



The Local Government Pension Scheme

Consultation on proposed increases to employee contribution rates and changes to scheme accrual rates, effective from 1 April 2012 in England and Wales

## Introduction

This document provides the Fire Brigades Union (FBU) response to the ‘Local Government Pension Scheme: Consultation on proposed increases to employee contribution rates and changes to scheme accrual rates, effective from 1 April 2012 in England and Wales’.

The FBU represents almost 1,400 members of the Local Government Pension Scheme (LGPS), part of over 43,000 members currently working in all uniformed roles in the fire and rescue service. We represent, when account is taken of dual-roles, more than 80% of the uniformed workforce in the UK fire and rescue service. The FBU also represents over 7,500 retired and out of trade members - the vast majority of whom are covered by the fire pension schemes. The issues addressed in this response are of great concern to all FBU members. They also impact on prospects for the effective and efficient performance of the UK fire service in the future.

Many of the concerns contained in this response have already been raised within our earlier submission, ‘*Protecting good quality occupational pensions in the fire and rescue service: the initial approach of the Fire Brigades Union*’.<sup>1</sup> It is however important that these concerns are reiterated where applicable as part of this separate consultation process.

This submission consists of 5 elements:

- Part 1: a general outline of the union’s opposition to the proposed increases and the reduction of future accrual rates.
- Part 2: a general outline on the opposition to the proposal submitted by the Local Government Group to an earlier increase of the normal pension age (NPA).
- Part 3: a general overview of the potential effects of extending working life for control room operators.
- Part 4: FBU response to the five questions.
- Part 5: Alternative position from FBU.

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<sup>1</sup> FBU, Protecting good quality occupational pensions in the fire and rescue service: the initial approach of the Fire Brigades Union, (11 October 2011). <http://www.fbu.org.uk/wp-content/uploads/2011/10/FBU-initial-approach-final.pdf>

## **Part 1 - The FBU position on the contribution rate increases and the reduction in accrual rates - the proposals are unjustified and self-defeating**

The FBU does not accept the government's justification for further changes to the Local Government Pension Scheme at the present time. We believe there are several areas where pension provision within the fire and rescue service is in urgent need of improvement.

The FBU has presented financial, professional and operational arguments and evidence designed to counter the government's proposals, which appear to be based on misguided assumptions and a misunderstanding of the needs of a modern fire and rescue service.<sup>2</sup> Extensive consultation with our own members has also made clear the depth of opposition and anger these proposals have produced.<sup>3</sup> **The FBU and its members do not accept there is any justification for increasing the contribution rates currently paid by LGPS members.**

We believe that our case against the proposed employee contribution increase is strong on various grounds, including:

- Affordability
- Sustainability
- Fairness
- Cost to employees

The government proposes to introduce increases in employee contributions from April 2012. The FBU has said on many occasions that we expect the consultation to be real and that the outcome is not pre-determined. The union would expect the government to consider our expert evidence as part of a genuine consultation process.

The FBU is opposed to the proposals to increase LGPS pension contributions and the proposal to reduce accrual rates across the various fire and rescue service schemes in England and Wales. These increases are being introduced as a mechanism to raise funds for deficit reduction - an aim which should be treated separately from the objective of ensuring the viability and suitability of occupational pension schemes.

The FBU has substantial reasons to contest these proposals, which are backed by independent evidence.

1) The proposals will not raise the revenue the Treasury expects due to high expected levels of opt out i.e. the number of scheme members who may choose to *withdraw* from the scheme following such changes. High levels of opt out also threaten the future viability of the schemes. In addition, the FBU believes that government plans to significantly reduce central funding for fire service budgets in subsequent years would force a reduction in the number of operational staff in the LGPS. This would further compound the impact of opt outs on proposed Treasury initiatives.

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<sup>2</sup> Tony Cutler and Barbara Waine, A critical analysis of the Independent Public Service Pension Commission report, (2011)

<http://www.fbu.org.uk/wp-content/uploads/2011/09/7649-Pensions-Report-Cutler-+-Waine-Low-RES-PDF.pdf>  
First Actuarial, Impact of Government's proposals for members of the FPS and NFPS, (31 August 2011)

<http://www.fbu.org.uk/wp-content/uploads/2011/10/First-Actuarial-report-consolidated.pdf>

<sup>3</sup> YouGov, FBU pensions members survey, (June 2011)

2) LGPS members already pay relatively high contribution rates as a proportion of salary compared to other public and private sector schemes. The input from our employers (the taxpayer) compares favourably with the private sector schemes.

3) LGPS members are hit particularly hard by the proposed increases in contributions. In addition to these proposals, tiered contributions based on salary bands have been in place in the LGPS since 2008. This has the added impact of raising pension contributions even further. The FBU is opposed to the short term increases in employee contribution rates. But the prospect of long term increases in employee contribution rates are just as destructive. The early reference scheme design proposals indicate that average member contributions should be assumed to be 1.5% above their current weighted average level. The government claims that this 1.5% increase in employee contributions in addition to proposed alternatives reducing accrual rates will raise £900 million over the period 2012-15. Our members believe this imposition is unfair and may have an adverse effect on their career decisions.

4) The FBU believes that the proposal to increase contributions is simply unfair to LGPS members. For firefighters working in control, the proposed increase in contributions would be imposed on the back of no pay increase for 2009-2010 and the two-year pay freeze imposed from 2010 in the fire and rescue service, with the prospect of 1% per annum proposed after that. With increases in the cost of living running at around 5%, this imposes considerable financial hardship for FBU members.

5) The FBU believes that reducing the accrual rate from 2013 (option 1) or 2014 (option 2) is also unfair and would result in an increase in individuals deciding to opt out of the scheme.

The FBU has presented evidence to illustrate how increasing employee contributions will be financially self-defeating. It is extremely disappointing that the government has so far failed to register the potential impact of increasing employee contributions on the sustainability of the LGPS. We believe this puts at risk the future viability of the scheme. The FBU has demonstrated that the assumption of a 1% opt out is far too low and that in reality a much higher proportion of LGPS members are likely to opt out of their pension scheme or even leave the service if the government's pension proposals are implemented. Our view is supported by evidence in the YouGov survey commissioned by the union which included responses from firefighters working in fire controls.

The principal finding of the survey was the large numbers of members who said they would opt out of their pension scheme if increased contributions are imposed. The survey found that more than a quarter (27%) of respondents would be likely or very likely to take this course of action if the proposal to increase the employee contribution is implemented; and nearly one in eight (12%) respondents said they would be very likely to opt out if contributions are raised.<sup>4</sup>

Since this issue has been raised, the FBU has received a substantial number of calls and messages from around the UK from members, indicating that they plan to contact their local administrators to find out how to opt out. The FBU has issued advice urging members not to take any decision on their future pension membership until a more detailed picture is available.<sup>5</sup>

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<sup>4</sup> YouGov, 2011

<sup>5</sup> FBU, Hands Off Our Pensions – Opt Out Enquiries [420MW], September 9, 2011

**The FBU therefore does not accept that there is a case for increasing LGPS contributions or reducing the accrual rates.**

**Part 2: The FBU's opposition to the proposal submitted by the Local Government Group (LGG) to an earlier increase of the normal pension age (NPA).**

Annex B of the consultation document outlines the Local Government Group (LGG) proposals which are presented as an alternative to the DCLG proposals.

These proposals consist of:

- 1) No increase in employee contributions for staff with full-time equivalent earnings of less than £15,000, an increase for those earning between £15,000 and £21,000 of 1.5% and an increase of between 2% and 2.5% for those earning over £21,000.
- 2) Choice for employees, by giving those with full-time equivalent earnings of £15,000 or more who feel they cannot afford an increase in contributions the option of taking a reduced pension accrual rate instead for future service from April 2014. Any employees with full-time equivalent earnings of less than £15,000 who may be finding it difficult to meet the current level of contribution would have the option of taking a reduction in their contribution rate but would, as a result, have a reduced pension accrual rate for future service from April 2014.
- 3) Raising the normal pension age from 65 to 66 for benefits built up from April 2014. Benefits built up prior to then would retain a normal pension age of 65.

LGG claim their proposals will:

- overcome the issue of part-time employees having to pay an increased contribution rate determined by reference to their full-time equivalent salary (i.e. they would have the choice of being able to take the reduced accrual rate option instead).
- would help the low paid to stay in the scheme and reduce opt out rates.
- give employees a choice, which they can exercise in the light of their own personal circumstances.
- ensure that those employees earning above the £15,000 threshold who want to keep their current pension accrual rate will have to pay more to retain that accrual rate, and
- reduce the risk of industrial action.

The FBU feel it is appropriate to cover these proposals on a collective basis and would reiterate our opposition to introducing a proposal to raise the normal pension age (NPA) either on a long term or a short term basis. This proposal to increase the NPA is submitted without any supportive evidence that demonstrates the impact of extending the working life for fire control operators. This issue is covered in more detail further in this response.

The basis of all the LGG claims is dependent on an acceptance that LGPS members would accept an increase in NPA. This is a position that appears to be without any foundation or evidence and is contrary to the feeling expressed to the FBU by its members. It is an optimistic if not foolhardy assumption that these proposals would reduce opt outs or reduce any risk of industrial action.

**The FBU does not support this alternative proposal submitted by LGG.**

### **Part 3: a general overview of the potential effects of extending working life for control room operators.**

It is important to recognise that the two-fold role of the fire control room operator. They are usually the first point of contact for the public during emergency situations, dealing with distressed members of the public and providing fire survival guidance to members of the public in dangerous situations staying on the line until crews arrive. This usually involves more than one call for each emergency.

In addition to this, the control room operators are accessing and sharing information on equipment requirements, chemicals or other hazardous materials for those on the operational firefighter side. The role also includes ensuring that all fire stations have the correct level of operational cover in place and arranging for the movements of crews and equipment between stations. At times of major incidents, control room operators also attend incidents as part of the Incident Command Unit. This two-fold role exposes control room operators to very high levels of pressure and stress.

At present, retirement age for fire control room operators is 65 years of age. The government proposes to extend the working life of fire control room operators to 68 years in the future. It is immediately apparent that there is no supporting evidence to consider the possible impact that this extension of working life may have on control room operators.

In order to ensure that the pension scheme recognises the specific demands of the occupation, it is important that issues that could impact on the ability to perform the role as the individual ages are fully recognised and assessed to ensure that all areas of concern are considered. It is also crucial that before any decision is taken on an issue of this importance, supporting evidence is provided which clearly demonstrates that there are no detrimental effects due to aging that would affect the ability to perform the role.

There are a range of health concerns to consider. First, **musculoskeletal health** in relation to workplace and seating design. There is no supportive evidence to counter the FBU concern that the prevalence and incidence of musculoskeletal problems increases with age.

Second, **mental workload and psychological stress**. These are important factors for consideration in the role of the control room operators. There has been no evidence to suggest that they been considered as part of the proposal to extend working life within fire service emergency control rooms. Assessments of stress levels have not been made readily available and it appears that this issue has not been seriously considered as a detrimental impact of the proposal. As physical functions and health deteriorates with age the FBU believes that there may be an increase in stress levels as the individual attempts to cope and remain at work. This notion has not been countered by any supporting evidence provided as part of this proposal to increase normal pension age.

Third, **changes in physical function**. These may include reductions in visual functions; deteriorations in the sensitivity and discrimination of hearing; as well as a slowing of reaction time. Some of these physical function changes are complex and cannot be easily rectified. For example there have been unsuccessful attempts to mitigate hearing problems by utilising hearing adaptations made via headsets. These adaptations failed to recognise that the control operator also needs to be able to listen with the other ear to

instructions from the supervisor and also listen to the radio at the same time. This combined function is not possible if hearing adaptation is on the affected ear in headset.

It is also important that before any decision is made to extend the working life of any fire control operator that there is an understanding of any increase in recovery time, which can be linked with an aging workforce. The physical demands, mental workload, stress, shift work etc will all impact on the recovery requirements of an individual. It is important to ensure that there is no detrimental effect on an individuals ability to perform their role as a result of increasing their working life before any decision is made.

Fourth, **shift work**. Fire control room operators generally have 'waking' night shifts, with some brigades operating a stand-down period of 3 hours when it is possible to do this. No evidence has been provided to suggest there are not detrimental effects in relation to control room operators, ageing and shift work. There is a general literature available in relation to the impact of shift work on older workers, although the additional stressful nature of the fire control operator also needs to be considered.

It is generally accepted that the incidence of health problems increases with age and it is reasonable to recognise that some of these risks can have implications for work capability and performance. For this reason it is important not to overlook the effects of aging and the FBU insists that the government should first provide supporting evidence before pressing ahead with any changes.

**The FBU does not accept that has been any evidence to support an increase in the working lives of fire control operators and opposes this proposal.**

#### **Part 4: FBU response to the five questions**

***Question 1 - Do the proposals meet the policy and objectives to deliver the necessary level of savings in the LGPS?***

The FBU feel that the proposals will not deliver the necessary savings for several reasons already highlighted in our response. The government has significantly underestimated the extent of opt out that are likely to result from an increase in contribution rates. In addition to the imposed pay freezes and the rise in cost of living a large number of fire control operators will find it increasingly difficult to afford the contribution hike. They may have to make life-changing decisions, which will in many cases mean leaving the LGPS. The government has not provided evidence to support any proposal increase in the working lives of fire control operators. The FBU have serious concerns that any increase is both unsustainable and impractical.

***Question 2 - Are there any consequences or aspects of the proposals that have not been fully addressed?***

The FBU have previously highlighted several areas where the proposals will have consequences that have not been addressed. In addition to those covered earlier in the response the following issues have not been addressed.



### **Protection for low earners**

There are no members of the LGPS working as fire control operators who have a full-time equivalent pay of less than £21,000, so the protection offered in this consultation document is irrelevant for firefighters. This is despite the fact that several fire control operators are currently working flexible duty systems including part-time where their actual salary is less than the protection levels set. This concern has not been addressed.

### **Potential effect on the schemes as a result of possible opt outs**

The FBU has raised major concerns about the potential effects of opt outs on the LGPS and has feels that this has not been addressed. These concerns have not been answered and must not be overlooked.

### **Aspirations for promotion**

The FBU feel that the proposal to increase contributions and reduce accrual rates cannot be viewed in isolation. Although the LGPS has already introduced the process of tiered contributions, the FBU has raised concerns that a combination of the additional proposals such as replacing final salary schemes with career average schemes will have a detrimental effect on the aspirations of firefighters for promotion. In the recent YouGov survey carried out on behalf of the FBU, 62% of respondents said the proposed contribution increases would affect their decision to apply for promotion. This concern has not been addressed.

***Question 3** - Is there a tariff or alternative measures which consultees think would help to further minimise any opt outs from the scheme?*

The FBU believe that there is no case for increasing contributions. The union has provided a substantial amount of evidence which demonstrates that the proposal for increasing contributions will result in a significant increase in the number of fire control operators deciding to either opt out of the scheme or not to join the scheme. In addition these proposals will not deliver the savings expected by Treasury. If the concerns highlighted by respondents to the YouGov survey around attitudes to future promotions become reality, it will also impact upon the efficiency and effectiveness of the fire service in the future.

***Question 4** - Are there equality issues that could result in any individual groups being disproportionately affected by the proposals? If so, what are considered to be the nature and scale of that disproportionate effect? What remedies would you suggest?*

The FBU is concerned that the proposed contribution structure creates an imbalance between the cost incurred by the employee and employer. The proposed ratio of employer to employee contributions is very low, 1.14:1, while other public sector schemes have a much higher employer to employee ratio (e.g. the Principal Civil Service Pension Scheme is 3.01:1), while the average private sector open defined benefit scheme is 2.8:1<sup>6</sup>. In addition to this the protection offered in the consultation document does not apply to fire control operators despite the fact that several opt to work part-time. This concern has not been addressed.

***Question 5** - Within the consultation period, consultee's views are invited on the prospects of introducing into the LGPS a link with state pension age as recommended to the Government in Lord Hutton's report.*

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<sup>6</sup> Table 3.G page 75 -Independent Public Service Pension Commission: final report 10 March 2011



This proposal is a huge concern for the FBU and is covered in much more detail of our response, in Part 3: 'A general overview of the potential effects of extending working life for control room operators'. The FBU reiterates our opposition to this proposal. We do not accept that has been any evidence presented to support an increase in the working lives of fire control operators.

#### **Part 5: Alternative position from FBU**

As previously highlighted it is important to recognise that the fire control room operator is normally the first contact that the public have with the fire service in an emergency. The fire control operator is as much a part of the emergency service as any other role in the fire service. They have to deal distressed with members of the public. They constantly assess and share information on equipment requirements, chemicals or other hazardous materials vital to the smooth running of operational incidents. The role also includes ensuring that all fire stations have the correct level of cover in place and moving crews and equipment between stations. At times of major incidents, control room operators also attend incidents as part of the Incident Command Unit.

Until 2005 all firefighters including fire control operators were covered by the same disciplinary regulations and still share the same conditions of service. The FBU feel an alternative position worthy of serious consideration is to allow fire control operators access to the fire service pension scheme which better reflects to occupational nature of their role. The FBU have been raising this issue in different forums and have provided initial independent actuarial costings where required. This is an alternative that would be supported and welcomed by the FBU and one that should be progressed further.