FBU Pensions Bulletin

HANDS OFF OUR PENSIONS

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PENSIONS GRAB:

It'll cost you between £1,800 and £7,000

The Government's three-year cash raid on pensions will cost you between £1,800 and £7,000 by 2014 in increased contributions. They demand you pay extra contributions of 3.2% implemented in stages over the next three years rising to 6% for those promoted to officer roles.

This works out at almost £2,000 from every full-time firefighter and over £7,000 for area managers in the three years to 2014.

The increases apply to members of both the New Firefighter's Pension Scheme (NFPS) and the Firefighter's Pension Scheme (FPS). While the schemes have different contribution rates, the contribution increases remain identical as they are based on earnings and not pension contributions.

Those working retained duty will see increases in line with their earnings. This is likely to amount to at least £200 over three years and could typically be around £500 depending on earnings and role.

Those in the Local Government Pension Scheme, mainly those in control will see similar increases – around £1,800 if that scheme follows current Government plans.

The government's plans are a savage attack on living standards and will hammer family budgets when every penny counts. It comes when firefighters and other public sector workers are already facing an on-going pay freeze and rising costs of living.

This has nothing to do with making pension schemes sustainable or affordable. It is a simple money grab when people are already struggling with finances.

The government wants to pay for the budget crisis caused by the bank bale out in 2008 and the economic slow down which followed. The financial crisis has moved on from the threat of bank defaults to concerns over whether a range of Governments can pay off money they borrowed – known as 'sovereign debt'.

2012 sees the first stage of an attack on firefighter pensions. In the second stage Government plans to end all the current schemes and create a new scheme by 2015.

These plans include making LGPS members eventually work until they are 68, all operational firefighters work until they are at least 60 and slash the amount you get when you retire.

The FBU has told the Government in the strongest possible terms that none of this is acceptable. We will continue to campaign against it but there is an ever-increasing likelihood of industrial action.

What to do

- **Take part in fire station and brigade meetings**
- **Speak to FBU officials about the facts**
- **Discuss and vote on the FBU's model resolution on pensions**
- **Lobby your MP – get them to sign our early day motion (EDM 2049) against the contributions hike**
- **Speak to local media and to the public – explain why firefighters will not accept this attack on our living standards**
- **Gear up for the FBU's campaign to stop the pensions theft**
- **If we have to ballot for industrial action, vote yes.**

How much they expect you to pay

The Treasury announced on 19 July that public sector workers, including firefighters are expected to pay at least 3.2% additional contributions on our pensions. This will be phased in between April 2012 and April 2014.

They plan to scrap existing pension schemes and create a new one after that.

The planned increase to firefighters' pension contributions over the next three years will be 3.2%. They also want to impose up to 6% for "higher earners". The government's plan is to phase in these increases over three years in the following proportions: 40%; 80%; 100%.

This could mean:

- An extra 1.28% in 2012-13
- An extra 2.56% in 2013-14
- An extra 3.2% in 2014-15

Members of fire service pension schemes already pay the highest pension contributions in the public sector, equalled only by the police pension scheme.

By 2014 the fire service pension contributions will be, especially for those securing promotion, at rates which are unparalleled in the public sector. The average employee contribution for a defined benefit scheme in private sector contribution is 4.9%.

Firefighter's Pension Scheme

Members of the Firefighter's Pension Scheme (FPS) currently pay 11% of salary. This equates to at least £250 per month for a competent firefighter – the highest contribution rate of any public sector pension scheme.

Government plans mean that contributions by members of the FPS would rise to 14.2% by 2014. A further imposition of tiered contributions is proposed, so some senior managers will end up paying 17% in employee contributions.

New Firefighter's Pension Scheme

The New Firefighter's Pension Scheme (NFPS) - which is a 40 year scheme – also has high contributions compared with other workers in the public and private sectors. Members of the NFPS would also face a 3.2% rise – to 11.7% – in contributions imposed from 2012.

They also face the introduction of tiered contributions for middle and senior roles.

Retained duty – Modified Pension Scheme

Access to the Modified Scheme (for eligible members who joined the service before 5th April 2006), was won by the FBU following an eight-year legal battle for RDS members. This Modified Scheme has a similar administrative structure to the NFPS, but importantly has a benefit structure which reflects the FPS.

Despite FBU pressure, the government has dragged its heels and completely failed to meet agreed timescales to implement the scheme. Government plans to alter the FPS and NFPS will detrimentally change the Modified Scheme – even before it has been put into place.

Local Government Pension Scheme

Control and other members in the Local Government Pension Scheme (LGPS) would also be expected to increase their contributions by 3.2% by 2014, from the current level of 7.5%. Although the LGPS already includes tiered contributions it will still face the same attacks on the remaining scheme benefits.

The tables indicate how much this is likely to cost fire service members of the scheme. It will cost up to £2,000 over the three years or eventually £70 a month, depending on the scheme. Officers are set to pay thousands of pounds more.

How much?

If the employee contribution rates are increased by 3.2% of earnings, it could mean the following for a competent firefighter:

Firefighter's Pension Scheme (FPS)

Current annual contributions	2012-13	2013-14	2014-15	Total extra contributions
£3,102	£361 extra	£722 extra	£902 extra	**£1,985**

New Firefighter's Pension Scheme (NFPS)

Current annual contributions	2012-13	2013-14	2014-15	Total extra contributions
£2,397	£361 extra	£722 extra	£902 extra	**£1,985**

Local Government Pension Scheme (LGPS)

Current annual contributions	2012-13	2013-14	2014-15	Total extra contributions
£2,009	£343 extra	£686 extra	£858 extra	**£1,887**

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This means that full-time firefighters in these schemes will be expected to pay the government at least an extra £30 a month from April 2012, rising to at least an extra £70 a month by April 2014.

Retained firefighters will also face similar contribution hikes if they are members of the NFPS or prospective members of the modified scheme. To illustrate this below are two examples using a figure of £10,000 pensionable pay.

Retained Firefighter in NFPS (assuming £10,000 pensionable pay)

Current annual contributions	2012-13	2013-14	2014-15	Total extra contributions
£850	£128 extra	£256 extra	£320 extra	**£704**

Retained Firefighter in modified scheme (assuming £10,000 pensionable pay)

Current annual contributions	2012-13	2013-14	2014-15	Total extra contributions
£1,100	£128 extra	£256 extra	£320 extra	**£704**

These figures rise as individuals move up the pay scale. The government has threatened to make "higher earners" pay additional contributions up to 6% by 2014-15. For example:

Wholetime group manager in FPS (6.0%)

Current annual contributions	2012-13	2013-14	2014-15	Total extra contributions
£5,107	£1,114 extra	£2,229 extra	£2,786 extra	**£6,129**

This equates to an extra £90 a month from April 2012, rising to an extra £230 a month from April 2014. Area managers will have to pay over £7,000 more over the next three years.

The context: the pay freeze

These proposed increases in pension contributions have to be put in the context of the current pay freeze, rising cost of living as well as tax and benefit changes. These alone will cost thousands of pounds a year. They amount to an extra **tax** on public sector workers, imposed to fill a hole in the public finances.

Employers have failed to make a pay offer for the second year running. The union submitted a claim for a pay rise for 2011 equal to the retail price index for June this year, as well as registering that pay for 2010 was still unresolved.

The FBU told employers that we are aware that fire authorities had budgeted for a pay rise last year – a pay rise that was never delivered.

If the gains in terms of pay are being undermined, fire service personnel would be justified in asking why they should carry on delivering change while suffering falling living standards.

The context: rising cost of living

The money grab on pension contributions have been put forward at a time when the cost of living is rising fast. The retail price index (RPI), the longstanding measure of inflation, was 5% over the past year. For a firefighter, this means wages can buy around £1,000 less this year than last year. That's a massive hit on living standards.

Price rises for basic necessities have risen fast over the past year. Food price rises have cost the average family an extra £260 a year, according to *The Independent* newspaper (6 June 2011). Petrol prices have cost the average family £200 over the last year (*This is money*, 20 May 2011).

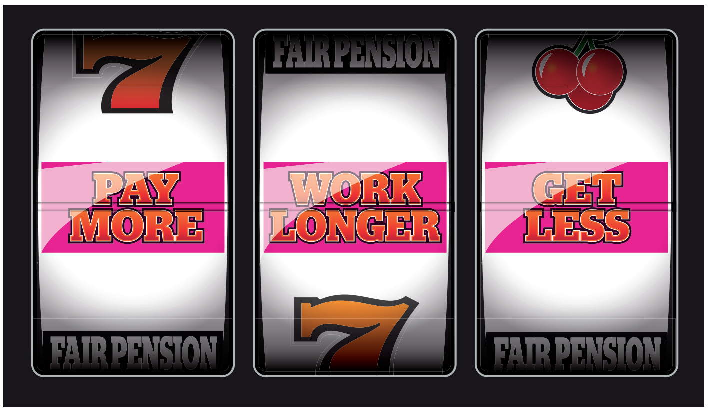
And the misery is set to continue. The big six energy firms have put up their prices for gas and electricity recently. These bills have doubled over the past decade and are expected to rise by at least another £200 over the next year (*Telegraph*, 7 June 2011).

The government's economic policy is making the situation worse. Last year, the Institute of Fiscal Studies estimated that the cuts to public services, from libraries to school facilities to the health service, will end up costing every family around a £1,000 a year.

In January this year, VAT rose to 20% – taking an extra £500 from everyone (*Guardian*, 4 January 2011). In April this year the government increased National Insurance contributions for all workers by 1%. The increase amounts to another £200 a year tax for the average firefighters – and more for higher earners.

The attacks on pensions and pay, together with the tax rises and public services cuts amount to the most savage assault on living standards since at least the time of Thatcher.

That's why over 90% of FBU members surveyed in May-June this year told the YouGov polling organisation they were opposed to the government's pension attacks. Millions of other public sector workers are facing the same attacks. That's why the Fire Brigades Union says: Hands off our pensions! Hands off our money!



More attacks down the line

Lord Hutton's pension commission, published its final report on 10 March 2011. It was accepted by the government and forms the basis of further attacks on public sector pensions.

Hutton proposed that all public sector workers including firefighters should work longer before they are entitled to get a pension. And that all public sector workers should receive less than under the existing arrangements.

How much longer they expect you to work

Hutton recommended raising the retirement age of public sector workers in line with state pension age. He said the state pension age and the normal pension age should be reviewed regularly to make sure it is still appropriate, with a preference for keeping the two pension ages linked.

This would mean that members in the Local Government Pension Scheme (LGPS) would have a retirement age of 65, rising to 66 in 2026, to 67 by 2036 and finally to 68 by 2046.

Exception for uniformed services

The only exception Hutton made was for 'uniformed' services, where the retirement age would be raised to 60. The proposal to raise the retirement age is one that will undoubtedly anger FBU members.

The New Firefighter's Pension Scheme (NFPS) already has a retirement age of 60, compared with 55 in the Firefighter's Pension Scheme (FPS).

The FBU has argued that there is no evidence that firefighters can continue to work to this age in the numbers that will be required to maintain an effective service. Any suggestion of extending the retirement age is ludicrous, as an aging fire service is not in the best interests of the public.

Operational fitness

Hutton welcomed the recent decrease in ill health retirements in the fire and rescue service, but still recommended a higher retirement age. He justified raising retirement ages because of longevity after people retire.

But Hutton missed the point that firefighters have to maintain operational fitness. There is nothing to suggest that we can extend this to cover a rise in the retirement age. It is going to cause a situation whereby more FBU members will have to rely upon an ill-health retirement, which totally defeats the objective of saving money.

Non-operational roles

The argument that firefighters who are no longer able to crew frontline appliances can do other non-operational roles until they retire aged 60+ does not hold water. In reality non-operational roles have already been converted to Green Book roles – on a lower salary in most cases.

Fire authorities have tried to trim operational establishment figures by converting firefighter roles in this way, thereby saving money. The knock-on effect is that there are no real redeployment opportunities for operational firefighters who are no longer able to ride frontline appliances.

The FBU is very disappointed that Hutton and the government have ignored the concerns we highlighted about raising retirement ages and totally misunderstood the situation. The union is now campaigning to set the retirement age for all firefighters at 55, including for those firefighters in the NFPS.

As we were saying:

"The [government] would not move on the NFPS retirement age of 60. This was despite clear warnings from the FBU and employers that this will lead to a spate of ill-health and injury pensions as older firefighters succumb to the physical demands of the job."

Firefighter magazine, March 2006

Attacks on pension benefits

The government also plans to reduce the pension benefits firefighter's will receive at the end of their career. The Hutton report proposed scrapping final salary pension schemes and introducing career average schemes. These reduce pension payments if the amounts are not uprated fairly. The hardest hit by career average schemes are those who take any form of promotion during their career.

CPI lower than RPI

Another way the government has already attacked pension benefits is to change the measure of inflation used to uprate pensions from the Retail Prices Index (RPI) to the Consumer Prices Index (CPI). The decision, which came into force in April 2011 and is recognised by Hutton as reducing future benefits by at least 15%.

Over the past ten years, on average CPI has been 0.75% lower than RPI each year. Over 20 years the difference has been 0.87% a year. Although we don't know how price indices will change in the future, a similar difference over the coming decades will cost firefighters thousands of pounds.

This change affects the pensions that every firefighter has built up to date as well as the value of the pension in deferment or retirement. Firefighters have been promised a pension that will increase in line with inflation. If the pension you have already earned is linked to the CPI, then that represents a cut in the pension you have already paid for.

For this reason the FBU is challenging this attack on the courts with a hearing which will take place in October this year.