



Department for  
Communities and  
Local Government

# Firefighters' Pension Scheme (1992) and New Firefighters' Pension Scheme (2006)

A partial equality assessment of the proposed increases to  
employee contribution rates, effective from 1 April 2013

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## 1. Name of Directorate

Local Government Finance, Workforce, Pay and Pensions Division

## 2. Please list all the policy streams in your business area.

### Firefighters' Pension Contribution Increases

#### Background

Lord Hutton was commissioned to review public service pensions and recommend how they can be made sustainable, affordable, and fair to both public sector workers and the taxpayer. In his interim report, published 7 October 2010, Lord Hutton found that the value and cost of a public service pension has increased by around a third because of longer life expectancy over the last fifty years and, despite recent reforms, most of these extra costs are being met by taxpayers. He recommended increasing employee contribution rates if the Government wished to make short term savings.

At the Spending Review, the Chancellor announced that public service pension scheme members would see contribution increases of 3.2 percentage points, on average, from April 2012 to be phased in, over three years, with 40% increases in 2012, a further 40% in 2013 and the remaining 20% in 2014.

#### 2012-13 Contribution Increases

A statutory consultation, published in September 2011, proposed an increase in firefighter employee contributions of 1.28 percentage points, on average, to apply from April 2012. Ministers, in the light of the statutory consultation responses, decided that it was appropriate, in the specific case of firefighters, to proceed with an altered contribution rate which now generates an increased yield of 0.64 percentage points from the two firefighters' pension schemes, rather than the originally proposed 1.28 percentage points that the Government consulted on.

The Government gave a commitment to review the impact of the 2012-13 contribution increases, including on opt-out, before taking final decisions on how increases in 2013-14 and 2014-15 will be delivered. A summary of the equality impacts from the opt-out review are set out in this document.

#### 2013-14 Contribution Increases

This Equality Statement now considers the impact of the proposed 2013-14 pension contribution increases in the Firefighters' Pension Scheme (1992) and the New Firefighters' Pension Scheme (2006) on protected groups. The intention is to realise 1.28 percentage points worth of savings from the firefighters' pension schemes in 2013-14. Increases in contribution rates should protect low earners and be progressive, so that high earners pay proportionately higher increases to reflect their more generous pensions.

In delivering these savings, the central design parameters are:

- There should be no increase in employee contributions for those earning less than £15,000.

- There should be no more than a 1.5 percentage point increase in total by 2014-15 for those earning up to £21,000.
- High earners will pay more, but no more than 6 percentage points (before tax relief) by 2014-15.

### **3. Identify any policy streams aimed at or impacting upon a Protected Group.**

A number of consultation responses for the increases set out for 2012-13 suggested that the proposals may be discriminatory on the grounds set out below. The Department has considered the issues raised in the consultation in further detail and our response is set out below.

#### Age Discrimination

##### *Consultation Response*

- Older members, more likely to be senior in rank and, therefore, higher earners, could be disproportionately affected by having to pay higher contribution rates
- Younger members could be affected, paying more across their career for a similar level of benefits enjoyed by older members

##### *Department's response*

- Contribution rates are based on salary bands, so that those who earn more contribute more. This is a proportionate objective.
- Whilst some higher paid members may be older, this is not consistent as many older members remain lower earners: Table 1 provides a breakdown of the age and salary profile of firefighters (regular and retained) of the firefighters' pension schemes. This table shows that the majority (72%) of regular scheme members earning more than £50K are likely to be aged over 45. However, 71% of all regular scheme members aged over 45 earn less than £35K.
- The reverse applies in relation to younger members. Although 91% of regular scheme members aged under 45 earn less than £35K, of all regular scheme members earning £50K or more, over a quarter of these are aged under 45.
- Higher paid members accrue higher pension benefits and can also benefit from higher levels of tax relief.

It should be noted that over 98% of retained scheme members, where the age profile varies, earn under £35K. Of the remaining 2% that earn above this salary limit, the majority are aged over 45.

In conclusion, it is not possible to identify a specific age category which can be defined as being disproportionately discriminated against. Even if such a group could be identified, the Department believes that it can be objectively justified as a proportionate objective of protecting low paid workers.

## Part time workers

### *Consultation Response*

- Part time workers could be affected as they will need to pay the Full Time Equivalent Rate, not the rate based on their actual pay.

### *Department's response*

The policy proposals were designed to ensure that part time workers contributed towards their pension on a pro-rata basis, applying the principles of the Part Time Workers (Prevention of Less Favourable Treatment) Regulations 2000. Using the Full Time Equivalent pensionable earnings ensures that workers paid the same hourly rate will pay pension contributions at the same rate and on the same proportion of pension benefits accrued.

If those working part-time paid contributions on the rate of their actual pay, then these lower contributions would require a further cross subsidy by full time, or higher paid staff, to ensure the average level of contributions is raised. This could be seen to be treating these workers more favourable than full-time firefighters.

Whilst it was not raised in the consultation, the Department has looked at the demographics of part time workers and found that the actual number of male scheme members that work part-time is 606 compared with only 66 female scheme members. However, although the actual number of males working part-time is greater than females, the proportion of female scheme members that work part-time (6%) is greater than that of males (2%). Table 2 provides a further breakdown of the number of full-time and part-time regular firefighter pension scheme members of the Firefighters' Pension Scheme (1992) and the New Firefighters' Pension Scheme (2006).

The Department does not believe this proposal is discriminatory on the grounds of sex or discriminates against any of the other protected groups.

### Other protected groups:

- Pregnancy and maternity – the proposal to increase pension contributions will not impact on the pension rights of those female firefighter scheme members who are on, or planning to take, maternity leave. Those scheme members will continue to make pension contributions calculated according to their actual earnings during their maternity leave. In addition they will continue to have the option to make up any shortfall on pension contributions, for any unpaid periods whilst on maternity leave, on their return to work.
- Race/Ethnic Minority - The Department does not hold specific data on the race and ethnicity of firefighters in the pension scheme. However, the Department does collect data on the firefighter workforce generally and this shows that there has been a gradual increase in the representation of minority ethnic staff in recent years, with minority ethnic staff accounting for 3.3% of all firefighters (regular and retained) at 31 March 2012, compared with 2.5% of all firefighters in 2006, and 1.5% of all firefighters in 2002.
- Disability
- Gender reassignment
- Sexual Orientation

- Religion or belief
- Marriage & Civil Partnership

The Department does not hold scheme membership data on the protected groups set out above. However, the Department has considered the impact of tiered increased pension contribution increases on these protected groups, and has concluded that the proposals do not discriminate against these groups.

#### 4. Who has responsibility for developing these policies?

Chris Megainey, Deputy Director of Workforce Pay and Pensions, and Andrew Cornelius, Firefighters' Pension Team Leader.

#### 5. Are there any EU or other statutory regulations that need to be adhered to regarding equalities?

Equality Act 2010 and the Part-time Workers (Prevention of Less Favourable Treatment) Regulations 2000

#### 6. The following summary will be analysed and used as evidence which you considered in demonstrating due regard to the Public Sector Equality Duty. Have you used information from any of the following sources when developing policies?

*This can be (but not limited to):*

##### Links to new/existing reports and research

- Research commissioned by the Department, on behalf of the Firefighters' Pension Committee: Research Works: Research into Firefighters' attitudes to their pension scheme, including the impact of increased employee contribution rates

##### Extracts from consultation responses and any follow up with respondents

- Responses from Firefighters' Pension Scheme (1992) and the New Firefighters' Pension Scheme (2006): Proposed increases to employee contribution rates effective from 1 April 2012 – Consultation

<http://webarchive.nationalarchives.gov.uk/20120919132719/http://www.communities.gov.uk/publications/fire/firefighterpensionresponses>

##### Data captured/published

- The Fire and Rescue Service: Operational Statistics Bulletin for England 2011-12

<https://www.gov.uk/government/publications/fire-and-rescue-authorities-in-england-operational-statistics-bulletin-for-2011-to-2012>

- Data collected from Fire and Rescue Authorities on the number of firefighters that have opted out or chosen not to join their pension scheme from 1 April 2012.
- Valuation data, as of 31 March 2011, collected from Fire and Rescue Authorities

#### Minutes of meetings/notes from stakeholder workshops

- There were no minutes or notes of the meetings, but equality considerations have been discussed with the employers and unions at meetings relating to pension contribution increases.

### **7. Have you discovered any of the following and as a consequence taken actions on identified equality issues?**

The overall policy objective is that pension scheme members will need to contribute more towards their pension, with higher earners paying more. The Department has concluded that this proposed policy will not have an adverse equality impact on any of the protected groups, although evidence from the opt out review into increased contribution rates from 2012-13, suggests that a disproportionate number of females and younger firefighters have opted out of their pension scheme than there are members of the scheme.

#### Opt out review

The Government is continually monitoring the effect of pension contribution increases on members including the effect on opt out rates, from 1 April 2012. Data collected from April to September 2012, shows that, for the two firefighter pension schemes, 90% of firefighters opting out of their pension scheme were male and 10% were female. The two firefighters pension schemes were considered separately: 89% of males and 11% of females opted out of the Firefighters' Pension Scheme (1992) and 91% of males and 9% of females (regular and retained firefighters) opted out of the New Firefighters' Pension Scheme (2006). 96% of non-joiners to the New Firefighters' Pension Scheme (2006) were male and 4% female.

This compares with the average scheme membership of both firefighters' pension schemes where just over 4% of members are female and nearly 96% are male. The scheme membership of the Firefighters' Pension Scheme (1992) is 97% male and 3% female and for the New Firefighters' Pension Scheme (2006) 93% of scheme members (regular and retained) are male and 7% female. This therefore suggests that a higher proportion of females, than males, have opted out of their pension scheme. However, it should be noted that the actual number of scheme members who are female is small, and it therefore only requires a few females to opt out of the pension scheme to give a larger percentage of female optant outs and, therefore, possibly provide a distorted picture when it comes to a comparison of optant outs by sex. This means that the data can be skewed by the actions of a low number of members.

The data also showed that, overall, 89% of optant outs were aged 40 or under. 83% of members that opted out of the Firefighters' Pension Scheme (1992) were aged 40 or under and 92% of members (regular and retained) that opted out of the New Firefighters' Pension Scheme (2006) were aged 40 or under.

This compares with the average scheme membership of both firefighters' pension schemes where 50% of scheme members are aged 40 or under. In the Firefighters' Pension Scheme (1992) and the New Firefighters' Pension Scheme (2006), 40% and 69% of scheme members, respectively, are aged under 40.

This information is based on six month's data provided from April 2012, following the implementation of the revised contribution increases from 1 April 2012. April was the month that had the highest level of optant outs and the rate of optants out dropped in each subsequent month to August. Although the rates of optant outs in September was slightly higher than the August rate, the rate of total optant outs in September is a third of the amount that opted out in April.

Given that this level of detail has only been collected from the start of 2012-13, and not historically, and that different people put different value on the importance of a pension, it is difficult to compare trends and draw any meaningful conclusions on the impact on contribution increases on sex or age.

However, the Government will continue to monitor and review the impact of contribution increases, being mindful of any impact on the protected groups.

**8. When your policies are finally implemented which groups are most likely to benefit?**

There is no evidence to suggest that one group of individuals with protected characteristics will benefit more than another:

Younger members, who would have entered the service in more recent years and, according to scheme membership and workforce data collected, are therefore more likely to be female or those from an ethnic minority are generally lower paid. Lower paid firefighters will be subject to a smaller percentage point increase in their contributions than higher earners. Higher earners tend to be older, white males so it could be argued that this group will face bigger contribution increases and therefore younger members will face less of an impact and be more likely to benefit from this policy. However, it is not possible to identify that this is necessarily the case.

**9. In considering the above information have any gaps in data or equalities information been identified?**

The following data gaps have been identified:

- Gaps in membership information on race/ethnicity
- Gaps in salary progression for the protected groups

**10. Overall, can you make an assessment of the potential of this policy; programme/service to have a substantial equalities impact on discrimination, fostering good relations or advancing equality of opportunity? Please try to limit your answer here to less than an A4 page.**

There are no identifiable categories of individuals with protected characteristics who are being disproportionately discriminated against.

In addition, tiered contribution bands, by salary level, are not an uncommon feature in pension scheme design. For instance, the Local Government Pension Scheme has been operating a tiered contributions band for a number of years. There has not been any attempt to suggest that that scheme is discriminatory in respect of tiered tariffs.



**This analysis was undertaken by:** Sharon Mayers

**Advice sought from the equalities team**

<b>Name/Title</b>	Hyacinth Parsons		
<b>Directorate/Unit</b>	Equalities Team	<b>Lead contact</b>	Sharon Mayers
<b>Date</b>	28.11.2012	<b>Date</b>	28.11.2012

**SCS Sign off:** Chris Megainey

**I have read the available evidence and I am satisfied that this demonstrates compliance, where relevant, with Section 149 of the Equality Act and that due regard has been made to the need to: eliminate unlawful discrimination; advance equality of opportunity; and foster good relations.**

**Table 1: Membership of the Firefighters Pension Schemes by Age and Salary Band**

[Source: Government Actuary Department's Valuation Data 31 March 2011]

Table 1a: Regular membership of the Firefighters Pension Scheme 1992 and the New Firefighters Pension Scheme 2006

Full Time Equivalent Salary/Age	Under 30		30-40		40-45		45-50		50-55		Over 55		Total	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Up to £30K	2,739	18%	5,706	38%	3,067	20%	2,513	17%	943	6%	89	1%	<b>15,057</b>	<b>100%</b>
£30K - £35K	745	8%	2,984	31%	2,349	25%	2,336	25%	989	10%	99	1%	<b>9,502</b>	<b>100%</b>
£35K - £40K	24	1%	366	19%	514	27%	659	34%	309	16%	47	2%	<b>1,919</b>	<b>100%</b>
£40K - £50K	1	0%	167	11%	396	25%	684	44%	296	19%	22	1%	<b>1,566</b>	<b>100%</b>
£50K - £60K	0	0%	46	7%	161	24%	301	45%	151	22%	13	2%	<b>672</b>	<b>100%</b>
£60K - £100K	0	0%	15	5%	54	20%	123	45%	71	26%	11	4%	<b>274</b>	<b>100%</b>
£100K - £120K	0	0%	0	0%	4	11%	19	54%	10	29%	2	6%	<b>35</b>	<b>100%</b>
Over £120K	0	0%	0	0%	5	10%	28	58%	14	29%	1	2%	<b>48</b>	<b>100%</b>
<b>Totals</b>	<b>3,509</b>	<b>12%</b>	<b>9,284</b>	<b>32%</b>	<b>6,550</b>	<b>23%</b>	<b>6,663</b>	<b>23%</b>	<b>2,783</b>	<b>10%</b>	<b>284</b>	<b>1%</b>	<b>29,073</b>	<b>100%</b>

Table 1b: Retained membership of the New Firefighters Pension Scheme 2006

Full Time Equivalent Salary/Age	Under 30		30-40		40-45		45-50		50-55		Over 55		Total	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Up to £30K	1,897	33%	1,640	28%	985	17%	739	13%	360	6%	153	3%	<b>5,774</b>	<b>100%</b>
£30K - £35K	27	2%	255	20%	290	23%	320	25%	251	20%	132	10%	<b>1,275</b>	<b>100%</b>
£35K - £40K	0	0%	11	16%	8	11%	21	30%	17	24%	13	19%	<b>70</b>	<b>100%</b>
£40K - £50K	0	0%	2	13%	2	13%	6	38%	5	31%	1	6%	<b>16</b>	<b>100%</b>
£50K - £60K	0	0%	1	20%	0	0%	1	20%	2	40%	1	20%	<b>5</b>	<b>100%</b>
£60K - £100K	0	0%	0	0%	0	0%	0	0%	1	100%	0	0%	<b>1</b>	<b>100%</b>
£100K - £120K	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	<b>0</b>	<b>100%</b>
Over £120K	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	<b>0</b>	<b>100%</b>
<b>Totals</b>	<b>1,924</b>	<b>27%</b>	<b>1,909</b>	<b>27%</b>	<b>1,285</b>	<b>18%</b>	<b>1,087</b>	<b>15%</b>	<b>636</b>	<b>9%</b>	<b>300</b>	<b>4%</b>	<b>7,141</b>	<b>100%</b>

Table 2: Membership of the Firefighters Pension Schemes by Sex and Working Pattern (Full time or Part-time)

Pension Scheme	Full-time regular firefighters				Part-time regular firefighters				Total regular firefighters	
	Male		Female		Male		Female		Male	Female
	No.	%	No.	%	No.	%	No.	%	No.	No.
Firefighters Pension Scheme 1992	22,879	99.9%	638	96%	20	0.1%	28	4%	22,899	666
Firefighters Pension Scheme 2006	4,413	88%	471	93%	586	12%	38	7%	4,999	509
<b>Totals</b>	<b>27,292</b>	<b>98%</b>	<b>1,109</b>	<b>94%</b>	<b>606</b>	<b>2%</b>	<b>66</b>	<b>6%</b>	<b>27,898</b>	<b>1,175</b>