

Employee contributions review – SAB priorities



Creating a framework for review

- When the 2015 schemes were established, the Proposed Final Agreement (PFA) for some public service schemes included specific principles for setting employee contribution rates. Such principles can help to provide a framework for stakeholders to consider options when reviewing amendments to contribution rates.
- There were no such principles included in the PFA for FPS 2015, although there was some discussion prior to the introduction of the FPS 2015 which focussed on:
 - Protection for the lower-paid.
 - Tiered contribution rates, broadly linked to job roles.
 - A desire for contribution tiers to be uprated each year.
- The SAB may wish to consider agreeing some key principles for the review of the contribution rates in FPS 2015, which may help to provide a framework to assess any proposed contribution designs put forward by the Home Office.
- These principles can also be shared with Home Office and GAD, so that they can be considered when preparing any proposed contribution structure designs.

Principles for employer contribution rates

Some potential principles for member contribution rate structures are:

1. Protection of lower-paid members.
2. Include an element of uprating, to ensure pay awards do not undermine the agreed objectives.
3. Do not discourage career progression.
4. Reduce the risk of opt-outs from the scheme, across the whole membership.
5. Able to be administered effectively, allowing for the local nature of Scheme administration.

Some of these may conflict. For example, a progressive structure which protects the lower paid may not effectively discourage opt outs of higher paid members.

Others may naturally align, for example protecting the lower paid should discourage opt outs at the lower end of the pay scale.

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Thank you for listening!

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