



Firefighter Pension Scheme McCloud Added Pension Compensation Guidance for Scheme Managers and Administrators

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Introduction

1. This document is intended to be used as a guidance tool for scheme managers and administrators to provide clarity about the process for paying compensation amounts due in respect of Added Pension contributions paid into FPS 2015 during the remedy period.
2. When members are returned to their relevant legacy scheme any Added Pension Contributions that have been paid between 1 April 2015 and 31 March 2022 must be returned to the member. This is because Added Pension arrangements do not exist in the legacy schemes and therefore it is not possible for these types of benefits to form part of the members pension benefits in the legacy scheme.
3. These contributions are to be automatically returned to the member by way of a compensation payment, with payments being made by the scheme manager rather than the administrator.
4. This document sets out the general position about the process for making the compensation payments to members and associated timeframes.
5. Scheme managers and administrators are strongly encouraged to follow this guidance to help ensure consistency both locally and nationally. If there is a departure from this national guidance in any form, the scheme manager will need to assess any implications of doing so and must satisfy both themselves and the Local Pension Board that an alternative approach is appropriate. Decisions and the reasons behind them should be well documented to ensure an adequate audit trail is available.

Legislation

6. The compensation payments for Added Pension are covered by three sets of regulations:
 1. [The Public Service Pensions and Judicial Offices Act 2022](#) (PSPJOA 2022)
 - Voluntary Contributions - [Section 20 of Chapter 1](#)
 - Compensation payments - [Sections 23 to 27 of Chapter 1](#)
 2. [The Public Service Pensions \(Exercise of Powers, Compensation and Information\) Directions 2022](#) (The Directions):
 - Voluntary Contributions - [Direction 5 of Chapter 2 of Part 2](#)
 - Compensation payments - [Directions 8 to 12 of Chapter 3 of Part 2](#)
 - Application of interest - [Directions 13 to 19 of Chapter 3 of Part 2](#)
 3. [The Firefighters' Pensions \(Remediable Service\) Regulations 2023](#) (Firefighters' Scheme Remediable Regulations)
 - Voluntary Contributions – [Part 5](#)

Eligibility Criteria

7. The meaning of remediable Voluntary Contributions (Added Pension payments) is defined in [Regulation 27\(7\) of Part 5](#) of the Firefighters' Scheme Remediable Regulations.
8. It confirms that this relates to Added Pension payments which were made during the Member's remediable service as either: -
 - a) Periodical payments made under [Chapter 2 of Schedule 1](#) of the Firefighters' Pension Regulations 2015 or,
 - b) Lump sum payments made under [Chapter 3 of Schedule 1](#) of the Firefighters' Pension Regulations 2015
9. Remediable service applies where the four conditions of eligibility are met. The four conditions of eligibility are defined in [Section 1 of Chapter 1](#) of the PSPJOA 2022 as:
 - a. Condition 1 – is that the service is during the period 1 April 2015 to 31 March 2022.
 - b. Condition 2 – is that the service is pensionable under a Chapter 1 Legacy Scheme or would have been pensionable under the Legacy Scheme if the discrimination had not occurred.
 - c. Condition 3 – is that the person was on or before 31 March 2012, in service in any employment or office that is pensionable service under a Chapter 1 Legacy Scheme.
 - d. Condition 4 – is that there is no disqualifying gap in service falling with the period. This condition requires that the individual should not have a gap in service of 5 years or more i.e., between 31 March 2012 or, if earlier, the date they left service, and the date of re-joining.

Timeframe

10. The process for payment of a compensable amount in respect of Added Pension contributions is set out in the regulations and operates as soon as practicable after 30 September 2023.
11. The scheme manager must ensure that these contributions are returned to the member because any Added Pension benefits accrued within the remedy period will need to be fully extinguished to comply with the legislation upon rollback.
12. Since active members may wish to utilise the compensable amount to buy Added Pension in FPS 2015 for the 2023/24 scheme year, there will be a requirement for scheme managers to ensure that this process is completed by **31 March 2024** to allow active members to make any such elections.

13. Deferred members will not be able to purchase Added Pension as they are no longer in service, therefore these members do not have such an urgency to be provided with their compensation, but best practice may be to also aim to make these payments by 31 March 2024.
14. For pensioner members, as the pension is already in payment, these cases will need to be dealt with at the same time as the member is provided with their Immediate Choice Remediable Service Statement (IC-RSS). Although it may make sense to still collate the necessary data now and then determine when these members will fit into the implementation timetable.
15. Previous requests for data about these members suggest there are low volumes of members with added pension accounts.
16. Failure to provide the compensation as soon as practicable to active members may result in a complaint from the member about the loss of an opportunity and may make a claim for compensation for a lost opportunity cost.

Process

17. The following proposed timeframes are suggestions only as it will be for scheme managers to locally agree their own timeframes and processes and mutually agree requirements with their administrators.
18. Whilst it is logical that the administrator may initiate this process, as they will have access to the relevant data, the scheme manager should ensure that they have spoken to their administrator to confirm that the process is in hand.

Step 1: Administrator to identify cases – by 9 February 2024

19. The administrator will need to identify all cases where Added Pension contributions were paid between 1 April 2015 and 31 March 2022. It is expected this work will have already been done with regards to informing scheme managers of the different cohort numbers. Cases will need to be separated into Deferred Choice and Immediate Choice members.
20. If there are any cases where the member is a pensioner and the pension is already in payment, then the administrator will need to liaise with the scheme manager about how and when to remedy these members, considering the cohort timetabling and when the remedy choices can be offered to the member. Although it should also be noted that if deemed necessary by the scheme manager, any case can be brought forward and remedy offered earlier than perhaps is planned.
21. The administrator will also need to identify the amount of contributions that were paid during that period and if this is not available to the administrator, then the case will need to be passed to the FRA for consideration.

Step 2: FRA to calculate the amount of compensation – by 21 February 2024

22. The FRA may need to collate the information about the amount of contributions that have been paid and will then need to use the GAD Contributions Adjustment calculator to correctly calculate the amount of tax relief and interest that will be due to the member.
23. Tax relief has already been provided to these members when they paid the Added Pension contributions, therefore payments are adjusted for this in the compensation payment. The appropriate amounts will need to be extracted from the GAD Contributions Adjustment calculator.

Step 3: Scheme manager to notify member – by 29 February 2024

24. The scheme manager should, notify the member that they are entitled to a compensation payment. This notification should include a full breakdown of the amount, including details of the tax relief and how it has been calculated, and the interest, as set out in the [Directions 5\(10\) and 16\(2\)](#), along with a bank details form for completion.
25. Where the member is still active, the notification to them will also need to include information about the options for purchasing Added Pension in the 2023/24 and the 2024/25 Scheme Years and the time limits for making any such election.
26. If there are other amounts owed by the member or the scheme which fall due at the same time as this payment is to be made, the scheme manager can determine that the compensation amount may be used in a “netting off” against any of these amounts. It is not anticipated that this option will be utilised due to the timings and additional requirement to communicate this decision to the member.

Appeals

27. The member has a right to appeal the determination of the tax relief part of the compensable amount, but they must provide evidence and a reasoned explanation of the alternative amount. The scheme manager will in these circumstances need to review the evidence provided by the member and make a further decision on whether the calculation of tax relief should be amended. Where the scheme manager determines that the original calculation of tax relief is correct, the member will be able to dispute this further by raising an appeal via the Internal Dispute Resolution Procedure (IDRP).

28. It is recommended that scheme managers should consider whether their current IDRPs are sufficient. Consideration should be given to the fact that, under the IDRPs, the scheme manager may be asked to reconsider a decision which they previously made under this process. FRAs are encouraged to consider whether this seems fair and reasonable, if it is deemed not to be then FRAs should consider who is the most appropriate person to hear each stage of the IDRPs.

Step 4: Scheme manager to make payment to member – by 31 March 2024

29. The scheme manager will need to arrange payment of the amount to the bank account nominated by the member.
30. As this is a compensation payment, the payment cannot be paid from the pension fund account and therefore must be made from the Operating Account.

Step 5: Scheme manager to account for compensation amounts

31. The scheme manager will need to account for any compensation paid. The accounting should be recorded in such a way that it will be easily reportable, i.e. all elements of the payment recorded separately. More information will be provided on this in early 2024 once the accounting and funding guidance has been confirmed by the Home Office.

Step 6: Scheme manager to notify the administrator

32. The scheme manager will need to provide information about the compensation payment to the administrator. This should include details of each element of the payment and the date that the payment was made.

Step 7: Administrator to adjust pension record

33. When the administrator receives confirmation that compensation has been paid, they will need to adjust the members pension record accordingly. This may include: -
- a. Updating the Added Pension record so that rights purchased during the remedy period are extinguished.
 - b. Updating details of the contributions received.
 - c. Updating the contribution adjustment record.
 - d. Updating the CARE pension account for the remedy period.
 - e. Where an RSS has already been issued, then the re-issue of any RSS to take account of these changes.

34. If the member contacted the administrator to purchase Added Pension, the administrator should deal with this using normal processes and timelines.

Evidence and scheme manager discretion

35. Compensation payments in respect of Added Pension contributions are an automatic entitlement for the member. This is due to the fact the member is not entitled to retain these benefits when they are returned to their relevant Legacy Scheme. Therefore: -

- a. The member does not need to make a claim.
- b. The member does not need to provide evidence of their entitlement.
- c. The scheme manager does not need to make any decisions about entitlement to a compensable payment.
- d. As the payments are netted off, there will be no liability to tax or NI deductions (as the original contributions made were NI-able)