



Lessons Learned Paper (Overview)

Matthews Remedy 1st Options Exercise of 2014-15

April 2022

This high-level paper has been produced for stakeholders involved in Matthews Remedy work. The purpose of this paper is to identify the areas of improvement from the previous remedy project and how to implement the lessons identified. The lessons referenced are drawn from the experience and reflections of Home Office, Government Actuary Department and Local Government Association on Matthews Remedy options exercise which took place between April 2014 and September 2015.

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Lessons Learned Approach

This document has been produced using feedback collected from the Home Office (HO) [the team involved was part of the Ministry of Housing, Communities and Local Government (MHCLG) before moving to HO during the exercise], the Local Government Association (LGA) and the Government Actuary's Department (GAD) who were all involved in the first Matthews Remedy options exercise which took place in 2014-15. The lessons learned from this project are to be used as references for the next options exercise and future projects so that all stakeholders have enough information on which to help base their project plans.

The purpose of this document is to ensure that any improvements which can be made are identified and implemented. It does not cover the differences between the two options exercises, nor review the governance structures and decisions taken in the last exercise, rather it focuses on what went well, and where there are improvements that we can identify and implement ahead of the next options exercise.

The data has been grouped into three overarching themes, which are:

1. Policy Development
2. Knowledge, Understanding and Communication
3. Technical Development, Software Automation and Resource Management

Lessons Learned

Policy Development

Tax

Lessons Identified

- Low level of engagement with HM Revenue and Customs (HMRC) on tax issues and limited support and provision of information led to:
 - erroneous tax relief claims on contributions paid by members.
 - the position of National Insurance (NI) remained unclear.
 - lack of guidance on whether tax relief was claimable on interest (HMRC to provide clarity); and,
 - the statutory tax relief principles did not suit the remedy.

Mitigations

Early engagement with all stakeholders to agree on an approach regarding tax implications, and the scoping of calculations would help identify a clear list of areas that require clarification and allow for preparations to be made regarding resources and planning.



Good communication between all parties and HMRC is going to be key to ensuring correct information is shared and applied. HMT should be drawn in to provide support on engagement with HMRC. The policy expectations should be made clear as early as possible and areas regarding contributions should be calculated as net of tax under similar principles of the remedy. A clear statement of requirements from HMT/HMRC should be drawn up as early as possible with specific requirements and deadlines, as well as an assessment of the consequences should these be missed.

Statutory Timescales

Lessons Identified

- The policy intention under the amendments was not fully understood by scheme managers and administrators.
- There were different interpretations of what constitutes ‘reasonable endeavours’ by FRAs.
- Some FRAs and administrators did not allow choices to be made outside of recommended timescales, despite it being within the statutory timescale.

Mitigations

Policy expectations and guidance, particularly where legislative and policy/suggested deadlines differ, should be made clearer from the outset to avoid these errors. This should be in place ahead of the next options exercise. All policy statements and sector led guidance should be reviewed by the Fire SAB, technical, and comms subgroups to ensure that they are fit for purpose. The LGA should work closely with stakeholders to ensure the consistency of administration of the options exercise including via local pensions boards and the SAB technical group.

Regarding the need for clarity on ‘reasonable endeavours’, FRAs could seek examples of case law.

Clear timescales and the rationale for deadlines and the consequences of deadlines not being met should be included in all comms material.

Knowledge, Understanding and Communication

Lessons Identified

- Engagement with the working groups at the beginning of the options exercise was positive.
- Having template letters and guides to support communication gaps was helpful.
- FRAs misunderstanding some terminologies, caused the regulations and requirements of the 2006 scheme to be incorrectly applied.

- There was a lack of knowledge regarding the need for the options exercise and what the expected outcomes would be.
- There were no effective methods of contacting members who were no longer on the main distribution list.
- Stakeholders were working in silos.
- No central point of contact to ensure the expectations of the options exercise were communicated to all stakeholders.
- There was a lack of clear, consistent messaging and guidance.

Mitigations

The coordination of a remedy communication group with input from policy developers would be helpful. A clear communications plan should be developed alongside the policy to drive all stakeholders' knowledge and understanding. To avoid members and FRAs being missed from mailing lists, guidance and instructions, this information should also be issued by the Scheme Advisory Board (SAB) or the LGA to scheme managers and local pension boards for redistribution. Resources such as www.fpsregs.org could also be used to give members access more widely.

Communications should be initiated as early as possible to raise awareness within FRAs of the necessary actions for the remedy. Where possible, the impact of communications should be assessed including levels of understanding and action taken.

Technical Development, Software Automation and Resource Management

Lessons Identified

- There were a small number of technical experts across all the FRAs.
- Engagement with GAD went well.
- The calculators developed were complex and not user friendly, which took a long time to develop and were used on a case-by-case basis.
- The amount of extra service a member purchased was not always conveyed to members.
- There were no processes or governance in place for gathering, measuring, and keeping the data collected.
- The data given to GAD from administrators and FRAs was often incomplete or of poor quality.

Mitigations

Increasing the number of technical experts would prove useful. Creating a peer group so that expertise could be shared among all FRAs would be helpful and would reduce the likelihood of FRAs with less technical knowledge leaning on external stakeholders who cannot provide this type of support.

The Local Pension Board could ensure good data practices are in place in general. In addition, early engagement between GAD and the systems teams regarding calculators would ensure sufficient resources are in place to prevent delays.

The calculator could feed into a bulk spreadsheet which could be used in MS Word mail merge to produce mass calculation letters, this would need to be explored further with GAD.

Early data requirements should be provided by GAD to FRAs as soon as feasible. Where data assumptions will be required these should be discussed and agreed between HO, GAD and LGA.

Final comments

The first Matthews exercise was executed despite the problems encountered and highlighted in the document. Members joined the scheme, although uptake was lower than expected.

A clear area of improvement is policy clarity. There were several areas where communication of policy expectations could have been improved to mitigate misunderstandings.

To improve the administrative process, it may be useful for the Firefighter scheme to consider a more centralised approach. Having centrally coordinated FRAs and making this working approach clear for all stakeholders as early as possible would ensure there would be an appropriate number of experts working on implementation; any issues identified could be corrected promptly. Since the last options exercise the LGA have taken on a coordination function which will assist in mitigating this risk. Setting out the roles and responsibilities early in the process would mitigate any confusion on responsibilities. The SAB could also play a role in monitoring implementation, identifying risks and challenging progress when necessary. The implementation management process should be also reviewed to establish who should monitor the implementation process and how this work should be carried out.

All stakeholders would benefit from working more closely with each other. A project management group has been established between HO, LGA and GAD to enhance communication between parties and ensure that ideas and plans are tested at an early stage. Regular communication with HMRC would improve the clarity and expectations during remedy implementation. An FRA peer group would support a shared expertise approach across all fire and rescue services. The use of Local Pension Boards would ensure good data governance is in place; making better use of resources such as www.fpsregs.org would give members more options to access the information they need. And the coordination of a regular Matthews remedy communication group that invites support from policy developers would help ensure that key messages are accurate which will improve consistency.

We are aware that the calculator for the 2nd options exercise is likely to be more complicated than the first. GAD should consider ways to make the calculator more user friendly or produce separate specific calculators rather than one overly complex calculator. This would reduce the number of resources needed to support members who need to be guided through the calculator and understand how to use it. The ideal objective of the calculator should be that it is intuitive and easy to follow.

If all the stakeholders work closely together for the next options exercise, set expectations at the start of the project, and ensure there is a clear understanding of the policy, many of the issues mentioned in this document should be mitigated.

High-level recommendations for the 2nd Options Exercise

- Early engagement with all stakeholders to define policy expectations, approach to the calculator and the scope for eligibility.
- Define from the outset, what the last stage is into the calculation development phase that changes can be made.
- Set out the roles and responsibilities for each stakeholder as early as possible in the project, for example, who will draft the employee/employer guidance.
- Statutory timescales and recommended timescales should be clearly defined in guidance. And clarity on 'reasonable endeavours' could be sought through examples of case law by FRAs.
- The SAB to monitor implementation, identify risks and challenge progress when necessary.
- Clear guidance should be provided by the scheme for whoever will be responsible for collecting and storing data.
- The SAB to issue guidance to scheme managers and local pension boards.
- The process for extracting information from the calculator needs to be simplified.
- Set up regular communications meetings to ensure a consistent message is shared widely through the SAB and other resources such as www.fpsregs.org and other websites members' access.
- All stakeholders need to understand the policy intentions and expectations of what the policy amendments address.
- Regular communication with HMRC would improve clarity and expectations during remedy implementation.
- Regular meetings with HO, LGA and GAD to monitor and track all work progression.
- Regular meetings between software providers, administrators, LGA and HO throughout the policy development.
- Develop an FRA peer group to share expertise.
- Once the calculator expectations are defined, plan and share the timescales for completion, and expected resources needed to deliver the product in time.