



Government
Actuary's
Department

Firefighters' Pension Schemes (England)

Valuation Results

Actuarial valuation as at 31st March 2020

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19 December 2023



Highlights

Employer Contribution Rate



38.7%*

of pensionable pay expected to be paid from
1 April 2024 to 31 March 2027

£334m**

in 2020 monetary terms

Comparison to current Employer Contribution Rate

+8.5%

increase from 30.2%

£73m** in 2020 monetary terms

Core and Economic Cost Cap Costs



Core

12.3%

of pensionable pay which is

4.5% below

the 16.8% employer cost cap

Economic

20.2%

of pensionable pay which is

3.4% above

The core cost cap cost of the scheme lies outside the 3%
cost cap corridor.

However, when the wider economic situation is taken into
account through the economic cost cap cost of the scheme,
the cost cap corridor is not similarly breached.

As a result there is no requirement for the Home Secretary
to consult on changes to the scheme.

Next steps: There will not be any change to the Employer Contribution Rate as a result of the cost control mechanism at this valuation. The Home Secretary should therefore make arrangements for implementing the revised Employer Contribution Rate of 37.6%* of pensionable pay from 1 April 2024.

* After allowing for 1) ill-health retirement charges, which are expected to equate to 0.8% of pensionable pay, and 2) the expected Home Office payment into the scheme in respect of tax relief for members purchasing benefits during the Matthews second option exercise, estimated to equate to 0.3% of pensionable pay, the rate effective over the implementation period is 37.6% of pensionable pay. ** Monetary amounts are annual, based on pensionable pay at the valuation date.

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Employer Contribution Rate



38.7%*
of pensionable pay expected to be paid from
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£334m**
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£73m** in 2020 monetary terms

Average of these three with ill-health charges included

2016 Valuation Results

Employer contribution rates for 1992, 2006 and 2015 schemes

	1992 Scheme ⁵ % pay	2006 Scheme ⁶ % pay	2015 Scheme % pay
Cost of benefits accruing over implementation period	47.0	34.0	35.1
Less estimated average member contribution rate	-14.8	-10.8	-12.9
Employer rate for benefits accruing over implementation period	32.2	23.2	22.2
Plus adjustment for past service effects	7.3	7.3	7.3
Less allowance for ill-health additional contributions	-2.2	-3.1	-0.7
Employer contribution rate payable from 1 April 2019	37.3	27.4	28.8
Weighting by projected salary over the implementation period	6.5%	0.1%	93.4%

This is the expected rate that has been payable in 22/23 and 23/24 as only the 2015 Scheme remains open to accrual

This has increased 8.8% to 37.6%

Next steps: There will not be any change to the Employer Contribution Rate as a result of the cost control mechanism at this valuation. The Home Secretary should therefore make arrangements for implementing the revised Employer Contribution Rate of 37.6%* of pensionable pay from 1 April 2024.

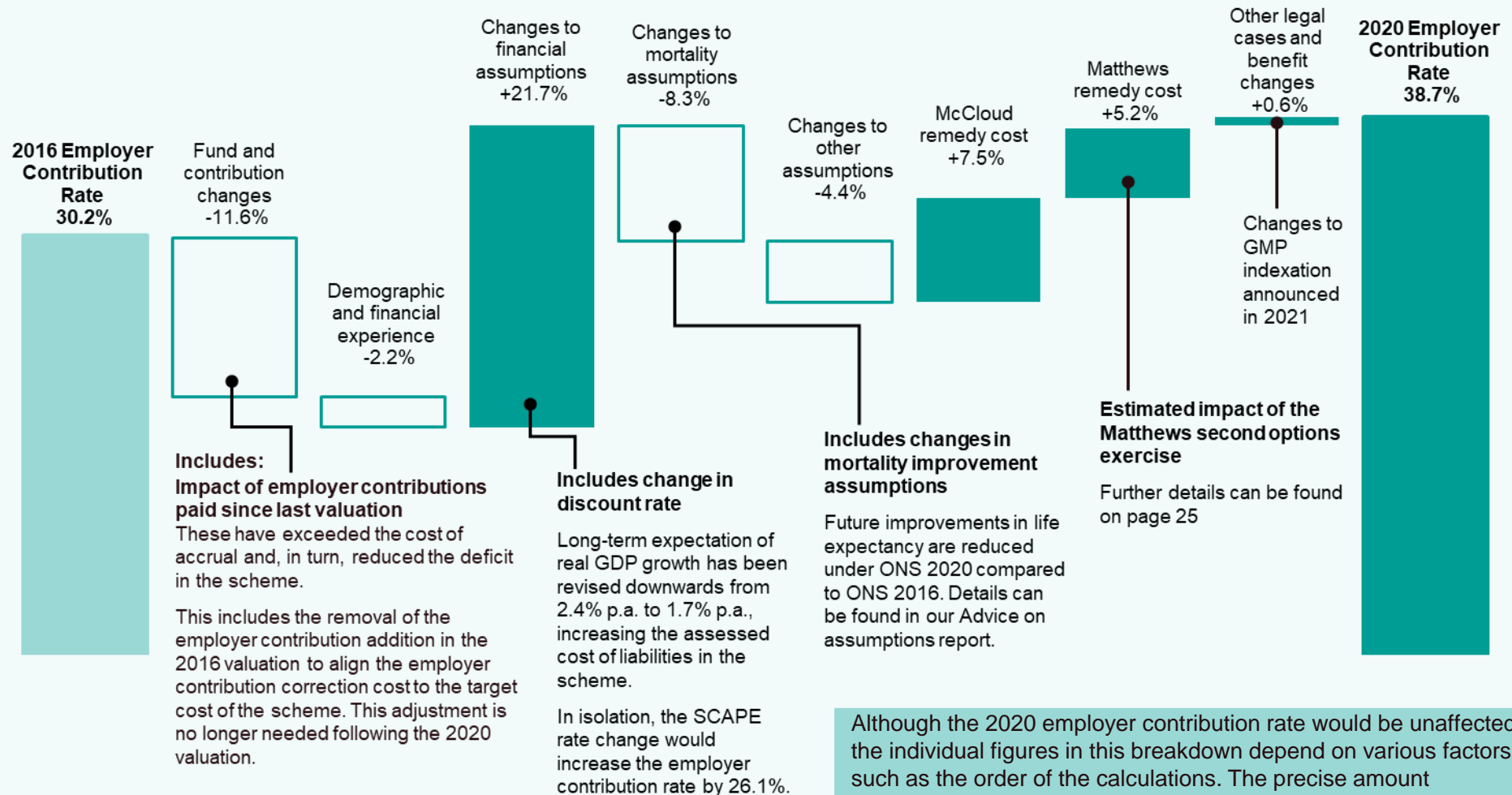
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Key Results



Changes since 2016

The chart below shows the main factors contributing to the change in the Employer Contribution Rate since the last valuation in 2016.




Although the 2020 employer contribution rate would be unaffected, the individual figures in this breakdown depend on various factors, such as the order of the calculations. The precise amount attributable to the discount rate change therefore depends on the method. Further details can be found on page 58.

Testing the cost control mechanism

What are the key results

The results of the assessments of the core and economic cost cap costs of the scheme are summarised on this page. Their values are assessed to identify whether both breach the cost cap corridor in the same direction. This would result in a requirement for the Home Secretary to consult on rectifying the breach through changes to benefits or member contribution rates. Any such changes would impact on the Employer Contribution Rate.



<p>Core cost cap cost</p> <p>12.3%</p> <p>of pensionable pay which is</p> <p>4.5% below</p>	<p>Economic cost cap cost</p> <p>20.2%</p> <p>of pensionable pay which is</p> <p>3.4% above</p>
<p>the 16.8% <u>employer cost cap</u></p>	

As there is no breach of the cost control mechanism, there is no requirement for the Home Secretary to consult on changes to the scheme.

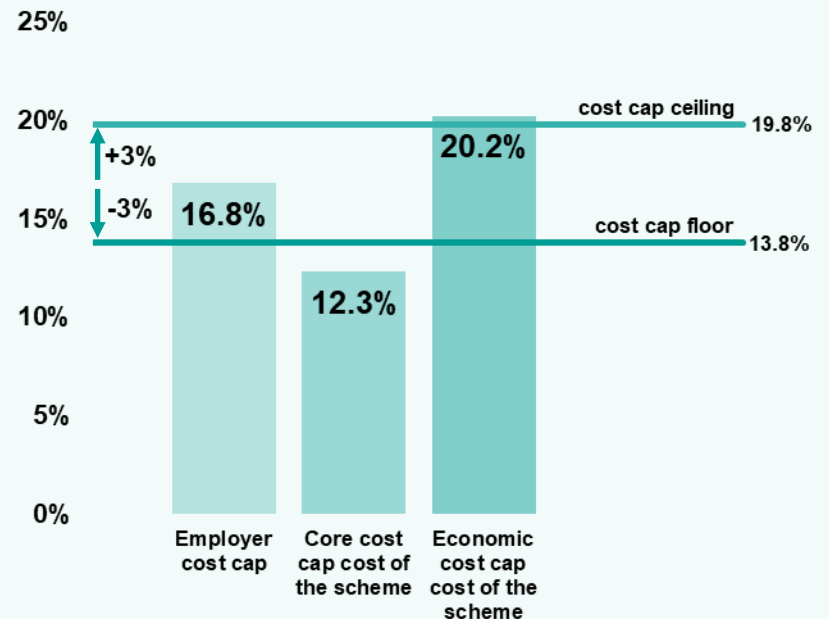
All percentages shown are of pensionable pay per annum.

Position within cost cap corridor

The chart below illustrates the position of the core cost cap cost of the scheme and the economic cost cap cost of the scheme against the cost cap corridor.

As the core cost cap cost of the scheme falls below the cost cap floor, the wider economic situation needs to be taken into account through the economic cost cap cost of the scheme.

As the economic cost cap cost of the scheme does not fall below the cost cap floor, there is no requirement for the Home Secretary to consult on any changes to the scheme.



Data & Assumptions



Scheme data as at 31st March 2020

The results in this report have been based on the data described in our Membership data report dated 19 December 2023 and summarised below. Appendix C of the Membership data report describes the checks, adjustments and reconciliations carried out in preparing this data as well as the approximate impact of any data uncertainty which may still exist.

Information on the data used in the calculation of the estimated additional liability from the Matthews second option exercise can be found in Appendix E of our Membership data report.

Summary statistics



97k

Scheme members

+12.4% vs. 2016



89 : 11

Male : Female

vs. 90 : 10 in 2016



£862.4m

Total actual pay

-1.7% vs. 2016



£45.0m

Deferred pension

+39.5% vs. 2016



£751.4m

Total pension

+17.9% vs. 2016

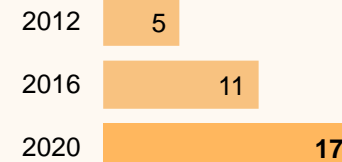
Pension amounts include the April 2020 pension increase.

Membership over time (000's)

Actives



Deferreds



Pensioners



Scheme-set assumptions

The results in this report have been based on assumptions, some of which are 'scheme-set' as described in our Advice on assumptions report dated 19 December 2023 and some of which are 'directed', as summarised on page 14.

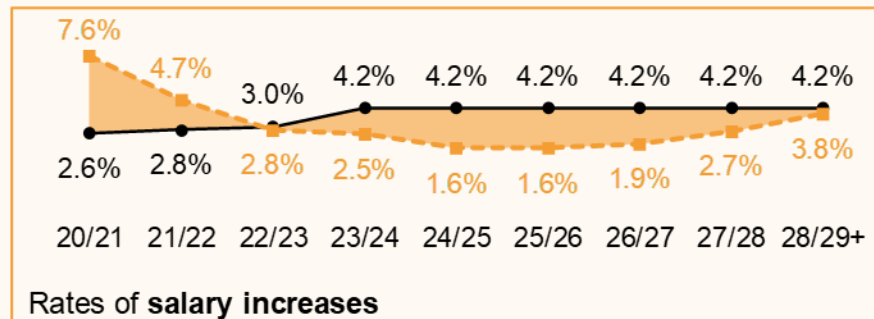
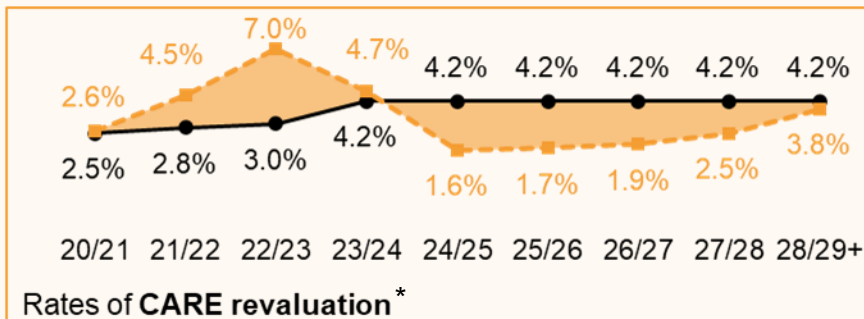
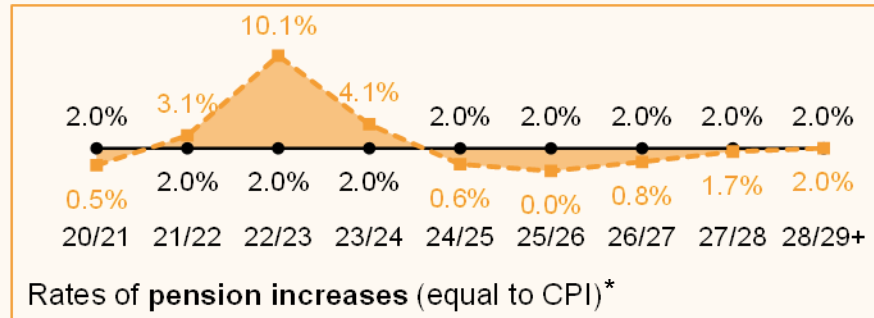
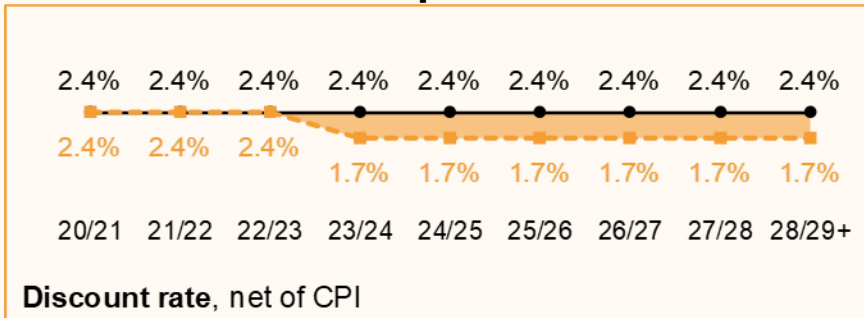
The table below provides a summary of the changes in scheme-set assumptions since the last valuation in 2016. It also sets out the directional impact of the changes on the results. The Home Secretary and Firefighters' Pensions (England) Scheme Advisory Board have agreed that the scheme-set assumptions are reasonable and appropriately reflect scheme experience where available.

Assumption	Change in assumption adopted	Impact of change on scheme costs
Mortality after retirement	Move to S3 tables and inclusion of 2016-2020 experience	↓ Lower costs
Proportion commuted	Increase in amount of pension exchanged for cash for some members	↓ Lower costs
Retirement ages	Change to 1992 unprotected assumptions	↓ Lower costs
Rates of leaving service	Increase in rates of withdrawal at all ages for regular members	↓ Lower costs
Promotional pay increases	None	⊘ No impact
Rates of ill-health retirement	None	⊘ No impact
Mortality before retirement	None	⊘ No impact
Family statistics	None	⊘ No impact

Information on the assumptions used for the calculation of the estimated additional liability from the Matthews second option exercise can be found on page 25 and also in Appendix C3 of our Advice on assumptions report dated 19 December 2023.

HM Treasury Directed Assumptions

Annual financial assumptions



2016 assumptions
 2020 assumptions (dotted line) and difference from 2016 assumptions (shaded area)

* Increases applicable at end of financial year indicated. Financial assumptions allow for corrected CARE revaluations for 2020/21 and 2021/22.

Other directed assumptions

	2016 assumption	2020 assumption
Deficit spreading periods		15 years
Future mortality improvements	In line with 2016-based ONS projections	In line with 2020-based ONS projections
State Pension age	As legislated for in the Pensions Act 1995, Pensions Act 2007, Pensions Act 2011 and Pensions Act 2014	

c. Matthews second option exercise

What is the Matthews second option exercise?

The Matthews second option exercise (or “M2”) is a programme to enable certain members to elect to buy historic service in the 2006 (Special) Scheme. M2 began in October 2023 in accordance with [The Firefighters’ Pension Scheme \(England\) \(Amendment\) Order 2023](#).

It arises because of a November 2018 ruling in a legal case involving part-time judges (“O’Brien v MoJ”) that effectively broadened the scope of an earlier ruling in the equivalent case for retained firefighters (“Matthews”) and which had previously led to the first Matthews option exercise.

HM Treasury Directions require that all relevant liabilities are included within the valuation. Additional liabilities arising as a result of M2 are considered to be relevant.

The [Employer Contribution Rate](#) is adjusted to allow for the estimated additional liability by spreading this over a period of 15 years from 1 April 2024. This is shown on page 22 as item ‘increase due to Matthews second option exercise’.

The additional liability is estimated using the assumptions summarised on pages 13 and 14 of this report in conjunction with the M2 specific assumptions summarised opposite.

Based on these assumptions we estimate the impact on the employer contribution rate to be an increase of 5.2% of pensionable pay.

Sensitivities to the key assumptions are shown on page 26.

Assumptions used in calculating the liability

Until the options exercise is complete, the quantum of additional benefits that are to be valued is unknown. Accordingly assumptions are made about the number, age and service profile and pay history of members who are eligible together with assumptions about the take-up rate of the option. Where possible these are based on an analysis of relevant available evidence.

Assumption	Value used	Availability of evidence
Eligible firefighters	18,500	Available evidence
Firefighter profile	Employment data from December 2022 survey of 15 FRSS from across England	Available evidence
Pay history	25% of reference pay	Available evidence
Take-up rate	First exercise optants - 100% Other eligible age 55 or over - 70% Other eligible under age 55 - 20% Overall: ~60% members ~70% pension	Limited evidence

Full details of these assumptions can be found in Appendix C3 of our Advice on assumptions report dated 19 December 2023

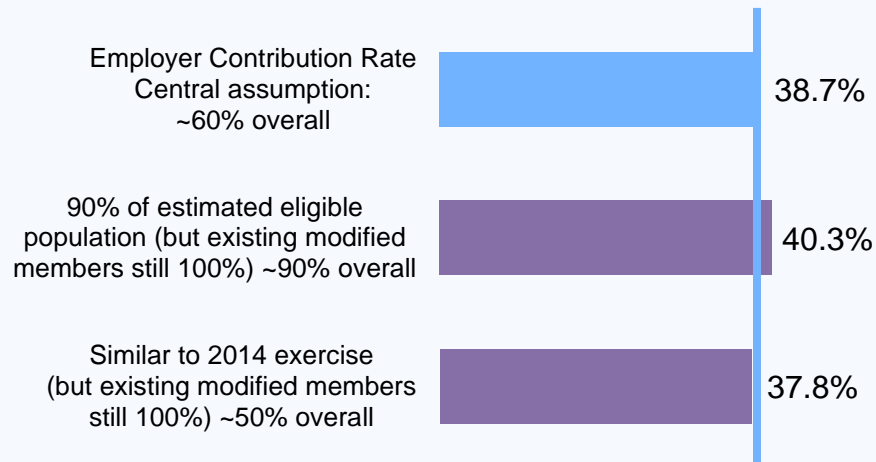
c. Matthews second option exercise

Sensitivities

Take-up rate

The take-up rate for M2 is currently highly uncertain. The 2023 options exercise has recently begun and is a substantially different offer in different circumstances when compared with the 2014 exercise. Home Office has set the assumption based on first exercise take-up patterns plus a reasonable allowance for local knowledge and M2 circumstances.

The chart below shows the impact on the Employer Contribution Rate of potential higher and lower M2 take-up rate scenarios. Other assumptions are unchanged and these scenarios are not minimum or maximum possible impacts:

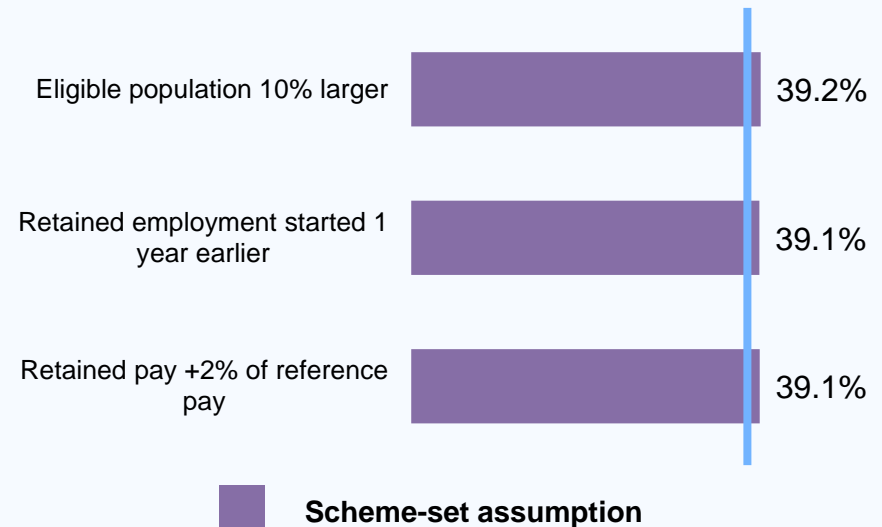


All percentages shown are of pensionable pay per annum.

Other Matthews specific assumptions

These assumptions are based on two surveys of Fire and Rescue Services ('FRSs') in July and December 2022. These included 15 responses detailing known eligible firefighters for FRSs covering a broad spread of regions in England. The actual population of eligible firefighters may differ in practice.

The chart below shows the sensitivity of the Employer Contribution Rate to specified changes in these assumptions. For each, other assumptions are unchanged and a change in the opposite direction will produce approximately equal and opposite changes in the Employer Contribution Rate. These scenarios are not minimum or maximum possible impacts



Scheme-set assumption