

# **PUBLIC SERVICE PENSION SCHEMES CONSULTATION**



## **REPORT OF THE CHIEF FIRE OFFICER**

**For Information**

### **1. PURPOSE**

- 1.1 The purpose of the report is to update the Cleveland Fire Authority on the HM Treasury's proposals in regard to the Public Service Pension Scheme: Change to Transitional Arrangements of the 2015 Scheme consultation.

### **2. RECOMMENDATIONS**

- 2.1 That the Cleveland Fire Authority note the HM Treasury's 'Public Service Pension Scheme: Change to Transitional Arrangements of the 2015 Scheme' consultation on proposals regarding remedying age discrimination; the employer cost cap; and the transition of all active pension scheme members into the reformed CARE schemes with affect from 1 April 2020; and
- 2.2 That the Cleveland Fire Authority note the response (as approved by the Chair of the CFA) to the HM Treasury's 'Public Service Pension Scheme: Change to Transitional Arrangements of the 2015 Scheme' consultation

### **3. PUBLIC SERVICE PENSION SCHEMES CONSULTATION**

- 3.1 On Thursday 16 July HM Treasury (HMT) launched a major consultation on proposals to bring the unfunded public service pension schemes in line with the result of the McCloud/Sergeant case by removing the age discrimination resulting from the limitations of the protections to older members, together with an update on the employer cost cap process. These were accompanied by a statement from the Chief Secretary to the Treasury (**Appendix 1 refers**).

#### **3.2 Age Discrimination Remedy**

- 3.2.1 To be clear this consultation relates to members of the unfunded Public Service Schemes including Fire.
- 3.2.2 The major proposals by HMT are that: -
  - Protections will be extended to cover all unfunded scheme members who were in active scheme membership on 31 March 2012 and have

membership in the reformed schemes (without a 5 year break) regardless of whether they have made a claim to a tribunal on this matter

- Protection will take the form of the right to membership of the relevant unfunded final salary scheme during the protected period which runs from 1 April 2015 to 31 March 2022
- Protection will be backdated for qualifying members even if they have left the scheme since the start of the protected period
- Accrual in all unfunded final salary schemes for existing and new protected members will cease at the end of the protected period 31 March 2022
- Protected members will be given the opportunity to elect for benefits accrued during the protected period to be calculated on a CARE basis as an alternative to protected final salary benefits
- There are two proposals for when the election is to be made – immediate (soon after the proposals are in force) or deferred (when the member takes their benefits)

The Public Service pension schemes: changes to the transitional arrangements to the 2015 schemes can be found at:

<https://www.gov.uk/government/consultations/public-service-pension-schemes-consultation-changes-to-the-transitional-arrangements-to-the-2015-schemes>

For ease, we have set the consultation questions out at Appendix 2.

### **3.3 Employer Cost Cap**

- 3.3.1 The employer cost cap process, applicable to all public service pension schemes including the FPS is currently paused but will now be restarted. We understand the Treasury's objective would be to complete the process by next year, taking into account the cost of the proposals to remedy age discrimination as set out in the consultation.

The consultation included an update on the Cost Control Element of the 2016 Valuations and a HM Treasury Information leaflet as set out at Appendix 3.

### **3.4 Firefighters Pension Scheme Advisory Board**

- 3.4.1 The Firefighters Pensions Schemes Advisory Board (SAB), including representation from the National Employers, the Local Government Association (LGA) and the National Fire Chiefs Council (NFCC) have jointly submitted a response to the HM Treasury's consultation and proposals. A copy is available at <http://fpsboard.org/images/PDF/Consultations/SAB-response-to-informal-HMT-remedy-proposals-2-April-2020.pdf>

### 3.5 Consultation

3.5.1 The formal HMT consultation on remedying age discrimination was published on 18 July 2020 with a closing date of Sunday 11 October 2020.

3.5.2 The proposals are in two parts. The first is to rectify the retrospective effect of the current age discriminatory regulations by allowing members to be returned to their former legacy schemes or to allow a choice to receive benefits based on the current Career Average Revalued Earnings (CARE) scheme if it is better to do so. The choice applies to the seven-year “remedy period” of 1 April 2015 to 31 March 2022.

The second part of the HMT proposals are to rectify the age discrimination going forward and move all members into the reformed CARE schemes with effect of 1 April 2022.

3.5.3 Under the regulations each Fire and Rescue Authority (FRA) is responsible for the management and administration of their Scheme and are defined in law as the Scheme Manager. The CFA is therefore charged with the responsibility of ensuring the effective and efficient administration and management of the Firefighters Pension Schemes (FPS).

3.5.4 To assist and guide a response to the consultation document, the CFA Pension Board and Executive Committee considered and forward views that they wished to raise on the HM Treasury’s public service pension scheme: changes to the transitional arrangements to the 2015 Pension Scheme proposals.

3.5.5 The CFA response is attached at Appendix 4.

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