

Cumbria Fire & Rescue Service

Dear Sir/Madam

Amendments to The Firefighters' Pension Scheme (England) Regulations 2014 (S.I. 2014/2848)

Thank you for providing the opportunity to engage in the consultation on the proposed updates to Member Contribution Structure. I am responding on behalf of Cumbria Fire Service.

Please see below responses to the questions asked in the consultation.

Q1. What is your preferred tiering option to determine a member's contribution tier?

- Option 1: Increase tiers by known pay increases.
- ~~- Option 2: Add an additional tier and modify the gap between tiers.~~
- ~~- Option 3: Marginal system.~~

It is understood that any changes to the contribution structure will have an adverse impact on others as, ultimately, employee pension contributions yield must be increased.

The two main issues with the current tiers are that they are not meeting the required yield, and the bottom tier has no members. I do not believe Option 2 or Option 3 address these issues.

The current tier contribution rate is in use and embedded in payroll systems. I do not see a need to change this. Simply increasing thresholds in line with (CPI, average weekly earnings, or pay awards) and an increase in contribution rates would appear to resolve the issue of the 0.2% deficit yield.

This can be simply administered and would require limited system development. The issues around contribution rates having an adverse effect on opt-in rates and promotions will not be solved by Option 2 or Option 3.

Fire pension schemes have high contribution rates in comparison to other public sector schemes. I have not seen any evidence that pension contribution rates drive opt-out rates. However, if it is, I do not believe the differences of 11%, 11.36%, and 11.09% will likely have a significant impact on whether the employee could afford to participate in the scheme. This issue is likely solved by a 50/50 scheme as per LGPS, but again, my understanding is that the 50/50 scheme does not have a high participation rate.

I have not encountered an employee not seeking a promotion based on contribution rates. If an employee does investigate tax implications in relation to promotions it is solely in regard to annual allowance, based on anecdotal data.

Cumbria Fire & Rescue Service

Q2. What is your preferred option to determine a member's contribution threshold?

- ~~- Option 1: WTE to determine which contribution rate a member will pay.~~
- Option 2: Use the previous year's pay to determine which contribution rate, without any adjustment at the end of each scheme year.
- ~~- Option 3: Use the previous year's pay to determine which initial contribution rate, as in Option 2, then adjust for actual pay at the end of the scheme year.~~

It would appear reasonable that a part-time employee in a CARE scheme should not pay the same rate as a full-time employee. Whilst some employees will have a final salary link, over time this will reduce. The use of actual pensionable pay is already in place in LGPS.

For part-time employees with fixed hours, I would recommend that the % contribution rate can be changed if the employee changes hours mid-year.

For retained employees, who are based on a claim basis, a contribution rate should be set based on previous year's earnings with an adjustment at the end of the year. Whilst an adjustment mechanism should be in place, it should be noted that for retained employees, it is unlikely that earnings would exceed £35,000 to require an adjustment.

Q3. What is your preferred futureproofing option to avoid future misalignment?

- Option 1: Manually uplifting thresholds in line with pay awards.
- ~~- Option 2: Automatically increase thresholds in line with the consumer price index (CPI).~~

The bandings should be updated each July in line with pay awards. If this is not possible, the April following the pay award. However, if this is the case, it should be instructed that employees' pension contributions should not be changed between July and April based solely on a pay award.

Q4. Do you believe that your preferred contribution structure option, which you indicated in Q1, is administratively sustainable?

Yes
No
~~Don't know~~

Already in place and would just require changes to thresholds and contribution rates.

Cumbria Fire & Rescue Service

Q5. Are there any other proposals for achieving the target yield through contribution structures that you would like to be considered which have not been considered or proposed in this consultation?

~~Yes~~

No

~~Don't know~~

Q6. Do you anticipate any equality issues arising from the implementation of these proposals?

~~Yes~~

No

Don't know

Depending on which option is selected, it could have an impact on the treatment of part-time workers. Therefore, whilst I cannot at this stage provide examples of specific equality issues, it will be important that equality assessments are carried out once proposals are finalised.