

Report to Senedd Cymru in respect of proposed changes to the employee contribution mechanism and rates in the Firefighters' Pension Scheme (Wales) Regulations 2015

Introduction

1. This report is laid before Senedd Cymru in accordance with section 22(2)(b) of the Public Service Pensions Act 2013 ("the 2013 Act").
2. Occupational pensions are a reserved matter. However, the Welsh Ministers have functions in the 2013 Act and other enactments as the "responsible authority" for firefighters' pensions (only). This means that they are responsible for making and amending the firefighters' schemes.
3. The purpose of the proposed Firefighters' Pension Scheme (Wales) (Amendment) Regulations 2025 is to amend the Firefighters' Pension Scheme (Wales) Regulations 2015 ("the 2015 Regulations") which established the 2015 Firefighters Scheme ("the 2015 scheme").
4. The proposed regulations make amendments regarding parental bereavement leave and pay, scheme members' contribution rates and the mechanism by which those rates are determined. Member contribution rates are a protected element under the 2013 Act which means that the enhanced procedure in section 22 of the 2013 Act applies to proposals to change them.
5. The Welsh Ministers have consulted persons or representatives of those persons who appear likely to be affected by the regulations if they were made with a view to reaching agreement with them, in accordance with section 22 of the 2013 Act. Having carried out this process, we now lay this report before Senedd Cymru.
6. The report under section 22(2)(b) of the 2013 Act must set out why the responsible authority proposes to make the regulations, having regard to the desirability of not making a change to the protected elements of a scheme under section 1 within the protected period (ie, before March 2040).

Background to proposed amendment / policy objective

7. HM Treasury requires most public sector pension schemes to achieve a set member contribution "yield", meaning the overall proportion of annual pensionable pay which employees pay as contributions to the scheme. This is to contain the cost of pension benefits to the public purse. The target yield for all firefighters' schemes in the UK is 13.2%.
8. Changes are required to the current employee contribution rate structure as the Government Actuary's Department ("GAD") identified at the last valuation exercise that the yield achieved by the scheme was slightly lower than 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. There would be no other way of increasing the yield so as to meet the Treasury's requirements.
9. Additionally, the Firefighters' Pension Scheme (Wales) (Amendment) Regulations 2025 propose changes to the mechanism to determine contribution

rates. Currently these are determined by salary band on a progressive basis, with higher earners paying progressively higher rates. The problem with this approach is that successive annual pay awards undermine the system by moving firefighters into higher bands over time, making the rates less progressive and placing an arguably undue burden on the lowest earners. For example, there are now no firefighters in the lowest salary band as increases in pay since the bands were set have taken all of them out of it. This approach also means that firefighters have no long-term certainty about what they are required to contribute, and risk having some of a pay award consumed by an increase in pension contributions if that award takes them into a higher band. To address this, the proposed regulations would change the system to one based on grade¹ (or “role”), with more senior staff paying higher rates. An individual’s contribution rate would not, therefore, change unless a role change resulted in them being taken into a different tier (referred to as contribution band in the consultation).

Consultation

10. In accordance with section 22(2)(a) of the 2013 Act, the Welsh Ministers consulted persons, or representatives of such persons, who appear likely to be affected by the proposed regulations with a view to reaching agreement with them. The consultation set out possible principles for changing contribution rates and included a range of possible changes to the current structure to achieve the target contribution yield. A link to the Consultation together with the Summary of Responses can be found [here](#) for more information.

10. The consultation was issued from 12 November 2024 and remained open for twelve weeks until 4 February 2025. The Welsh Government received 18 responses to the consultation. Those 18 responses came from the following:

- Three from Fire and Rescue Authorities in Wales
- One from a trade union representing firefighters.
- One from the Firefighters’ Pension Scheme Advisory Board for Wales (“SABW”)
- 13 from individuals

11. The majority of respondents accepted that rates needed to change to meet the required yield and agreed that member contribution rates should be based on grade rather than by salary band. Respondents felt that basing calculations on grade would be more easily understood by firefighters and had the added benefit of being future proofed. However, concerns were raised that the contribution rates set out in the illustrative example within the consultation document, showed that there would be a significant increase in contribution rates between the tiers, particularly for higher paid scheme members, which could potentially be seen as unfair. In turn, this could potentially create “cliff edges” which would discourage career progression.

¹ “Grade” is the term commonly used in the Fire and Rescue Service to refer to the hierarchy based on seniority of position (and to what used to be called “rank”) – Firefighter, Crew Manager, Watch Manager and so on and was the term used in the consultation on these proposals. Strictly speaking these are “roles” as set out in the National Joint Council’s “Grey Book” of UK-wide terms and conditions, so the draft regulations use the term “role” instead.

12. In order to satisfy the requirements set out under section 22 of the 2013 Act, the Welsh Government engaged with members of SABW, which represents all employers and all recognised firefighters’ trade unions to discuss how to achieve an equitable increase in contribution rates, and meet the target yield. Officials made clear throughout those discussions that the Welsh Government had no preference about exactly what the contribution rates should be, provided that the result achieved the target yield. Rather, the Welsh Government was guided by what the employers and representative bodies believed to be equitable and easy to administer, and commissioned further work from the Government Actuary’s Department (“GAD”) in light of that.

13. Following discussions with the SABW, members confirmed that they were content that the grade based structure was the most appropriate for the firefighters’ pension scheme in Wales, but felt that further work was needed to calculate contribution rates which were equitable across all grades while still achieving the target yield. The Welsh Government subsequently commissioned GAD to produce a series of revised calculations which applied a more gradual increase in contribution rates across all grades. Agreement was reached with all but one member of the SABW. In the circumstances, it was not possible to achieve complete agreement as there was an irreconcilable difference of view between this member and the rest of SABW about one of the rates proposed. Nonetheless, the Welsh Government believes that all possible steps were taken to reach agreement.

14. The Welsh Government has therefore proceeded to draft the Firefighters’ Pension Scheme (Wales) (Amendment) Regulations 2025 which amend the 2015 Regulations to provide that members’ contribution rates within the 2015 Scheme are determined based on a grade-based structure rather than pensionable pay range. The new contribution rates outlined below will be applicable from 1 September 2025.

Tier	Grade / Role	New rate	Change from current rate
1	Firefighter, and all staff working the Retained Duty System ²	13.00%	+0.10%
2	Crew Manager / Watch Manager	13.20%	+0.30%
3	Station Manager / Group Manager	13.70%	+0.20%
4	Area Manager	14.20%	+0.70%
5	Assistant Chief Fire Officer / Deputy Chief Fire Officer / Chief Fire Officer	14.50%	+0.00%

² “On-call” firefighters and all staff working the retained duty system do not work regular shifts; most are paid only for the incidents they attend and for training time, plus a modest annual “retaining fee”. They thus earn significantly less than their wholetime counterparts.

15. The proposed regulations would also make amendments to the 2015 Regulations to provide that parental bereavement leave is to be treated like other authorised absence from work, such as maternity leave. These changes are wholly beneficial to scheme members, but are not subject to the enhanced procedure under section 22 of the 2013 Act and were therefore consulted on in line with section 21 of the 2013 Act.

Conclusion

16. Senedd Cymru is invited to note the proposed changes to the 2015 Regulations in respect of the employee contribution rates, the mechanism by which those rates are determined and the actions undertaken by the Welsh Government to ensure compliance with section 22 of the 2013 Act.