



Age discrimination remedy – Contribution adjustments factsheet

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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 Northern Ireland 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

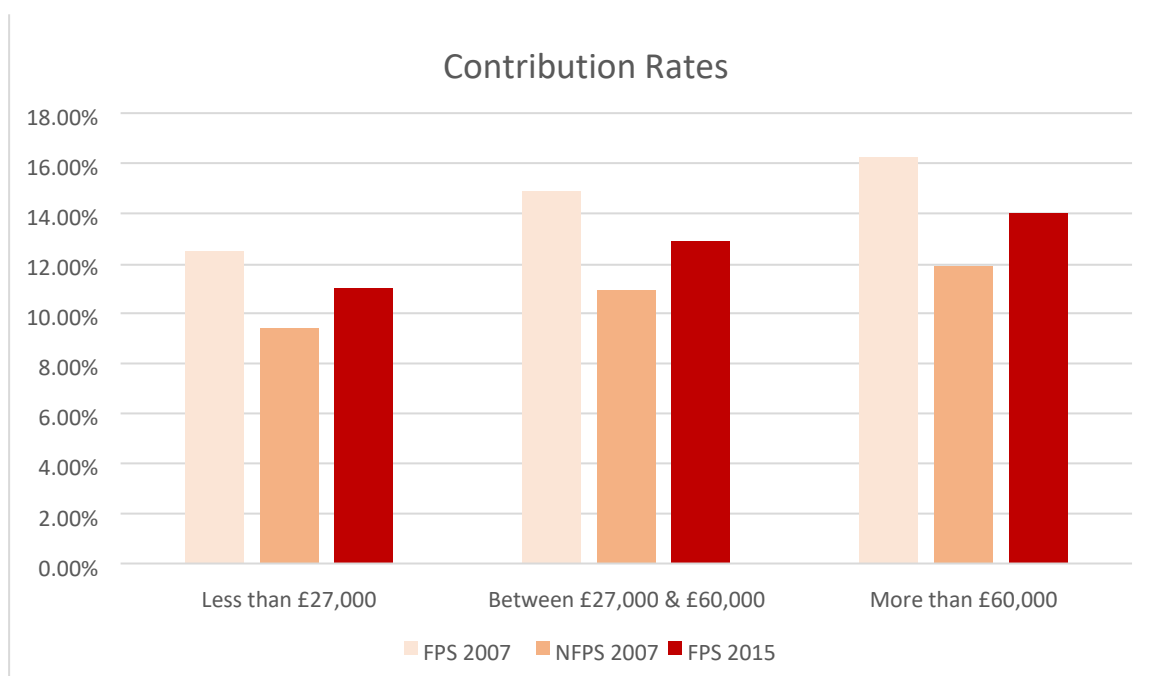
Under the existing legislation, there are different rates of member contributions between FPS 2007, NFPS 2007, Modified NFPS 2007, and FPS 2015.

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 2007 is greater than the contribution rate of the FPS 2015.
- The contribution rate of the NFPS 2007 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 2007, they will have additional contributions that will need to be paid, whereas members who return to NFPS 2007 will receive a refund of contributions.

Returning to Legacy scheme - FPS 2007 and Modified NFPS 2007

An individual who was previously a member of FPS 2007 or Modified NFPS 2007 and was transitioned into FPS 2015 during the remedy period will be automatically rolled back into FPS 2007 or Modified NFPS 2007.

However, as they will have paid less contributions under FPS 2015 than they would have done had they have remained within FPS 2007 or Modified NFPS 2007, the regulations direct that the member must pay the difference between the pension contribution rates, to the scheme.

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 on the next page 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 2007 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 tapered into FPS 2015.	Compensation due to the member to be paid for the period before they were 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.

Active members only: For your 2025 ABS-RSS administrators will provide you with a statement that shows the gross contribution adjustment, which takes into account tax relief.

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 below section on application of interest has more information about this.

Pensioner and deceased members as at 30 September 2023

Unfortunately, there has been delays in the implementation of the remedy and the issue of pensioner and deceased members RSS has been delayed. All members affected were written to in March and July of 25 advising of this and provided with a new estimated timetable for issue of RSS. The revised timetable can be viewed [here](#). Your RSS 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 i.e. before your retirement, the usual route for tax relief would either be through PAYE or Self-Assessment. PAYE would only apply if the contribution payment is deducted from your salary.

HM Treasury (HMT) are in the process of amending their Directions to allow for a scheme manager to deduct amounts representing tax relief for active members. This will allow active members to pay their contributions net of tax and will negate the need for PAYE or Self-Assessment. This means that active members can be treated in the same way as a nonactive member as per below. Your statement will reflect this amended approach.

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.

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.

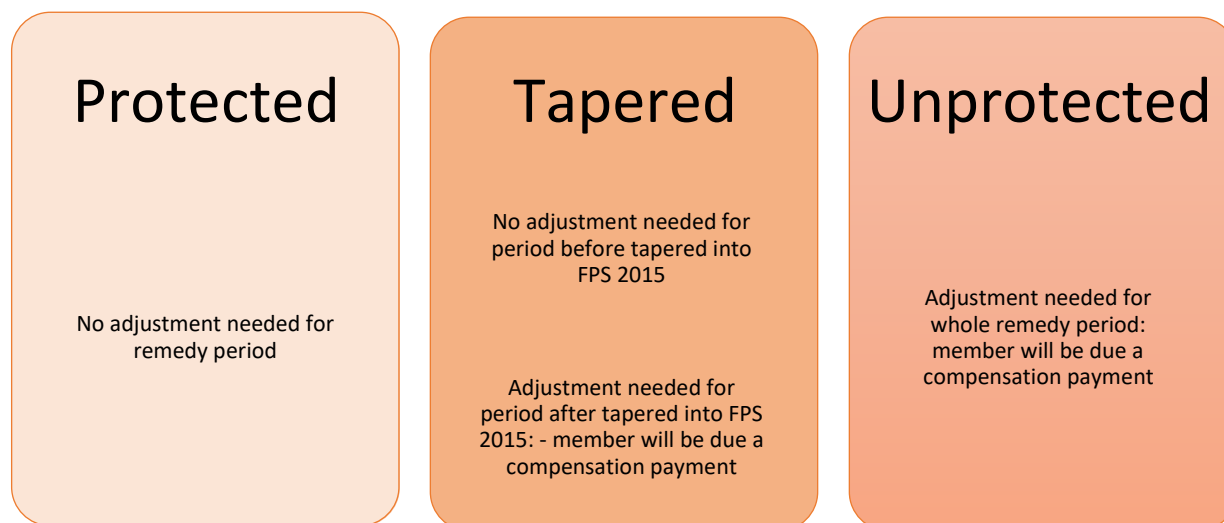
Returning to the NFPS 2007

An individual who was previously an NFPS 2007 member and was moved into FPS 2015 during the remedy period will be automatically rolled back to NFPS 2007.

However, as they will have paid more contributions under FPS 2015 than they would have done had they have remained within NFPS 2007, 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 NFPS 2007 and whether any adjustment is required, considering the protection status of the member during the remedy period:

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



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 on the next page 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 NFPS 2007 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 HSC Pension website.

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 Statement 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.

A link to our timeline displaying the estimated date you will receive this statement is available [here](#).

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.

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 employer 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.

Appendix A

FPS 2007

Where your legacy scheme is FPS 2007, and during the remedy period you had membership of the FPS 2015, you will owe contributions after you have been rolled back into the legacy scheme.

Please note:

- The figures in these tables are for illustrative purposes only and assume that the period of adjustment is for the whole seven-year remedy period.
- The figures shown have been averaged to provide representative figures for different roles.
- To simplify the illustrations, the same marginal rate of tax has been used throughout the remedy period.
- For illustrative purposes, interest has been calculated up to 31 August 2024, but interest will continue to accrue until the contribution adjustment is settled.
- Your specific contribution adjustment will be unique to you, based on your income, personal tax position and the amount of membership you had in the FPS 2015 scheme within the remedy period.
- When you choose to settle your contribution adjustment will also be unique to you and your personal circumstances, such as when you plan to retire, the current amount that you owe and current amounts of interest.

Table 1: illustrative example of contribution adjustment (average salary of roles Firefighter to Area Manager).

Year	Pensionable Pay	FPS 2015 contributions (12.71%)	FPS 2007 contributions (15.2%)	Difference (member owes)	Net of tax relief @20%	Interest on net amount
2015/16	£40,333	£5,126	£6,130	£1,004	£803	£41.77
2016/17	£40,500	£5,147	£6,156	£1,008	£806	£33.54
2017/18	£41,166	£5,232	£6,257	£1,025	£820	£27.65
2018/19	£41,833	£5,316	£6,358	£1,041	£833	£20.36
2019/20	£42,833	£5,444	£6,510	£1,066	£853	£12.16
2020/21	£43,666	£5,649	£6,637	£987	£790	£3.34
2021/22	£44,166	£5,613	£6,713	£1,099	£879	£1.28
Totals		£37,527	£44,761	£7,230	£5,784	£140.11

The table illustrates that the member would receive £1,446 in tax relief and £140.11 interest would be owed this means that a total of £5,924.11 would be owed to the scheme as at 31 March 2022.

As all members moved to FPS 2015 on 1 April 2022, the amount you owe in contributions would not increase after this time, however the total amount due will continue to accrue interest as per the example below:

Table 2: illustrative example of how the contribution adjustment would continue to accrue interest.

Year	Interest on net amount
2022/23	£87.23
2023/24	£204.77
2024/25 (up to 31 August 2024)	£99.93
Total	£391.93

The table illustrates that with the further interest, the total amount owed by the member to the scheme would be £6,316.04 as at 31 August 2024.

NFPS 2007

Where your legacy scheme is NFPS 2007, and during the remedy period you had membership of the FPS 2015, you will be owed contributions after you have been rolled back into the legacy scheme.

Please note:

- The figures in these tables are for illustrative purposes only and assume that the period of adjustment is for the whole seven-year remedy period.
- The figures shown have been averaged to provide representative figures for different ranks.
- To simplify the illustrations, the same marginal rate of tax has been used throughout the remedy period.
- Your specific contribution adjustment will be unique to you, based on your income, personal tax position and the amount of membership you had in the FPS 2015 scheme within the remedy period.
- When you choose to settle your contribution adjustment will also be unique to you and your personal circumstances, such as when you plan to retire, how likely you are to choose reformed scheme benefits at retirement and the current amount that is owed to you.

Table 3: illustrative example of contribution adjustment (average salary of roles Firefighter to Area Manager).

Year	Pensionable Pay	FPS 2015 contributions (12.71%)	NFPS 2007 contributions (11.07%)	Difference (owed to member)	Net of tax relief @20%	Interest on net amount
2015/16	£40,333	£5,126	£4,465	£661	£529	£300
2016/17	£40,500	£5,147	£4,483	£664	£531	£270
2017/18	£41,166	£5,232	£4,557	£675	£540	£240
2018/19	£41,833	£5,316	£4,631	£685	£548	£209
2019/20	£42,833	£5,444	£4,742	£702	£562	£178
2020/21	£43,666	£5,649	£4,834	£815	£652	£143
2021/22	£44,166	£5,613	£4,889	£724	£579	£110
Totals		£37,527	£32,601	£4,926	£3,941	£1,450

The table illustrates that the member would receive £985 in tax relief and £1,450 interest would be payable which means that a total of £5,391 would be payable from the scheme to the member as at 31 August 2024.

Modified NFPS 2007

Where your legacy scheme is Modified NFPS 2007, and during the remedy period you had membership of the FPS 2015, you will owe contributions after you have been rolled back into the legacy scheme.

Please note:

- The figures in these tables are for illustrative purposes only and assume that the period of adjustment is for the whole seven-year remedy period.
- The figures shown have been averaged to provide representative figures for different ranks.

- To simplify the illustrations, the same marginal rate of tax has been used throughout the remedy period.
- Your specific contribution adjustment will be unique to you, based on your income, personal tax position and the amount of membership you had in the FPS 2015 scheme within the remedy period.
- When you choose to settle your contribution adjustment will also be unique to you and your personal circumstances, such as when you plan to retire, how likely you are to choose reformed scheme benefits at retirement and the current amount that is owed to you.

Illustrative Table currently under review