

FIREFIGHTERS' PENSION COMMITTEE

NOTE OF THE 47th MEETING OF THE FIREFIGHTERS' PENSION COMMITTEE HELD ON 17th January 2013 AT ELAND HOUSE, BRESSENDEN PLACE, LONDON

(A list of the attendees is attached at Annex A)

1. Introduction

1.1 The Chair welcomed everyone to the meeting.

2. Note of the 46th meeting

2.1 The Chair made reference to paragraph 5.4 of the note and highlighted the suggested amendment put forward by Sean Starbuck.

2.2 The Chair also updated members on the 3 action points from the last meeting:

ACTION 1: Members to comment on what, if any, adjustments should be made to the current structure of the FPC to reflect the requirement for a Pensions Policy Group for firefighter pensions:-

The FOA wrote on 11 October stating that they saw no good reason why the FPC should not adopt the role of the Pensions policy group, leaving the door open to a single UK policy group but give further consideration when it becomes clear the extent to which devolved powers can vary pension arrangements.

ACTION 2: Members to consider volunteering to meet to look at the governance arrangements for the post 2015 firefighter pension scheme: -

Both Dawn Whittaker (APFO) and Ian Hayton (CFOA) volunteered to take part in this work. The FOA were also willing to provide a rep for the Governance working group but opined that the LGA and FRA reps would be best placed to sit on the group.

ACTION 3: DCLG to submit a note on the online discussion forum to inform FRAs about the existence of these firms:-

This was actioned on 6th November.

2.3 The note of the 46th meeting was agreed, subject to the amendment to paragraph 5.4.

3. Employee Contributions

Consultation

- 3.1 The Chair reminded the committee that the deadline for responses to the consultation increases was Friday 25 January and encouraged those who had not yet responded to do so.

Opt-out rates

- 3.2 Sharon Mayers provided an update on opt out rates to the end of December, based on returns from 30 fire and rescue authorities. The key points were:
- A total of 150 firefighters had opted out of the pension scheme, with 44 from the 1992 scheme, 75 regular firefighters from the 2006 scheme and 31 retained firefighters.
 - 116 firefighters had chosen not to join the scheme. Of these 25 were regular firefighters.
 - Over the last quarter, there had been 7 opts out in October, 14 in November and 8 reported to date for December. Non-joiners in each of the three months were 18, 7 and 7 respectively.
 - The number of opt outs in 2012-13 is calculated as 0.4% of the pensionable paybill.
 - 90% of opt outs were male, and 97% of non-joiners were male.
 - 11% of opt outs in the 1992 scheme were under 30, and 70% aged between 31 and 40. In the 2006 Scheme 52% of regular firefighters that opted out were aged under 30 and 44% between 31 and 40.
 - 71% of firefighters that opted out of their pension scheme earned under £30K and 27% between £30K - £40K
- 3.3 Tristan Ashby asked for further updates on opt out rates data to be circulated.

[Secretary's Note: Sharon Mayers sent an update on the number of opt outs reported to date during 2012-13 to members on the 18th January 2013]

- 3.4 James Dalglish advised members that 26% of new recruits in London had opted out of the Scheme since April 2006. He said that 40% of these opt-outs comprised of women and employees from Black, and Minority Ethnic groups. He was unsure whether this trend had changed since the implementation of the contribution increases but did confirm that the number of non-joiners had increased since the increases.
- 3.5 The Chair said that the opt out data collected to date suggested that the total number of opt-outs had not changed significantly compared to previous years, and invited members to submit any evidence that would suggest otherwise as part of their consultation responses.

ACTION: Members invited to submit any evidence that might suggest a significant increase in the number of opt out rates since the implementation of the contribution increase.

- 3.6 Sean Starbuck emphasised that it needed to be recognised that the FBU were actively advising members not to opt-out at this stage. He also advised that the FBU had also commissioned another YouGov survey; the results suggest that there has been an increase in the number of scheme members considering opting out compared to last year's survey results.
- 3.7 Kingsley Rees confirmed that Wales had recorded 10 optant outs to date for the year 2012/13.

4. NPA Review – FPC(13)1

Review of the Normal Pension Age

- 4.1 The Chair advised the Committee that the Department had received the final report of the Review of the Normal Pension Age which had been carried out by Dr Tony Williams. He said that committee paper FPC(13)1 set out the key findings from the report.
- 4.2 Sean Starbuck suggested that the committee paper was misleading for the following reasons:
- The report states that Station Managers would have no problems working until age 60 years but that this would be conditional on them maintaining fitness standards;
 - There appears to be a suggestion that the Fire Service should change to accommodate the pensions scheme, rather than having a pension scheme that is appropriate for the Fire Service;
 - Recruitment of firefighters currently require a fitness level of 42VO2; the report appears to suggest that employees would need to have a fitness level of 47VO2 on entry to ensure they can reach a retirement age of 60 years;
 - The report clearly states that women would have difficulty working to age 60 years;
 - The recommendations would require a massive investment in physical standards;
 - Any significant increase in entry fitness requirements could be discriminatory;
 - Currently firefighters cannot work to age 60 years;
 - The report makes a case for better protection for current employees and potential options for future employees.
- 4.3 Steve Errington suggested that the report was inaccurate in respect to the references to employees at Station Manager and above. He said that the report appeared to deal with the roles as they were in 2004 and did not appear to consider current duties of the more senior roles.
- 4.4 James Dalglish said that the report did appear to focus on fitness levels and did not appear to address what would be an appropriate Normal Pension Age for firefighters. He also said that if a further review was to be undertaken in 2016 there may be very small number of employees to assess.

- 4.5 Sean Starbuck made reference to the conclusions which reported that firefighters recruited at 42VO₂ were unlikely to maintain required fitness standards until age 60 years. He said that the Fire Service entry fitness level was currently set at 42VO₂.
- 4.6 James Dalglish said that report also suggested that firefighters may have to make changes to their lifestyles in order to main fitness levels that would enable them to work until age 60 years. The Chair explained that the report recommended firefighters should undertake 2.5 hours of physical exercise per week. This was recommended by the GMC for the general population.
- 4.7 Trevor Peel made reference to the impact of having an increased NPA to 60 years would have on ill-health retirements. Employers would be required to pay the increased ill-health retirement charges whilst they would not have any control over the lifestyles that employees lead. He also said that whilst some FRAs currently provided time for their regular firefighters to undertake fitness training, there would be additional financial pressures to extend this provision to retained firefighters.
- 4.8 Tristan Ashby explained that the RFU has requested for FRAs to provide fitness training for retained firefighters during working time with limited success. He said that some FRAs don't even have fitness training facilities on-site.
- 4.9 Sean Starbuck suggested that the report was essentially asking firefighters to be fitter on recruitment just to ensure that they can reach retirement age; it also suggests that those firefighters recruited at fitness levels of 42VO₂, which is the current minimum requirement, won't be fit enough to reach a NPA of 60 years.
- 4.10 The Chair highlighted that the report suggested that in practice firefighters were already above the required fitness standards with data showing that UK firefighters are physically fitter that the general population with an estimated mean VO₂ max of 50 until age 35 years. In response, Sean Starbuck said that this data was based on returns from 4 FRAs only.
- 4.11 Ian Hayton highlighted that whilst the report concludes that firefighters who on entry to the Fire Service with a fitness level of 47VO₂ can continue in employment to age 60 years subject to making selective changes to their lifestyle, there is a need to recognise that there has to be an onus on each firefighter to maintain a healthy lifestyle.
- 4.12 Glyn Morgan said that the FOA shared the concerns raised and would be responding in respect of those employed in middle management roles. He said that the report didn't answer the question of what would be an appropriate NPA for firefighters. In response, the Chair said that one reason why it was difficult for the report to provide a definitive retirement age for firefighters was the lack of data for firefighters that are currently employed beyond age 55 years.
- 4.13 James Dalglish said that this was essentially a post 2022 issue and, as such, there are still 10 years for any necessary changes to be implemented. In

response, Sean Starbuck said that he did not agree that it was a post 2022 issue. He said that FRAs were currently recruiting new firefighters with fitness levels of 42VO2 and the final report suggests that these firefighters will not be able to continue in employment to age 60 years.

- 4.14 The Chair concluded discussions by advising that a number of the recommendations made by the report were not for the Government, however, the report findings would be submitted to ministers for further consideration. He also welcomed any further comments from members.

5. Governance

- 5.1 The Chairman advised that DCLG would be progressing detail on the Governance of the post 2015 Scheme over the next few months. In the meantime, he invited further volunteers to take part in the exercise to consider the proposed Governance structure that was set out in committee paper FPC(12)11.

6. 2015 Scheme – Timetable and process – FPC(13)2

- 6.1 Sharon Mayers outlined the arrangements for the proposed 2015 scheme. The intention was that the legislation would be made a year before the scheme came into force. DCLG were currently drafting a blue-print for the new scheme, with consideration of what 2006 scheme rules could be replicated or adapted in the new scheme. In addition other rules would be required to take account of the common framework requirements in the Pensions Bill and also the main scheme design as set out in the Proposed Final Agreement.
- 6.2 DCLG intended to share the blue print at some stage with the FPC for comment and to arrange regular meetings to discuss the new scheme for those who wished to attend. Consultation on the 2015 scheme rules was planned for the Autumn.
- 6.3 Ivan Walker asked whether there would be an opportunity to comment on the instructions to lawyers. The Chair responded by saying that the FPC would be invited to comment on the blueprint, and that this would form the basis of instructions to the lawyers.

7. SCAPE valuations and employer cost cap – FPC(13)3

- 7.1 The Chair introduced committee paper FPC(13)3 which set out how future scheme valuations would be undertaken. He said that HM Treasury had published papers which set out further detailed information on proposals for valuations and employer cost caps in public service pension schemes; they could be accessed at;

Actuarial valuations of public service pension schemes http://www.hm-treasury.gov.uk/d/actuarial_valuations_publicservicepension121112.pdf

Establishing an employer cost cap in public service pension schemes
http://www.hm-treasury.gov.uk/d/establishing_employer_costcap121112.pdf

- 7.2 The Chair said that the process and timetable for finalising arrangements of how valuations and the employer cost caps would operate in public service pension schemes would be as follows:
- **By end of February 2013** - HM Treasury will have worked up draft 'core' directions. The core directions would set out the elements that will be consistent across all public sector schemes;
 - **March/early April 2013** – HM Treasury will discuss the directions with Departments;
 - **Late April/May 2013** – discussions with Trades Unions and other stakeholders;
 - **May/mid June 2013** – discussion with schemes on scheme specific assumptions;
 - **July 2013** – discuss the scheme specific assumptions with Trades Unions.
- 7.3 Sean Starbuck asked how the fire schemes in the devolved administrations would be affected; would the cost cap be based on the English schemes' valuations. The Chair set out that there will be a valuation of each scheme separately, with a different cost cap band on that workforce. Kingsley Rees explained that Wales would be using the same methodology as England.
- 7.4 Ivan Walker suggested that this could mean that this could end up in a position where there could be different employer costs caps in England and the devolved administrations. He also asked what would happen to any scheme deficits that have accrued between the 2007 and 2012 valuations. The Chair responded by explaining that the 2007 scheme valuation did not set a notional deficit and decisions needed to take place on how these were handled.
- 7.5 Steve Errington made reference to paragraph 13 of the committee paper and asked whether it was known what impact each of the scheme costs listed would have on the overall cost of the Schemes. He also suggested that sometimes it would be self defeating to demand high increases in pay if it triggered increases in employee contributions. The Chair responded by saying that any significant increases in pay could effect the level of employee costs if the cap was breached.
- 7.6 Rich Haines said that the introduction of CARE arrangements from April 2015 would mean that increases in pay would have less impact on scheme costs in the future.
- 7.7 Trevor Peel asked whether there would be one notional fund that would encompass all 46 English FRAs or whether there would be a separate notional fund for each employing FRA. The Chair said that the current approach was to have a single fund, however, if there was a desire to have 46 separate funds, with individual valuations and contribution rates, this could be put to Ministers

for consideration. He suggested that this should be discussed amongst Finance Network colleagues. James Dalgleish said that this is something that the LGA would want to consider further.

8. Duty System costs

8.1 The Chair explained that following the submission of committee paper FPC(12)7 by the FBU highlighting concerns over the additional pension liabilities generated by the introduction of certain new duty systems by some FRAs, DCLG had asked GAD to assess the impact on scheme costs associated with allowances received in 'Daycrewing Plus' and 'Close Proximity Crewing' duty systems. He invited Rich Haines to introduce the GAD paper.

[Secretary' Note: Richard Haines provided an overview of GAD's cost analysis]

8.2 Sean Starbuck said that the FBU welcomed GAD paper and its findings and asked how the costs would be accounted for in the next scheme valuation. The Chair responded by explaining that if subsequent valuations found a past service deficit then the costs would ultimately be recovered from employers in the first instance, and employees if the cost cap was breached.

8.3 Ivan Walker said that it was unlikely that the full extent of these additional costs would be picked until the 2016 valuation.

8.4 James Dalgleish highlighted that it needed to be recognised that any increase in pay, for whatever reason, towards the end of a member's career will always create a disproportional increase in costs; this was a consequence of having a final salary pension scheme. He said that from the LGA's perspective, the introduction of new duty systems is enabling FRAs to improve services whilst delivering savings. The Chair agreed with those points but responded by saying that FRAs needed to be mindful that the delivery of savings now at the expense of the pension schemes was likely to lead to higher pension contributions in the future.

8.5 Ian Hayton asked whether GAD's cost analysis had taken account of the reduction in pensions liability in respect of those firefighters who will leave employment early without taking a pension. Rich Haines confirmed that these savings had not been considered.

8.6 Ivan Walker made reference to the actuarial assessment that had been commissioned by the FBU and which was set out in paper FPC(12)7, he said that the claims that there were overall savings to be made from the introduction of the new duty systems did not appear to measure up. He also said that the evidence suggests that the additional liability would be picked up by the 2016 scheme valuation.

8.7 Trevor Peel highlighted that the decision to introduce new duty systems are not made in isolation but are a combination of many factors and, from a local perspective, can make sound business. The savings generated from the introduction of new duty systems can also reduce the need for FRAs to make

compulsory redundancies. He said that DCLG had the ability to amend the schemes' definition of pensionable pay to mitigate the financial costs to the pension schemes. In response, the Chair said that to isolate an element of pay for work done under an employee's contract of employment from being pensionable was difficult. It would be simpler if the additional duties were covered by separate contracts of employment.

9. RDS Settlement

- 9.1 The Chair advised members that DCLG were in the final stages of agreeing the terms of a Settlement agreement with the FBU. Once finalised, approval would be sought from Ministers to proceed to formal consultation.

10. Amendment Orders

- 10.1 The Chair updated members by explaining that DCLG were very close to publishing a Government response to the consultation. The actual amendment Orders would be made shortly afterwards.

11. Single-tier pension

- 11.1 Chris Megainey gave an overview of the new Single Tier Pension arrangements that were to be introduced from 2017 at the earliest. This would see an end to contracting-out arrangements for some pension schemes, with employees and employers being required to pay a higher level of national insurance contributions (1.4% and 3.4% respectively). However, most employees would benefit from a higher state pension.

- 11.2 The Chair confirmed that for every year a person was contracted back into the state pension scheme, they would accrue £4.11 a week up to a maximum of £144.

12. Any Other Business

Compensation for Voluntary Redundancy

- 12.2 Steve Errington asked for an update on the voluntary redundancy proposals. The Chair confirmed that Ministers were still considering employers' request.

13. Dates of future meetings

24 April 2013 (10am)
17 July 2013 (10am)
16 October 2013 (10am)
22 January 2014 (10am)
22 April 2014 (10am)

**Department for Communities and Local Government
March 2013**

Attendees

Andrew Cornelius (Chairman)	DCLG
Chris Megainey	DCLG
Anthony Mooney (Secretary)	DCLG
Sharon Mayers	DCLG
Cllr Maurice Heaster	LGA
James Dalgleish	LGA
Jackie Wood	LGA
Rich Haines	GAD
Steve Lewis	GAD
Alyson Hall	GMFRS
Andrew Bayne	Kent FRS
Trevor Peel	Leicestershire FRS
Jenny Coltman	SPPA
Kingsley Rees	Welsh Assembly
Sean Starbuck	FBU
Ivan Walker	Thompson's
Ian Hayton	CFOA
Steve Errington	APFO
Glyn Morgan	FOA
Tristan Ashby	RFU

Apologies

Lorna Smith	Scottish Government
Des Prichard	APFO
Ged Murphy	LGA
Dr Will Davies	ALAMA