



FBU speaker notes ideas for officials (July 2011)

## Pension meetings - Speaker notes ideas

There is no doubt we are facing a massive attack on pensions.

Two stage attack

- Stage 1 Contribution increases April 2012 to 14.
- Stage 2 Closing down current schemes and Introduction of new scheme April 2015.

Will explain these stages in more detail later

Our campaign-‘Hands off our pensions’ highlights government’s intention to force FBU members to work longer, pay more, get less.

Some people are affected by all three, some affected by just parts. To coin their phrase we’re all in it together.

They will try to divide and conquer-our objective is to build a campaign to oppose all detrimental changes while keeping members united.

Government say these reforms are necessary. We say they are not reforms at all they are just further attacks on our pension scheme.

### First stage- raising contributions.

Osborne announced in comprehensive spending review-average 3% rise in employee contributions.

Since then Chief Secretary to the Treasury, Danny Alexander, on 17<sup>th</sup> June, confirmed it would be 3.2%. Although Treasury officials have subsequently stated this was Alexander’s opinion rather than government policy.



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It is important to note that the situation could change as the talks and the campaigns develop.

They claim they are aiming to protect the low paid so

- Anyone less than 15 K = no rise in contributions.
- Less than 18 K = 1 .5% rise in contributions.

CLG officials have informed us that the rise will be phased over three years.

- 2012-1.2%.
- 2013-1.2%.
- 2014-0.6%.

(Note this information was based upon it being a 3% rise).

What will this mean?

By 2014 firefighters pay around 14% of their salary into pension scheme (11.5% in the NFPS)

In addition to this there will be tiered contributions for higher roles meaning some officers see pension increase up to 17%.

CLG have indicate that an option they are looking at is one where there may be protection for the NFPS.

So what is this employee contribution increase for?

CLG have confirmed that this is a cash injection.

- To raise around £13.2 million in 2012.
- £26.4 million in 2013.
- £33 million in 2014.
- Around £73million in total

This is the FPS and NFPS's contribution to the £2.8 billion that government want to raise from public sector pensions.



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Key point: this cash raising is nothing to do with the value or costs of our pensions. It is a mechanism announced by George Osborne to assist in government deficit reduction.

- (FBU is currently taking legal advice on this cash raising exercise to see if it's legitimate).

FBU has raised the issue of opt outs.

The Office of Budgetary Responsibility (OBR) assumes 1% opt out levels when setting these cash targets.

FBU say figure is far too low.

FBU have been told by GAD (Government Actuary Department) that every 1% opt out cost the scheme £3.5 million per year in lost contributions.

FBU warned 10% wipes out all cash raised-£35 million per year. 20% puts scheme into more deficit-£70 million per year.

The FBU used a You Gov survey to provide some evidence on this. This survey finished on 17<sup>th</sup> June

Our reasons for using YouGov

- They are independent
- Their reputation cannot be challenged easily-

18% of FBU members took part - around 8000 members

This is the most thorough survey on pension issues which any union has conducted during the current debates.

One question related to opt outs-showed potentially 27% opt out rate.

What would this mean?

Treasury cash injection exercise raises around £73 million, but cost the scheme £283 million in lost contributions and net loss of £210 million.



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Already submitted response to CLG/fire Minister highlighting this issue.

Key point: We believe we need to systematically demolish the government's arguments for changing our schemes. We need economic, political and operational arguments. We are addressing all aspects.

Stage 2-2015 - close public sector schemes - all placed into new schemes.

Won't be a single scheme but it has a common framework

From firefighter's point of view schemes it will differ in two big areas.

1. New retirement ages- everyone's NRA linked to state pension age  
The exemption - NRA for 60 uniformed services.
2. Final salary replaced by career average schemes.

### 1 New retirement age means working till 60

NFPS already working till 60.

2006 this was introduced with FBU concerns about maintaining operational fitness

Concerns mitigated-where told when firefighters not operationally fit they could be redeployed into non operational roles.

Key point: The FBU has never agreed to or endorsed higher retirement age. Our position is for a reduction for NFPS members.

In reality these opportunities don't exist.

Martin Marion and co (the London Three case) -gave legal clarification re no job no pension.

Ill-health retirement figures have also dropped-this drop will be reversed and levels will rise again if FFs have to work till 60 costing scheme money again.

FBU campaigning to reduce NFPS retirement age to 55.



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FBU opposing age 60 in both submissions to Hutton and raising objections elsewhere.

We uphold our position that Firefighters cannot maintain operational fitness in enough numbers past age 55 to provide an effective fire service.

FBU gathering evidence on redeployment opportunities and physical demands on firefighters and ability to work last 55.

External expertise involved.

## 2 Final salary being replaced

Career average (CARE)-main driver in Hutton review

Final salary is best of last three years.

CARE schemes-every year builds up a building block and revalued to inflation proof to give a pension that reflects full career.

Hutton claims-final salary;

1. Unfairly rewarding higher earners.
2. Too expensive.
3. And that CARE is fairest way of rewarding all.

Potential to divide as some firefighters no worse off on CARE- depending on two factors.

1. Revaluation factor used-Hutton suggests average wage increases.
2. Accrual rate-Hutton doesn't even suggest any.

Current Accrual rates 60th or 2/60. Depends upon scheme

Early documents suggest the schemes from 2015 may use 80ths 90ths or even 100ths

Using any of these accrual rates will mean everyone will be worse off.

They have listened already as we have said these accrual rates are ludicrous

Now when they are looking at career profiles examples using 80ths 75ths 70ths 65ths



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Relevance questionable as the profiles they are looking at use a career average over 48 year stretch

In general

Anyone taking promotion will be hit by this-not just higher earners crew managers and above.

CARE is a strong argument for them but they want tiered contributions as well-this undermines their argument.

Why should higher roles pay more in tiered contributions in career average schemes when it's career based they already pay more as it's a percentage of the salary anyway.

Once again FBU building arguments on these issues will get own financial advice, through actuaries and specialists.

Who is affected?

Everyone in a Pension Scheme within the FRS will be affected in some way.

As well as this RDS members who intend to join the Modified Firefighters Pension Scheme will be affected in the same way that members of the current FPS are.

The Modified FPS came about after the FBU fought for 10 years on a legal challenge to gain part-time recognition for RDS members and in doing so gained the right of access to the FPS that had previously been declined to them.

This modified scheme will have the same benefit structure as the FPS which means that any changes to the FPS affect the modified scheme. CLG have continually given the FBU timescales which they have not adhered to which has angered and frustrated members and officials alike.



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We cannot accept that this hard fought victory is undermined by CLG delaying its implementation any longer and potentially attacking the scheme benefits before it is even been made available.

The FBU is determined that RDS members gain access to the scheme they fought long and hard to gain access to and that this is not then snatched away from them in a this way.

Stress that attacks on the FPS and NFPS also affect the modified scheme - nobody in a fire service pension scheme is exempt - they are even trying to change it before we get it

Key Point. The FBU wrote to Treasury Solicitors and the Fire Minister at the beginning of July outlining the anger of or members at the unacceptable delay in implementing this legal victory and indicating that if this is not dealt with immediately there will be further legal recourse

Other Hutton recommendations-27 in total-accepted in budget speech 23rd of March. We've been told there will be no cherry picking.

Some examples of these

Honour all past accrued pension -

One example maintaining retirement age for current schemes.

Individual can access past accrued pension at their expected retirement age - all pension accrued in new scheme can also be accessed at this age but actuarially reduced - reduced rate unknown

New schemes will retain defined benefit status(DB)-

This is a good point - employer makes a promise based on benefits linked to length of service, age and salary-

All risk with employers.



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The alternative they were considering was defined contributions (DC) which is based upon fixed contributions invested-buys a pension value at the end-

All risks with employee.

Removal of accrual limits-currently 40 /60th-FPS, 45/60 NFPS

Fixed cost ceiling-protection for taxpayer.

- All cost increases will be passed to employees-  
Employees cover all liabilities by either reducing benefits, increasing contributions or amending accrual rates and if there is no agreement a default position imposed.

Indexation changed- This is already in from April 2011 - retired members now have their pensions indexed using CPI instead of RPI - Hutton recognised this is about a 15% reduction in value of pension FBU has legally challenged this with a Judicial review -only 4 unions initially involved PCS, POA NASUWT and FBU-bigger unions Unison and unite now involved-hearing 25<sup>th</sup> October.

Other things-such as better governance more accessible data annual pension statements welcomed .

To recap -

Contributions increase April 2012

All new schemes in by 2015.

What are we doing?

We oppose all detrimental changes in Hutton and change to employee contributions.

Raised objections with CLG and ministers.



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Gathering info now submitting evidenced arguments on all issues.  
Responding to full Hutton document.  
Working to provide evidence that firefighters cannot work past 55.  
Working to prove their cash raising schemes are not viable.  
Using legal challenges where applicable and pressurising MPs CFOs fire authority members.  
Using media.

Just as important is informing members of what it means.  
Warning members of situation -not scare tactics-facts-evidence by experts.

Conference says;

1. We need to prepare for national strike action.
2. When we are ready, we will ballot.- cannot be rushed - must be aware that there may be some trigger points however
3. Will coordinate action with other unions if we can.

**Important get members to vote on model resolution**  
**Attached to update document and record results**

What can members do-

Lobby MPs, FA's and speak with trades councils.  
Get your MP to support Early Day motion 2049  
Read the info that comes out-keep mates involved.

- If you don't agree-question.
- If you don't understand-ask.

Stick together when they are trying to divide us.

While you doing this you need to ask yourself what other organisations doing. What will FOA do? Nothing. What will CFOA do? What will the RFU do? Nothing



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It's very important to remember that;  
We did not pick this fight.  
We did not want this fight.

But we cannot allow them to just rob us of our pension rights.

The FBU will be defending your pensions-we need to be united.

Unity is strength.