

# Portfolio Holder Decision – Response to Government Consultation on the McCloud remedy and its impact on the Fire Fighters' Pension Scheme

<b>Portfolio Holder</b>	Portfolio Holder for Finance and Property
<b>Date of decision</b>	28 September 2020
	Signed

## Decision taken

Portfolio Holder for Finance and Property approves the draft response to the HM Treasury consultation questions in respect of the proposed amendments to the Firefighters Pension Scheme.

That the Strategic Director Resources, in consultation with the Portfolio Holder, is authorised to finalise and submit the response to government.

## Reasons for decisions

As part of the 2015 reforms, those within 10 years of retirement remained in their legacy pension schemes. This transitional protection was provided following negotiations with member representatives and was intended to protect and give certainty to people who were close to retirement.

In December 2018 the Court of Appeal found that this part of the reforms unlawfully discriminated against younger members of the judicial and firefighters' pension schemes in particular as transitional protection was only offered to older scheme members. The Courts required that this unlawful discrimination be remedied by the government. This document sets out the government's proposals for doing so.

## Background information

The government proposes to introduce legislation:

- i.) to make changes to the schemes to remove the discrimination identified by the Courts for the period 1 April 2015 to 31 March 2022 (the remedy period); and
- ii.) to address future service beyond the remedy period. In relation to the remedy period, simply extending the transitional arrangements to all eligible members - effectively placing them all back in their legacy schemes - could make many members worse off.

The government proposes to provide members with the option to choose between receiving legacy or reformed scheme benefits in respect of their service during the period between 1 April 2015 and 31 March 2022. This is referred to as the remedy period. This consultation seeks views on that proposal and especially on the two possible approaches: i.) an immediate choice; or ii.) a deferred choice underpin (DCU)

Under the immediate choice exercise, members would make this decision in the year or two after the point of implementation in 2022. For many members, this will be some years prior to retirement, and at a time when there is still some uncertainty over the precise benefits that would accrue to them in the alternative schemes.

In contrast, under DCU, this decision would be deferred until the point at which a member retires (or when they take their pension benefits). Until that deferred choice is made, all members would be deemed to have accrued benefits in the legacy scheme, rather than the reformed scheme, for the remedy period.

The government is therefore consulting on further changes that would ensure members can keep or choose benefits in the reformed schemes if they wish. This would mean those who did not have transitional protection (and so moved to the reformed schemes in 2015) could choose to keep those benefits they have accrued in the reformed schemes, and those who did have transitional protection (and so did not originally have access to the reformed schemes) can now choose to have such access.

A coordinated response to the 24 questions raised in the consultation document will be submitted on behalf of the Council. Representatives from Pensions Administration, HR, payroll, finance and the Fire Service will all take part in this exercise.

This consultation will close at midnight on Sunday 11 October.

## Financial implications

There is likely to be a cost to the Fire Service, but this ultimately depends on the demographic of the scheme members. The Government Actuaries Department (GAD) have included a request for additional information for members in scope, so that the cost of increasing benefits can be factored into the 2020 valuation of the Firefighter schemes.

Because the proposed amendments are retrospective to April 2015 there are additional administrative costs in recalculating the benefit entitlement for retired and dependant members, early leavers with a preserved entitlement and members who have transferred

their entitlement to other pension schemes. An early indication is that this work will cost in the region of £32,000, but this figure will be refined as work progresses and the number of members in scope is confirmed. This cost will need to be funded by Warwickshire Fire & Rescue Service.

### Environmental implications

None

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<b>Urgent matter?</b>	No
<b>Confidential or exempt?</b>	No
<b>Is the decision contrary to the budget and policy framework?</b>	No

### List of background papers

- Appendix 1: Response to consultation
- Appendix 2: Home Office Immediate Detriment Guidance
- Appendix 3: HM Treasury Public service pension schemes: changes to the transitional arrangements to the 2015 schemes Consultation

### Members and officers consulted and informed

Portfolio Holder – Councillor Butlin

Corporate Board – Rob Powell

Legal – Jane Pollard

Finance – Andrew Felton

Equality – Keira Rounsley

Democratic Services – Helen Bardsley

Councillors – Andy Crump

Local Member(s):