



Department for  
Communities and  
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Dear Firefighter,

### **Reforms to Firefighters' Pension Scheme**

I have this morning issued a Written Ministerial Statement to update the House of Commons on the pension reforms and laid the pension regulations in Parliament.

I have been clear all along that my goal is to deliver the best deal possible for firefighters. As a new, incoming Fire Minister I have wanted to satisfy myself that the reformed pension scheme is both fair and sustainable and to have worked through your concerns myself. Pensions are complex, and the issues that have been raised by all parties have been considered methodically. Until recently it has not proved possible to give a final outline of the pension scheme, I can now set these out for you.

**I am pleased to be able to confirm that we will proceed with the enhanced early retirement terms for those who retire from age 55, not just from age 57.** What this means in practice is that a member of the 2015 scheme who retires at age 55 would see a reduction of around 21.8% to their pension. In comparison, the same member would see a reduction of over 40.5% to their pension if taken at age 55 in the 2006 scheme. The same early retirement terms will apply to the Firefighters' Pension Scheme 2015 as will apply to the reformed police pension scheme. To have had a lower reduction at age 55 would have been at the expense of those who wished to work longer. We need to balance the ability to draw a pension earlier, with the fair reward for those who work longer.

**I can confirm that the accrual rate (i.e. the rate at which you build up your pension) will also be at a faster rate than the 2006 scheme and calculated on a career average arrangement. This means that you build up your pension quicker, and this is fairer to lower paid firefighters.**

I considered, extensively, the alternative early retirement arrangements which the Fire Brigades Union were requesting but in the end rejected them for the following reasons. It is true that the Union's preferred arrangement was better for existing members of the 1992 scheme who transfer to the 2015 scheme, but it meant that 2006 scheme members and new joiners would pay for it by earning less pension per year. Existing 2006 scheme members would have seen much larger reductions to their existing pension if they retired before age 60 and therefore were less likely to take advantage of the early retirement terms. These members would have been faced with having to work longer to get the same pension under the Unions' requested early retirement terms.

I know one area of concern of firefighters is what would happen if they cannot continue as a firefighter due to a permanent medical condition. This was an important consideration and a **firefighter who suffers ill-health will receive a larger ill-health pension under the final**

**scheme than the Fire Brigades Union's preferred scheme.** The scheme which we put in place should be for the benefit of all firefighters, not just the few. There is a balance to be made between early retirement terms and the rate at which pension is built up. I am convinced that the final position reflects the best balance across the workforce, particularly those who may retire on ill-health grounds.

I wanted to update you on the fitness regulation which had been proposed by the Fire Brigades Union. I agree that providing such assurances were important, however it became quite clear that I do not have the legislative power to impose terms of employment on fire and rescue authorities through the pension regulations. This could be possible if the scheme only included one employer but in England there are 46 separate employers. Importantly a person who leaves on the grounds of fitness will already have been considered for an ill-health pension, and a medical advisor will have determined that there is no permanent physiological or mental reason preventing the firefighter undertaking their role. Where there is a permanent medical reason then they will be ill-health retired with an unreduced pension. I further concluded that a regulation in the event of loss of fitness would not guarantee an unreduced pension, as the employer is still required to determine whether a firefighter meets the criteria for the payment of a pension. There is, however, another way to do this.

I decided a more practical, proportionate and fairer approach is to set out a series of principles for supporting firefighters in their day to day work as they get older. **I have today issued a consultation on putting these fitness principles into the statutory Fire and Rescue National Framework for England. This will require fire and rescue authorities to put in place local fitness policies and procedures to support firefighters to maintain their fitness. If a firefighter loses their fitness through no fault of their own, it will also require the authority to consider initiating the process for an unreduced pension.** This delivers the same effect as the regulation as an authority will need to demonstrate that it has fairly considered whether an individual should receive an unreduced pension.

Furthermore, the principles in the National Framework ensure that firefighters will be supported through their careers to maintain their fitness, enabling them to work until their Normal Pension Age and beyond if they so wish. For some this may be challenging, in particular for women firefighters. Retaining women firefighters in the service is vital and they, and others, need both the reassurances that support and operational roles will be available to them as they age in the service. Further work will be undertaken through the fitness working group, chaired by Peter Holland, the Chief Fire and Rescue Adviser to underpin these high level principles with practical advice. We will review the operation of the local fitness policies and processes to ensure that they are being properly implemented.

**I have also reduced the cost to authorities of early retiring firefighters on an unreduced pension, making it a more cost effective option should they wish to do this.**

**One other benefit of the scheme is that you can take partial retirement (sometimes known as flexible retirement). You can, when you reach 55, continue to work and draw your pension at the same time.** This is an attractive option for those who do not want to work full-time, but seek to remain in some employment for financial or other reasons. During your period of partial retirement you can continue to earn more pension, for the period when you choose to fully retire.

As promised, I have reviewed the position of firefighters who transferred pension from the Armed Forces Pension Scheme into the firefighters' pension schemes. Fire and rescue authorities overwhelmingly agreed that these members were not being disproportionately affected by the introduction of the 2015 Scheme. Any transferred in pension will absolutely continue to count towards the pension a member can take under the 1992 scheme rules. Further details can be found in my letter of today's date on Armed Forces transfers.

Finally, I wanted to explain where I got to on the transitional protections. **I have considered the protections adopted for firefighters against the Government's wider policy on transitional protections for the pension reforms. I am content that the protections adopted fully comply with Government policy** by using a scheme's Normal Pension Age as the reference point, even where individuals can retire earlier than the Normal Pension Age. I can also confirm that a greater proportion of firefighters are protected than any other large public service pension scheme. **Those of you who do transfer to the 2015 scheme will see a reduction in your employee contribution rate of 2 percentage points in 2015-16.**

I know that although you may be against the principle of the reforms, the majority of you understand the reasons for them. You understand that it is not sustainable for a firefighter retiring at age 50 today to draw a pension for 37 years in retirement after a career of 30 years. The numbers simply do not add up.

Over the three years of discussions there have been many changes to the terms of the pension scheme design, and the Government has given a guarantee that no more changes will be necessary for 25 years simply because we are now addressing the longevity and final salary risks in this new scheme design. Firefighters will also be able to sit on local pension boards, taking a direct interest in how their pension is run locally.

I know that some of you are considering your membership of the scheme and, whilst the Department cannot give financial advice, you should be aware that pensions are widely considered to be the best way of saving for your retirement. However, we do recognise that individuals will have complex personal scenarios and we are exploring the common issues with the Service, with the intention of providing further guidance shortly for those seeking further information.

I am convinced that the final scheme design provides the best, balanced deal for all firefighters. The regulations have been signed by two Treasury commissioners and myself, have now been laid in Parliament, and will become the law.

I commend this reformed scheme to you. It is a good and sustainable scheme, which will enable you to continue to benefit from a fair pension when you reach the end of your fire and rescue service career.

The Government has made substantial changes to the pension scheme since discussions began in 2011 to arrive at the best deal available for firefighters. The final substantial change is the proposal to put the fitness arrangements on a statutory footing. I am resolved that there is no further gains to be made and I am therefore laying the regulations today.

A handwritten signature in grey ink, appearing to read 'PM Mordaunt', is centered on the page.

**PENNY MORDAUNT MP**