



Llywodraeth Cymru
Welsh Government

Welsh Government Integrated Impact Assessment Summary

Title of proposal: Consultation on proposed amendments to the employee contribution rate structure within the Firefighters' Pension Scheme in Wales.

Department: Community Safety Division

Cabinet Secretary/Minister responsible: Jayne Bryant, MS - Cabinet Secretary for Housing and Local Government

Start Date: 12 November 2024

Contact e-mail address: fire@gov.wales

What action is the Welsh Government considering and why?

Part One - Consultation on proposed amendments to the employee contribution rate structure within the Firefighters' Pension Scheme in Wales.

Part one of our proposals consists of amendments to the employee contribution rate structure within the Firefighters' Pension Scheme in Wales. The Firefighters' Pension Scheme offers retirement benefits to firefighters and their families on terms which reflect the particular challenges of the firefighting profession.

All active members of the Firefighters' Pension Scheme contribute to the scheme by paying employee contributions, which are normally deducted from salary. The employee contribution rate is a percentage of pensionable pay that each employee contributes to the scheme. The proportion of total pensionable pay that all members collectively are expected to contribute to the scheme is known as the yield. A yield of 13.2% of pensionable pay is required to ensure the future sustainability of the scheme.

At the last valuation exercise, the Government Actuary's Department (GAD) identified that the yield achieved by the scheme was slightly lower than which required at just under 13.0%. Therefore, the contribution rate structure needs to change to achieve the 13.2% contribution yield at the next valuation exercise.

The Welsh Government have taken the following into consideration when drafting proposals to meet the required yield:

- Contributions should be affordable, and the changes should not induce members to opt out of the scheme,
- Rates should be structured in favour of lower paid scheme members,
- Rates should not discourage career progression,
- The contribution rate structure should be future-proofed,
- The system should be straightforward to administer.

These amendment to the 2015 Scheme Regulations will be prospective, coming into force for members from 1 April 2025.

Part two - Parental Bereavement Leave under the firefighters' pension schemes in Wales.

Part two of our proposals consists of amendments to scheme regulations to provide for statutory entitlement to parental bereavement leave and pay to be pensionable. In March 2018, the UK Department for Business, Energy and Industrial Strategy ("BEIS") consulted on provisions to be included the Parental Bereavement Leave and Pay Act 2018 ("the 2018 Act"), which received Royal Assent on the 13 September 2018. The Act provides the following statutory entitlement to parental bereavement leave and pay for employed parents who lose a child:

- A minimum of 2 weeks of leave to help them to come to terms with the loss of a child, should they wish to take it. An employee would be eligible regardless of their length of service with their current employer.
- A statutory flat rate of pay or 90% of their average weekly earnings calculated over a set reference period, whichever is the lower, whilst absent from work.

Following introduction of the Act, further Regulations were introduced which made provision for a new statutory entitlement to parental bereavement leave and pay for employed parents who lose a child on or after 6th April 2020. The 2018 Act and regulations made under it provide an entitlement to paid leave, but they do not directly provide that such pay is pensionable, nor that the period of leave amounts to pensionable service. That is inconsistent with other authorised periods of absence such as maternity or adoption leave. As such, amendments are required to the 2015 scheme regulations to provide that pay during bereavement leave is pensionable, and that the period of leave is pensionable service.

Making provision for parental bereavement leave and pay has a wholly positive effect on scheme members. It also has no negative effects on employers in practice, as all three employers of firefighters in Wales already provide paid parental bereavement leave. It is thus very unlikely that there would be any negative feedback to the proposal. As such, the Welsh Government consulted with members of the Firefighters' Pension Scheme Advisory Board (which contain representatives of all recognised firefighters' unions and representative bodies and all three Fire and Rescue Services) on the proposed amendments at a meeting held on 30 April 2024. All members confirmed that they were content with the proposals to amend the 2015 Scheme Regulations to introduce this statutory entitlement.

Conclusion

How have people most likely to be affected by the proposal been involved in developing it?

Part 1 – The Welsh Government has discussed the principles and potential options for changing employee contribution rates with members of the Firefighters' Pension Scheme Advisory Board ("SABW"), in order to ascertain their views on the proposal ahead of undertaking a full public consultation exercise. The SABW membership is made up of representatives of all recognised firefighters' unions and representative bodies and the Fire and Rescue Services in Wales.

Part 2 – Due to the wholly positive impact of the proposed amendments on scheme members, the Welsh Government have undertaken a consultation with members of the SABW rather than a full public consultation exercise. All members confirmed that they are content with the proposed amendments to the 2015 Scheme Regulations.

What are the most significant impacts, positive and negative?

Part 1 – The proposals will change the current employee contribution rate structure to ensure that the target yield is achieved at the next valuation exercise. The preferred option would link the contribution rate to grade which would subsequently result in a gradual increase in contribution level in line with grade / pay band. The preferred proposal would also place the lowest paid scheme members into Band 1 which would ensure they are protected from paying a disproportionately higher contribution rate.

Part 2 – The proposed amendments would amend the 2015 Scheme to provide for statutory entitlement to parental bereavement leave and pay to be pensionable, and to ensure that it is clear within secondary legislation how it should be implemented. There is no negative impact from as a result of this proposal.

In light of the impacts identified, how will the proposal:

- **maximise contribution to our well-being objectives and the seven well-being goals; and/or,**
- **avoid, reduce or mitigate any negative impacts?**

The proposed amendments aim to change the current employee contribution rate structure in order to ensure the target yield is achieved at the next valuation exercise. The proposals aim to ensure that the lowest paid members of the pension scheme are protected from paying a disproportionately high contribution rate and also ensure that contributions increase predictably in line with pay grade, rather than being subject to increases based on annual pay settlements. The proposals have been developed in collaboration with firefighter employers and employee representatives.

8.4 How will the impact of the proposal be monitored and evaluated as it progresses and when it concludes?

Whilst there will be no formal monitoring, the impact of the change in contribution rate structure will continue to be discussed at the Firefighter Pension Scheme Advisory Board for Wales meetings, at which employer and employee representatives can raise issues regarding the practical implementation of the change and the impact that it has had on the yield. The Firefighters' Pension Scheme Advisory Board for Wales is responsible for providing advice, on request, to Welsh Ministers, scheme managers and local pension boards in relation to the effective and efficient administration and management of the various pension schemes.

Mae'r ddogfen yma hefyd ar gael yn Gymraeg. This document is also available in Welsh.