **Can I take my pension and continue in employment?**

The 2015 scheme will allow a firefighter to take their 2015 scheme pension from age 55 without needing to retire, this is called partial retirement. However, the 1992 and 2006 schemes require a member to fully retire in order to be able to claim those benefits.

### **What happens if I lose my fitness after age 55?**

The 2015 scheme makes no changes to fitness or capability tests or regimes, which are a matter for employers. In the same way as the current 1992 and 2006 schemes, if it is determined that you are permanently unable, due to a medical condition, to undertake the role of a firefighter you will be given ill-health retirement. If there is no medical reason to prevent you regaining your fitness, you will be given the opportunity to regain your fitness and the great majority of firefighters are able to do so.

A consultation on fitness and capability issues concluded recently and a Government response will be published in due course. This builds on the roundtable discussion that Brandon Lewis MP held on 4 December and which included the fire service unions, employers and other representative bodies. As no one will work beyond their current Normal Pension Age until 2022 at the earliest, there will be sufficient time for the fitness principles to work and the Minister has agreed to review their operation within 3 years.

### **Where is the capability clause in the regulations that I have heard about?**

There has not ever been any proposal to introduce a 'capability clause'.

## **Alternative investments**

### **Can I get a better arrangement from investing in elsewhere?**

Pensions are widely considered to be the best mechanism to save for your retirement. The Firefighters' Pension Scheme 2015 will provide a guaranteed level of benefits for every year you work and will be inflation proofed in retirement. You will also benefit from tax relief on your

contributions and from ill-health and survivor benefits, providing important cover for your family should the worst happen. If you are considering opting out or not joining the scheme, you are strongly advised to seek independent financial advice.

### **Where can I find out more information?**

The pension calculator (please add both pension figures to find out your total pension) can be found at: <https://www.gov.uk/government/publications/firefighters-pension-scheme-reforms-pension-scheme-calculator>.

The following documents, along with the open letters, can all be found at the weblink below

- The Note of the Roundtable discussion on fitness
- A guidance note on withdrawal of the early retirement concession (November 2013)
- A list of changes made to the reforms as part of discussions with employers and unions (November 2013)
- A guidance note on transferring into the 2015 scheme and commutation arrangements for 1992 scheme members (July 2013)
- A pension reform factsheet (July 2013)
- Detailed Frequently Asked Questions (June 2012)

<https://www.gov.uk/government/publications/firefighters-pension-scheme-reforms>.

The consultation on the fitness standards and assessments can be found at <https://www.gov.uk/government/consultations/firefighter-fitness-standards-and-assessments>.

## Case study examples

These case studies exclude the state pension, which a firefighter will receive at their state pension age.

### **Ex 1. Firefighter with 40 years service at age 60 in the 1992 and 2015 schemes**

#### ***A. Firefighter in the 1992 scheme who transfers to the 2015 scheme – no protection***

A firefighter earning £29,000 who joins the Firefighters' Pension Scheme aged 20, and is aged 40 on 1 April 2015 will be able to:

- retire at age 60 with a total pension of £22,800.
- retire at age 57 with a total pension of £20,100.
- retire at age 55 with a total pension of £16,800.
- retire at age 50 with an immediate pension of £12,900 and a deferred pension of £4,900.

#### ***B. Firefighter in the 1992 scheme who transfers to the 2015 scheme – tapered protection***

A firefighter earning £29,000 who joins the Firefighters' Pension Scheme aged 20, and is aged 45 on 1 April 2015 will be able to:

- retire at age 60 with a total pension of £23,800.
- retire at age 57 with a total pension of £21,600.
- retire at age 55 with a total pension of £19,400.
- retire at age 50 with an immediate pension of £17,300 and a deferred pension of £1,500.

### **Ex 2. Firefighter with 30 years combined service at age 60 across the 1992 and 2015 schemes**

#### ***A. Firefighter in the 1992 scheme who transfers to the 2015 scheme – no protection***

A firefighter earning £29,000 who joins the Firefighters' Pension Scheme aged 30, and is aged 40 on 1 April 2015 will be able to:

- retire at age 60 with a total pension of £16,300.
- retire at age 57 with a total pension of £13,300.
- retire at age 55 with a total pension of £9,700.

#### ***B. Firefighter in the 1992 scheme who transfers to the 2015 scheme – tapered protection***

A firefighter earning £29,000 who joins the Firefighters' Pension Scheme aged 30, and is aged 45 on 1 April 2015 will be able to:

- retire at age 60 with a total pension of £17,400.
- retire at age 57 with a total pension of £14,600.
- retire at age 55 with a total pension of £11,900.

### **Ex 3. Firefighter with 40 years combined service at age 60 across the 2006 and 2015 schemes**

#### ***Firefighter in the 2006 scheme who transfers to the 2015 scheme – no protection***

A firefighter earning £29,000 who joins the New Firefighters' Pension Scheme aged 20, and is aged 29 on 1 April 2015 will be able to:

- retire at age 60 with a total pension of £19,600.
- retire at age 57 with a total pension of £14,700.
- retire at age 55 with a total pension of £9,000.

### **Ex 4. Firefighter with 30 years combined service at age 60 across the 2006 and 2015 schemes**

#### ***Firefighter in the 2006 scheme who transfers to the 2015 scheme – no protection***

A firefighter earning £29,000 who joins the New Firefighters' Pension Scheme aged 30, and is aged 39 on 1 April 2015 will be able to:

- retire at age 60 with a total pension of £14,700.
- retire at age 57 with a total pension of £10,500.
- retire at age 55 with a total pension of £6,800.