

## **FIREFIGHTERS' PENSION COMMITTEE - OPT OUT REPORT FOR YEAR 2012-13**

### **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 contribution rate from April 2012 to yield 0.64 percentage points, on average. The tariff, as introduced for the two Firefighters' Pension Schemes, is contained at **Annex B**.
3. As part of discussions on scheme reforms, the Government agreed to review the impact of the 2012 increases, including on opt out, before making decisions on how further contribution increases would be applied. The Firefighters' Pension Committee agreed that there should be current and historic data collected from Fire and Rescue Authorities on opt-out rates. This paper sets out the outcome of that data collection process for the financial year 2012-13<sup>1</sup>. Data from this exercise fed into the Government's decision on employee contribution increases from April 2013.
4. The Department is continuing to collect data from fire and rescue authorities from April 2013 before making any decisions on contribution rates to apply for 2014-15.

### **Historic data**

5. The Department asked fire and rescue authorities to provide historic information on the number of firefighters that have opted out of their scheme. Only a small handful of fire and rescue authorities were able to provide any data, and there was no consistency in the data that was provided, meaning that it was not possible to undertake any meaningful analysis on the data submitted.

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<sup>1</sup> 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.

6. The Department has recently begun collecting non financial data, including on optants out, from fire and rescue authorities on an annual basis. This information should, therefore, be treated with **some caution** given that it was collected for a different purpose and may not follow the same definitions on 'opt outs'.

Table 1

	2010/11		2011/12	
	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%
2006 scheme (regular)	39	0.8%	59	1.1%
2006 scheme (retained)	81	1.1%	150	2%
<b>Total</b>	170		275	

Table 2

	As of 2009/10		
	No of scheme members	No of scheme members	Total scheme opt outs
1992 scheme	24,351	24,351	145
2006 scheme (regular)	5,045	5,045	392
2006 scheme (retained)	6,928	6,928	2,833

7. The data in table 2 suggests that the historic level of opt out rates in the 1992 scheme has been very low, with the total number of scheme opt-outs reported as being 145 of current potential membership by March 2010. The participation rate amongst regular firefighters in the 2006 scheme was also high, at 92.8%, with around 1% of 2006 scheme regular membership reported to have 'opted out' of their scheme in each year of 2010/11 and 2011/12. The participation rate amongst retained firefighters in the 2006 scheme is noticeably lower, with high levels of annual optants out.

Table 3 - proportion of paybill opting out in 2010/11

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

Table 4 - proportion of paybill opting out in 2010/11

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

### Summary data for 2012-13

8. The following sets out some key notes on the data collected<sup>2</sup>:

- 42 or more responses were received between April and January. 40 and 39 responses were received in February and March respectively.
- 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. FRAs will automatically enrol retained firefighters into the 2006 Scheme, irrespective of whether they are a member of a firefighters' pension scheme for their primary employment.

<sup>2</sup> Fuller notes on the collection methodology, and data collection process is contained in Annex C.

Table 5 - Number of Firefighters that have chosen to opt out

	<b>1992 Scheme</b>	<b>2006 Scheme – regular</b>	<b>2006 Scheme - retained &amp; other</b>	<b>Total</b>
April	12	20	10	<b>42</b>
May	9	13	4	<b>26</b>
June	5	8	5	<b>18</b>
July	4	7	3	<b>14</b>
August	2	5	2	<b>9</b>
September	3	7	2	<b>12</b>
October	1	5	3	<b>9</b>
November	6	6	4	<b>16</b>
December	3	5	5	<b>13</b>
January	3	3	1	<b>7</b>
February	2	9	1	<b>12</b>
March	5	3	4	<b>12</b>
<b>Totals</b>	<b>55</b>	<b>91</b>	<b>44</b>	<b>190</b>

9. From the information above, the number of opt outs each month has averaged 16: 5 from the 1992 scheme, 7 regular firefighters from the 2006 scheme and 4 retained & other firefighters from the 2006 scheme.

10. The data received from fire and rescue authorities shows that April was the month that had the highest level of optants out. The rate of optants dropped between May and August, although there was a slight increase in overall number of opt outs in September. Since July, the number of opt outs each month has averaged 12 (3 from the 1992 scheme, 6 regular firefighters from the 2006 scheme and 3 retained & other firefighters from the 2006 scheme). This is less than half the number of opt outs in May and less than a third the number of opt outs in April. This would suggest that there was likely to have been an ‘opt out’ effect from the increase in April 2012 but that that effect has diminished in the meantime.

Table 6 - Number of Firefighters that have chosen not to join the scheme

	<b>2006 Scheme - regular</b>	<b>2006 Scheme - retained and other</b>	<b>Totals</b>
April	3	7	<b>10</b>
May	3	13	<b>16</b>
June	5	20	<b>25</b>
July	2	11	<b>13</b>
August	2	2	<b>4</b>
September	1	15	<b>16</b>
October	3	15	<b>18</b>
November	1	5	<b>6</b>
December	5	3	<b>8</b>

January	4	10	<b>14</b>
February	2	7	<b>9</b>
March	7	10	<b>17</b>
<b>Totals</b>	<b>38</b>	<b>118</b>	<b>156</b>

11. Fire and rescue authorities also reported on the number of firefighters that chose not to join the scheme - it should be noted that any firefighter that had less than 3 month's pensionable service in that scheme was assessed to be a 'non-joiner'. It should be noted that 2 of the regular firefighters chose not to join after being subject to the new automatic enrolment policy; 13 (2 of which were aged over 50 or over) were provided with temporary contracts only, with some authorities confirming these firefighters were already members of the scheme in a permanent capacity; and a further 7 were aged 50 or over which suggests these firefighters had been subsequently retired and re-employed. Excluding those mentioned above left 16 regular firefighters who chose not to join the scheme aged between 18 and 49, of which 7 were aged between 18 and 30.

*Table 7 - Number of Firefighters that joined the 2006 scheme*

	<b>2006 Scheme - regular</b>	<b>2006 Scheme - retained and other</b>	<b>Totals</b>
April	data not collected	data not collected	
May	17	53	<b>70</b>
June	23	80	<b>103</b>
July	4	111	<b>115</b>
August	1	41	<b>42</b>
September	29	91	<b>120</b>
October	19	67	<b>86</b>
November	2	58	<b>60</b>
December	6	46	<b>52</b>
January	9	51	<b>60</b>
February	10	69	<b>79</b>
March	31	117	<b>148</b>
<b>Totals</b>	<b>151</b>	<b>784</b>	<b>935</b>

12. Between May and March, fire and rescue authorities also reported on the number of regular and retained firefighters that joined the 2006 scheme, including those enrolled into the scheme on employment and those subject to the automatic enrolment policy. Data for April was not collected. Of these joiners it should be noted that a total of 102 firefighters (11 regular and 91 retained firefighters) 'joined' due to the new automatic enrolment policy being implemented by some fire and rescue authorities. Excluding those subject to automatic enrolment gives 140 regular firefighters and 693 retained firefighters who joined the scheme. However, it should be noted that these figures may include those who joined on temporary contracts, but the Department has no information to confirm if this is the

case. Of the 140 regular firefighters who joined the scheme, 129 were aged between 18 and 49, of which 68 were aged between 18 and 30.

13. From the information above, and excluding those individuals i) age 50 or over ii) subject to the automatic enrolment policy or iii) who have opted out on temporary contracts then there were 16 non-joiners aged between 18 and 49 out of 129 joiners, representing a non-joiner rate of 12%. In terms of new recruits aged between 18 and 30, there were 7 non-joiners out of 68 joiners: a non-joiner rate of 10%.

*Table 8 – Number of Firefighters that chose to opt out or not join the scheme*

	<b>1992 Scheme</b>	<b>2006 Scheme - regular</b>	<b>2006 Scheme - retained and other</b>	<b>Totals</b>	<b>No of authorities with zero opt-outs/non-joiners</b>
April	12	23	17	<b>52</b>	27
May	9	16	17	<b>42</b>	26
June	5	13	25	<b>43</b>	23
July	4	9	14	<b>27</b>	26
August	2	7	4	<b>13</b>	31
September	3	8	17	<b>28</b>	30
October	1	8	18	<b>27</b>	28
November	6	7	9	<b>22</b>	25
December	3	10	8	<b>21</b>	29
January	3	7	11	<b>21</b>	34
February	2	11	8	<b>21</b>	28
March	5	10	14	<b>29</b>	24
<b>Totals</b>	<b>55</b>	<b>129</b>	<b>162</b>	<b>346</b>	

14. In comparison with the annual opt out rates of 1992 scheme members as reported in Table 1 (50 in 2010/11 and 66 in 2011/12), the rate of optants out in 2012/13 was similar to those reported in the last two financial years. For regular firefighters in the 2006 scheme, optant outs and new joiners reported for the year were significantly higher than in 2010/11 (39) and 2011/12 (59). For retained firefighters in the 2006 scheme, the opt out and non-joiner rate was significantly higher than in 2010/11 (81) but broadly consistent with the figures in 2011/12 (150). However, if you strip out the effect of 'non-joiners', the rates for retained firefighters are significantly lower than previous years. For the whole year, the number of optants out and non-joiners was significantly up on 2010/11 (170) and had increased from 2011/12 (275). However, if you strip out the effect of non-joiners, the number of optants out across all schemes (190) is only slightly up on 2010/11 rates, but less than in comparison with 2011/12 rates. In each month, at least half of fire and rescue authorities reported zero levels of opt outs or non-joiners.

Table 9 - Number of and paybill percentage of firefighters opting out

	Percentage of membership opted out*	Percentage of pensionable paybill opted out*
<b>1992 scheme</b>	0.3%	0.2%
<b>2006 scheme – regular</b>	1.9%	1.7%
<b>2006 scheme – retained</b>	0.6%	
<b>Weighted total</b>	<b>0.6%</b>	<b>0.5%</b>

\* Excludes those not joining the scheme

15. The data shows that the percentage of members opting out of the 1992 scheme remains consistent with the annualised rate of 0.3% from 2011/12 (table 1). The percentage of retained members opting out of the 2006 scheme is significantly lower than reported for 2011/12 (2%), and lower than 2010/11 (1.1%). However, the number of regular opt outs of the 2006 scheme is running higher than previous years (1.1% in 2011/12 and 0.8% in 2010/11)

### Gender, age and salary bands

16. The Department also collected data in respect of gender, age, and salary bands of members that either opted out, or did not join the pension scheme.

#### Gender

17. As at 31 March 2012, 4.3 per cent of firefighters were women. The key findings in relation to gender are:

- 90% of optants out were male
- 96% of non joiners were male

#### Age

18. The key findings in relation to age are:

- 32% of opt outs were aged 30 or under, 55% aged between 31 and 40, and 13% aged over 40.
- 36% of non joiners were aged 30 or under, 26% aged between 31 and 40, and 38% aged between 41 and 50.
- 9% of firefighters who opted out of the 1992 scheme were aged 30 or under, 73% were aged between 31 and 40 and 18% aged over 40.
- 49% of regular firefighters who opted out of the 2006 scheme were aged 30 or under, 47% were aged between 31 and 40 and 4% were aged over 40.

- 27% of retained firefighters who opted out of the 2006 scheme were aged 30 or under, 48% were aged between 31 and 40 and 25% were aged over 40.
- 34% of regular firefighters that chose not to join the 2006 scheme were aged 30 or under, 18% were aged between 31 and 40, and 26% aged between 41 and 50. The remaining 22% were aged over 50.

### *Salary*

19. The key findings in relation to salary are:

- 73% of firefighters that opted out of their pension scheme earned under £30K and 27% earned between £30K and £40K.
- 92% of non-joiners earned under £30K
- 66% of regular firefighters who opted out of either the 1992 or 2006 schemes earned under £30K and 33% between £30K and £40K
- 82% of regular firefighters who chose not to join the 2006 scheme earned under £30K
- The majority (over 90%) of retained firefighters who either opted out or chose not to join the 2006 scheme earned a FTE salary of under £30K

20. Further data on gender, age and salary bands is at **Annex A**.

### **Conclusion**

21. In terms of the schemes combined, the data suggests that the increase in contribution rates had an initial impact on members opting out of their pension scheme, but there does not appear to be an ongoing material effect. However, there does appear to be an effect in relation to regular members of the 2006 scheme which will be kept under review during 2013-14.

***DCLG  
July 2013***



**DETAILED MEMBERSHIP DATA****Gender***Table 10 - Number of opts outs by gender*

	1992 Scheme		2006 Scheme - regular		2006 Scheme - retained and other		Totals	
	Male	Female	Male	Female	Male	Female	Male	Female
April	11	1	15	5	9	1	35	7
May	8	1	12	1	4	0	24	2
June	4	1	8	0	5	0	17	1
July	3	1	6	1	3	0	12	2
August	2	0	5	0	2	0	9	0
September	3	0	7	0	2	0	12	0
October	1	0	4	1	2	1	7	2
November	6	0	4	2	4	0	14	2
December	3	0	5	0	4	1	12	1
January	3	0	3	0	1	0	7	0
February	2	0	9	0	1	0	12	0
March	4	1	3	0	3	1	10	2
<b>Totals</b>	<b>50</b>	<b>5</b>	<b>81</b>	<b>10</b>	<b>40</b>	<b>4</b>	<b>171</b>	<b>19</b>

*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	3	0	7	0	10	0
May	0	0	3	0	11	2	14	2
June	0	0	5	0	20	0	25	0
July	0	0	2	0	10	1	12	1
August	0	0	2	0	2	0	4	0
September	0	0	1	0	15	0	16	0
October	0	0	3	0	14	1	17	1
November	0	0	1	0	5	0	6	0
December	0	0	5	0	3	0	8	0
January	0	0	4	0	10	0	14	0
February	0	0	1	1	7	0	8	1
March	0	0	6	1	9	1	15	2
<b>Totals</b>	<b>0</b>	<b>0</b>	<b>36</b>	<b>2</b>	<b>113</b>	<b>5</b>	<b>149</b>	<b>7</b>

Table 12 – Number of optant 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	91%	9%	0%	0%	97%	3%
2006 Scheme - regular	89%	11%	95%	5%	91%	9%
2006 Scheme - retained and other	91%	9%	96%	4%	95%	5%
<b>Totals</b>	<b>90%</b>	<b>10%</b>	<b>96%</b>	<b>4%</b>	<b>96%</b>	<b>4%</b>

## Age

Table 13 - opt outs by age

	18-30	31-40	41-50	51-55	56-60	Totals
April	16	21	5	0	0	42
May	6	17	3	0	0	26
June	7	10	1	0	0	18
July	5	8	1	0	0	14
August	3	5	0	1	0	9
September	3	7	2	0	0	12
October	4	4	1	0	0	9
November	6	6	2	2	0	16
December	4	8	1	0	0	13
January	0	4	3	0	0	7
February	6	6	0	0	0	12
March	1	8	2	0	1	12
<b>Totals</b>	<b>61</b>	<b>104</b>	<b>21</b>	<b>3</b>	<b>1</b>	<b>190</b>

Table 14 – non joiners by age

	<b>18-30</b>	<b>31-40</b>	<b>41-50</b>	<b>51-55</b>	<b>56-60</b>	<b>Totals</b>
April	2	6	2	0	0	<b>10</b>
May	5	5	3	3	0	<b>16</b>
June	8	9	7	1	0	<b>25</b>
July	5	2	4	0	2	<b>13</b>
August	3	0	0	0	1	<b>4</b>
September	5	6	5	0	0	<b>16</b>
October	8	3	5	1	1	<b>18</b>
November	3	1	1	1	0	<b>6</b>
December	0	0	7	0	1	<b>8</b>
January	9	2	1	2	0	<b>14</b>
February	2	2	5	0	0	<b>9</b>
March	6	4	2	2	3	<b>17</b>
<b>Totals</b>	<b>56</b>	<b>40</b>	<b>42</b>	<b>10</b>	<b>8</b>	<b>156</b>

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

	<b>18-30</b>	<b>31-40</b>	<b>41-50</b>	<b>51-55</b>	<b>56-60</b>	<b>Totals</b>
1992 Scheme	5	40	9	1	0	<b>55</b>
2006 Scheme - regular	44	43	4	0	0	<b>91</b>
2006 Scheme - retained and other	12	21	8	2	1	<b>44</b>
<b>Totals</b>	<b>61</b>	<b>104</b>	<b>21</b>	<b>3</b>	<b>1</b>	<b>190</b>

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

	<b>18-30</b>	<b>31-40</b>	<b>41-50</b>	<b>51-55</b>	<b>56-60</b>	<b>Totals</b>
1992 Scheme	0	0	0	0	0	<b>0</b>
2006 Scheme - regular	13	7	10	4	4	<b>38</b>
2006 Scheme - retained and other	43	33	32	6	4	<b>118</b>
<b>Totals</b>	<b>56</b>	<b>40</b>	<b>42</b>	<b>10</b>	<b>8</b>	<b>156</b>

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

	<b>Under £30K</b>	<b>£30K- £40K</b>	<b>£40K- £50K</b>	<b>£50K- £60K</b>	<b>Over £60K</b>	<b>Totals</b>
1992 Scheme	36	18	1	0	0	<b>55</b>
2006 Scheme - regular	61	30	0	0	0	<b>91</b>
2006 Scheme - retained and other	41	3	0	0	0	<b>44</b>
<b>Totals</b>	<b>138</b>	<b>51</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>190</b>

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

	<b>Under £30K</b>	<b>£30K- £40K</b>	<b>£40K- £50K</b>	<b>£50K- £60K</b>	<b>Over £60K</b>	<b>Totals</b>
1992 Scheme	0	0	0	0	0	<b>0</b>
2006 Scheme - regular	31	6	1	0	0	<b>38</b>
2006 Scheme - retained and other	113	5	0	0	0	<b>118</b>
<b>Totals</b>	<b>144</b>	<b>11</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>156</b>

## Employee contribution tariffs for the firefighters' pension schemes from 1 April 2012

### Firefighters' Pension Scheme 1992

Pensionable pay band	Increase 2012-13 (%)	Increase net of tax relief (%)*	Total contribution rate 2012-13 (%)
Up to and including £15,000	0.0	0.00	11.0
More than £15,000 and up to and including £30,000	0.6	0.48	11.6
More than £30,000 and up to and including £40,000	0.7	0.56	11.7
More than £40,000 and up to and including £50,000	0.8	0.64 (basic rate) 0.48 (higher rate)	11.8
More than £50,000 and up to and including £60,000	0.9	0.54	11.9
More than £60,000 and up to and including £100,000	1.2	0.72	12.2
More than £100,000 and up to and including £120,000	1.5	*	12.5
More than £120,000	2.0	*	13.0

### New Firefighters' Pension Scheme 2006

Pensionable pay band	Increase 2012-13 (%)	Increase net of tax relief (%)*	Total contribution rate 2012-13 (%)
Up to and including £15,000	0.0	0.00	8.5
More than £15,000 and up to and including £30,000	0.3	0.24	8.8
More than £30,000 and up to and including £40,000	0.4	0.32	8.9
More than £40,000 and up to and including £50,000	0.5	0.40 (basic rate) 0.30 (higher rate)	9.0
More than £50,000 and up to and including £60,000	0.6	0.36	9.1
More than £60,000 and up to and including £100,000	0.8	0.48	9.3
More than £100,000 and up to and including £120,000	1.0	*	9.5
More than £120,000	1.2	*	9.7

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

### Notes on calculations

#### *Notes for tables 3 and 4*

- Average cost of a firefighter opting out of the 1992 scheme is assumed to be £34,000, calculated by dividing the total paybill in 2010/11 and 2011/12 with average membership numbers.
- Average cost of a firefighter opting out of the 2006 scheme is assumed to be £28K.

#### *Notes for table 8*

- Assumes that the number of scheme members for the whole year was 32,325 of which 20,435 were members of the 1992 Scheme, 4,893 were regular firefighter members of the 2006 scheme, and 6,997 were retained firefighter members of the 2006 scheme. This was based on information provided by fire and rescue authorities as part of this data collection exercise from May onwards.
- April's data has been estimated based on reported scheme membership at the beginning of May.
- Where information has not been provided by authorities then scheme membership data at the start of 2012-13 has been taken from the annual data collection exercise. However, the total membership figures above exclude those fire and rescue authorities that did not provide a response to this exercise.
- Pay bill data has been taken from the unaudited annual 2011-12 data collection exercise. 2012-13 pay information provided was highly estimated and more reliable data only becomes available later in 2013. The pay bill includes actual salaries provided to retained firefighters rather than the full time equivalent (FTE) salary.
- The data collection exercise asked fire and rescue authorities to select a FTE salary band for those firefighters that left, or chose, not to join the scheme rather than provide actual salaries. We have assumed that those regular scheme members earning between £18-30K are competent firefighters earning £28.4K. For other salary bands earnings have been assumed at the mid point.
- For retained firefighters, we have used the valuation data at 31 March 2011 to calculate an average salary for retained firefighters at £7,000.
- The pay bill total disregards the pay costs for those fire and rescue authorities that did not provide a response to this exercise.