



FIRE BRIGADES UNION BRIEFING

Spin buster: Do firefighters get a “generous” pension?

Over the past few months, CLG fire minister Brandon Lewis has said that the proposed new pension scheme for firefighters will be “one of the most generous pension schemes in all the public sector”.

The truth is firefighters will be priced out of our pension schemes as they become more and more expensive and worth even less. The take home pay of most firefighters’ is currently around £1,660 per month, so firefighters pay a **significant amount** of salary in pension contributions.

- A firefighter in the 1992 Firefighters Pension Scheme (FPS) earning £28,766 pays over £3,700 a year (£320 per month) in employee contributions. Higher earners pay an even larger proportion of salary.
- A firefighter in the 2006 New Firefighters Pension Scheme (NFPS) earning £28,766 pays over £2,700 (over £230 per month) in employee contributions. Higher earners pay an even larger proportion.
- In 2014, the government plans to impose a further increase in our contributions – the third year in a row these have been increased.
- This would mean that in 2014 the majority of FPS members will be paying over £4,000 a year (£340 per month) in pension contributions. In 2014, the majority of NFPS members would pay almost £3,000 a year (£249 per month).
- In 2015 the majority of NFPS members will be expected to transfer into the 2015 scheme and see another contribution increase of around 2.2%. This will further increase their contributions to over £3,600 per year (£302 per month). The FBU has been told to expect further increases in 2016 and beyond, although the details are not yet known.
- Firefighters in the NFPS will have seen their pension contributions rise by 50% since 2011 from around £2,400 a year (£201 per month) in 2011 to over £3,600 a year (£302 per month) in 2015.

The proposed employers’ contribution to firefighter pensions is one of the very lowest ratios in the public sector at 1:1.05. The proportion of pension cost paid by firefighters is one of the highest in the public sector. The firefighters’ scheme is therefore one of the **least generous** public sector schemes.

Generous benefits?

Government are claiming that a firefighter who joins the 2015 scheme at age 20 and retires at age 60 will get a pension of £19,600. But firefighters would only get such a pension if they are fit enough to work at least five more years than at present (for many up to ten years more) – and the government’s own evidence says many (and even most) won’t make it.

The government's own Williams' review published this year said in the **best case 23%** of current firefighters won't be able to maintain fitness until 60, while in the **worst case 92%** will not maintain fitness. The best case is based on unrealistic assumptions about fitness at recruitment, fitness training throughout career, and is vague on diet, training and other procedures.

If firefighters cannot work until the end of their career, we face getting sacked and only receiving an "**actuarially-reduced pension**". While some regard this as a "choice" – firefighters are not being given the choice about working longer or losing much of our pensions.

So what would a reduced pension for a 55 year old firefighter joining at age 20 look like?

Brandon Lewis has confirmed that the actuarial reduction for a 55 year old is **47.1%**, and set to increase with the (rising) in State Pension Age. This is a very significant reduction. In Scotland the actuarial reduction for a firefighter retiring at age 55 would be 21.8%.

The actuarial reduction of 21.8% was initially offered by the fire minister (as part of his 19 June proposals). However he withdrew the offer on 1 November as a punitive measure because FBU members would not accept or endorse his pension attacks.

The actuarial reduction of 21.8% in Scotland is still a very significant reduction. The even more punitive one of 47.1% means many firefighters drastically penalised for the government's unworkable scheme.

Example

To achieve the £19,600 a year pension at age 60 the firefighter with a salary of £28,766 will have to start at age 20 and work 40 years until age 60.

So salary multiplied by length of service divided by accrual rate = pension:

- $£28,766 \times 40 \text{ years} / \text{accrual rate } 58.7 = \underline{\underline{£19,602}}$

If the firefighter cannot maintain fitness until age 60 and has to "choose" to retire at age 55 rather than face the sack, it looks very different. Firstly they will have a reduced career of 35 years instead of 40 years and will have an actuarial reduction of 47.1% applied.

So salary multiplied by length of service divided by accrual rate = pension before actuarial reduction applied, minus actuarial reduction = reduced pension:

- $£28,766 \times 35 \text{ years} / \text{accrual rate } 58.7 = £17,151 - £8,078 \text{ (47.1\% reduction)} = \underline{\underline{£9,073}}$
- **So, the likely pension under current proposals is very likely to be closer to £9,000 than the £19,000 as claimed by Brandon Lewis.**

The effect of not being able to maintain fitness until age 60 and having to leave with an actuarial reduction is that the pension is **massively reduced – by more than half**.

That is not generosity. It is scandalous.