FIRE BRIGADES UNION BRIEFING

Contributions

25 October 2013

CLG submitted a paper FPC (13)8 to the Firefighters Pension Committee on 16 October 2013. (This paper is attached for your information). This paper confirmed that government remains committed to securing, in full, the Spending Review savings (a total of 3.2 percentage points) from contribution increases and will that they will shortly begin formal consultation on how this is implemented. It is inevitable that as with previous years Wales, Scotland and Northern Ireland will follow suit.

Government confirmed that the proposed tariffs would see a firefighter earning £28,800 in the FPS paying contributions of 14.2% of pensionable pay and a firefighter in the NFPS paying contributions of 10.4%. Although no final decision has been taken on contribution rates in the 2015 scheme, Brandon Lewis' letter of 19 June to the Fire Brigades Union estimated that the average yield from the 2015 scheme might be 12.6%. The tables below illustrate the proposed tariffs in full:

1992 FPS (will also apply to the modified scheme)

	Current rate	Proposed increase	Cumulative increase since 2012	Contribution Rate from April 2014
£0 - £15k	11.0%	**0.0%**	**0.0%**	**11.0%**
£15k -£21k	11.9%	**0.3%**	**1.2%**	**12.2%**
£21k - £30k	12.9%	**1.3%**	**3.2%**	**14.2%**
£30k - £40k	13.2%	**1.5%**	**3.7%**	**14.7%**
£40k - £50k	13.5%	**1.7%**	**4.2%**	**15.2%**
£50k - £60k	13.7%	**1.8%**	**4.5%**	**15.5%**
£60k - £100k	14.1%	**1.9%**	**5.0%**	**16.0%**
£100k-£120k	14.5%	**2.0%**	**5.5%**	**16.5%**
£120k+	15.0%	**2.0%**	**6.0%**	**17.0%**

New Firefighters' Pension Scheme 2006

	Current rate	Proposed increase	Cumulative increase since 2012	Contribution Rate from April 2014
£0k - £15k	8.5%	**0.0%**	**0.0%**	**8.5%**
£15k - £21k	9.1%	**0.3%**	**0.9%**	**9.4%**
£21k - £30k	9.6%	**0.8%**	**1.9%**	**10.4%**
£30k - £40k	9.9%	**1.0%**	**2.4%**	**10.9%**
£40k - £50k	10.1%	**1.1%**	**2.7%**	**11.2%**
£50k - £60k	10.2%	**1.1%**	**2.8%**	**11.3%**
£60k - £100k	10.5%	**1.2%**	**3.2%**	**11.7%**
£100k-120k	10.8%	**1.3%**	**3.6%**	**12.1%**
£120k+	11.1%	**1.4%**	**4.0%**	**12.5%**

The government makes other points in this paper:

Paragraph 2 says that "To date, firefighters have seen, on average, the lowest contribution increases out of the schemes delivering increases in contributions…" This statement is true, but doesn't mention that the contribution rate was already starting from a higher level for firefighters compared to other public sector schemes. Nor does it mention that the reason why FPS contribution rates didn't increase as much as other schemes in April 2012 was because of the fear of opt outs and the knock-on effect on contribution income if opt outs are significant.

Paragraph 5 says that "of those who opted out, the vast majority earned under £40k…" This is worrying as the majority of firefighters earn below £40k, and this clearly shows that the current contribution rate is already too high. A further increase in April 2014 will just make this worse.

Paragraph 11 says that "a firefighter earning £28,800 in the FPS [will pay] 14.2%… and a firefighter in the NFPS [will pay] 10.4%... Although no final decision has been taken on contribution rates in the 2015 schemes, Brandon Lewis' letter of 19 June to the FBU estimates [it might be] 12.6%..." Paragraph 12 suggests that 12.6% will apply from April 2015 for firefighters who transfer to the 2015 scheme, so FPS members will see a decrease in contributions (from 14.2% to 12.6%) whereas NFPS members will see an increase (from 10.4% to 12.6%). This will not be the case for firefighters remaining in the FPS or NFPS after April 2015 (i.e. those closer to retirement).

Paragraph 13 outlines an "alternative tariff" where the NFPS rate is set at 11.1% from April 2014 (instead of 10.4%) so that the FPS rate could be set at around 13.9% or 14.0% from April 2014 (instead of 14.2%). However, paragraph 14 goes on to say that any reduction in the FPS rates from April 2014 could lead to an increase to the employee contribution rate to apply in the 2015 scheme, i.e. higher than 12.6%.

The target average employee contribution rate of 13.2% across all three schemes (NFPS, FPS and 2015 scheme), as mentioned in paragraph 14, is simply too high.

The ratio of average employee contributions to taxpayers contributions from April 2015 would be 49% (13.2% divided by 27%, where 27% is the cost ceiling for the Firefighters' Pension Scheme). This is high compared to other public sector schemes. For example, in the Principal Civil Service Pension Scheme, the ratio from April 2015 is expected to be between 25% and 30%.

Over time, as the number of firefighters in the 2015 scheme increase and the number in the FPS decrease, the average rate across all three schemes will naturally fall below 13.2%. Will this mean that contributions will have to increase again to compensate?

The issue of contributions is a key element of the 8 point trade dispute and is the one constant irrespective of which pension scheme a firefighter is in. All scheme members have already seen an increase in their pension contributions and government proposals indicate that this trend will continue in 2014.

The increases will impact on all parts of the UK and every member of the firefighters' pension scheme will be adversely affected by this. Unless this key element is addressed every member irrespective of the scheme they are in will have to pay more for the benefit they receive.

The trade dispute is clear: **No more contribution increases.**