

Dear Claim Administrator

***Please pass a copy of this letter to your FRA's Claim Approver***

## **FINANCIAL ARRANGEMENTS FOR FIREFIGHTER PENSIONS - DELTA Returns: Pension Estimates 2022/23 – 2027/28**

### **Introduction**

- 1.1** FRAs are required to submit pension estimates for financial years 2022/23 to 2027/28. Please note that the deadline for returns to this is **cop Friday 19 August**.
- 1.2** The estimate for 2022/23 should be an update of the information previously submitted in August 2021. The estimate for 2023/24 will form the basis for the grant payment due in July 2023.
- 1.3** The July 2023 Top Up Grant payment will consist of **(i)** 80% of any forecast pension deficit for the year 2023/24, **(ii)** the remainder of the 2022/23 requirement (based on final unaudited accounts to be submitted in May 2023) and **(iii)** any adjustments needed in respect to 2021/22 (based on audited accounts also to be submitted in May 2023).

### **Assumptions**

- 2.1** The estimates will also form the basis of this Department's bid for Annually Managed Expenditure (AME) grant to cover the cost of pension deficits. The forecasts will also be the subject of scrutiny by the Office of Budget Responsibility (a link to OBR's terms of reference is given below):

<http://obr.uk/topics/governance-and-reporting/>

FRAs are recommended to give due consideration to this when compiling forecasts and keep a record of the assumptions used e.g. for membership; leavers; ill-health etc.

- 2.2** Informal 'best practice' forecasting guidance produced by the Firefighters' Pension Forecasting Working Group has also been attached for FRAs to use when calculating their forecasts.
- 2.3** All policy changes from past fiscal events should be factored into the forecasts and the Consumer Prices Index (CPI) should be the measure of indexation. The following CPI rates advised by the OBR should be used (note that these are the uprating factors that should be applied to awards in the same year, reflecting CPI estimates from the previous September):

2022/23	3.1%
2023/24	7.5%
2024/25	3.4%
2025/26	1.6%
2026/27	1.9%

2027/28          2.0%

FRA's should also apply the following paybill per head increases\*:

2022/23	2.0%**
2023/24	2.6%
2024/25	1.8%
2025/26	2.3%
2026/27	2.7%
2027/28	2.7%

*\*we have assumed that 'pay drift' has no impact on the firefighters' workforce paybill and therefore the OBR assumptions have been reduced by 0.5%*

*\*\*HO has asked FRA's to assume a 2% pay inflation for 22/23 to ensure that there is a consistent approach to forecasting. It is not a reflection of what HO think should/will happen with pay negotiations.*

**2.4** Returns **should** take account of:

- a. the current employee and employer contribution rates (reflecting the increases from April 2019) and its impact on workforce planning; and
- b. the changes to tax relief on annual and lifetime allowances and its behavioural impact of opt-outs.

**2.5** Please also note that we are assuming that there is no impact on the firefighters' paybill from 'pay drift' – **please let us know if this is not the case for your FRA.**

**2.6** For the purposes of these forecasts please **do not** reflect any impact from the McCloud/Sargent remedy and Matthews' remedy. We intend to undertake a central assessment of these costs and will feed these back separately to the OBR.

### **Assumptions exercise**

**3.1** Please **also note** that we will as a separate exercise be writing to Claim Approvers seeking details of the local assumptions applied in order to report these to the OBR. As part of this exercise, we will be asking FRA's to clarify the local assumptions that they have applied in respect of recruitment, scheme membership numbers, normal retirements, transfers in/out etc. The deadline for returns to this will also be **cop Friday 19 August**.

### **Action required**

**4.1** FRA's are requested to access DLUHC's DELTA online system and to complete the FPF form to provide forecasts for the years 2022/23 to 2027/28. The online form will be made available on the DELTA website from 1 July. You will receive an email advising when the online form has gone live and providing guidance on how to register, or how to access forgotten passwords, in due course.

### **Deadline for certification**

**5.1** The deadline for FRA's to complete and certify the form is **cop Friday 19 August 2022**.

**Please note that we need the data so that we can respond to the OBR and have very limited ability to grant any extension to this deadline.**

**5.2** If you have any questions on this notification, or would like further information, please phone me on 0207 035 3372, 07504737245 or email [anthony.mooney@homeoffice.gov.uk](mailto:anthony.mooney@homeoffice.gov.uk).

Kind Regards

**Anthony Mooney**