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FIRE BRIGADES UNION

BRIEFING

Independent evidence backs firefighters' case

The Fire Brigades Union is opposed to the government's proposals to make firefighters pay more, work longer and get less for our pensions. The union believes the government has not accounted for the costs of the changes or their unfairness to firefighters.

The FBU wants:

- The government to abandon its plans to increase contributions over the next three years
- A normal pension age of 55 for all firefighters (with all current retirement rights protected)
- To maintain the final salary arrangements in the FPS, NFPS and LGPS
- Control members given the opportunity to join the NFPS
- RPI not CPI uprating for inflation.

Contributions

The FBU opposes the proposal to increase firefighter pension contributions. It is being introduced to raise funds for deficit reduction.

Members of the Firefighters' Pension Scheme (FPS) pay 11% employee contribution rates, which along with some police are the highest in the public sector. Members of the New Firefighters' Pension Scheme (NFPS) pay 8.5% of salary. Our control members in the Local Government Pension Scheme (LGPS) pay at least 6.5%.

1) Increases will not raise revenue

CLG want to raise £33m from extra contributions from firefighters (in England) by 2014. It accepts the full savings will not be realised in the first two years – raising about £73m over three years. CLG assumes 1% of firefighters will opt out of their pension scheme as a result – at a cost of £3.5 million per annum in lost contributions.

YouGov surveyed FBU members in June this year. They found that more than a quarter (27%) of respondents would be likely to opt out of the scheme if the proposal to increase the employee contribution is implemented. Nearly one in eight (12%) said they would be very likely to opt out if contributions are raised.

An opt out rate of 12% would cost £126 million over three years. If the opt out rate was 27%, then the loss in contributions would more than double. Therefore increasing contribution rates is self-defeating, from a narrowly financial angle.

2) Cost to individual firefighters

Increasing contributions by 3.2% over three years will cost every firefighter around £2,000 between 2012 and 2014. This is imposed on the back of no pay increase for 2010 and 2011. With the cost of living running at around 5%, this has already caused considerable financial hardship for FBU members.

The long term impact should also be considered. The FBU commissioned First Actuarial consultants to examine this. Their figures indicate that a firefighter with a typical career path would pay over £18,000 more over the course of their career – while those remaining as competent firefighters would pay over £15,000 more. Similarly, a typical firefighter aged 20 in the NFPS will be expected to make over £26,000 extra contributions over their career if these proposals are implemented.

3) Fairness
The FBU asked independent pensions experts Tony Cutler and Barbara Waine to examine firefighters' pension schemes in light of the Hutton review. They revealed that firefighters' contributions (at 11%) "is over double the private sector weighted average member contribution in [defined benefit] schemes (of 5.2%)".

Cutler and Waine pointed out that the FPS scheme operates with an employer to employee contribution ratio of 2.2: 1. The NFPS scheme operates with a ratio of 1.4: 1. In the private sector employer contributions were consistently in excess of three times employee contributions.

Normal pension age

The normal pension age (NPA) in the FPS is 55. It is 60 in the NFPS. The FBU believes an NPA of 55 should apply to all firefighters.

1) Few redeployment opportunities
CLG pension officials argue that firefighters who are no longer able to reach or maintain operational fitness could be redeployed into other suitable roles.

In a recent survey, the FBU has received information from 41 fire authorities regarding their redeployment opportunities. Only seven fire authorities confirmed that they have any potential redeployment opportunities that fulfilled the required criteria.

2) Ill-health retirements
The FBU is concerned that any rise in the normal pension age will inevitably result in an increase in ill-health retirements. We believe this would completely undermine any cost savings.

First Actuarial found an increase in ill-health retirement of only 10% to 15% will nullify any savings that might be delivered by increasing the NPA from 55 to 60. An increase by 20% will actually make the proposal to increase the NPA from 55 to 60 more expensive than the current scheme arrangements.

At rates of only 10%, the costs of an NPA of 60 would be similar to those of an NPA of 55 (29.8% compared to 30.7%).

3) Occupational health
The FBU asked the Institute of Occupational Medicine to conduct a review of the literature on aging and the demands of firefighting. Their report confirms that a wide variety of health conditions have a clear association with age with the prevalence of these conditions increasing with increasing age.

There is no evidence to support a normal pension age of 60 for firefighters. There are good reasons why it should be 55 for all.

Member benefits

The Hutton final report proposed that a new career average revalued earnings (CARE) scheme should be adopted for general use in the public service schemes. It also proposed the differing characteristics of higher and lower earners should be addressed through tiered contribution rates.

The First Actuarial report indicates what this would mean for firefighters at the end their career. A member in the FPS currently aged 40, retiring at the age of 50 who had been through the typical career path would currently expect to receive a pension of £21,885 annually. Under the CARE scheme (assuming an accrual rate of 1/60th), this would fall to £13,313.This undermines the claims of government that the proposed changes will have little impact on low and middle earners.

A newly joined member in the NFPS currently aged 20, retiring at the age of 55 who followed a typical career path would currently expect to receive a pension of £20,394 annually. Under the CARE scheme, and assuming an accrual rate of 1/60th, this would fall to £16,370.

Whether members of the FPS or NFPS, and whatever career scenario is chosen, all firefighters would no longer meet the Turner requirements for benchmark replacement rates. Under these proposals, benefits fall to less than 50% - and as low as 30% with the worst accrual rates.

* The independent reports are available from the FBU on request