

Public Service Pensions and Judicial Offices Bill

What it means for the Firefighters Scheme

Remedy and the Bill

The Remedy: Consultation

- Discrimination removed in two parts;

1. Prospectively for future benefits from 1 April 2022

From 1 April 2022 all protected members (those who will be at retirement age) will move into FPS 2015 if they wish to continue their service

2. Retrospectively for benefits built up during the period of discrimination 1 April 2015 to 31 March 2022 (the remedy period).

Effective by October 2023 benefits built up in the remedy period will be retrospectively amended to be on final salary scheme terms – FPS 2015 benefits built up on that period will be kept as an underpin

The Bill: Legislation

- Part 4 – Commencement
- Part 1, Chapter 4 – Prospective: Commences from 1 April 2022
- Part 1, Chapter 1 – Retrospective: Commences no later than 1 October 2023

Communications

The Bill - <https://bills.parliament.uk/publications/42278/documents/567>

The explanatory notes -
<https://bills.parliament.uk/publications/42340/documents/590>

Age discrimination Remedy: www.fpsmembers.org: -
<https://fpsmember.org/age-discrimination-remedy>

Home Office FAQs for the FPS - <https://www.fpsregs.org/images/Age-discrimination/PSPJO-Bill-Home-Office-FAQ-FPS-August-2021.pdf>

Prospective: Part 1, Chapter 4 – Clauses 76 and 77

Amends the protections in public sector pensions act 2013, section 18 to remove the protections from moving into the reformed schemes.

What it doesn't change

- PSPS 2013 Section 20, Schedule 7: Final Salary Link
- Continued operation of FPS 1992 regs made before 1 April 2022 (eligibility, commutation factors etc) [77(5a)]
- Double accrual guarantee [77(5c)]

Effect: No change to position of transition members since 2015

A transition member



A transition member is a person who had built up service in either the FPS 1992 or FPS 2006 legacy final salary scheme before moving into the FPS 2015.



Transition members have certain protections on the final salary benefits they have already built up.

- Final Salary Link
- Normal Retirement Age of previous legacy scheme
- Double accrual guarantee
- Commutation factors

Transitional Benefits from 1 April 2022

Final salary (legacy)



FPS 1992 –
DOUBLE
ACCRUAL
GUARANTEE



FPS 2006 –
SERVICE
ACCRUED



FINAL SALARY
LINK



NORMAL
RETIREMENT
AGE

FPS 2015 (reformed)

FPS 2015

- Survivor benefits

CARE
Build Up

- Builds pension annually based on pensionable pay and an accrual rate set by cost cap – currently 1/59.7 in England

Retirement

- FPS 2015 – 60 or earlier with reductions

Double Accrual Guarantee

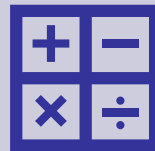
Expected pension at 30 years
service = $40/60$ ths [0.6667]
Sometimes expressed as
 $30/45$ ths [0.6667]

Pro-rated by time spent in FPS
1992

$27 \div 30 \times [40 \div 60 \times \text{Final Salary Link}]$

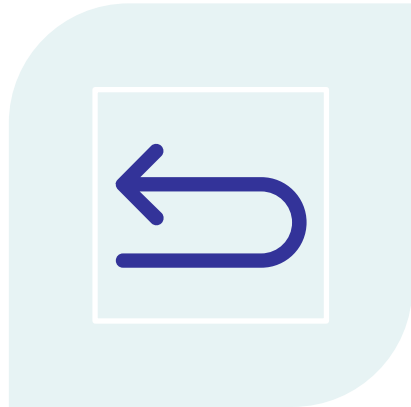


Recognises the expectation to double accrual for members in the 1992 Fire scheme.



Proportions the expected benefit by the service in FPS 1992 to 31 March 2022

Retrospective Remedy



DEFAULTS PENSION IN
REMEDY PERIOD TO LEGACY
SCHEMES

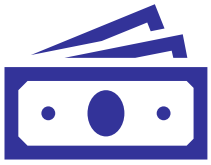


STORES REFORMED PENSION FOR
REMEDY AS AN UNDERPIN



OFFER CHOICE AT RETIREMENT
LEGACY OR REFORMED BENEFITS?

Complexity



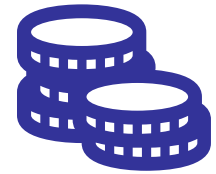
Convert to final
salary



Contributions
adjustment



Calculation of
pension growth



Tax

Part 1, Chapter 1 – Retrospective

Clause 1: Definition of Remediable Service

Clauses 2 to 5: Puts members back into the legacy scheme for the remediable period

Clauses 6 to 11: Provides for an immediate choice to receive reformed benefits for pensioners and beneficiaries, and deferred choice for active and deferred members.

Clauses 12 to 16: Deals with the corrections of benefits in payment and contributions

Part 1, Chapter 1 – Retrospective

Clauses 17 to 20: Deals with technical detail of certain cases

Clauses 21 to 22: Confirms compensation to member

Clauses 23 to 24: Deals with interest

Clauses 25 to 27: Unauthorised payment charge and Remediable Statements

Clauses 28 to 29: Immediate Detriment (prevents double recovery)

Clauses 30 to 35: Interpretations

Clause 5: Opt outs

Remediable
Statement to be
issued within 18
months

Member given 12
months to elect

Clarity needed on
individual discretion
of scheme manager
to determine opt out
circumstances.

SAB Letter to HMT
refers

Clause 6 to 8: Immediate Choice

Pensioner and beneficiaries to receive remediable statement within 18 months of 1 October 2023 [26(10)]

One year to elect for reformed benefits

Clause 8 provides for a default choice if no choice made

Clause 9 to 11: Deferred Choice

Active and deferred members to receive remediable statement within 18 months of 1 October 2023 [26(10)] and annually thereafter

To be provided as part of annual benefit statements

Choice made for reformed benefits at retirement

Can't elect for reformed benefits earlier than one year before retirement

Clause 11 provides for a default choice if no choice made

Contribution adjustment: Clause 13 to 16:

13 to 15: Contribution adjustments must be done for

- Pensioners (13) At time of retirement
- Adjustments at In Force date (1 October 2023) (Collect payments for FPS 1992, Refund payments for FPS 2006)
- Adjustments at retirement where reformed benefits are chosen (Collect payments for FPS 2006, Refund payments for FPS 1992)
- [SAB Letter to HMT](#) refers

16: Adjust liabilities for tax so collect/pay net contributions only

Technical Adjustments: Clause 17 to 20

17: Adjust Pension Credit/Debits in remedy period to reflect legacy scheme

18: Choice exercise where additional payments have been made. Clarity needed on scheme / scheme manager discretions

19: Deals with transfers

20: Wide powers for adjustments for scheme pays, taper members, other special cases

Compensation: Clauses 20 to 22

21: Provides confirmation of compensation to member for 'compensatable losses'.

Compensatable losses are defined as tax losses and 'other losses'

- Tax Losses are defined as incurring a tax charge under Finance Act 2004 or not being entitled to tax relief or receiving less tax relief
- Other losses yet to be defined

Does not provide detail of employer compensation / funding mechanism

22: Indirect Compensation

- Who determines this not yet defined
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Clause 26: Remediable Service

18 months from 1 October 2023

Annually thereafter for active members

One year for member decisions

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