

Summary of [Public Sector Pension Schemes consultation](#)

Proposals included within the consultation are summarised below:

1. What is the remedy period?

The remedy period is 1 April 2015 to 31 March 2022 and will apply to anyone that was in service on or before 31 March 2012 and in service on or after 1 April 2015, including those with a qualifying break in service of less than 5 years, regardless of transitional protection status awarded.

- a. This means that remedy will apply to Protected members as well as Tapered and Unprotected members
- b. Remedy will apply to all relevant members, including those that have left/retired since 1 April 2015

2. What happens from 1 April 2022?

Accrual in all unfunded final salary schemes (legacy schemes¹) for existing and new Protected members will cease on 31 March 2022

- a. All members will move to the reformed schemes² from 1 April 2022, ending all transitional protections and removing the age discrimination

3. What are the two main proposals?

This consultation is for all unfunded public sector pension schemes, including Fire, Police, Teachers, NHS, Armed Forces, Civil Service and judicial pension schemes, so all public sector will have the same options and the outcome will be the same for all schemes. The Local Government Pension Scheme has its own consultation and is not included in these proposals.

The consultation provides two ways to achieve remedy, the member will have to make a choice in either scenario, but the issue is when that choice is made. 1) it is made as an “immediate choice” potentially within a couple of years of 2022. Or, 2) it is made as a “Deferred Choice” this would provide an underpin for the remedy period and means that the member will make the choice at the point when their benefits become payable. The choice the member makes will be irrevocable.

Every member with relevant membership will have the option to choose either legacy or reformed benefits for remedy period.

Administratively, both options are exceptionally challenging! Communication is going to be key.

4. Immediate Choice

This option could leave the member disadvantaged later in their career as they won't know what path their career will take or what the future schemes will look like or what provision they may provide.

There will most likely be time limits (albeit long ones) for members to respond. So a default position would need to be agreed to be able to move members to the relevant scheme for the remedy period for those that do not respond.

¹ Legacy schemes are e.g. 1992 or 2006 Fire Pension Schemes

² Reformed schemes mean the 2015 CARE pension schemes

The immediate choice exercise would take a few years to fully implement and be completed. But does then provide clarity to members about their benefits and how they are accruing.

Statements of information on 1) pension benefits, 2) member contributions owed or due as a refund, 3) tax details relating to Annual Allowance, 4) family benefits would need to be provided to the member as a minimum to enable the member to make their choice.

Where member owes contributions, they will be given the option to pay upfront or over time. Where they have overpaid, a refund will be paid. Both scenarios are likely to have interest added. Members that have been in the reformed scheme for the whole period and choose their legacy 2006 membership will have overpaid contributions and will be owed a refund.

Deferred Choice underpin (DCU)

All members will be deemed to have accrued benefits in the reformed schemes for the remedy period until such time as they make their choice.

On 1 April 2022 all members will be placed back in their legacy schemes for the remedy period, this will trigger a number of immediate actions

- Annual Allowance calculations will need to be revisited for all years from 2015/16 onwards. If there are any tax to be paid and this falls in the current year or the four preceding years, – the member must pay it, if there is any tax due to be refunded, the Government will pay it back even if the period is more than 4 years prior.
- Contributions will be approached in two stages. Stage one will be to levy a charge on all members with reference to their legacy benefits. Stage two will be to then charge for the contributions at retirement where the members chooses the reformed scheme for the remedy period. E.g. 2006 legacy members will receive a refund at stage one and then have to pay contributions at stage two. Where member owes contributions, they will be given the option to pay upfront, or over time. Where they have overpaid, a refund will be paid. Both scenarios will have interest added.

Annual Benefit Statements would need to show two sets of figures one for legacy benefits, and one for reformed benefits. This means that data will need to be held for the remedy period based on both legacy and reformed scheme rules.

Pensions Savings statements would need to set out both legacy and reformed scheme details and provided to the member.

At the point of retirement, statements of information on 1) pension benefits, 2) member contributions owed or due as a refund, 3) tax details relating to Annual Allowance, 4) family benefits would need to be provided to the member as a minimum to enable the member to make their choice.

Where the member owes contributions for the remedy period as a result of their choice, they will be able to choose to have this deducted from their lump sum payment. Benefits will not be able to be paid until any arrears have been paid.

Protected members

- No change in legacy scheme benefits until 1 April 2022
- Will be put into reformed schemes from 1 April 2022
- If 30 years already achieved in legacy scheme (1992 Fire) then moving to reformed scheme for remedy period could be advantageous as they will be able to accrue more pension
- Could be beneficial for members who have significant earnings growth to move to the reformed scheme for the legacy period to reduce / avoid any Annual Allowance issues

Taper members

- Will continue to be tapered until 31 March 2022
- Will be put back into legacy scheme for entire remedy period
- Will be put into reformed schemes from 1 April 2022
- Will have to choose either all legacy or all reformed benefits for remedy period, may be an issue for some if 30 years achieved in this period

Unprotected members

- Will be put back into legacy scheme for remedy period
- Will be put into reformed schemes from 1 April 2022

High Level summary of Immediate Choice and Deferred Choice Underpin (DCU)

	Immediate Choice	Deferred Choice Underpin
Remedy Period	<ul style="list-style-type: none"> 1 April 2015 to 31 March 2022 	<ul style="list-style-type: none"> 1 April 2015 to 31 March 2022
When would members make their choice	<ul style="list-style-type: none"> Irrevocable choice made as soon as practicable after 31 March 2022 	<ul style="list-style-type: none"> Irrevocable choice made when a pension award becomes payable (usually when the member retires) Until then, members would be deemed to have been in their legacy scheme for the remedy period
What information would be provided	<ul style="list-style-type: none"> Decision based on assumptions, for most Schemes would provide information and online calculators to assist members in forecasting their pension entitlement under both schemes 	<ul style="list-style-type: none"> Decision based on known member entitlements Schemes would provide direct comparisons of actual entitlements under both schemes
Benefits to members	<ul style="list-style-type: none"> Addresses the issue relatively promptly, giving certainty to members as to their pension arrangements for the remedy period 	<ul style="list-style-type: none"> Ensures members can make their decision based on actual entitlement to benefits rather than having to do it based on assumptions
Potential downsides for members	<ul style="list-style-type: none"> Decision based on assumptions, so some may choose the scheme that does not turn out to be most beneficial for them 	<ul style="list-style-type: none"> Takes longer to resolve the issue so relative uncertainty over pension arrangements until members retire Some technical elements may be more complex to explain and resolve
Tax treatment and compensation where relevant	<ul style="list-style-type: none"> A member's tax position would be corrected within the statutory time limit to reflect their choice of benefits. Where they owe tax, this would be recouped for the 4 tax years before their decision point. Where they have overpaid tax, the government will repay this without a time limit 	<ul style="list-style-type: none"> Non-transitionally protected members' tax will be corrected, within the statutory time limits, in 2022 when they are deemed to have been in the legacy scheme Where tax is owed, this would be recouped for the 4 tax years before an individual's scheme benefits change. Where members have overpaid tax, the government will repay this without a time limit Where a member chooses reformed scheme benefits at the point of retirement, their tax position will be reassessed again. Where an AA tax charge arises from the choice, the scheme will compensate members for the charge

Some thoughts: What we don't know / issues / concerns (this is not exhaustive at all)

1. Fire 2006 members are going to be adversely affected with regard to their member contributions
2. Consultation mentions final salary link, and we can probably assume that benefits up to 31 March 2022 in final salary would be calculated the same way as now, but we do not know for sure if double accrual guarantee is in place
3. How any additional pension or transfers in whilst in the 2015 scheme and during the remedy period would count in the legacy schemes
4. Unpausing of cost cap, may mean that there are accrual rate / member contribution rate changes from 1 April 2019 and then a review every 4 years is likely, so we could have 2015, 2019, 2023 changes to contend with in the immediate future
5. Costs of removing discrimination will feed into future employer contribution rates once 2020 valuation completed. This is likely to mean an increase in employer contribution rates.
6. Will original commutation options still stand, or will these be able to be amended, or a different decision made for the remedy period amendment
7. Annual Benefit Statements will need to show legacy and reformed benefits if DCU option taken forward
8. Annual Allowance calculations will need to be done for both legacy and reformed benefits. What happens if under DCU a charge occurs post 2022, but would occur under legacy but not under reformed? What happens if there is a tax charge before the member has made their choice?
9. Fire 1992 members, if 30 years achieved before age 50, then contribution holiday applies until age 50. But will this apply as part of choice if this occurs during remedy period and member chooses legacy benefits.
10. Whether any additional lump sums paid more than 12 months after retirement will be classed as unauthorised payments and who will pay that tax.
11. Protected members that are still in employment from 1 April 2022, will be made to move to the reformed scheme, if not communicated / handled carefully, this could potentially mean a number of opt outs / leavers / retirements
12. For Fire will need to know about all temporary promotions in the 2015 scheme as will need to take into account for pension contributions / Additional Pension Benefits / Annual Allowance calculations
13. Those that have opted out of the reformed scheme appear to have the option of re-join, backdate and then be part of remedy, what evidence / representations would we want to consider on a case by case basis?