



Department for
Communities and
Local Government

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

Proposed increases to employee contribution rates, effective
from 1 April 2014 – consultation

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The consultation process and how to respond

Scope of the consultation

Topic of this consultation:	Employee contributions rates in the Firefighters' Pension Schemes.
Scope of this consultation:	This consultation seeks views on the proposed increase in employee contribution rates from 1 April 2014 for members of the Firefighters' Pension Scheme (1992) ("the 1992 scheme") and New Firefighters' Pension Scheme (2006) ("the 2006 scheme").
Geographical scope:	This consultation applies to England only.
Equality Statement:	A partial Equality Statement has been completed and will be updated following responses to this consultation exercise.

Basic information

To:	This consultation is primarily aimed at fire and rescue authorities, members of the firefighters' pension schemes, and key employer and employee representative bodies.
Body responsible for the consultation:	The Department for Communities and Local Government.
Duration:	This consultation will run for 6 weeks, from 29 November 2013 to 10 January 2014.
Enquiries:	For any enquiries, please contact the Firefighters' Pension Team on firepensions@communities.gsi.gov.uk . Alternatively, please call: Andrew Cornelius: 0303 444 2171, or

Sharon Mayers: 0303 444 3565

Any complaints about the way this consultation is being handled should be addressed to:

consultationcoordinator@communities.gsi.gov.uk.

How to respond: Please respond by email to:
firepensions@communities.gsi.gov.uk.

Alternatively, please send postal responses to:

Firefighters' Pension Team
Zone 5/F6
Eland House
Bressenden Place
London
SW1E 5DU

Additional ways to become involved: Individual pension scheme members may wish to respond to this consultation exercise through their unions. The Department for Communities and Local Government is willing to be available to meet or discuss these proposals with key interest groups.

After the consultation: A summary of responses to the consultation will be published on the Department's website within three months of the end of the consultation period.

Compliance with the Consultation Principles guidance: The consultation complies with the Consultation Principles guidance.

Background

Getting to this stage:

The Government commissioned Lord Hutton to review public service pension schemes to make them affordable and sustainable in the long-term. In his interim report, Lord Hutton recommended that, if the Government wanted to make short term savings, then raising employee contributions would be the most effective way. The Government accepted Lord Hutton's rationale and announced at the Spending Review the intention to raise employee contributions in public service pension schemes equivalent to 3.2 percentage point increase of pensionable pay, to be phased in over three years from April 2012.

On 19 July 2011, the Chief Secretary to the Treasury announced that scheme specific consultations should begin on the first year of contribution increases for 2012-13, delivering 40% (or a 1.28 percentage point average increase) of the planned increase. The remaining increases to be implemented in the second (2013-14) and third years (2014-15) would be subject to separate consultations at a later date. This consultation paper seeks views on the contribution increases to apply in the third year.

Previous engagement:

Prior to publishing this consultation, the Department engaged with the Firefighters' Pension Committee (which includes representatives from employers and the unions) on the proposed rates to apply from April 2014.

Contents

Section 1	Introduction	8
Section 2	Policy content	9
Section 3	Opt out review	12
Section 4	Proposals for the Firefighters' Pension Scheme and New Firefighters' Pension Scheme	15
Section 5	Next steps	20
Annex A	Report on opt outs – April to September 2013	21

Section 1

Introduction

- 1.1 This document sets out the Government's proposed new employee contribution tariffs for the Firefighters' Pension Scheme and New Firefighters' Pension Scheme in England. Following the consultation, the Government's final position on contribution rates to take effect from 1 April 2014 will be implemented by an amendment to the scheme rules. Your comments on these proposed contribution rates are now invited and should preferably be sent by email to firepensions@communities.gsi.gov.uk. Alternatively, postal replies may be sent to:

The Firefighters' Pension Team
Zone 5/F6
Eland House
Bressenden Place
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- 1.2 The closing date for responses is Friday 10 January 2014.
- 1.3 The proposed amendments have previously been discussed at the 50th meeting of the Firefighters' Pension Committee on 16 October 2013, at which key stakeholders including employer and union representatives were in attendance.
- 1.4 The details of the proposed amendments are explained in paragraphs 4.1 to 4.5 below.

Section 2

Policy context

Spending Review

- 2.1 The Government commissioned Lord Hutton to chair the Independent Public Service Pensions Commission to review public service pensions and to make recommendations on how they can be made sustainable and affordable in the long-term, and fair to both public sector workers and the taxpayer.
- 2.2 Lord Hutton published his interim report on 7 October 2010, in which he set out that the value and cost of public service pensions have increased by around a third because of longer life expectancy over the last fifty years, and that these costs had generally fallen to the taxpayer. Lord Hutton therefore recommended that if the Government wished to make short term savings, then raising contribution rates would be the most effective way to achieve that objective. This would also make for a fairer balance between what employees pay and what other taxpayers contribute.
- 2.3 At the Spending Review the Government accepted Lord Hutton's rationale and announced the intention to increase employee contributions by 3.2 percentage points, on average, to be phased in over the three years to 2014-15. The Chief Secretary to the Treasury's announcement on 19 July 2011 indicated that schemes would shortly begin formal consultations on the proposed increases in employee contribution rates for 2012-13 to deliver 40% of the 3.2 percentage point increase (i.e. 1.28 percentage points) and would hold further, separate discussions on delivering the savings for 2013-14 and 2014-15.

Firefighters' Pension Schemes

- 2.4 The statutory consultation paper proposing increases in the firefighters' pension schemes in England was published on 9 September 2011, and proposed tariffs designed to deliver a 1.28 percentage point increase, on average, across the two firefighters' pension schemes. The Government response to that consultation was published on 29 March 2012.
- 2.5 Ministers, in the light of the statutory consultation responses, decided that it was appropriate, in the specific case of the firefighters' pension schemes, to proceed with an altered contribution rate increase from April 2012. The approach sought to generate an increased yield of 0.64 percentage points from the two firefighters' pension schemes, rather than the originally proposed 1.28 percentage points and was implemented by Statutory Instrument 2012 No. 953 (for the Firefighters' Pension Scheme (1992)) and Statutory Instrument 2012 No. 954 (for the New Firefighters' Pension Scheme (2006)).
- 2.6 Since April 2012, the Department for Communities and Local Government has collected monthly information from fire and rescue authorities on the number of firefighters opting out or not joining the firefighters' pension schemes. Prior to April 2012, opt out data was provided by authorities on an annual basis. The

regular collection of opt out data was part of the Government's commitment to monitor the impact of contribution rate increases on firefighters and to ensure that this information was taken into account before final decisions were made on contribution rates to apply in future years.

- 2.7 The proposed increases in the firefighters' pension schemes in England from 1 April 2013 were set out in a consultation paper published on 29 November 2012. This proposed tariffs designed to deliver a 1.28 percentage point increase, on average, across the two firefighters' pension schemes. On 26 March 2013, the Government set out its response to the consultation. The response announced that, as opt outs remained low and on a similar basis to the number of opt outs in 2011-12, that there remained a rationale to proceed with the increased contributions as consulted on. The contribution rates from 1 April 2013 were implemented by Statutory Instrument 2013 No. 703 (for the Firefighters' Pension Scheme (1992)) and Statutory Instrument 2012 No. 704 (for the New Firefighters' Pension Scheme (2006)).

Pension Reform

- 2.8 The Government is committed to providing public service pensions that are sustainable, fair and effective and has made clear that the proposed changes to public service pension schemes should ensure that they remain among the very best, providing a guaranteed pension level for all employees.
- 2.9 The Proposed Final Agreement, which set out the scheme design for the Firefighters' Pension Scheme in England to be introduced from April 2015 (<https://www.gov.uk/government/publications/firefighters-pension-scheme-proposed-final-agreement>), aims to strike a balanced deal between public service workers and the taxpayer. This will ensure that firefighters continue to have access to good pensions while taxpayers benefit from greater control over their costs.
- 2.10 Under the reforms firefighters will continue to get one of the most generous public service pensions – a firefighter who earns £29,000, and retires after a full career aged 60, will get a £19,000 a year pension. The total pension that a firefighter will receive rises to £26,000 when they become entitled to their state pension. A firefighter would need to contribute double to a private pension pot to get an equivalent pension.
- 2.11 Further details on the Firefighters' Pension Scheme in England to be introduced from April 2015 can be found in published guidance located at <https://www.gov.uk/government/publications/firefighters-pension-scheme-reforms>.

Rationale for Change – costs

- 2.12 Currently, for every £1 paid into the Firefighters' Pension Schemes by the employee, the taxpayer contributes £5. The tax payer funding is through two routes: the contributions paid by individual fire and rescue authorities into the pension schemes and through the Government "top-up" grant. The Firefighters' Pension Schemes are unfunded schemes which means that current scheme income (through employee and employer contributions) pays for current scheme expenditure, with the difference between the two topped up by a Government

grant. The grant for the Firefighters' Pension Scheme in 2012-13 alone was £370 million (up from £260 million in 2008-09), with a further £187 million paid by employers. Firefighters contributed £106 million during this same period.

2.13 The reforms to the firefighters' pension scheme will therefore ensure a fairer balance between what firefighters' pay and what other taxpayers contribute.

Design Parameters

2.14 In relation to the consultation on increases from April 2012, the Government determined a number of central design parameters to ensure that any proposed increases in contributions rates should protect low earners and be progressive, so that high earners pay proportionally higher increases to reflect their more generous pensions. The parameters outlined below were reflected in the increases to the firefighters' pension schemes announced on 29 March 2012 and 26 March 2013.

- 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 an additional 6 percentage points (before tax relief) by 2014-15.

2.15 The proposals set out in this consultation for the Firefighters' Pension Schemes continue to adhere to these design principles.

Section 3

Opt out review

- 3.1 As part of the Spending Review, it was assumed that one per cent of the total salary bill, within the unfunded public service schemes, would opt out by 2014-15. This assumption has been scrutinised by the Office for Budget Responsibility. On 20 December 2011, the Chief Secretary announced that the Government would review the impact of the 2012-13 contribution changes, including the effect of membership opt-outs, before taking final decisions on how future increases would be delivered in 2013-14 and 2014-15. The intention was that interested parties would have a full opportunity to provide evidence and their views to the Government as part of the review.
- 3.2 At the 44th meeting of the Firefighters' Pension Committee on 28 March 2012, the Committee agreed to review the impact of employee contribution increases following the April 2012 contributions increase on the Firefighters' Pension Schemes in England, and that the outcome of the Firefighters' Pension Committee review should be submitted as evidence to the Government before future decisions were taken on contribution increases. At the 49th meeting of the Firefighters' Pension Committee on 17 July 2013, the Committee reaffirmed its commitment to the opt out review and that the most up to date data collected during 2013-14 should be fed into the Government before final decisions are taken on future employee contribution rates from 2014-15.
- 3.3 A report, published at **Annex A**, provides information on the number of firefighters that have opted out of their pension scheme during the first six months of 2013-14 and compares with the monthly opt out data collected during 2012-13, and opt out data collected at the end of the 2010-11 and 2011-12, before the start of any contribution increases. Data collected during 2010-11 and 2011-12 was collected for a different purpose and may not follow the same definition on 'opt outs'.
- 3.4 A summary of the conclusions of that report are set out below:

Number of 'opt outs' in year:

	2010-11 (annual)	2011-12 (annual)	2012-13 (annual)	2013-14 Apr to Sept
1992 scheme	50	66	55	31
2006 scheme (regular)	39	59	91	61
2006 scheme (retained)	81	150	44	18
Total	170	275	170	110

1992 scheme

- The opt out rate of 1992 scheme members between April and September 2013 was on a similar basis to the first six months of 2012-13.
- The opt out rate in the 1992 scheme during April and May 2013 was lower than that compared with April and May 2012. In April 2012, 12 firefighters opted out of the 1992 scheme; this compares with 3 firefighters who opted out of the scheme in April 2013. There has been a slight increase in the number of opt outs since June 2013 – on average 6 opt outs per month.
- On an annualised basis, the opt out rates for 1992 scheme members in 2013-14 (estimated annualised figure of 62) is slightly higher than the actual annual rate (55) reported in 2012-13 but lower than that reported in 2011-12. However, in 2012-13 the number of opt outs decreased during the latter half of the financial year and if this pattern is followed during 2013-14, then the annual opt out rate during this financial year is expected to be in line with the rate during 2012-13.
- The actual numbers of 1992 scheme members who opt out of the scheme is still very small in comparison with overall membership numbers – between April and September 2013, the opt out rate was 0.15% of the total 1992 scheme payroll.

2006 scheme – regular firefighters

- For this group of members, there was no change in the number of opt outs during the first six months of 2013-14 compared with at the same point last financial year (ie there were 61 opt outs in the first six months of 2013-14 and 60 opt outs reported at the same point in 2012-13).
- The number of regular firefighters opting out of the 2006 scheme is higher than the number of regular firefighters opting out of the 1992 scheme.
- During 2013-14, April was the month with the lowest number of opt outs (3 opt outs). This figure was significantly lower than April 2012 when 20 opt outs had been reported. However, during August and September 2013 the number of regular firefighters opting out from the 2006 scheme has increased – on average there has been 15.5 opt outs per month. This is higher than August and September 2012 where there were an average of 6 monthly opt outs.
- 10 regular firefighters chose not to join the scheme, excluding those who were on temporary contracts or aged over 50. This compares with 69 regular firefighters that did join the scheme giving a joiner rate of just over 85%. In terms of members aged under 30, 2 chose not to join the scheme compared with 34 who did – giving a non-joiner rate among younger members of 6%.

2006 scheme – retained firefighters

- For this group of members, the opt out and non-joiner rates for retained firefighters are slightly lower than that reported in 2012-13. The estimated annual rate (36) is much lower than that reported in previous years.

Conclusion

- The data received from fire and rescue authorities shows that, over the six month period, April 2013 was the month that had the lowest level of opt outs and that the total number of opt outs from the 1992 and 2006 schemes was lower between April and June 2013 compared with the first quarter of 2012-13.
- Since July there has been an increase in the number of firefighters opting out of their scheme and this is higher than at the same point last year.
- However, the total number of opt outs in the first six months of 2013-14 remains at a similar level to that reported between April and September 2012.
- Contribution increases for 2013-14 took effect from 1 April 2013. There is therefore little to suggest that these increases had an initial impact on members opting out of the scheme and that this is the sole reason for firefighters choosing not to remain a member of the pension scheme.
- As reported last year, 2006 scheme members are more likely to opt out of their pension scheme compared with 1992 scheme members.
- During the first six months of 2013-14, 0.35% of all firefighter pension scheme members have opted out as a proportion of the total pay bill.

Section 4

Proposals for the Firefighters' Pension Scheme and the New Firefighters' Pension Scheme

Proposed tariffs 2014-15

- 4.1 The Government has concluded that there remains a rationale to proceed with contribution increases for 2014-15 to help rebalance costs between employees and the taxpayer which currently stands at £1 (employee) to £5 (taxpayer), with the costs forecast to rise. However, there appears to be some rationale to continue to provide some protection for 2006 scheme members who appear to be the workforce section most likely to opt out of their pension scheme.
- 4.2 In light of the results of the research into contribution increases, the Government is proposing that the employee contribution tariffs from 1 April 2014 should deliver a 1.28 percentage point increase, on average, across the two firefighters' pension schemes during 2014-15. This will lead to a cumulative 3.2 percentage point increase from 2012-13 to 2014-15. The tables below set out the proposed employee contribution tariffs to apply to the firefighters' pension schemes from 1 April 2014.
- 4.3 Indicative rates to apply for members of the Firefighters' Pension Scheme 2015 are set out at paragraph 4.6 to provide respondents with a comparator to consider as part of this consultation on 2014-15 rates.

Firefighters' Pension Scheme (1992) in England

Pensionable pay band (full time equivalent)	Current rate (%)	Proposed increase from 2014-15 (percentage points)	Increase net of tax relief (percentage points)*	Total contribution rate 2014-15(%)	Total contribution rate 2014-15 net of tax relief (%)*
Up to and including £15,000	11.0%	0.0	0.0	11.0%	8.80%
More than £15,000 and up to and including £21,000	11.9%	0.3	0.24	12.2%	9.76%
More than £21,000 and up to and including £30,000	12.9%	1.3	1.04	14.2%	11.36%
More than £30,000 and up to and including £40,000	13.2%	1.5	1.20	14.7%	11.76%
More than £40,000 and up to and including £50,000	13.5%	1.7	1.36 (based on 20% tax relief) or 1.02 (based on 40% tax relief)	15.2%	12.16% (based on 20% tax relief) or 9.12% (based on 40% tax relief)
More than £50,000 and up to and including £60,000	13.7%	1.8	1.08	15.5%	9.30%
More than £60,000 and up to and including £100,000	14.1%	1.9	1.14	16.0%	9.60%
More than £100,000 and up to and including £120,000	14.5%	2.0	1.20	16.5%	9.90%
More than £120,000	15.0%	2.0	1.20	17.0%	10.2%

* The specific rate of tax relief depends on the members' personal circumstances.

Example: A firefighter in the Firefighters' Pension Scheme 1992 earning £28,800 would pay an additional 1.3 percentage points in contributions – a revised rate of 14.2 per cent. However, with tax relief, the effective increase in the contribution rate is 1.04 per cent.

New Firefighters' Pension Scheme (2006) in England

Pensionable pay band (full time equivalent)	Current rate (%)	Proposed increase from 2014-15 (percentage points)	Increase net of tax relief (percentage points)*	Total contribution rate 2014-15 (%)	Total contribution rate 2014-15 net of tax relief (%)*
Up to and including £15,000	8.5%	0.0	0	8.5%	6.8%
More than £15,000 and up to and including £21,000	9.1%	0.3	0.24	9.4%	7.52%
More than £21,000 and up to and including £30,000	9.6%	0.8	0.64	10.4%	8.32%
More than £30,000 and up to and including £40,000	9.9%	1.0	0.80	10.9%	8.72%
More than £40,000 and up to and including £50,000	10.1%	1.1	0.88 (based on 20% tax relief) or 0.66 (based on 40% tax relief)	11.2%	8.96% (based on 20% tax relief) or 6.72% (based on 40% tax relief)
More than £50,000 and up to and including £60,000	10.2%	1.1	0.66	11.3%	6.78%
More than £60,000 and up to and including £100,000	10.5%	1.2	0.72	11.7%	7.02%
More than £100,000 and up to and including £120,000	10.8%	1.3	0.78	12.1%	7.26%
More than £120,000	11.1%	1.4	0.84*	12.5%	7.5%

* The specific rate of tax relief depends on the members' personal circumstances.

Example: A firefighter in the New Firefighters' Pension Scheme 2006 earning £28,800 would pay an additional 0.8 percentage points in contributions – a revised rate of 10.4 per cent. However, with tax relief, the effective increase in the contribution rate is 0.64 per cent.

Employee contributions for specific scheme members

4.5 The rate of contributions paid by retained firefighters' will continue to be based on their reference pay, with the rate then applied to their actual pensionable pay. For part time members, the rate of contributions payable will be determined based upon the Full Time Equivalent salary for that member, with the actual amount payable based upon the Full Time Equivalent salary for that member. This ensures that members pay the same rate of contributions on a per hour basis as Full Time Equivalent staff.

Potential Tariffs in the Firefighters Pension Scheme 2015

4.6 The Government will consult, in due course, on the rates to apply in the Firefighters' Pension Scheme 2015. However, Brandon Lewis MP, the Fire Minister wrote to the Fire Brigades Union of 19 June 2013 setting out that based on current projections on pensionable pay from April 2015, it was estimated that the contribution rate in the 2015 scheme would need to average 12.6% in 2015, 12.7% in 2016, and 12.8% in 2017. The Minister wrote to the other unions (the Fire Officers' Association; the Association of Principal Fire Officers; the Retained Firefighters' Union) on similar terms. This was so that an average employee contribution rate of 13.2% would be delivered across all of the Firefighters' Pension Schemes (ie the 1992, 2006 and 2015 schemes).

4.7 Indicative rates are set out in the table below. These are based on a number of assumptions which will be reviewed when the Government consults on the employee contribution rate to apply in the 2015 scheme.

Pensionable pay range for an employment	Contribution rate 1 April 2015 - 31 March 2016	Contribution rate 1 April 2016 - 31 March 2017	Contribution rate 1 April 2017- 31 March 2018
Tier 1	12.0%	-	-
Tier 2	12.6%	-	-
Tier 3	13.0%	-	-
Tier 4	13.5%	-	-
Average yield	12.6%	12.7%	12.8%

4.8 The Proposed Final Agreement set out that tariffs in the 2015 scheme are likely to provide for lower rates for new recruits, with some tiered progressive increases for middle, high, and higher income earners. On this basis, tier 1 might apply to those members of the firefighters pension scheme earning up to £27,000, tier 2 might apply to those members earning over £27,000 up to £50,000, and with tiers 3 and 4 possibly applying to those earning over £50,000 and up to £100,000, and over £100,000, respectively.

4.9 This would see a firefighter earning approximately £29,000 pay contributions based on a tariff in April 2015 of 12.6% - after tax relief this would be a rate of 10.1% of pensionable pay. Firefighter members of the 1992 scheme who transfer to the 2015 scheme will therefore see a decrease in the contribution that they pay towards their pension. Members of the 2006 scheme will see an increase in the amount of

contributions that they pay, but these members have benefited from a degree of protection since employee contribution tariffs were increased from April 2012.

- 4.10 There are alternative approaches which will be discussed with unions and employers, including a single contribution rate per tier throughout the period April 2015 to March 2019, or providing further protections to 2006 scheme members who transfer to the 2015 scheme. Further details will be included when the Government consults in due course.

Equalities

- 4.11 The Department has considered the impact of the proposed 2014-15 pension contribution increases in the Firefighters' Pension Scheme (1992) and the New Firefighters' Pension Scheme (2006) on protected groups. The Department's view is set out in the published (partial) Equality Statement. The Department will continue to consider equality issues during the consultation period, taking account of any responses received from consultees on this issue.

Section 5

Next steps

5.1 The Department invites consultees' views and any evidence relating to all aspects of this statutory consultation, and in particular to the following key questions:

Question 1

Do the proposed tiered contributions meet the design parameters as set by the Government?

Question 2

Are there any consequences of the proposed contribution tiers that you consider have not been addressed?

Question 3

Do you consider that there are any equality issues, which the Department hasn't considered in the published (partial) Equality Statement which will result in individual groups being disproportionately affected by the proposed contribution tiers? If so, what do you consider to be the nature and scale of that disproportionate effect?

Question 4

Is there a tariff which you think will help to further minimise any opt outs from the firefighters' pension schemes, but will deliver the cumulative 3.2 percentage point increase between 2012-13 to 2014-15?

Opt Out Report: April to September 2013-14

Policy background

1. At Spending Review 2010, the Government announced that employee contributions in public service pension schemes would increase by 3.2%, on average, from 2012. The intention was that the contribution increases would be phased in, with 40% of the increases (i.e. 1.28 percentage points) to be brought in from April 2012, a further 40% of the increases (i.e. 1.28 percentage points) to be brought in from April 2013, and the remaining 20% (i.e. 0.64 percentage points) to be brought in from April 2014.
2. Following consultation on increases to apply in the Firefighters' Pension Schemes in respect of April 2012 only, the Department for Communities and Local Government agreed to proceed with an altered reduced contribution rate from April 2012 to yield 0.64 percentage points, on average.
3. From April 2013, contribution increases of 1.28 percentage points were delivered. This meant that a cumulative increase of 1.92 percentage points had been applied across the firefighters' pension schemes since April 2012 – a lower average increase compared with other public service pension schemes who had seen employee contribution increases apply.
4. As part of discussions on scheme reforms, the Government agreed to review the impact of contribution increases, including on opt out, before making decisions on how further contribution increases would be applied. At the 49th meeting of the Firefighters' Pension Committee meeting on 17 July 2013, a report was circulated which provided information on opt outs and non-joiners to the pension scheme during 2012-13, which had been collected following the increase to contribution rates from April 2012. At the meeting, the Committee also reaffirmed its commitment to continue reviewing the effects of contribution increases from April 2013, including on opt out and non-joiner rates. This paper sets out the outcome of that data collection process between April and September of the financial year 2013-14 ¹. Data from this exercise has been taken into account by the Government before deciding on the employee contribution rates to consult on, and which the Government is proposing will apply from April 2014.

Historic data

5. Since April 2010, the Department has collected, alongside the annual financial returns from fire and rescue authorities, non financial data. This non financial data includes information on opt outs. The information for 2010-11 and 2011-12, collected on an annual basis, is set out below. Information for 2012-13 has been collected in two

¹ The data collection was undertaken by the Department for Communities and Local Government and is based on data provided by individual fire and rescue authorities, either as part of this exercise or as part of the separate, annual data collection exercise from fire and rescue authorities.

different formats – on a monthly basis, which was collected as a specific request by the Department in monitoring the number of opt outs and non-joiners to the scheme, and also provided on an annual basis, alongside financial data collected. The annual information was published on 29 November 2013 and can be found at:

<https://www.gov.uk/government/collections/firefighters-pension-scheme-statistics>.

Information collected on an annual basis should be treated with **some caution** given that it was collected for a different purpose and may not follow the same definitions on ‘opt outs’.

6. The historic information for 2012-13 as included in this report has been compiled from the monthly returns provided by fire and rescue authorities during last financial year.

Classification of Opt outs and non-joiners

7. For the monthly 2012-13 data collection exercise, a member was classified as having ‘opted out’ if they left the pension scheme after 3 or more months following enrolment into the scheme. When a firefighter is recruited by a fire and rescue authority the firefighter is contractually enrolled into the scheme - information on these ‘joiners’ is provided below. Firefighters who chose to leave the scheme within 3 months receive a refund of their employee contributions and therefore have been classed as ‘non-joiners’ rather than optant outs.
8. The information on joiners and non-joiners excludes those firefighters who have been subject to their fire and rescue authorities’ automatic re-enrolment process. This is where, as part of Government wide reforms on work based pensions, firefighters who have previously opted out or not joined their pension scheme have been re-enrolled back into the scheme, but have again chosen not to remain a member.

Table 1 – historic data on opt outs collected from authorities

	2010-11 – annual figures (collected as part of annual exercise)		2011-12 – annual figures (collected as part of annual exercise)		2012-13 – annual figures (collected as part of monthly exercise)	
	Number of ‘opt outs’ in year	Proportion of scheme membership	Number of ‘opt outs’ in year	Proportion of scheme membership	Number of ‘opt outs’ in year	Proportion of scheme membership
1992 scheme	50	0.2%	66	0.3%	55	0.3%
2006 scheme (regular)	39	0.8%	59	1.1%	91	1.9%
2006 scheme (retained)	81	1.1%	150	2%	44	0.6%
Total	170		275		170	0.6%

9. The level of opt outs during the last three years (and as set out above) suggests that the level of opt out rates in the 1992 scheme has been low and on a consistent basis – at roughly 0.3% of scheme membership each year.
10. Actual numbers of regular firefighters opting out from the 2006 scheme has also remained low, although there was an increase to the number of members opting out of the scheme in 2012-13. As a proportion of membership the opt out rate for regular firefighters from the 2006 scheme has been roughly 1-2%.
11. The number of retained firefighters also opting out of the 2006 scheme over the last three years ranges between 0.6% to 2% of scheme membership. However, it should be noted that the figures for 2012-13 that were collected on a monthly basis, do not take account of those firefighters who decided not to join the scheme after being employed. A larger number of retained firefighters choose not to join the scheme (rather than opt out after a period of membership) – this could be that those firefighters are also members of the firefighters’ pension scheme in a regular capacity.

Table 2 - proportion of paybill opting out in 2010-11

	Paybill information 2010-11 (£)	Total cost of firefighters opting out - 2010-11 (£)	Percentage cost of opt outs
Firefighters 1992	873,447,159	1,700,000	0.2%
Firefighters 2006 - regular, retained and other	185,161,854	1,597,696	0.9%
Total	1,058,609,013	3,297,696	0.3%

Table 3 - proportion of paybill opting out in 2011-12

	Paybill information 2011-12 (£)	Total cost of firefighters opting out 2011-12 (£)	Percentage cost of opt outs
Firefighters 1992	780,807,809	2,244,000	0.3%
Firefighters 2006 - regular, retained and other	198,127,174	2,864,240	1.4%
Total	940,402,348	3,395,004	0.4%

Table 4 - proportion of paybill opting out in 2012-13 (taken from the monthly information provided by authorities)

	Paybill information 2012-13 (£)*	Total cost of firefighters opting out 2012-13 (£)	Percentage cost of opt outs*
Firefighters 1992	726,962,233	1,723,610	0.2%
Firefighters 2006 - regular, retained and other	186,684,218	3,055,972	1.7%
Total	913,646,451	4,779,582	0.5%

* This is a weighted total based only on those fire and rescue authorities who provided monthly information on opt outs and non-joiners.

Summary data for 2013-14

12. The following sets out some key notes on the data collected:

- 41 responses were received between April and June and 40, 39 and 37 in July, August and September respectively. This is a lower response rate than that received during 2012-13: between April and September in 2012, 42 or more responses were received from authorities.
- The Firefighters' Pension Scheme 1992 (the 1992 Scheme) is a closed pension scheme, so any new recruits are only eligible to join the New Firefighters' Pension Scheme 2006 (the 2006 Scheme).
- Retained firefighters are only eligible to join the New Firefighters' Pension Scheme 2006.
- Regular firefighters may also have a separate contract to work as a retained firefighter. Fire and rescue authorities will contractually enrol retained firefighters into the 2006 Scheme, irrespective of whether they are a member of a firefighters' pension scheme for their primary employment.
- Monthly information during April to September 2013 collected from fire and rescue authorities is provided in the tables below. Monthly information collected during the first six months of 2012-13 is also shown for comparison purposes.
- The totals shown in brackets alongside the 2013-14 data is the calculated annualised rate for the year ie the total number of opt outs or non-joiners during the first six months of the year multiplied by two. The totals shown in brackets alongside the 2012-13 data is the actual number of firefighters who opted out during the whole of the financial 2012-13 year.

Table 5 - Number of Firefighters that have chosen to opt out in 2013-14 and comparison with 2012-13

	1992 Scheme		2006 Scheme – regular		2006 Scheme - retained & other		Total	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
April	3	12	3	20	3	10	9	42
May	4	9	10	13	4	4	18	26
June	6	5	9	8	1	5	16	18
July	6	4	8	7	6	3	20	14
August	7	2	15	5	0	2	22	9
September	5	3	16	7	4	2	25	12
Totals	31	35	61	60	18	26	110	121
	(62)	(55)	(122)	(91)	(39)	(44)	(220)	(190)

13. From the information above, the number of opt outs each month has averaged 18: 5 from the 1992 scheme, 10 regular firefighters from the 2006 scheme and 3 retained & other firefighters from the 2006 scheme.
14. The data received from fire and rescue authorities shows that April was the month that had the lowest level of total opt outs but there has been an increase in the number of total opt outs during July through to September. The total number of regular firefighters opting out from the 1992 and 2006 schemes during April to September 2013 is very similar to the total number of regular firefighters opting out as at the same point last financial year. However, there has been a slight shift in the pattern of when the opt outs have taken place: during 2012-13 the majority of opt outs occurred in the first few months of that financial year; during the first six months of 2013-14, there has been an upward increase in the number of opt outs during August and September. The number of regular firefighters opting out of their scheme is lower than last year.
15. Contribution increases for 2013-14, took effect from 1 April 2013. As the number of opt outs between April to June of this year was lower than at the same point last year, then there is little to suggest that the increases in contributions are the sole reason as to why firefighters are choosing to leave the scheme. Fire and rescue authorities are asked to select from a list as to the reason why a firefighter has chosen to leave the pension scheme. Most authorities are unable to provide details. However, where an authority has been able to do so then there is no clear reason for why someone is choosing to leave the scheme. The reasons range from not being able to afford the contribution level; the belief that there is a better investment opportunity; the reforms to the pension scheme from 2015; or the amount being paid is too expensive for the benefit - or a combination of these.

Table 6 - Number of Firefighters that have chosen not to join the scheme in 2013-14 and comparison with 2012-13

	2006 Scheme – regular		2006 Scheme - retained & other		Total	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
April	5	3	4	7	9	10
May	2	1	8	13	10	14
June	0	2	15	20	15	22
July	2	1	16	11	18	12
August	1	1	5	2	6	3
September	0	1	7	15	7	16
Totals	10 (20)	9 (16)	55 (110)	68 (118)	65 (130)	77 (134)

Monthly figures for 2012-13 have been adjusted from information previously reported to the Firefighters' Pension Committee to exclude those regular firefighters aged over 50 or those regular firefighters who chose not to join the scheme because they were on temporary contracts: this makes the data comparable with the information shown for 2013-14

16. It should be noted that the above information for both 2013-14 and 2012-13 *excludes* those regular firefighters who chose not to join the scheme because they were either subject to the automatic enrolment policy; were provided with temporary contracts only (which suggest that some could already be members of the scheme in a permanent capacity); or were aged over 50 which suggests that these firefighters had been subsequently retired and re-employed. These are all a typical members.
17. Between April and September 2013: 7 regular firefighters were reported as not joining the scheme because they were on a temporary contracts and 1 regular firefighter was excluded from the 'non-joiner' data as this firefighter was aged over 50. 52 regular firefighters also chose not to join the scheme after being subject to automatic re-enrolment. This information is excluded from the above table.
18. The number of regular firefighters that have chosen not to join the scheme during April to September 2013 is on a similar level to the same point last year. Less retained firefighters have chosen not to join the pension scheme during the first six months of 2013-14 compared with 2012-13.

Table 7 - Number of Firefighters that joined the 2006 scheme in 2013-14 and comparison with 2012-13

	2006 Scheme – regular		2006 Scheme - retained & other		Total	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
April	26	*	79	*	108	*
May	15	17	34	53	49	70
June	15	23	102	80	119	103
July	2	4	72	111	75	115
August	4	1	42	41	47	42
September	7	29	25	91	32	120
Totals	69 (138)	74 (140)	354 (708)	376 (693)	430 (860)	450 (833)

* This data was not collected in April 2012

19. Fire and rescue authorities also reported on the number of regular and retained firefighters that joined the 2006 scheme. The figures above exclude those firefighters who were subject to automatic re-enrolment. In addition the figures for regular firefighters exclude those aged over 50. The figures above may include those firefighters who joined on temporary contracts, but the Department has no information to confirm if this is the case. Of the 69 regular firefighters who joined the scheme, 34 were aged between 18 and 30.

Non-joiner rate

20. From tables 6 and 7 above, there were 10 regular firefighters between April and September 2013 who chose not to join the scheme compared with 69 regular firefighters who did join the scheme: this gives a non joiner rate of just under 15%. In terms of those younger members (aged between 18 and 30), 2 chose not to join the scheme compared with 34 who did. This gives a non-joiner rate among the younger members of 6%.

Table 8 – Number of Firefighters that chose to opt out or not join the scheme in 2013-14 and comparison with 2012-13

	1992 Scheme		2006 Scheme – regular		2006 Scheme - retained & other		Total	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
April	3	12	8	23	7	17	18	52
May	4	9	12	14	12	17	28	40
June	6	5	9	10	16	25	31	40
July	6	4	10	8	22	14	38	26
August	7	2	16	6	5	4	28	12
September	5	3	16	8	11	17	32	28
Totals	31 (62)	35 (55)	71 (142)	69 (107)	73 (146)	94 (162)	175 (350)	198 (324)

21. In terms of regular firefighters opting out of the 1992 and 2006 pension schemes (or not joining the 2006 scheme) during April to September 2013, the actual numbers remain similar to those reported during the first six months of 2012-13. The number of retained firefighters that have opted out or chosen not to join the scheme is lower than in 2012-13. However, it should be noted that a fewer number of authorities have provided the Department with data during 2013-14 compared with 2012-13.
22. If the number of opt outs and non-joiners to the schemes during October 2013 to March 2013 remains at a similar rate compared with the first six months of this financial year, then the estimated annualised rate for 2013-14 for regular firefighters will be higher than that reported for the whole of 2012-13. However, it should be noted that during 2012-13 the number of opt outs and non-joiners decreased during the latter half of the financial year – so if 2013-14 follows a similar pattern to that of 2012-13 then it is expected that there will be no material difference between the opt out and non-joiner rates reported in 2013-14 compared with those in 2012-13.

Table 9 - Number of and paybill percentage of firefighters opting out: 2013-14

	Percentage of membership opted out* (annualised total)	Percentage of pensionable paybill opted out* (annualised total)
1992 scheme	0.2% (0.4%)	0.15% (0.30%)
2006 scheme – regular	1.3% (2.6%)	1.10 (2.2)%
2006 scheme – retained	0.3% (0.6%)	
Weighted total	0.4% (0.8%)	0.35% (0.7%)

* Excludes those not joining the scheme, and is a weighted total based only on those fire and rescue authorities who provided monthly information on opt outs and non-joiners

23. The percentage of members opting out as a proportion of the paybill is broadly consistent with previous years.

Gender, age and salary bands

24. The Department also collected data in respect of sex, age, and salary bands of members that either opted out, or did not join the pension scheme. From April 2013 authorities were asked to provide details of the ethnic group of firefighters who opted out or chose not to join the scheme. Only half of authorities that provided returns were able to do so and where information was provided the majority of opt outs or non-joiners were white. However, in London, a number of firefighters from an ethnic minority group were reported as having opted out or not joined the scheme.

Gender

25. The key findings in relation to sex are:

- 89% of optants out were male
- 91% of non joiners were male

Age

26. The key findings in relation to age are:

- 32% of opt outs were aged 30 or under, 42% aged between 31 and 40, 22% between 41 and 50, and 5% aged over 50.
- 46% of non joiners were aged 30 or under, 32% aged between 31 and 40, 18% aged between 41 and 50, 3% aged over 50.
- 16% of firefighters who opted out of the 1992 scheme were aged 30 or under, 52% were aged between 31 and 40 and 32% aged over 40.

- 39% of firefighters who opted out of the 2006 scheme were aged 30 or under, 43% were aged between 31 and 40, 15% aged between 41 and 50, and 4% aged over 50.
- 33% of retained firefighters who opted out of the 2006 scheme were aged 30 or under, 22% were aged between 31 and 40, 28% aged between 41 and 50, and 17% aged over 50.
- 20% of regular firefighters who chose not to join the 2006 scheme were aged 30 or under, 70% were aged between 31 and 40 and 10% were aged over 40.

Salary

27. The key findings in relation to salary are:

- 69% of firefighters that opted out of their pension scheme earned under £30K and 30% earned between £30K and £40K. The remaining 1% earned over £50K.
- 98% of non-joiners earned under £30K.
- 52% of regular firefighters who opted out of the 1992 scheme and 69% of regular firefighters who opted out of the 2006 scheme earned under £30K.
- 100% of regular firefighters who chose not to join the 2006 scheme earned under £30K.
- The majority (over 98%) of retained firefighters who either opted out or chose not to join the 2006 scheme earned a FTE salary of under £30K

28. Further data on gender, age and salary bands is at the **Annex to the opt out report**.

Annex to opt out report

Detailed Membership Data

Gender

Table 10 - Number of opt outs by gender

	1992 Scheme		2006 Scheme - regular		2006 Scheme - retained and other		Totals	
	Male	Female	Male	Female	Male	Female	Male	Female
April	3	0	2	1	3	0	8	1
May	4	0	7	3	4	0	15	3
June	6	0	7	2	1	0	14	2
July	6	0	5	3	6	0	17	3
August	6	1	13	2	0	0	19	3
September	5	0	16	0	4	0	25	0
Totals	30	1	50	11	18	0	98	12

Table 11 - Number of non joiners by gender

	1992 Scheme		2006 Scheme - regular		2006 Scheme - retained and other		Totals	
	Male	Female	Male	Female	Male	Female	Male	Female
April	0	0	4	1	4	0	8	1
May	0	0	0	2	6	2	6	4
June	0	0	0	0	14	1	14	1
July	0	0	2	0	16	0	18	0
August	0	0	1	0	5	0	6	0
September	0	0	0	0	7	0	7	0
Totals	0	0	7	3	52	3	59	6

Table 12 – Number of opt outs and non joiners by pension scheme

	Gender Distribution of opt outs by scheme		Gender distribution of non joiners		Gender distribution of total membership	
	Male	Female	Male	Female	Male	Female
1992 Scheme	97%	3%	0%	0%	97%	3%
2006 Scheme - regular	82%	18%	70%	30%	91%	9%
2006 Scheme - retained and other	100%	0%	95%	5%	95%	5%
Totals	89%	11%	91%	9%	96%	4%

Age

Table 13 - opt outs by age

	18-30	31-40	41-50	51-55	56-60	Totals
April	2	3	4	0	0	9
May	4	5	7	2	0	18
June	3	12	1	0	0	16
July	6	8	4	2	0	20
August	9	7	6	0	0	22
September	11	11	2	0	1	25
Totals	35	46	24	4	1	110

Table 14 – non joiners by age

	18-30	31-40	41-50	51-55	56-60	Totals
April	2	7	0	0	0	9
May	2	5	3	0	0	10
June	11	1	3	0	0	15
July	12	5	1	0	0	18
August	2	1	2	1	0	6
September	1	2	3	1	0	7
Totals	30	21	12	2	0	65

Table 15 – opt outs by pension scheme, duty system, and age

	18-30	31-40	41-50	51-55	56-60	Totals
1992 Scheme	5	16	10	0	0	31
2006 Scheme - regular	24	26	9	1	1	61
2006 Scheme - retained and other	6	4	5	3	0	18
Totals	35	46	24	4	1	110

Table 16 – Non joiners by pension scheme, duty system, and age

	18-30	31-40	41-50	51-55	56-60	Totals
1992 Scheme	0	0	0	0	0	0
2006 Scheme - regular	2	7	1	0	0	10
2006 Scheme - retained and other	28	14	11	2	0	55
Totals	30	21	12	2	0	65

Table 17 - Opt outs by Full Time Equivalent (FTE) salary band

	Under £30K	£30K- £40K	£40K- £50K	£50K- £60K	Over £60K	Totals
1992 Scheme	16	14	0	1	0	31
2006 Scheme - regular	42	19	0	0	0	61
2006 Scheme - retained and other	18	0	0	0	0	18
Totals	76	33	0	1	0	110

Table 18 – non joiners by Full Time Equivalent (FTE) salary band

	Under £30K	£30K- £40K	£40K- £50K	£50K- £60K	Over £60K	Totals
1992 Scheme	0	0	0	0	0	0
2006 Scheme - regular	10	0	0	0	0	10
2006 Scheme - retained and other	54	1	0	0	0	55
Totals	64	1	0	0	0	65