

FIREFIGHTERS' PENSION COMMITTEE OPT OUT REVIEW: APRIL DATA

Issue

- At its 44th meeting, the Firefighters' Pension Committee approved the proposed Terms of Reference to conduct a review of the impact of the April 2012 contribution increases on scheme membership, in particular on optants out.
- This paper reports on the initial findings from the April returns received by the Department from fire and rescue authorities in England (Annex A).
- The final findings of this review will be submitted as evidence to the Government's opt out review which will cover all public service pension schemes.

Recommendation

- That the Committee notes the summary and detailed data returns for April and agrees the approach set out in this paper to finalising the review.

Initial findings

- 40 responses have been received from fire and rescue authorities. The Department is actively pursuing those authorities that are yet to provide a response, and is hopeful of a 100% response rate.
- 25 fire and rescue authorities confirmed that no members had opted out of the schemes during April.
- The remaining 15 fire and rescue authorities reported that 47 members either left or chose not to join the firefighter pension schemes during April:
 - 10 were members of the Firefighters Pension Scheme 1992
 - 23 were whole-time firefighter members of the New Firefighters Pension Scheme 2006
 - 14 were retained firefighter members of the 2006 Scheme (this includes retained firefighters that have opted out of the scheme because they are already members of a pension scheme for their whole-time contract).

Next steps

- Fire and rescue authorities will have provided data on May's returns by the time of the meeting and the Department will provide an update on those returns at that meeting.
- Historic data is still being collected from fire and rescue authorities. To date, the information provided has varied in detail, range and usefulness. The Department is compiling other sources of data, for instance Valuation data and data submitted as part of the top-up grant process, in order to

build up trend data prior to April 2012. A summary of this historic data will be submitted to Committee members once finalised.

- Requests for quotes have been sent out to interested companies to undertake the focus groups set out in the Terms of Reference. The successful bidder is expected to be informed on 13 July with the report to be delivered by 31 August, which will be circulated to Committee members. The successful bidder may be asked to attend the next meeting of the Committee in October to provide a verbal presentation.

Timing

- No final decisions have been taken on the timing for the Government review of the impact of the April 2012 contribution increases, although the review will conclude before final decisions on how future increases will be delivered.
- The Committee should be mindful, therefore, that the outcome of the Committee's review might need to report before the next meeting on 3 October. Should this be the case, the Department will circulate the draft outcome of the review to Committee members for comment before submitting as evidence to the Government's broader review on opt outs across public service pension schemes.

OPT OUT REVIEW: SUMMARY DATA APRIL 2012

This summary note provides an update on the survey of fire and rescue authorities to determine the number of firefighter members that opted out of their pension schemes during April 2012.

Summary

40 responses have been received from fire and rescue authorities in England, with 25 fire and rescue authorities confirming that no members had opted out of the firefighter pension schemes during April. The remaining 15 fire and rescue authorities reported:

- A total of 47 members either left or chose not to join the firefighter pension schemes during April:
 - 10 were members of the Firefighters Pension Scheme 1992 (“the 1992 Scheme”)
 - 23 were whole-time firefighter members of the New Firefighters Pension Scheme 2006 (“the 2006 Scheme”)
 - 14 were retained firefighter members of the 2006 Scheme. It should be noted that this data also includes information on those retained firefighters that have opted out of the scheme because they are already members of a pension scheme as part of their whole-time contract.

Detailed points

Whole-time firefighters

- 25 out of the 33 whole-time firefighters (76%) who either opted out of the 1992 Scheme, or opted out or chose not to join the 2006 Scheme, were in the salary band £16 – 30K;
- 6 of the 10 (60%) firefighters opting out of the 1992 scheme had between 10 and 20 years pensionable service, with the remaining 4 members’ (40%) pensionable service ranging between 5 and 10 years.
- Of the 20 firefighters that left the 2006 scheme, 12 firefighters (60%) had less than 5 years service and 8 firefighters (40%) had between 5 and 10 years service.
- 3 new recruits chose not to join the 2006 scheme.
- 29 out of the 33 firefighters (88%) who had opted out or chose not to join a scheme were aged between 18 and 40. Of these:
 - 70% (7) of members of the 1992 scheme were in the age range 31 to 40, compared to 43% (10) of members in the 2006 scheme.

- A further 48% (11) of members of the 2006 scheme were aged between 18 and 30, with only 1 member of the 1992 scheme falling within this age range.

Reasons for opting out

Only 5 out of the 15 fire and rescue authorities were able to provide information on why members had chosen to leave their scheme:

- One authority reported that 3 whole-time firefighters (of which 2 belonged to the 1992 Scheme) decision to leave their schemes was based on scheme changes.
- Similar reasons were provided by another authority for a further 3 firefighters who had left their scheme, with this authority confirming that one of the firefighters' reasons was "*fears current pension scheme is not sustainable unless contributions continue to increase. Feels the money spent on pension could be effectively invested elsewhere*".
- One fire and rescue authority confirmed that a firefighter who had opted out could not afford the contribution level.
- The other two authorities quoted personal reasons and affordability as why other members had left the scheme.

Retained firefighters

- 7 out of the 14 retained firefighters (50%) had chosen not to join the 2006 Scheme, with confirmation that 2 retained firefighters were also whole-time firefighters and members of the 1992 scheme.
- The remaining 7 retained firefighters had less than 5 years service in this scheme.
- All retained firefighters were recorded as earning less than £30K.