FIRE BRIGADES UNION

BRIEFING

Firefighter pension changes could cost taxpayer £210 million as one in four say they will consider leaving

The Fire Brigades Union believes that more firefighters will opt out of their pension scheme or even leave the service if the government's pensions proposals are implemented. Those are some of the key conclusions from the YouGov firefighters' survey commissioned by the union[1].

The principal finding of the survey is the large numbers of firefighters 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 opt out of the scheme if the proposal to increase the employee contribution is implemented.
- Nearly one in eight (12%) respondents said they would be very likely to opt out if contributions are raised.

CLG has indicated that the proposed increase to employee contribution rates in the New Firefighters Pension Scheme (NFPS) and the Firefighters Pension Scheme (FPS) would realise a cash saving of £33 million per annum by 2014 based upon an opt out rate of 1%[2]. The FBU has raised concerns that this opt out rate is too low and that a higher level of opt out would have a detrimental effect upon future scheme contributions. In response to a question at a recent Firefighters Pension Committee, the Government Actuary's Department (GAD) highlighted that every 1% opt out costs the scheme £3.5 million per annum in lost contributions[3].

Although CLG have confirmed the figure to be raised is £33m, the full savings will not be realised in the first two years. It aims to deliver 40% (£13.2m) in 2012, then 80% (£26.4m) in 2013, and then finally 100% (£33m) in the final year 2014.[4]

Putting these figures together with the YouGov survey data on opt outs shows that any potential savings from increasing contributions will be wiped out, and may well result in less revenue for the firefighters' scheme. If a 1% opt out costs the scheme £3.5 million per annum, then an opt out rate of 12% would cost £42 million per year or £126 million over three years. If the opt out rate was 27%, then the loss in contributions would be £94.5 million per year, or £283.50 million over three years.

Year	CLG savings target (£m)	Losses from 12% opt out (£m)	Losses from 27% opt out (£m)
2012-13	13.2	42.0	94.5
2013-14	26.4	42.0	94.5
2014-15	33.0	42.0	94.5
Total	**72.6**	**126.0**	**283.5**

Although CLG expects that by increasing contributions will raise at most £72.6 million, the FBU believes this would be more than wiped out by a 12% opt out, and the scheme would face substantial losses if it was 27%. Using CLG's figures an opt out rate of 7% or more nullifies the potential savings. Therefore increasing the contribution rate is self-defeating.

[1] YouGov surveyed the FBU's 43,000 members between 19 May and 17 June 2011. The survey had a response rate of 18%, providing a representative sample of firefighters in the UK, across the full spectrum of roles and duty systems.

[2] Firefighters Pension Committee, 39th meeting 12 January 2011, minutes.

[3] Firefighters Pension Committee, 39th meeting 12 January 2011, note.

[4] Email from CLG 21st June 2011

The FBU survey also found that the proposals may force firefighters to leave the profession. The survey revealed that more than two in five (45%) respondents indicated that they would consider leaving the profession if the proposal to increase contributions is put into practice.

CLG's own figures indicate that around 70% of firefighters are members of the FPS[5]. The Hutton report indicated that firefighters already pay 11% of salary if they belong to the FPS – the highest contribution rates for public sector workers. Even those firefighters in the NFPS pay contributions higher than most other public sector workers[6].

The pensions proposals have been made in the context of a long-term pay freeze imposed on firefighters without consultation with their representatives.

In the emergency budget last year, the Chancellor announced a two year freeze on public sector pay. In the fire and rescue service this was implemented immediately – in advance of other sectors where existing deals included two or three year settlements. This means that unlike most groups of public sector workers, uniformed fire and rescue service employees have not had a pay rise since July 2009.

During that time inflation (even using the government's preferred CPI measure) was around 2.6% for 2009-10 and 3.7% so far for 2010-11[7]. In addition, prices of key items of expenditure such as food, fuel, travel have risen significantly over that period, hitting workers particularly hard[8].

There are other concerns arising from these proposals. The survey found that the changes will influence firefighters' willingness to apply for promotion. Nearly two-thirds (62%) of respondents indicated that the pension changes were likely to affect their decision to apply for future promotion.

In summary, the FBU is concerned that these proposals could significantly undermine the viability of the fire and rescue service schemes. The FBU is very concerned that the long term efficiency and effectiveness of the fire and rescue service will be affected and that CLG has seriously misjudged the rate of potential scheme opt outs.

The proposals are unlikely to achieve the savings suggested. Indeed the figures show that rather than being a cash-raising exercise these actions are likely to result in a very substantial loss to the schemes. There is strong evidence against the proposed increases.

Early day motion 2049 - firefighter pensions

That this House acknowledges that firefighters currently pay 11% of their salary into an unfunded pension scheme; is concerned by the government's proposal for a 3.2% increase in firefighters' pension contributions at a time when they are in the 2nd year of a pay freeze and the cost of living is rising; notes the findings of a recent YouGov survey of around 8000 firefighters, which found that over a quarter of respondents would be likely or very likely to opt out of the pension scheme if the government's proposal is implemented, with nearly one in eight very likely to opt out; further notes that the Treasury's forecast of £72.6m savings over three years from this reform is based upon an opt out rate of 1% and that every 1% opt out would cost the scheme £3.5 million per annum in lost contributions; shares the Fire Brigades Union's concern that an opt out rate of 7% or over would nullify the government's projected savings and that the 27% opt out rate indicated in the survey could result in a net loss of £210 million; believes that the proposed increase is self-defeating and would destabilise the firefighters' pension scheme; and calls upon the Government to withdraw its proposal for firefighters to pay additional pension contributions.

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[5] CLG communication with the FBU, 13 June 2011.
[6] Independent Public Service Pensions Commission: Interim Report - 7 October 2010 p.137 http://www.hm-treasury.gov.uk/d/hutton_pensionsinterim_071010.pdf
[7] ONS, Inflation 14 June 2011 http://www.statistics.gov.uk/cci/nugget.asp?id=19
[8] IFS, The Spending Patterns and Inflation Experience of Low-Income Households over the Past Decade, 14 June 2011 http://www.ifs.org.uk/comms/comm119.pdf