

Cumbria Fire & Rescue Service

REPORT OF: Simon Long, Senior Pension Advisor

REPORT TO: CFO Hancock acting as Scheme Manager

DATE: 20 June 2025

SUBJECT: Matthews – Payment of Special Pensioner Members

1. PURPOSE

- 1.1. The purpose of this report is to request the scheme manager approval to accept an LPPA proposal in relation to the processing of pensioner payments relating to Matthews.

2. BACKGROUND

- 2.1. As of June 2025, Cumbria Fire and Rescue Service (CFRS) has submitted details for 166 special pensioner members with positive elections to LPPA, with a further 44 members pending. From March 2025, LPPA have started to make payments to pensioner members, and 13 members up until and including June who have received payment.
- 2.2. The current LPPA arrangements allow for approximately 5 members to be processed each month.
- 2.3. At this rate, it would take over 3 years for all members to receive payment. This is viewed by CFRS, LPPA and the members not to be sustainable.
- 2.4. On the 4 June 2025, the Scheme Manager formally wrote to the Manager Director of LPPA requesting an update on the payment of pensioner members.
- 2.5. On the 19 June 2025, the Managing Director wrote back with a proposal to increase the number of records that could be processed each month.

3. ISSUE

- 3.1. Members receive interest payments on pension arrears and lump sum from the date the pension should have initially come into payment, from age 55 for members leaving from active service and age 60 for members who left the service prior to 55.

- 3.2. Additionally, interest is charged on contributions due from members to compensate for the fact that payments are being made "late"
- 3.3. The relevant interest is calculated by use of a Government Actuary Department calculator, that in addition to calculating interest also calculates other relevant aspects of the retirement benefits under Matthews such as pension, lump sum and contributions.
- 3.4. For the calculator to work correct, GAD release a monthly interest file that is needed to be uploaded into the calculator.
- 3.5. The interest file is normally released near the end of the first week of the month.
- 3.6. LPPA the letter dated 18 June 2025, stated

“Unfortunately, due to the timing of the monthly GAD release of updated interest files, the time taken to process each case and the dates that LPPA payroll closes for payment, we have an incredibly limited number of days in which to pay members. This is currently severely limiting the number of members we can process and pay each month.”

- 3.7. CFRS internal pension team agree with the above statement.

4. PROPOSAL

- 4.1. LPPA have recommended the following;

“Our suggested approach is to use the previous month’s interest spreadsheet to drive payments. This removes the need to wait for updated interest rates and gives us a much larger window to process payments. However, it also means that members will not receive one month of interest payments in their initial payment, and an additional interest payment will be due.”

- 4.2. Additionally, so members do not forfeit the additional interest payment, LPPA are proposing that CFRS recalculate the interest once the file is available and upload these amounts to the LPPA employer portal.
- 4.3. The interest will then be paid at a later date, with LPPA stating the earliest date being November. This is to allow for resource to be directed on to making payments on the initial retirement benefit.

- 4.4. It is believed that by adopting this proposal the number of payments that can be made to members will increase to approx. 30 a month. Which would result in the backlog being cleared in under 12 months.
- 4.5. CFRS would continue to work with LPPA to identify any efficiencies to further increase the number of records that could be processed in a month.

5. FINANCIAL IMPLICATIONS

- 5.1. Interest, as with all elements of Matthews, is paid by central government funding. And therefore, there is no direct financial implications on CFRS.
- 5.2. Calculations carried out by CFRS demonstrate the “delayed” interest is minimal in relation to the overall payment due to the member. The sample used to scope out the proposal showed that the “delayed” interest made up less than 1% of the overall payment due to the member.

6. RECOMMENDATION

- 6.1. As the interest will need to be recalculated it will create an additional administrative burden on the internal pension team. However, the proposal provides a pragmatic solution to increasing the number of records that can be processed.
- 6.2. In relation to the member experience, although the 1-month interest would be delayed, this accounts for less than 1% of the overall payment due and the member would still receive this at a later date. Importantly, the member will receive their backdated entitlements and a pension going forward.
- 6.3. Due to the above, it is recommended that the scheme manager approves the LPPA proposal.