

Age discrimination remedy – member factsheet

Contribution adjustments

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Introduction

Every member that is impacted by remedy will be rolled back to their legacy scheme for their membership during the remedy period (1 April 2015 to 31 March 2022). Due to the differences in contribution rates within the Firefighters' Pension Schemes, this will trigger a contribution adjustment.

This factsheet is intended for members to explain when a contribution adjustment will occur and how it will be actioned. It also sets out points to consider with regards to the timing of when the adjustment takes place.

Contributions

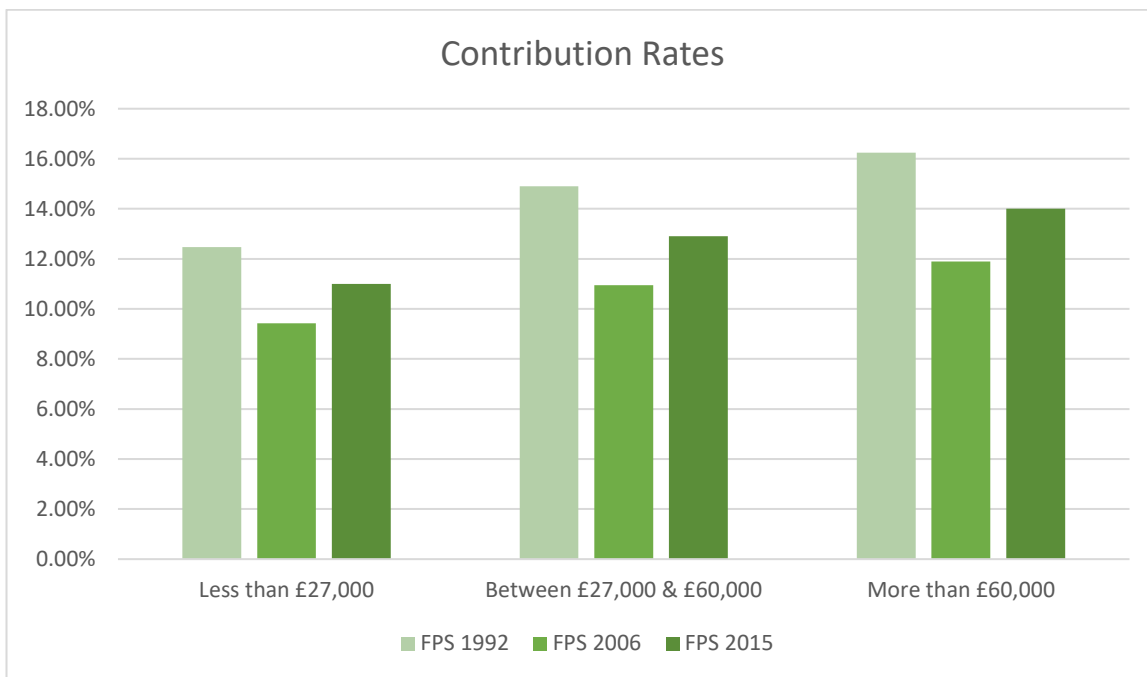
Under the existing legislation, there are different rates of member contributions between FPS 1992, FPS 2006, Special FPS 2006, and FPS 2015.

The contribution rates remained the same during the remedy period however the contribution bandings did change.

The table below illustrates the contribution rate percentages that apply for each salary banding (as an average) for each scheme.

This highlights that: -

- The contribution rate of the FPS 1992 is greater than the contribution rate of the FPS 2015.
- The contribution rate of the FPS 2006 is lower than the contribution rate of the FPS 2015.



When a member is rolled back into their legacy scheme, the amount of contributions they should have paid must be adjusted accordingly as per [Part 1, Chapter 1, regulation 2 \(1\)](#) of the Public Service Pensions and Judicial offices Act 2022.

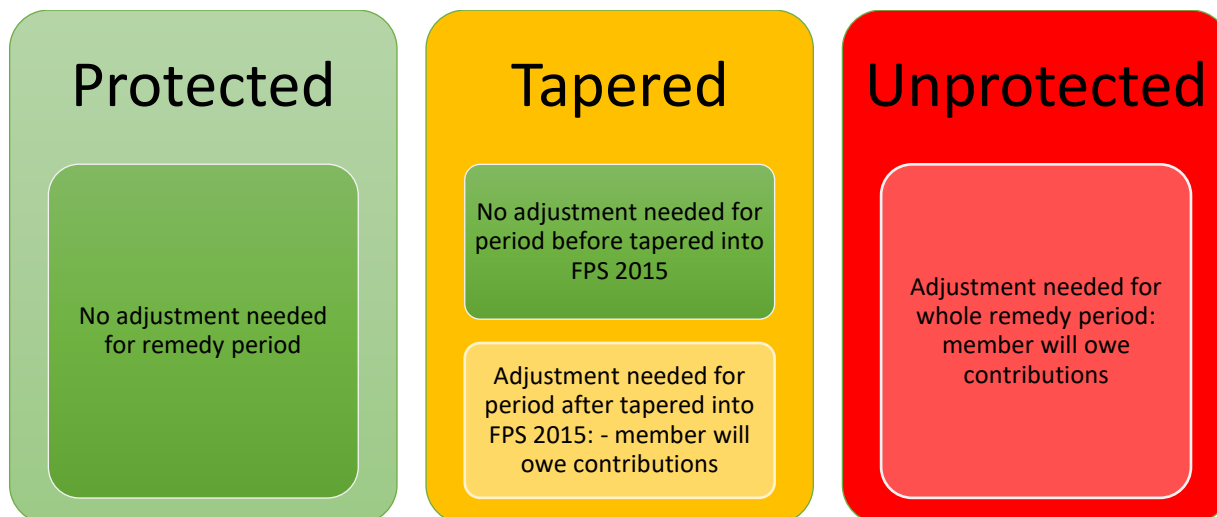
For members who return to FPS 1992, they will have additional contributions that will need to be paid, whereas members who return to FPS 2006 will receive a refund of contributions.

Returning to Legacy scheme - FPS 1992 and Special FPS 2006

An individual who was previously a member of FPS 1992 or Special FPS 2006 and was transitioned into FPS 2015 during the remedy period will be automatically rolled back into FPS 1992 or Special FPS 2006.

However, as they will have paid less contributions under FPS 2015 than they would have done had they have remained within FPS 1992 or Special FPS 2006, the regulations direct that the member must pay the difference between the pension contribution rates, to the scheme.

The table below summarises the position at rollback for FPS 1992 or FPS Special FPS 2006 and the adjustment that will be required, considering the protection status of the member during the remedy period.



Timing of adjustment

The contribution adjustment can be made at different times and your personal circumstances, such as marital status, the age you retire at, and whether you intend to keep legacy scheme benefits when you retire, may depend on when you choose to pay the adjustment.

The regulations stipulate that the adjustment amount must be paid net.

When the payment is made, it must be paid in full and from the same source, this can be either annually after receipt of your Remediable Service Statement (RSS) or deducted from your pension benefits at retirement. There is no facility for the contribution adjustment to be paid by periodical payments.

The table below illustrates the differences depending on when you choose to make the contribution adjustment and your remedy choice.

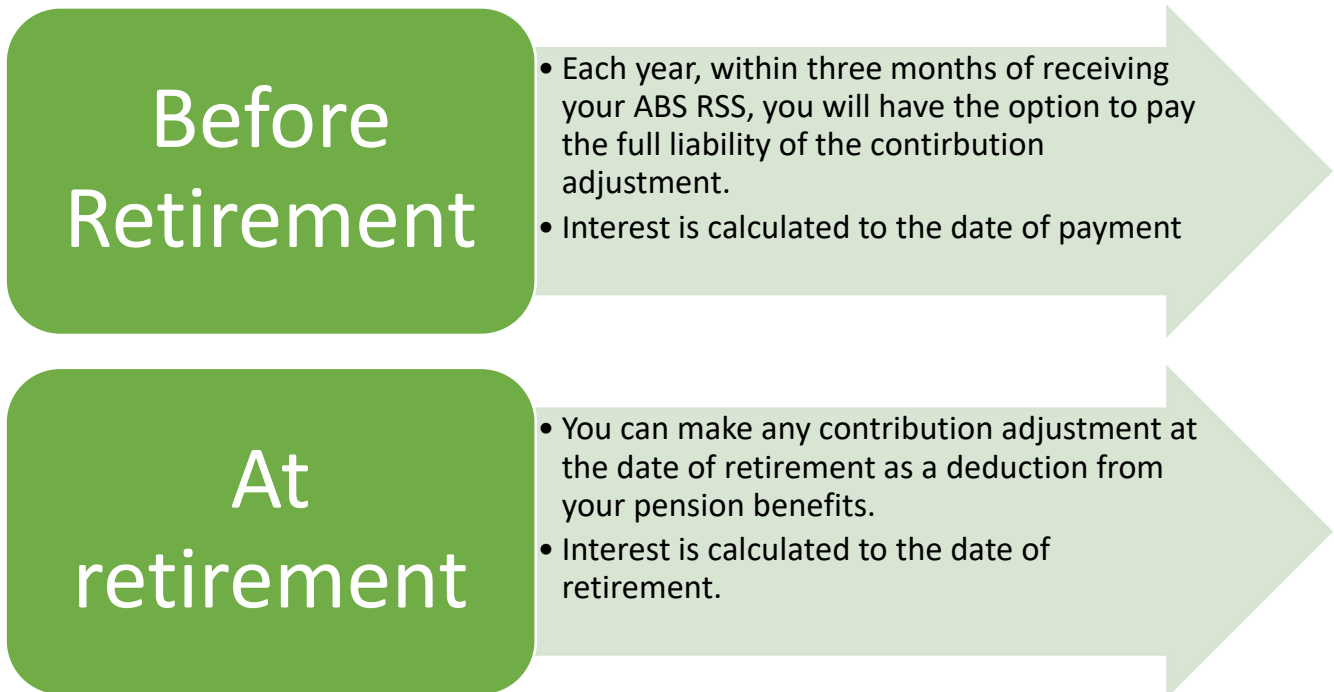
Protection status	Adjustment corrected before retirement	If you choose to take FPS 1992 benefits at retirement	If you choose to take FPS 2015 benefits at retirement
Protected	N/A	N/A	Compensation due to the member to be paid for the whole remedy period.
Tapered	Yes	N/A	Compensation due to the member to be paid for the whole remedy period.
	No	Contributions due from the member to be paid for the period after they were	Compensation due to the member to be paid for the period before they were

		tapered into FPS 2015.	tapered into FPS 2015.
Unprotected	Yes	N/A	Compensation due to the member to be paid for the whole remedy period.
	No	Contributions due from the member to be paid for the whole remedy period.	N/A

Active and deferred members – your choice

A new document called an ABS-RSS which is a combination of an Annual Benefit Statement (ABS) and an RSS will be provided to you every year. This document will set out a comparison of your benefit options under both the legacy and reformed scheme for the remedy period along with details of any contribution adjustment.

You can choose to settle your contribution adjustment before or at retirement.



It is important that you have assessed what is the right choice for you based on your personal circumstances. If you make the contribution adjustment before you retire and then you elect for reformed scheme benefits at retirement, your contributions will need to be adjusted again.

Different interest rates will apply depending on when the contribution adjustment is made and your choice of remedy benefits.

The section on [application of interest](#) has more information about this.

Pensioner and deceased members as at 30 September 2023

You will be sent an RSS by 31 March 2025 which will set out a comparison of your benefit options under both the legacy and reformed scheme. This statement will also include details of how these options will affect your pension that is already in payment and will include information on any contribution adjustment.

You will have 12 months from the date of the RSS to make your choice of remedy benefits.

Any contribution adjustment due will be deducted from your pension benefits.

Application of tax relief

When you make pension contributions into a UK pension scheme you receive tax relief on those contributions. This can reduce the amount of tax you pay on your income. The tax relief is given based on the rate of income tax that you pay. For remedy, tax relief is given in two ways on contribution adjustments that you make depending on when you pay the contributions.

Active members

If you pay contributions as an active member, before your retirement, you will be given the tax relief either through PAYE or Self-Assessment. PAYE only applies if the contribution payment is deducted from your salary.

If you are unable to have the full payment deducted from your salary and you choose to make the contribution adjustment from a private source, you will need to self-assess to claim back any tax relief.

For payments via PAYE or Self-Assessment, the tax relief is applied at the time you make the contribution adjustment payment.

If you believe you would have been entitled to a higher rate of tax relief if you had made the contribution during the remedy period, for example you were a higher rate taxpayer (40%) and now you are a basic rate taxpayer (20%), you may be able to claim compensation.

Members who are not active members

If you are: -

- A deferred member, or,
- An active or deferred member who is retiring with benefits coming into payment immediately, or,
- An existing pensioner member, or,
- A beneficiary of a deceased member

When you pay your contribution adjustment it will be automatically adjusted to apply tax relief, this will be calculated based on your taxable earnings during the remedy period.

Application of interest

The regulations stipulate that, where a person is required to pay an amount to the scheme, interest must be applied as compound interest.

Interest will apply at the NS&I Direct Saver rate¹ from when the contributions were first due until such time as the contribution adjustment is paid.

¹ NS&I Direct Saver historical interest rates - <https://www.nsandi.com/historical-interest-rates>

If the contribution adjustment is settled before retirement

If when you retire you choose legacy scheme benefits. There is no further adjustment or interest payable.

If when you retire you choose reformed scheme benefits, you will be owed a compensation payment equal to the difference in the contributions for the whole of the remedy period.

The regulations determine that where a scheme manager is required to pay an amount to a person, interest must be applied at two rates: -

- Up to 28 days after the initial RSS was issued - Interest is applied at a rate of 8% as simple interest.
- From the 29th day from when the initial RSS was issued - Interest is applied at the NS&I Direct Saver rate, applied as compound interest.

The interest rates were determined by the Government's three objectives: -

- to reflect the position members would have otherwise been in without the discrimination having occurred.
- to recognise the circumstances of the award.
- to not unduly burden the taxpayer.

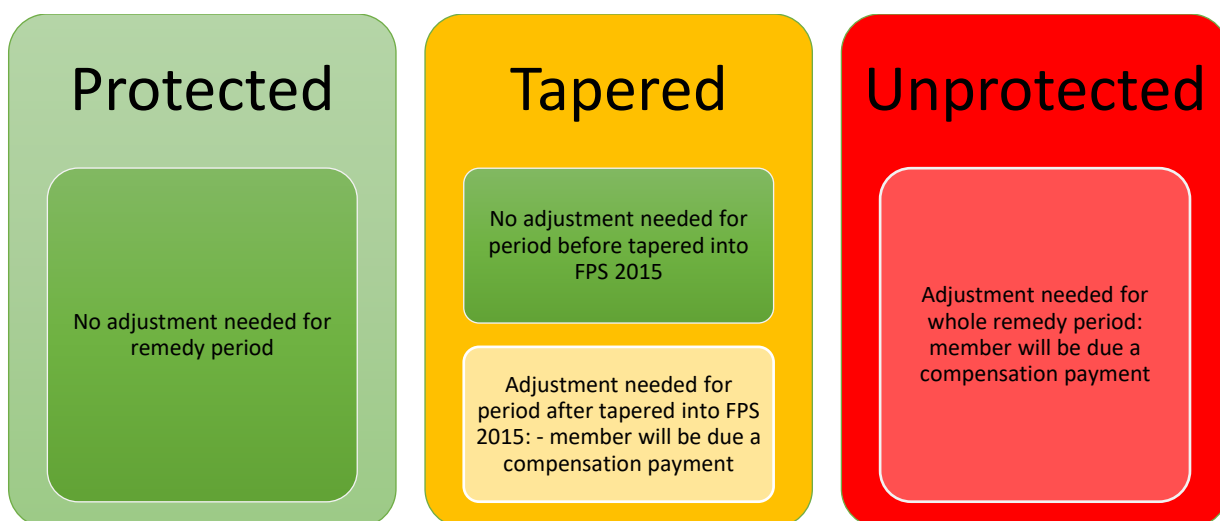
Further information on the application of interest can be found under the 'Interest Payments' FAQs on the [FPS members](#) website.

Returning to the FPS 2006

An individual who was previously an FPS 2006 member and was moved into FPS 2015 during the remedy period will be automatically rolled back to FPS 2006.

However, as they will have paid more contributions under FPS 2015 than they would have done had they have remained within FPS 2006, the regulations direct that the member must be paid a refund of the difference between the pension contribution rates.

The table below summarises the position at rollback for the FPS 2006 and whether any adjustment is required, considering the protection status of the member during the remedy period:



Timing of adjustment

The contribution adjustment can be made at different times and your personal circumstances, such as marital status, the age you retire at, and whether you intend to keep legacy scheme benefits when you retire, may depend on when you choose to receive the compensation amount in respect of your contribution adjustment.

The payment can be made to you at specific points, this can be either annually after receipt of your RSS, or alternatively it can be held on record until you retire.

The table below illustrates the differences depending on when you choose to make the contribution adjustment and your remedy choice.

Protection status	Adjustment corrected before retirement	If you choose to take FPS 2006 benefits at retirement	If you choose to take FPS 2015 benefits at retirement
Protected	N/A	N/A	Contributions owed from the member to be paid for the whole remedy period.
Tapered	Yes	N/A	Contributions owed from the member to be paid for the whole remedy period.
	No	Compensation due to the member to be paid for the period after they were tapered into FPS 2015.	Contributions owed from the member to be paid for the period before they were tapered into FPS 2015.
Unprotected	Yes	N/A	Contributions due from the member to be paid for the whole remedy period.
	No	Compensation due to the member to be paid for the whole remedy period.	N/A

Active and deferred members – your choice

A new document called an ABS-RSS which is a combination of an Annual Benefit Statement (ABS) and a Remediable Service Statement (RSS) will be provided to you. This document will set out a comparison of your benefit options under both the legacy and reformed scheme for the remedy period along with details of any contribution adjustment.

You can choose to settle your contribution adjustment before or at retirement. A contribution adjustment election form is available on the [FPS member](#) website.

Before Retirement

- Each year, within three months of receiving your ABS RSS, you will be able to choose to receive a compensation payment in respect of any contribution adjustment.
- Interest is calculated to the date of payment

At retirement

- You will receive a compensation payment in respect of any contribution adjustment at retirement.
- Interest is calculated to the date of retirement.

It is important that you have assessed what is the right choice for you based on your personal circumstances.

If you receive the contribution adjustment before you retire and then you choose reformed scheme benefits at retirement, your contributions will need to be adjusted again meaning that you will owe monies to the scheme. This will be deducted from your pension benefits.

Different interest rates will apply depending on when the contribution adjustment is made and your choice of remedy benefits.

The section on [application of interest](#) has more information about this.

If you are unclear what option you might choose at retirement, and you think there is a chance that you might choose reformed scheme benefits, you may wish to consider providing an indicative election for reformed scheme benefits.

- An indicative election is not binding, and you will be able to change your mind at retirement when you have your final set of options provided to you.
- An indicative election means that you will not receive a contribution adjustment before you retire.
- An indicative election means that if you elect for reformed scheme benefits at retirement, your contributions will not be adjusted now and again at retirement.
- An indicative election means that the contribution adjustment will be dealt with at your retirement when your choice is known.

Pensioner and deceased members as at 30 September 2023

You will be sent an RSS by 31 March 2025 which will set out both legacy scheme and reformed scheme benefits that you are entitled to for the remedy period, along with details about how these options will affect your pension that is already in payment, it will also include information of any contribution adjustment.

You have 12 months from the date of the RSS to make your choice of remedy benefits.

Any contribution adjustment due will be paid with your pension benefits.

Application of tax relief

When you make pension contributions into a UK pension scheme you receive tax relief. This can reduce the amount of tax you pay on your income. The tax relief is given based on the rate of income tax that you pay.

If you are receiving a refund for your contributions as a compensation amount, you will have been given too much tax relief and this will need to be adjusted from your payment.

This will be done automatically for you and your contribution adjustment statement will show how much has been adjusted for tax relief.

Application of interest

The regulations stipulate that, where an amount is paid to a person, interest must be applied at two rates: -

- Up to 28 days after an initial RSS has been issued – Interest is applied at a rate of 8% simple interest.
- From day 29 days onwards after an initial RSS has been issued - Interest is applied at the NS&I Direct Saver rate, as compound interest.

If the contribution adjustment is settled before retirement

If when you retire you choose legacy scheme benefits. There is no further adjustment or interest payable.

If when you retire you choose reformed scheme benefits, you will owe contributions for the whole of the remedy period.

The regulations determine that where a person is required to pay an amount to the scheme, interest must be applied as compound interest.

Interest will apply at the NS&I Direct Saver rate from when the contributions were first due until retirement.

The interest rates were determined by the Government's three objectives: -

- to reflect the position members would have otherwise been in without the discrimination having occurred.
- to recognise the circumstances of the award.
- to not unduly burden the taxpayer.

Further information on the application of interest can be found under the 'Interest Payments' FAQs on the [FPS members](#) website.

FPS 2015 Added Pension compensation refunds

Where an individual was a member of FPS 2015 during the remedy period and paid additional contributions to purchase added pension benefits in the FPS 2015, these must be refunded to the individual.

This is because there is no equivalent added pension entitlement in the legacy scheme for these amounts to be converted.

These payments must be paid back as soon as reasonably practicable after receipt of your RSS. If you have not already been contacted by your FRA about this payment, then information will be provided with your RSS.

Immediate Choice and retiring members.

Where a contributions adjustment has not previously been settled, all members and beneficiaries of deceased members will have any final contributions adjustment made either:

- At the point when benefits become payable, or
- Where benefits are already in payment, at the point when you choose your remedy option.

This factsheet has been prepared by LGA using the regulations as they stand in July 2024.

This factsheet will be reviewed, referencing any changes to the scheme regulations and policies that might be needed.

This factsheet should not be interpreted as legal advice.

Please address any queries on the content of this factsheet to bluelightpensions@local.gov.uk

July 2024

