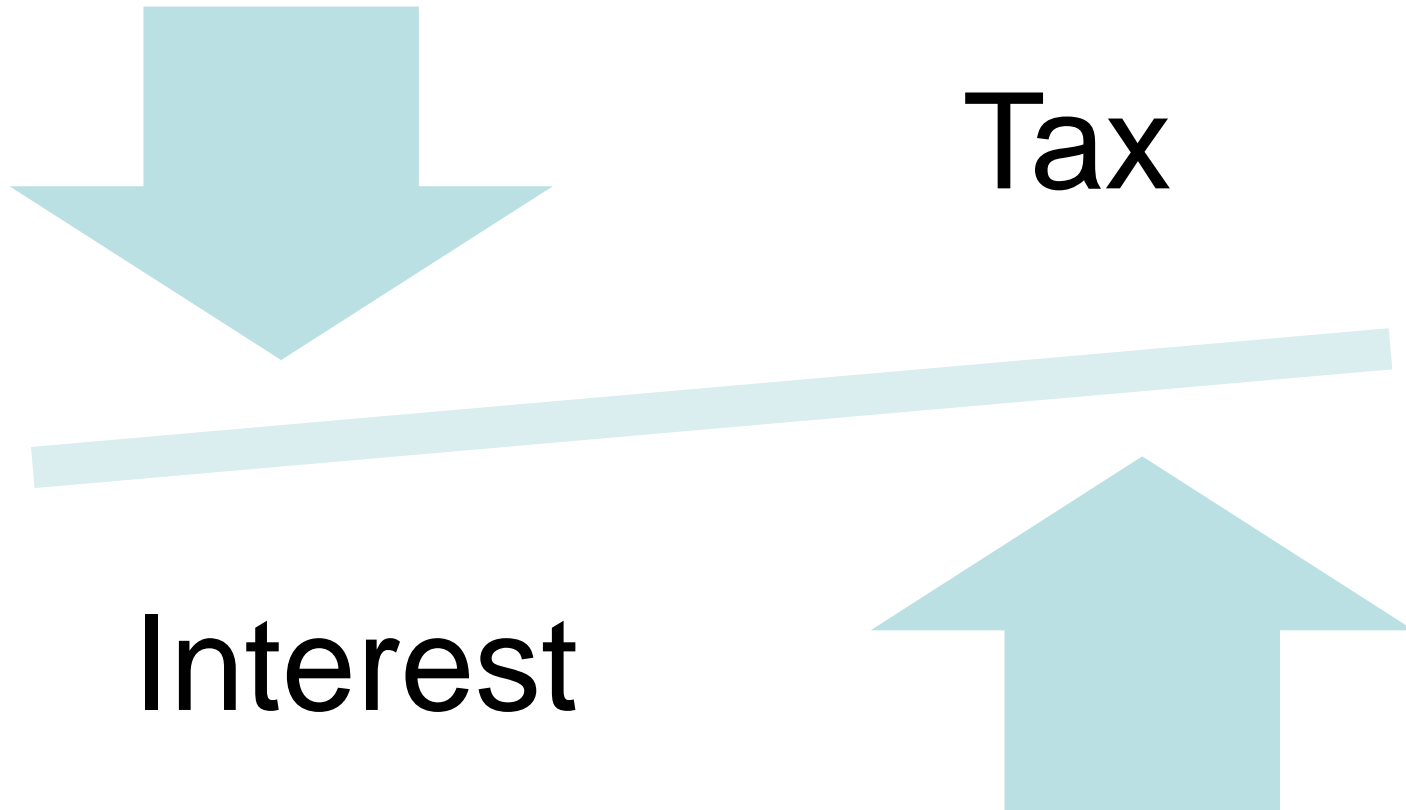


Contribution adjustments



Components involved



Interest – general reminder

Member owes money

- FPS 1992/Special members of FPS 2006
- NS&I until date of payment

Member is owed money

- Standard FPS 2006
- 8% until 28 days after RSS, then switches to NS&I until date of payment

Direction 14

Current position: Tax relief

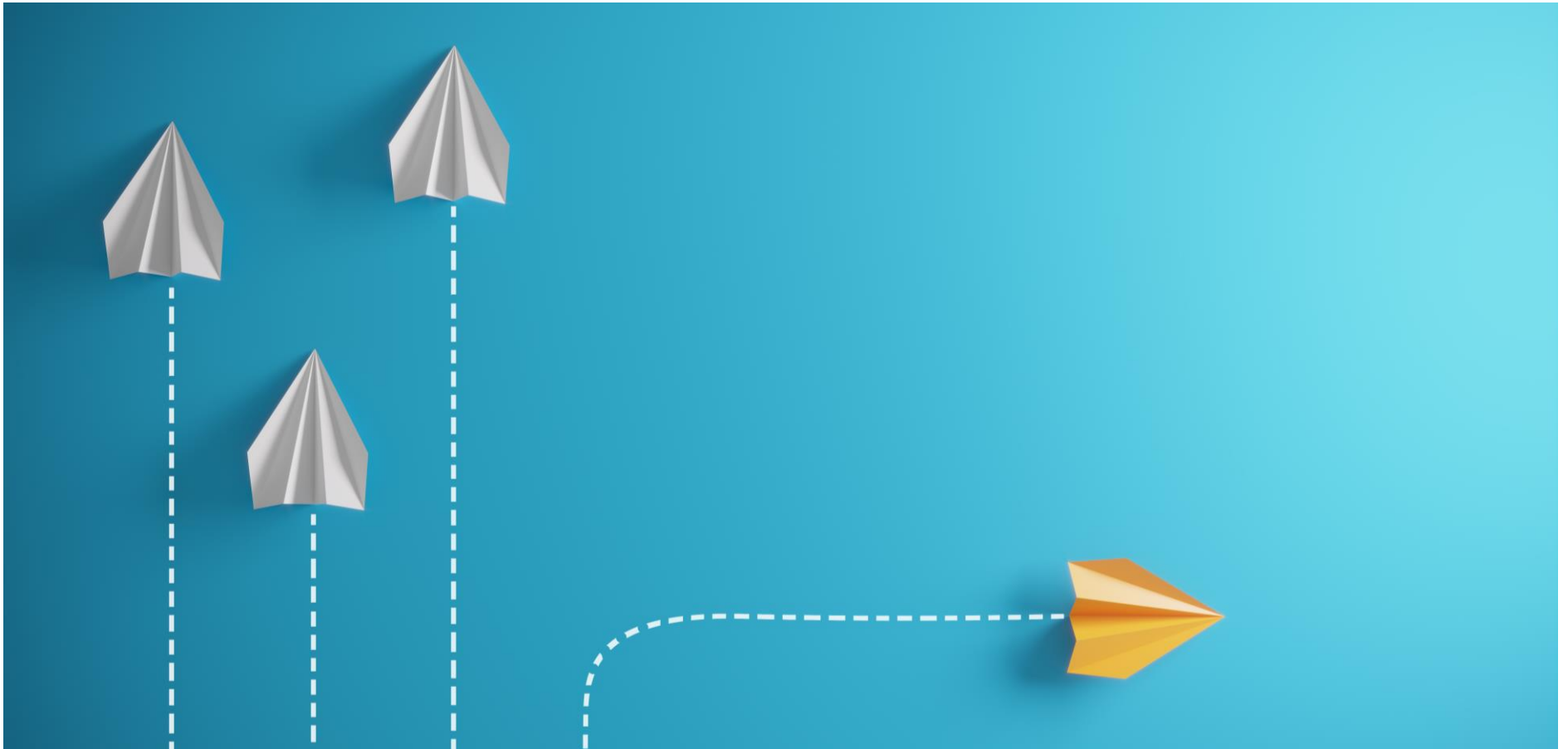
Active

- HMRC method
- PAYE
- Self-assessment
- GAD calculator produces these values

Non-active

- Compensation method
- Introduced specifically for remedy (deferred, pensioner and deceased cases)
- Reportable to Home Office as per compensation guidance
- GAD calculator produces these values

Change in direction



Effect on tax relief

Amendments to
Treasury directions
due in the Autumn

Will allow active
members to be
treated in the same
way as non-active
members

Scheme manager
decision which must
apply to all effected

Permission from
HMT to act ahead of
the directions being
laid

No resistance from
scheme managers

Benefits of the changes

Reflects the true purpose of remedy

- To put the member back into the position that they would have been in should age discrimination had not occurred.

Reduces compensation claims

- For cases whereby members would have benefited from higher tax relief in the remedy period.

Improves the member experience

- Removes requirement to self-assess.

Disadvantages of the changes

Notification from HMT came at the eleventh hour

- Increased pressure on the sector to make decisions, provide guidance etc.

ABS-RSS not currently reflective of revised position

- Will continue to show gross figure until changes can be implemented and will therefore be overstated.

Additional software amendments required

- To ensure that the correct values are extracted from the GAD data.
- Not expected until 2025.

Interim measure in place



Contribution adjustment guidance
provided to the sector



DO NOT hold up sending the ABS-
RSS



Use the guidance and template letters
to provide a revised settlement figure



Update calculation date in GAD
calculator

FPS 1992 and Special FPS 2006 options

Settle now

- Interest charged at NS&I until date of payment
- Choice remains at retirement:
 - Legacy benefits = no further contribution adjustment
 - Reformed benefits = contributions refunded (plus interest at NS&I rate).

Settle at next RSS or retirement

- Interest charged at NS&I until date of payment
- Choice remains at retirement:
 - Legacy benefits = contribution adjustment required (can be done from lump sum)
 - Reformed benefits = no contribution adjustment required.

This does not constitute the member making a choice about legacy or reformed

FPS 1992 and Special FPS 2006 process

Identify processes for:

- Recalculating any additional interest
- Receiving payment from the member

Request comes in from the member to settle contribution.

Calculate revised contribution adjustment, complete template and send to the member.

Payment to be made by member and recoding keeping required by FRS.

Standard FPS 2006 options

Accept refund now

- Interest accrued at 8% until 28 days from RSS (NS&I thereafter)
- Choice remains retirement:
 - Legacy benefits = no further contribution adjustment
 - Reformed benefits = contributions to be repaid (plus interest at NS&I rate).

Leave refund

- Interest accrued at 8% until 28 days from RSS (NS&I thereafter)
- Choice remains at retirement:
 - Legacy benefits = contribution to be refunded
 - Reformed benefits = no contribution adjustment required.

This does not constitute the member making a choice about legacy or reformed

Standard FPS 2006 process

Identify processes for:

- Recalculating any additional interest
- Making a payment to the member

Request comes in from the member to claim contribution adjustment.

Calculate revised contribution adjustment, complete template and send to the member.

Payment to be made by FRS and recoding keeping required by FRS.

Reminder to those who have not returned their contribution option form.

Elections and communications

Statutory obligation to pay refund 'as soon as reasonably practicable' from the issuing of an RSS

Expectations that the member should inform FRA should they want to make an indicative election

Member [election form](#) available

- Non-binding choice
 - Accept now, or
 - Defer

[Guidance and template wording](#) provided

Reminder about funding arrangements

- [Scheme manager](#)
- [Home Office funding guidance](#)

Annex A – Pension Fund Account vs Compensation

All data relating to compensation payments (those payments being made that are not considered legitimate pension expenditure/income from the Pension Fund Account) should be recorded and coded separately.

In particular for contributions:

Contributions owed by member

Gross contributions owed - pension fund
Interest paid by member - pension fund
Tax relief offset for non-active members - compensation

Contributions due to member

Gross contributions paid - compensation
Interest paid compensation
Tax relief owed resulting from “refunded” contributions – compensation [income]

Other topical items



A word on waiving powers



Update on discussion from FTWG



Assistance from our stakeholders

A word on waiving powers

[Section 18 of PSPJOA 2022](#) provides powers for schemes to reduce or waive liabilities

[Part 9, Chapter 3 of The Firefighters' Pensions \(Remediable Service\) Regulations 2023](#) provides for three circumstances

- Requirement to reduce liabilities by tax relief amounts
- **Power to reduce or waive amounts owed by a person to the scheme manager**
- Agreement to waive a liability owed by the scheme manager in respect of an immediate correction

Requirement of scheme manager to apply set out in the [Treasury Directions](#)

- 4(1)(a) to (c)
 - (a) have regard to the particular circumstances of the member and (if different) the person by whom the liability is owed;
 - (b) apply a presumption in favour of recovering the liability unless it is uneconomic to recover it; and
 - (c) have regard to whether, instead of or in addition to reducing or waiving the liability, it is appropriate, in the reasonable opinion of the scheme manager, to exercise any powers exercisable by virtue of any scheme regulations made by virtue of [section 26\(1\)\(b\) of PSPJOA 2022](#).

HMT expectations on waiving

Ensure the Directions are correctly followed.

-**presumption in favour of recovering the liability**....

Requests to be given careful consideration

- Reminder to not have blanket policy. As per [PO-25370](#) each case to be considered on its merits.

Robust recording of all circumstances considered and outcome

- Ensures proper governance
 - Recommend reporting to LPBs
- Allows HMT to understand full cost.

An update from FTWG

Discussion around delivery IC-RSSs

- Member/beneficiary worse off under both legacy and reformed
- Circumstances limited, but cases do exist

Reminder on remedy

- Acknowledged in the [HMT consultation](#) and [consultation outcome](#) that cases could arise, but more by chance than design
- Tapering found to be discriminatory
- Tapering must be abolished to address the discrimination

Concern

- How do we sensitively deal with this topic for members/beneficiaries who are affected by this?
 - Is it right to simply send them an RSS with facts and figures?
 - Should scheme managers better support such communications landing?

Decision

- Ideally scheme managers look at ways to better support the delivery of such news i.e. offer the opportunity to discuss ahead of the RSS being issued.
- Administrators agreed to not routinely send such RSSs out and will reach out to the FRA for a steer on the approach they want to take.

Stakeholder assistance – help us help you

Engage at the discussion forums

- LGA drop in sessions
 - Monthly
 - Aimed at staff within the FRS who are responsible for pensions
- Administrator forums
 - Monthly
 - Aimed at all administrators who are responsible for fire pensions

Follow the process for flagging questions, queries and concerns to us

- Check what information is already readily available
- Complete the query form
- Send to the Bluelight Pensions Central Mailbox (BluelightPensions@local.gov.uk) not individual members of the team

Give all the information from the outset

- Missing something which appears minor could affect the answer that we give and could result in an incorrect response.

thank
you

Good luck!



Disclaimer

- The information contained in these slides are the authors interpretation of the current regulations.
- Readers should take their own legal advice on the interpretation of any particular piece of legislation.
- No responsibility whatsoever will be assumed by LGA or their partners for any direct or consequential loss, financial or otherwise, damage or inconvenience, or any other obligation or liability incurred by readers relying on information contained in these slides.

Thank you for listening!

claire.johnson@local.gov.uk