



Department for  
Communities and  
Local Government

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

An equality assessment of the 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.

#### 2013-14 Contribution Increases

On 29 November 2012, the Department published a statutory consultation setting out 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 was 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. The consultation closed on 25 January 2013.

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.

This Equality Statement now considers the impact of the 2013-14 pension contribution increases in the Firefighters' Pension Scheme (1992) and the New Firefighters' Pension Scheme (2006) on protected groups, taking into account research and opt out data collected during 2012-13 and the responses to the recent consultation.

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

A number of consultation responses for the increases set out for 2013-14 suggested that the proposals may be discriminatory on the grounds set out below. Some of the issues raised were similar to those raised during the consultation on increases for 2012-13. The Department has considered the issues raised in the recent 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 than those lower earners due to the use of tiered contributions.
- 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.

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).

### Non-joiners to the pension scheme – increased number amongst females and ethnic minority staff

#### *Consultation Response*

- One Fire and Rescue authority claimed that the proportion of firefighters choosing not to join the pension scheme, compared with those recruited to the service, is higher amongst females and ethnic minority staff. This trend appears to be increasing.

#### *Department's Response*

Sex: The average scheme membership of both firefighters' pension schemes has just over 4% female membership and nearly 96% male membership. 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.

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.

- Section 7 of this report provides a detailed analysis of those opt outs and non-joiners by sex. The figures suggest that there is a higher proportion of females (8%), than males, that have opted out, or chosen not to join, their pension scheme.
- However, the actual number of scheme members who are female is low, and therefore only requires a few females to opt out of the pension scheme to give a larger percentage of female opt outs. It is therefore difficult to take a representative view on opt outs and non-joiners by sex.
- Data collected on opt out and non-joiners is not held by ethnicity of firefighters in the pension scheme. The Department will determine whether this information is available from fire and rescue authorities and consider whether it is possible to monitor the impact of contribution increases on this group of scheme members from 2013-14.
- Again, it is difficult to take a representative view on the number of ethnic minority firefighters not joining the scheme due to the low level number of ethnic minority firefighters in the service as a whole.
- The number of female and ethnic minority recruits into the fire service has increased in recent years, and therefore there would be a higher number of these protected groups who are members of the New Firefighters' Pension Scheme (2006). Research suggests that 2006 Scheme members are more ambivalent about remaining in the pension scheme, which is why the Department has afforded some (contribution rate) protection for these members of staff.

#### Conclusion:

Contribution rates do not discriminate by sex or ethnicity. Without further information about why these groups have opted out, it is not clear that those personal decisions are due to the contribution rate increases. The Department will continue to try to ascertain reasons for firefighters choosing to opt out or not join the scheme.

#### Other categories of staff disproportionately affected

##### *Consultation Response*

Some respondents suggested that the following groups could also be disproportionately impacted by the contribution increases, although some of the respondents acknowledged that these were not protected groups covered by the Equality Act:

- Single parent families, or single earning families, could be affected due to the struggle to meet higher contributions.
- Personnel in the Firefighters' Pension Scheme 1992 were more likely to be affected as they were subjected to greater increases, due to them being less likely to opt out of the scheme.
- New entrants to the new proposed scheme from April 2015 would be expected to pay for the retention of benefits members had built up in the current pension

schemes.

- Higher earners in the Firefighters' Pension Scheme 1992 faced higher contributions than those high earners in other public sector pension schemes.

The Department does not believe this proposal is discriminatory on the grounds of sex, age, ethnicity 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.
- 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>

- Responses from Firefighters' Pension Scheme (1992) and the New Firefighters' Pension Scheme (2006): Proposed increases to employee contribution rates effective from 1 April 2013 – Consultation

<https://www.gov.uk/government/consultations/firefighters-pension-scheme-increases-to-employee-contribution-rates-from-1-april-2013>

#### 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 December 2012, shows that, for the two firefighter pension schemes, 89% of firefighters opting out of their pension scheme were male and 11% were female. The two firefighters pension schemes were considered separately: 91% of males and 9% of females opted out of the Firefighters' Pension Scheme (1992), 87% of males and 13% of regular female firefighters, and 92% of retained male firefighters and 8% of retained female 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.



Comparisons to the average scheme membership (as set out in section 2 above), suggests that a higher proportion of females, than males, have opted out of their pension scheme. However, there are relatively few numbers of females in the pension scheme, so it only requires a few females to opt out of the pension scheme to give a larger percentage of female optant outs. The Department will continue to establish the reasons for why firefighters are choosing to opt out or not join the scheme.

The data also showed that, overall, 88% of optant outs were aged 40 or under. 82% of members that opted out of the Firefighters' Pension Scheme (1992) were aged 40 or under. 96% of regular firefighter members, and 79% of retained firefighter members, 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 approximately 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 nine 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 (a total of 42) of opt outs and May the second highest rate (at 26 opt outs). From June onwards, the number of opt outs has averaged 13 per month.

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.

### Conclusion

The Government carefully considered the responses to the consultation, including the responses relating to equality issues, and concluded that there continues to be a rationale to proceed with increased contributions from April 2013 as set out in the consultation. The Government will proceed to implement the proposed tariffs for 2013.

The Government will be looking carefully at all of the evidence on the impact of contribution increases before making decisions on contribution increases from April 2014. This includes the need to be 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.

**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>	March 2013	<b>Date</b>	March 2013

**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>