

Firefighters' Pension Scheme Consultation Papers

Response of the Fire Officers' Association January 2005

Introduction

This Association considers it necessary to state, at the outset, that members' responses to the consultation paper on proposals for changes to the existing scheme indicate strong opposition to any change to the existing Firefighters' Pension Scheme and it seems unlikely that we will be able to accept pursuance of the proposals without some form of demonstrable opposition.

Members of the existing scheme joined the scheme in good faith expecting the terms of that scheme to, essentially, remain in place until retirement. We therefore consider that the proposals amount to a breach of contract.

We are disappointed, to say the least, that the proposals appear to contradict the undertaking to honour the 1992 Pension scheme provisions for existing members, received from present and past governments.

We have expected the release of proposals for a new firefighters' pension scheme for some time. However, we are amazed that cost saving on fire service pensions has now become a priority when the 'time bomb' issue has been known of for many years and seven years have elapsed since the last consultation on a new pension scheme. If the costs are so great, why have they continued to be borne and further proposals not made until the 'time-bomb' has started to explode?

Our comments relate to both consultation papers and other issues surrounding fire service pension arrangements. The reader should, therefore, be aware that this response is divided into three main parts: -

- Part 1 General issues and principles
- Part 2 Proposals for amendments to the Firefighters' Pension Scheme - Specific comment on the consultation document
- Part 3 Government proposals for a new Firefighters' Pension Scheme

Part 1 covers some of the matters raised in the proposals for a new pension scheme. Some may not be directly relevant to the current proposals for amendments to the Firefighters' Pension Scheme but we consider that aspects of the proposed new scheme may, subsequently, be brought forward as further proposals for amendment of the existing scheme.

Part 1: General issues and principles

The modernisation agenda

The majority of change managers would agree that any change programme will ultimately fail unless effort is initially directed towards engaging the workforce and ‘selling’ the benefits of change to engender a sense of ownership. We consider that there are several areas of modernisation destined to fail through lack of staff engagement at the planning stage but the proposals relating to pensions possibly provide the strongest evidence that staff welfare and morale has not been considered important by those developing the fire and rescue service change programme.

The future of the fire and rescue service is highly dependent upon the commitment and good-will of its staff, particularly managers at all levels upon whom delivery of the modernisation agenda is incumbent. Pensions are close to the heart of most people and any real or perceived threat to retirement security will have an adverse impact upon staff morale, consequentially stifling motivation and good-will.

The Fire Officers’ Association believes that changing members’ pension arrangements could pose a major threat to delivering the modern fire and rescue service envisaged by Sir George Bain in his 2002 report “The future of the fire service: reducing risk, saving lives”. We suggest that the majority of managers appointed over the last few years are of an age where they are likely to be most affected by the age-related changes to the scheme, such people are, therefore likely, to feel cheated and de-motivated for some time, if not the remainder of their service. We have concerns that this loss of goodwill may seriously reduce the service’s capacity and willingness to drive practical implementation of the change agenda.

Rebuilding morale and motivating oneself/others would have been a hard task without these proposals which, coming, shortly after a bitter dispute, are widely be perceived as “kicking the service while it is down”. Implementation of the proposals, as published, will make this rebuilding almost impossible.

We believe that the service’s future should not be determined by cost alone. Staff interests must also be taken into account, moreover, the interests of the public should be the principal driver and the balance between cost and service quality must be considered when determining how public interests are best served. Service quality is likely to suffer where the workforce feels undervalued and demoralised. Overcoming such attitudinal barriers to the delivery of quality services might be assisted by continued investment in the pension scheme.

The firefighter’s role

The proposed new scheme assumes that the firefighter’s job will change radically over the next few years, there being less emphasis on operational fire and rescue activity. Whilst sharing the view that this should be an ideal to strive for, we do not believe that operational activity will decrease to the extent that intervention work becomes a minimal part of the firefighter’s job. Some 18 months after the ‘heads of agreement’ that represented the starting point for modernisation and shift of focus to prevention, there has been little or no perceivable change to the firefighter’s role. There appears to be, amongst employers and principal officers, a tendency to avoid further conflict by slipping back towards the status quo. At the present rate of progress, any radical change of culture will not be evident for many years – if at all.

It is accepted that health and safety in the fire service has improved considerably since 1948 and that post-retirement life expectancy has increased markedly. That said, the basic work of

the firefighter can still be physically demanding. With the role of the service expanding into new areas such as offshore work, cliff rescue, etc. many potentially hazardous situations other than fire may be encountered during a firefighter's career. As far as we are aware, the long-term health effects of exposure to such situations has not been researched

Even if the nature of a firefighter's job were to change over a short period of time and with an associated reduction in the level of risk to health, applying a change to the retirement age of existing members would not be appropriate for those who may have served over 20 years in the current physically demanding operational role without reaping the benefits of reduced intervention activity. We can, however, accept that new entrants to the service may see and benefit from a very different approach to the delivery of fire and rescue service. However, we must inject a note of caution since, regardless of the effectiveness of preventative work, we cannot envisage a time when there will be no requirement for traditional firefighting and rescue activity.

It is worth noting that, during the physiological trials of standard firefighting work by the HMFSI Building Disaster Assessment Group, the consultants conducting the work refused to accept firefighters over the age of 40 to carry out the tests due to the risk to their health. If an independent body's risk assessment of operational fire and rescue work determined there to be an unacceptable risk beyond age 40, it should be of concern that increasing the normal retirement age may lead to greater numbers of ill-health retirements. Should this be the case, anticipated cost savings might not be realised.

We believe that there should be no differentiation between members of the fire and rescue service. Regardless of role, the ideal would be that all staff work for the fire service since they all contribute to the delivery of protective services. Sadly, we do not believe that this will be achieved in the foreseeable future, largely due to differing national arrangements for negotiating pay and conditions of uniformed and support staff. Until such time as real 'single status' is achieved, we believe that it will be necessary to retain separate pension arrangements.

Precedence

We believe that precedent for honouring the terms of the existing scheme has been set by the police pension scheme and that such precedent should be applied to the fire service. In terms of cost, the impact of allowing the fire service scheme to 'die out' naturally would be much smaller due to the fact that the fire and rescue service employs fewer people than the police. If government is prepared to bear the cost of honouring the police scheme, surely the same could be done for the fire service.

The consultation papers make reference to alignment of firefighters' pensions with those of Local Government workers. We must argue that alignment with the Local Government Pensions Scheme (or the Civil Service Scheme, for that matter) is not appropriate as we do not consider the above occupations to be remotely comparable. It is suggested that the writers of these proposals have limited knowledge of, or contact with the majority of uniformed staff involved in the delivery of front-line services. We contend that the police service is much more comparable with the fire and rescue service and any alignment should be on this basis.

If government is so convinced that preventative action and a risk-based approach to service provision will be so effective as to alter the basis of the firefighter's job, surely the same must be true of the police service where substantial sums have, for many years, been directed

towards crime prevention activities. We must, therefore ask why it is not perceived that the police officers' pension arrangements should be aligned with those of non-operational colleagues. We suspect that there will be, proportionally, as many if not more police officers undertaking non-operational roles than there are firefighting staff in non-operational positions.

Pensionable Pay

We have serious concerns over the quoted examples of payments that might not be considered pensionable: -

a. Flexible duty allowance

To our knowledge, all officers currently receiving Flexible Duty Allowance are integral to the maintenance of the fire and rescue services operational response. Once occupying a flexible duty post any further promotion will be into a post that also forms part of this response. Staff occupy positions that may appear administrative but it must not be forgotten that they retain an operational commitment, often responding to incidents outside office hours, unseen by their colleagues. Considering that working the FDS requires a commitment to be available for some 76 hours per week at a ridiculously low hourly rate, it seems outrageous that this should not be considered pensionable. We cannot imagine an occupation where such a large proportion of regular income would be tolerated as being non-pensionable – even with a non-contributory pension scheme; would ministers accept 1/5th of their income being non-pensionable?

Whilst stressing that there is currently no situation where FDS officers do not fulfil operational roles, we accept that this may not be the case in the future as non-operational posts may be filled by suitable former operational staff. We accept that it might, in the future, be possible to lose this allowance where a person moves to a non-operational role. In such cases, we would call for some protection of benefits since we would consider it unjust not to take account of higher income that may have been enjoyed for many years prior to ceasing operational service.

We suggest that any regular payments, upon which staff depend to maintain their lifestyle, be treated as pensionable. However, to accommodate potential variation in levels of additional payments, we accept that benefits need not be provided by the Firefighters' Pension Scheme. Instead, we would favour the automatic purchase of pension entitlement through arrangements within the fire authority to cater for the purchase of benefits additional to either the Firefighters' or Local Government Pension Schemes. It strikes us that administration and procurement of such arrangements might be provided through regional or national collaborations similar to those described above for funding arrangements.

b. Retaining fees

Retaining fees, as the only regular portion of a retained firefighter's income, must be considered pensionable. Retained members of the service are not likely to occupy posts where such fees are not payable.

c. Responsibility payments

The change from rank to role has introduced the prospect of locally determined responsibility payments for staff undertaking specialised roles where they might not also have operational responsibilities. Such roles would tend to be those associated with organisational development, usually within service headquarters. It could be argued that such posts are essential to delivering effective services and implementing the modernisation agenda. The failure to recognise the contribution of staff undertaking such roles would create a disincentive to staff - to the detriment of the service. Again, we accept that specialist posts are often temporary for the duration of a specific project and that people may revert to their substantive post with a resultant loss of any allowance. We strongly urge that fire and rescue authorities automatically purchase additional benefits for staff in receipt of responsibility payments in the same way as we suggested for staff working a Flexible Duty System.

For all of the above scenarios, we believe that not considering payments as pensionable would have serious consequences in that it could become very difficult to attract the appropriate calibre of person to undertake these roles.

We also consider that treating such payments as non-pensionable would contradict stated government policy of allowing people to maintain living standards. Most people fulfilling the above roles will do so for long periods, if not throughout their service. Consequently, their lifestyles will be tailored to their income and where a person retires from the service in a role for which an allowance is payable, their income would drastically reduce if their pension did not take account of allowances.

For the Flexible-Duty Officer, this would be a very marked reduction considering that the allowance amounts to 20% of pay.

Commutation

We consider that the ability to commute part of one's pension is an essential element of retirement planning and the majority of people retiring from the service choose to commute the maximum permitted amount. Even though it may be more lucrative in the long term to draw a full pension, doing so is regarded as gamble since life expectancy is unknown.

We consider it essential to retain the provision of a lump sum payment along with a pension that equates to around half pensionable pay as described in Paragraph 2.17 of the 'New Firefighters' Pension Scheme' document.

We very much appreciate proposals that the new scheme should move away from the existing commutation tables that discriminate between sexes.

We might also be minded to agree to such a change within the existing scheme were there an equitable approach where, regardless of age, the lump sum paid aligned with the ratio of lump sum to pension currently paid to a person retiring at age 50.

The existing commutation tables act as a disincentive to continued service beyond age 51 and the difference between commutation figures for men and women is regularly questioned by our members. We believe that there should be no discrimination between sexes but, having challenged this previously, we realise that actuarial calculations are inherently discriminatory. Our fear in relation to harmonising commutation arrangements is that any adjustment is usually in the direction of the cheaper option and women's benefits would reduce.

We assume that any revision to commutation for ordinary pensions would apply equally to all other pension types, e.g. widows and children.

Taxation Rules

The Pension Schemes (Prescribed Schemes and Occupations Regulations 2004) indicate that it will (post April 2006) be possible for existing members of relevant pension schemes to retain a retirement age of 50 and we understand that members of the existing police pension scheme will not be subject to changes of the nature proposed for the fire service.

Given that the Inland Revenue accepts this provision, we find it difficult to understand why government is proposing to increase retirement age unless this merely intended to continue to collect contributions and defer pension payment for up to five years.

We thank Martin Hill (Chair of the Firefighters' Pension Committee) for the following response to our question regarding the possibility of counting more than the current 30 years' maximum pensionable service as reckonable: -

"The new tax regime would allow more than 40/60th to be accumulated so that it would be possible under the existing scheme to allow for more than 30 years to count for pension purposes. We are looking at this as one of the options for recognising the fact that some people will have to work for more than 30 years if we raise the minimum pension age to 55 in the existing scheme"

Compensatory arrangements for members of the current pension scheme

We accept the possibility that, following this consultation on the existing Firefighters' Pension Scheme, government will decide to make the changes outlined. If this were the case then this Association feels that certain steps might be taken to ease the situation of those most affected. Allowing members of the new or existing scheme who have achieved normal maximum pensionable service to accrue additional service would encourage older members of the service to remain at work longer.

We believe that the service is on the verge of a skills crisis since many experienced firefighters and officers are retiring within a relatively short space of time. Such an exodus of skills is of concern given the agenda for change and the need for confident capable staff who will need further development before being able to pick up from those who have retired. We, therefore, request that urgent consideration be given to removing disincentives to continued service; consideration might be given to the following suggestions: -

a. Enhanced benefits for over 30 years' service

Use might be made of changing tax rules to allow accrual of additional pension benefits for staff who remain in service beyond age 50.

b. Alteration of commutation arrangements

Changing commutation arrangements to allow commutation up to a fixed rate of 3-4 times the full pension would reduce the number of people choosing to retire before their 52nd birthday so as not to attract a reduced commutation factor. It is suggested that the commutation factor applied might be calculated to produce a figure comparable to the current amount produced by the commutation table for someone retiring at 50.

c. Reduced contributions

A long-standing issue has been the payment of full contributions for more than 30 years for no additional benefit. This particularly affects those who joined the service at 18 or 19 years of age but has a major bearing on the decision to retire on one's 50th birthday. We believe that reducing contributions (as outlined below in a recent ODPM response to a question from the FOA), would certainly encourage people to stay in service longer. This would also bring some benefit to fire authorities in that lump sum and pension payments are deferred for the length of time that a member remains at work.

“The objectives of the changes are to reduce costs (i.e. keep the contribution rate at its present 11%) and to encourage retention. We however recognise that there is one group who the change will have a greater impact on and that is those who transferred in service from other schemes, in particular the Armed Forces Scheme. In response to correspondence, Ministers have made clear that we will look further at this. For example members may be allowed to take the post 2006 part of their pension with the first part from age 50 but with an actuarial reduction which would be cost neutral. Alternatively, we will look at the possibility of a reduction in the contribution rate (this would still have to cover the death benefit element and the fact that the member's pay would continue to increase) or allowing additional years to accrue (presumably at 1.3/60ths)”.

Allowing members of the existing service to benefit from a combination of a-c above, would go a long way towards softening the impact of the proposed existing scheme changes, particularly for those joining the service below the age of 20.

Chief Officers

We see no good reason why the current scheme's inequality between Chief Officer/Firemaster (CFO/Fmr) members of the scheme and lower ranked members of the service should continue. It is, therefore, requested that it should no longer be necessary for a CFO/Fmr to seek the fire authority's approval to retire and that no such provision be included in any new pension scheme.

Part 2: Proposals for amendments to the Firefighters' Pension Scheme

Specific comment on the consultation document

Section 1: Introduction

Paragraph 1.4

Contrary to statement in paragraph 1.4 that deficiencies in the current Firefighters' Pension Scheme have been recognised for many years, we argue that the Scheme has no major deficiencies. It is, in our opinion, a very good pension scheme that provides a secure retirement for employees of the fire and rescue service. Having said this, it has to be recognised that it is an expensive scheme for members who invest a significant proportion of their income towards their future security.

The only deficiency that we are able to identify lies with the Government and fire authorities who introduced the Scheme in 1948. It is their short-sightedness and short-term greed that brought us to the situation we now face where benefit payments outweigh income. The absence of a dedicated pension fund brought authorities additional income during the scheme's early years, coupled with short-term payment of benefits due to the low-life expectancy of retired firefighters. As far as we are aware these 'profits' were not passed on to scheme members. Now the position has altered, Government and fire authorities seek to change the service's pension arrangements to compensate for their previous lack of vision. We consider this to be fundamentally unjust.

Section 2: Changes to the firefighters' pension scheme 1992

Paragraph 2.1

This Association recognises the problems faced by government and employers in maintaining the current scheme and the wider issues surrounding all pension schemes. However, we find it difficult to accept that the nature of the fire and rescue service will change so radically as to remove any requirement for operational staff to continue to encounter the physically demanding and potentially hazardous situations that have to date been taken account of by the provisions of the pension scheme, such provisions being extended to the broadly comparable police service.

See our foregoing comments 'The firefighter's role' section of this response.

Paragraph 2.2

Changes to other public sector pension schemes should not be the excuse for radical change to the firefighters' pension scheme. If parallels are to be drawn, we would argue that the fire service scheme has more in common with that of the police than other public services. It is, therefore suggested that the police approach with preserved benefits is more applicable to the fire and rescue service. Furthermore, the costs of doing so would be much lower for the fire and rescue service.

Paragraph 2.3

We fully agree that it would be wrong to impose age changes on people who are already preparing for retirement. However, we disagree with the assumption that people do not plan

for retirement until their final 9-10 years' service. The majority of employees with a mortgage will have arranged for its settlement around their anticipated time of retirement some 20-25 years in advance.

Paragraph 2.6

Our argument that the existing scheme should remain intact to maintain the contract of existing members applies to the deferred pension age and it would be preferred that the deferred pension age remain at 60. However, we can accept that it would be difficult to resist such a change if applied equally to all public service occupational pension schemes.

Section 3: Other changes

Ill health awards

Retirements on medical grounds are subject to professional medical opinion and recent amendments require an independent opinion before a decision to grant ill-health retirement is made. It is true that firefighters with relatively minor ailments could choose to continue working until reaching 26.5 years' service when the effects of previous injuries become exaggerated. However, it might equally be the case that the physically demanding nature of a firefighter's role begins to tell when reaching one's mid to late forties. This could explain the high incidence of medical retirements relative to other public services.

We believe that there would be some merit in recognising the degree of disability of people having to retire on ill-health grounds. We are, therefore, inclined to support the proposal to apply a scale of benefits that takes account of both service and loss of earning capacity.

For people who are able to work post retirement from the service, we agree that immediate payment of a short service pension would be appropriate. We would, however, wish to ensure that there is provision to revisit the decision on earning capacity to take account of actual ability when entering the jobs market.

Section 4: Cost of pensions and financing

We do not believe that the cost of the firefighters' pension scheme is in terms of all public service pensions as great a problem to government as we are told. With the total fire service representing a very small section of public sector expenditure, the relative cost of honouring the pension arrangements of existing scheme members becomes less significant. Of course, local authorities consider pensions costs to be a major issue since they are expected to fund an increasing pensions bill from a budget that does not fully take account of growing pension costs. Proposals to create a separate pensions funding mechanism, with government top-ups to cover deficits, should assist authorities in relation to financial planning. We suggest that the additional amount required to honour existing members' pension entitlement would be small relative to the police service. It must not be forgotten that maintaining the goodwill of fire service staff could pay dividends in terms of embracing and delivering the agenda for change. The anticipated community benefit, financial and efficiency savings expected must be considered in the overall equation.

Employers' perception of pension costs

Employers' organisations seem very concerned over what they perceive as the total cost of pension related matters, these are seen as including injury payments and compensation payments for death or serious injury. Whilst being removed from firefighters' pension provisions, they are frequently referred to when discussing pension matters.

To help overcome fire authorities concerns, we suggest that government and fire authorities consider, on a national or regional basis, the creation of a collaborative body to deal with administration and payment of such awards. In practice such a body could reduce financial risk to individual authorities where each authority would make regular equal payments into a separate fund, the level of payments being calculated on a pro-rata basis. Any injury / compensation awards could then be paid from this central fund with peace of mind that several claims upon one authority in a single year would no longer have a significant impact on that authority's budget.

This would be a very similar arrangement to that proposed for dealing with pensions funding and it occurs to this organisation that the same vehicle could be used to remove concerns over the unpredictability of ill-health / compensation and pension claims from revenue budget forecasting.

It is, of course, understood that matters such as political differences between authorities might present barriers against collaborations of this nature. The ODPM might, therefore, play a part by considering the facilitation of such arrangements at the same time as considering arrangements for the centralisation of pension funding.

Summary

Our preference is retention of the existing scheme's provisions for pre-April 2006 members. However, we are realistic enough to realise that the status quo might not be the Ministers' chosen option.

Part 3: Government proposals for a new Firefighters' Pension Scheme

The Firemen's Pension Scheme has provided excellent post-retirement security for its members since its inception in 1948. At that time a firefighter's life expectancy beyond retirement age was, however, quite short - often less than 5 years. This suited government and employers since contributions would cover the cost of benefits with, possibly, some surplus. Since 1948 the life expectancy of firefighters has steadily increased with an accompanying increase in moans from local authorities who have found that the FPS is now costing them considerable sums.

Firefighters should not be required to take reduced benefits for the purpose of correcting the short-sightedness of employers and government in 1948. Had a properly funded scheme been created at the outset we might not now be faced with proposals for a new scheme. For this reason we feel that Government should provide the monies necessary to place the scheme on a funded basis.

The comments made in this paper are made as a matter of principle and we realise that there is a degree of inevitability that a new pension scheme will be introduced. We, therefore, attempt to offer constructive comment on the basis that the proposals will, in full or in part, be implemented. It must be stated that any suggestions made in this reply are merely items for further discussion as we do not have access to the data required to fully assess impact.

Whilst we do not agree that a new pension scheme is necessary, strength of feeling has been less marked with regard to proposals for the introduction of a new scheme from 2006. We believe that there is a certain acceptance of this proposal from current members. This being on the grounds that new entrants to the service will, at the time of entering the service, know the terms of their pension scheme and will therefore be in a position to decide whether or not to join the service or the pension scheme. That said, we feel it necessary to attempt to safeguard the interests of future members of the service who are, of course, unable to contribute to the current debate.

Somewhat unusually for FOA, we must express a degree of cynicism by commenting that we believe the fundamental decisions on the future of fire and rescue service pensions to have been made already. We therefore offer the following comment on the proposals in the hope that they will receive proper consideration when further developing the proposals. We request further consultation on the details of such proposals.

So far as we are aware, the public who benefit from public services have not been provided an opportunity to influence government policy on public service pensions. We must cite the basic tenet of 'Best Value' that determining the balance between cost and quality should take account of stakeholders' opinion. It is possible that the communities receiving public services would be willing to reward public service through good pension arrangements.

As explained in more detail later, we have concerns over the assumptions made regarding the future nature of the fire and rescue service. We would hope that the effectiveness of any new scheme will be monitored and assessed by the Firefighters' Pension Committee at regular intervals and that scope will exist to amend the scheme to take account of actual progress relative to expected progress.

Section one: Introduction

We do not agree that Firefighters' Pensions should be in line with those of other public service schemes. The nature of fire service work, even with modern protective equipment,

puts firefighters into hazardous situations and exposes them to various noxious substances. This cannot be equated to the situation of a civil servant or a local authority worker. If firefighters are willing to continue paying greater contributions we believe that they should continue to receive greater benefits. The Community should be able to reward those who put their lives at risk for their protection.

Attention is again drawn to ‘The firefighter’s role’ section of this response (page 2) which argues against the presumptions of this paragraph.

Section 2: Key Issues

Membership of any new pension scheme

We are pleased to see that, at long last, pension provision is to be made for retained, volunteer and auxiliary firefighters. It is a great pity that part-time firefighters in the latter stages of their career will not benefit from the proposed scheme.

Retirement age

(a) Compulsory retirement age

We agree that there is no need for a compulsory retirement age. A normal retirement age (NRA) is favoured to allow personal flexibility over when to retire. However, we have some reservations over people continuing to serve in more physically demanding roles in order to accumulate additional pensionable service. It is suggested that continued active operational service beyond age 50 should be subject to meeting agreed minimum medical standards through periodic medical examination.

(b) Normal retirement age

Comments given in part one of this response cover most of our views on retirement age. We have serious concerns over the introduction of new pension scheme based on assumptions that the nature of fire and rescue service employment will alter significantly at an undetermined future time. Although we share the vision of improved community safety through a shift away from reactive services, there is currently little evidence to support this view. At this stage, we would wish to wait until the impact of Integrated Risk Management can be measured before deciding to increase normal retirement age. If the assumptions prove to be incorrect the service may see a tremendous increase in ill-health retirement amongst staff older than 50.

The documents makes reference to police officers and the fact that they will, for the time being, enjoy a normal retirement age of 55. We argue that operational fire and rescue duties are as, if not more, demanding than those of a police officer. We cannot envisage a time when active fire and rescue work will not be required. Even with reduced incidence of such work, the demands on individuals will be no less. In fact, it could be argued that less frequent activity requires a higher fitness standard since the work itself is less likely to contribute to the maintenance of fitness.

We must also make reference to the comment in paragraph 2.7 of the consultation paper, where it indicates that any future increase in police NRA will be based on evidence of improved fitness levels. We ask that the fire and rescue service be provided with the evidence that supports the suggestion that front-line fire service work will become more akin to that of control room and support staff.

Regarding deferred pension age, see our comments in “Section 2.6” of the Proposals for amendments to the FPS on page 7 of this document.

(c) **Accrual rate**

We agree that the present arrangements create a disincentive for staff to stay in post after accruing maximum pensionable service and that fast accrual disadvantages late entrants to the service.

We would, therefore, favour a single accrual rate that makes pension benefits directly proportional to completed years’ pensionable service. The actual rate would, of course depend upon the amount of service required to achieve a normal maximum pension, this issue being covered elsewhere in this document. *Since we cannot support a 40 year pension scheme, we are not willing to suggest a preferred accrual rate. We do, however, suggest that accrual rates need not be expressed only in terms of 1/60th or 1/80th. We see no good reason why, if desired, an accrual rate could not be expressed as 1.3/60^{ths}, 50^{ths} or 70^{ths} for example, to accommodate a particular length of service to accrue maximum benefits.*

d. Optional commutation or fixed lump sum

We find it difficult to comment on the two options provided since they are again dependent upon accrual rate. We would prefer to see additional options based on differing accrual or contribution rates.

Additional comments on commutation can be found in Part 1.

We are firmly in favour of the proposals in Paragraph 2.18 relating to continued accrual of service for those achieving maximum service before NRA and for those working beyond NRA.

Pensionable pay

Please refer to our comment in Part 1 of this response, page 4.

Protection of pensionable pay

Without additional detail of how the suggested protection arrangements might work, we are unsure which option would be more beneficial to our members. We certainly consider that such safeguards are provided within a pension scheme. Our initial reaction is that we would not favour a pension based on career average pay and we lean more toward the option to ‘pick up’ the best retrospective earnings over an extended period.

Early leavers

In principle, we support the proposal to provide for early retirement in circumstances where organisational effectiveness may suffer from continued employment of certain staff.

Ill-health awards

See page 9, Part 2 of this response under heading “Section 3”.

Injury benefits

We are content that undiluted injury benefits will be provided for within separate legislation.

Survivor pensions

Since we have previously sought the provision of unmarried partner benefits within the Firefighters' Pension Scheme, we are content with the outline arrangements described. We will be pleased to comment further once more detailed proposals have been prepared.

Scale of widow(er)s'/partners' pensions

Once again, the options provided link to limited options on accrual rates and we do not, necessarily wish to commit to the other provisions associated with either option. We can, however, accept the provisions at the end of paragraph 2.38 that would be applicable in either case.

Transfers to the new scheme

How would transfer values be calculated should a member of the current scheme wish to transfer into the new one?

Death Grant

We are content with the stated proposal.

Section 3: Costs and Financing

Costs / contribution rate

We note that the consultation does not extend to seeking views on what members of the scheme might be prepared to pay in order to secure greater pension benefits. Central messages over recent years have urged the public to make proper provision for retirement but we now see government proposals to reduce options to provide flexibility and security. The fire service is being presented with pension proposals driven by a desire to reduce government and employers' costs; the individual, other than by choosing to invest in a supplementary, personal pension, has not been invited to suggest alternative contribution rates that might secure enhanced benefits via a non-profit making route.

Financing

The FOA support the suggested route for future pensions funding and we look forward to seeing detailed proposals.

Section 4: Transitional arrangements

(i) Regular firefighters

Working on an assumption that a new scheme will be introduced from 2006, we acknowledge the statements in paragraph 4.1 and 4.2.

We recognise that some existing members of the service may wish to transfer into the new pension scheme and agree that they should be able to do so.

(ii) Retained firefighters

We do not consider a final salary pension scheme to be the ideal vehicle for providing the most appropriate pension arrangements for people with variable income who may have made separate provision through their main employment. However, the proposed new provisions along with anticipated change in the nature of the retained service should improve matters.

To ensure that retained firefighters make some pension provision we support the option for automatic membership, with the ability to opt-out should they prefer to rely on other arrangements.