

Lancashire Combined Fire Authority

Resources Committee

Meeting to be held on Monday 29 June 2026

Pensions Update

(Not for publication – Exempt information as defined in Paragraph 1 of Part 1 of Schedule 12A to the Local Government Act 1972)

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Executive Summary

This report provides an update on firefighter pension matters affecting Lancashire Combined Fire Authority. It covers progress on the implementation of Age Discrimination (McCloud/Sargeant) remedy and Part-Time Workers (Matthews 2) remedy, recent changes to the Superannuation Contributions Adjusted for Past Experience (SCAPE) rate affecting pension commutation factors and lump sum payments for some members, and ongoing Internal Disputes Resolution Procedure (IDRP) cases, including matters referred to The Pensions Ombudsman. The report also highlights the associated financial, administrative and member communication implications for the Authority.

Recommendation

Members of the Resources Committee are asked to note the report and its implications for pension administration and member communication.

Information

This paper provides oversight and the latest information on pension issues in respect of uniformed firefighters.

Internal Disputes Resolution Procedure – Stage 2 (IDRP)

The Internal Disputes Resolution Procedure (IDRP) is the formal two-stage process for reviewing complaints about pension decisions made either by the employer or the pension administrator. Stage 1 is determined by the Chief Fire Officer or Director of People and Development. Stage 2 is determined by the Resources Committee. The purpose of the process is to ensure that pension decisions are reconsidered fairly, consistently and in accordance with the relevant regulations.

LFRS has a number of cases that have progressed through both stages of the IDRP process. These cases relate to the pensionability of certain allowances, including disputes about whether payments made in temporary roles should be treated as pensionable and whether any backdating should be limited to six years. Some members remain dissatisfied with the outcomes reached through the internal process, and a number of cases have therefore been referred to The Pensions Ombudsman. The Service has provided the Ombudsman with the relevant information in response to those referrals. No formal determinations have been received to date.

The Pensions Ombudsman has recently indicated an intention to adopt a “lead case” approach where the same issue affects multiple members within the same pension scheme. Under this approach, a representative case may be determined first, with the expectation that the outcome will then be applied consistently to other affected members. While any determination would be legally binding only in the individual case considered, this approach may assist in achieving earlier and more consistent resolution of the outstanding LFRS cases.

The current position does not require any decision from the Committee, but the matter remains under review because of its potential implications for pension administration, member communications and any wider application of Ombudsman findings.

Changes to SCAPE Rate

The SCAPE discount rate is a government set actuarial assumption used in public service pension calculations. Changes to this rate affect the factors used to calculate certain pension options and, for some members, may reduce the lump sum available on retirement.

On 19 May, the Local Government Association (LGA) advised Scheme Managers that HM Treasury had confirmed through a Written Ministerial Statement that the SCAPE discount rate was to increase with effect from 19 May 2026. This change triggered a review of the actuarial factors used within the scheme. This includes, but is not limited to:

- Lump sum commutation for the Firefighters Pension Scheme (FPS) 1992
- early retirement factors
- transfers in and out of the scheme
- pension debits and added pension.

On 21 May, Government Actuary’s Department (GAD) published the revised FPS 1992 lump sum commutation factors, which took immediate effect for any retirements on or after 21 May 2026. As a result of the increase to the Superannuation Contributions Adjusted for Past Experience (SCAPE) discount rate, commutation factors have reduced. In some cases, the reduction in the lump sum could be up to 5% but this will vary depending on personal circumstances.

The immediate impact for Lancashire Fire and Rescue Service (LFRS) is administrative and member-facing, as retirement illustrations and packs need to be reissued where affected. Local Pensions Partnership Administration (LPPA) is managing this process, and no decision is required from the Committee at this stage.

Age Discrimination Remedy (McCloud/Sargeant)

In 2015, the Government introduced reforms to public service pension schemes, including the Firefighters’ Pension Scheme 2015 (FPS 2015). Transitional protections were applied so that some members of the legacy schemes (FPS 1992 and FPS 2006) remained in those schemes for longer, or did not move to FPS 2015 at all, depending on their age. Following the legal challenge known as McCloud/Sargeant, these transitional protections were found to be unlawfully age discriminatory.

From 1 April 2022, all serving members were moved to FPS 2015. The current phase of work is the implementation of the retrospective remedy for the period 1 April 2015 to 31 March 2022. This requires eligible members to be given a choice between legacy scheme benefits and reformed scheme benefits for the remedy period.

A central part of the remedy is the issue of Remediable Service Statements (RSSs), which set out the pension benefit choices available to affected members. The original statutory deadline for issuing these statements was 31 March 2025. As with other public service pension schemes, implementation has been challenging due to the complexity of the legislation, the sequencing required with other pension remedies, system limitations, and the volume of manual processing required in some cases.

The table below summarises the current position for pensioner cases. Of 367 pensioner and beneficiary cases identified, 312 statements have been issued and 55 remain outstanding.

-	Total Cases	Number Issued	Not Issued
Pensioners (non-Ill Health)	343	300	43
Pensioners (Ill health)	12	12	0
Pensioners (Beneficiaries of deceased members)	12	0	12
Total	367	312	55

Table 1 – Current position for pensioner cases

Of the 43 outstanding non-ill-health pensioner cases, 7 relate to tapered or unprotected members and are expected to be issued by 30 June 2026. The remaining cases are primarily more complex records, including members affected by the Part-Time Workers (Matthews) remedy, where additional manual processing is required. Beneficiary cases are also more complex and are currently expected to be completed by 31 December 2026, alongside the remaining outstanding pensioner cases.

Remaining Immediate Choice Remedial Service Statements (ICRSS)	Taper Unprotected Member	or Protected Member	Totals
Divorce	0	3	3
Data Error	0	1	1
Validation Error	5	2	7
Deferred	0	1	1
Matthews Modified	2	29	31
Total	7	36	43

Table 2 – Outstanding non-ill-health pensioner cases

For active and deferred members, the outstanding RSSs are expected to be issued through the 2026 Annual Benefit Statement exercise. It is anticipated that all 51 outstanding active and deferred member statements will be issued by 31 August 2026.

Remaining ICRSS	Total Cases	Number Issued	Not Issued
Actives	328	301	27
Deferred	181	157	24
Total	509	458	51

Table 3 – Active and deferred members outstanding RSSs

The Pension Scheme Manager has reported the position on delayed RSS issuance to The Pensions Regulator (TPR), including LPPA's action plan and revised delivery timetable. The Regulator has acknowledged the original breach notification and has not requested any further information at this stage.

A total of 82 pensioner members have elected to take alternative pension benefits. Of these, 71 cases have been processed for payment and the remaining 11 are progressing through the payment process.

Implementation challenges are not unique to LFRS, and major administrative and data challenges are being experienced across the fire sector and other public sector pension schemes. However, available sector intelligence indicates that LPPA remains ahead of the national position in progressing the age discrimination remedy.

The Pensions Ombudsman has also updated its approach to McCloud-related complaints. While the Ombudsman initially limited investigations during the early implementation phase, schemes are now expected to demonstrate clear and organised delivery plans. The Ombudsman has indicated an intention to publish significant determinations on common McCloud issues to support more consistent complaint resolution. LFRS will review any such determinations and consider any implications for local administration and member communications.

The current position does not require any decision from the Committee. However, the matter remains under close review because of its significance for pension administration, regulatory compliance, member communication and the timely resolution of outstanding cases.

Contingent Decisions

The age discrimination remedy regulations allow certain decisions made by members during the remedy period to be revisited. A contingent decision arises where a member may have made a different choice had the 2015 pension reforms not applied. This includes decisions to opt out of the pension scheme and, in some cases, whether a firefighter would have purchased additional years in their legacy scheme had they remained eligible to do so.

LFRS has received 29 contingent decision applications, as summarised in the table below.

Type of Contingent Decision	Cases received
Added Pension	3
Opted Out	7
Opted Out (Matthews 2 cases)	19
Total	29

Table 4 – Contingent decision applications

All contingent decision applications received have been approved by the Scheme Manager. The next stage is for individuals to receive a Contingent Decision Remediable Service Statement (CD-RSS), enabling them to decide whether to elect to opt back into their legacy scheme or to purchase added years for the remedy period.

Progressing these cases has been complicated by the development of national guidance. LGA guidance on contingent decisions has been revised a number of times, particularly in relation to FPS 1992 members who opted out during the remedy period.

Further guidance issued in September 2025 enabled some categories of case to move forward, including members who opted out of FPS 2006 and certain FPS 1992 members who opted out during the remedy period and did not subsequently rejoin. Other case types remain dependent on further national clarification and legislative change.

On 26 March 2026, the Government issued a Written Ministerial Statement (WMS) addressing a legislative issue affecting some FPS 1992 members who opted out of pensionable service as a result of the 2015 reforms. The current wording of the Public Service Pensions and Judicial Offices Act 2022 prevents some individuals from being reinstated into their original legacy scheme through the contingent decision process. The WMS confirms the Government's intention to address this through further regulations so that eligible members can have their opted-out service for the period 1 April 2015 to 31 March 2022 treated as pensionable in the legacy scheme in which they last accrued service.

The Scheme Advisory Board has obtained legal advice on the position of fire and rescue authorities considering whether to progress affected cases before the supporting regulations are in force. LFRS does not currently propose to proceed ahead of legislation. This approach is intended to ensure that decisions are made on a clear statutory basis and applied consistently. The position will continue to be reviewed as further guidance and regulations are issued.

The current position does not require any decision from the Committee. However, the matter remains under review because of its implications for member remedy.

Part Time Workers (Matthews 2) Remedy

The Matthews remedy addresses historic pension access for on-call firefighters who, for many years, were unable to join the Firefighters' Pension Scheme on the same basis as wholtime firefighters. For LFRS, the current focus is on identifying eligible individuals, issuing options and calculation packs, and progressing elections into payment where members choose to join the Modified Pension Scheme.

The Service has identified more than 600 existing and former employees who are eligible to express an interest in joining the Modified Pension Scheme or purchasing additional pension. Reasonable endeavours have been made to contact all eligible individuals, including follow-up correspondence and the use of a tracing service where appropriate. This work remains ongoing.

To date, 420 individuals have expressed an interest, and 390 calculation and options packs have been issued, representing 94% of the requests received. This places LFRS among the higher-performing fire and rescue authorities nationally, with Local Government Association data indicating that relatively few authorities have issued more than 90% of requested statements.

A total of 287 individuals have elected to join the scheme. Of these, 176 are Special Pensioner Members. LPPA has brought 124 of these cases into payment, with the remaining cases progressing through the payment process.

Further legislation came into force on 1 April 2026 following Government consultation. This legislation made amendments in relation to deceased members, additional death grants and conversion options. As a result, fire and rescue authorities have a further implementation period to 31 March 2027 to complete outstanding work and apply the legislative changes fully. The Government Actuary's Department is also developing a

calculator to support processing of additional cases arising from these amendments, which is expected to be available by the end of June 2026.

One area that remains unresolved nationally is aggregation. This affects individuals who previously served in an on-call role and later moved into a wholetime role, and who may wish to combine pension benefits across periods of service. No final mechanism has yet been confirmed for these cases, and the Service is awaiting the outcome of relevant legal processes expected during 2026 and 2027.

A small number of on-call firefighters have been identified as being affected by an unintended gap in pension scheme membership arising from the interaction of the Matthews remedy and the McCloud remedy. These are employees who remained in continuous service beyond 31 March 2022, but who had not previously joined the Firefighters' Pension Scheme. As a result, while they may now be able to remedy historic pension access issues, a further gap arises from 1 April 2022 onwards unless specific action is taken.

To address this, the Scheme Manager has considered the use of discretion under Regulation 12(5) of the Firefighters' Pension Scheme 2015 to allow affected individuals to opt into the Scheme with effect from 1 April 2022. This is considered a reasonable and proportionate response in light of the exceptional circumstances, particularly given the historic limitations on pension access for some on-call firefighters and the fact that members were not explicitly advised in 2022 of the implications of not joining the Scheme at that point.

Where this option is taken up, affected members would be required to pay the employee pension contributions due for the relevant period (with effect from 1 April 2022 to current date), with the Service meeting the associated employer contributions. The estimated maximum cost to the Authority, assuming full take-up by all eligible individuals, is circa £80,000. Repayment arrangements for employee contributions would be structured over a reasonable period to support affordability, with full contributions needing to be settled before benefits are brought into payment.

This matter has been considered through the appropriate governance arrangements and does not represent the creation of an enhanced pension benefit, but rather the lawful and equitable administration of the Scheme in response to a specific anomaly. The report is therefore included within the wider pensions update to provide the Committee with transparency and assurance regarding the approach taken, together with the associated financial and administrative implications.

Resources

The implementation of the Age Discrimination (McCloud/Sargeant) remedy and the Part-Time Workers (Matthews 2) remedy continues to place significant demands on both LFRS and its pension administrator, Local Pensions Partnership Administration (LPPA). LPPA has increased its staffing resource to support the additional workload, while LFRS continues to manage remedy implementation alongside business-as-usual pension administration responsibilities.

The Government has extended the deadline for completion of the Part-Time Workers (Matthews 2) exercise to 31 March 2027. This provides additional time for fire and rescue authorities to complete outstanding cases and incorporate the effect of subsequent legislative changes.

The concurrent implementation of two substantial and complex national pension remedy programmes remains resource intensive. To support delivery, the temporary Pensions Coordinator role continues to provide additional capacity, with the current arrangement in place until 31 March 2027. The postholder is primarily supporting the administration of the Part-Time Workers (Matthews 2) exercise.

Dashboards

The Pensions Dashboard Programme aims to enable individuals to access their pension information online, securely and all in one place. Dashboards will provide clear and simple information about an individual's multiple pension savings, including their FPS and State Pension. LPPA completed connection of their schemes to the central digital portal in December 2025.

Following this connection, the government will issue LPPA with a Dashboard Available Point (DAP). This is the date when the pension dashboard will become publicly available. This date is set by the Secretary of State for Work and Pensions and will provide a minimum of six months' advance notice. In preparation for this date, LPPA will continue to cleanse member records, verifying data calculations and ensuring matching criteria are correct. No further update is available at this stage.

Business Risk

The pension remedy programmes continue to give rise to operational, reputational and employee relations risks for the Authority. These include the risk of delays in processing complex cases, the potential for dissatisfaction among affected current and former employees, and the challenge of maintaining clear and timely communications while national guidance and supporting system functionality continue to develop.

Delivery is also dependent on the availability and capacity of appropriate administrative and ICT solutions.

Sustainability or Environmental Impact

None.

Equality and Diversity Implications

The Service is required to implement the pension regulations as per legislative requirement. Challenges exist if the guidance is subsequently deemed not to comply with the Equality Act.

Data Protection (GDPR)

No identifiable sensitive or personal data is contained within this report.

The remedy requirements will require processing of personal data. The processing will be for a legitimate reason.

HR Implications

Local Pensions Partnership Administration (LPPA) administers pension schemes on behalf of seven fire and rescue authorities. As a result, LFRS is dependent on LPPA's wider delivery programme and prioritisation across all participating authorities, rather than solely on local demand.

This creates ongoing employee relations and communication challenges, particularly for Grey Book employees affected by the pension remedy programmes. These challenges have been heightened in some cases by the recent change to SCAPE commutation factors, which has reduced the lump sum available to certain Grey Book members

retiring on or after 21 May 2026 and may give rise to additional queries or dissatisfaction where earlier illustrations indicated a higher figure.

The scale and complexity of the changes, together with the time required to implement them, can lead to understandable frustration and may affect confidence and morale if not managed carefully.

However, measurable progress has been made during the last six months. This includes the retrospective adjustment of pension benefits for members making elections under the age discrimination remedy, together with progress in addressing the backlog of Special Pensioner Member cases. These cases are now increasingly being managed by LPPA as part of business-as-usual administration.

Financial implications

The pension remedy programmes continue to have significant financial implications for LFRS. While some costs remain subject to final calculation, the Authority is required to manage a combination of direct pension liabilities, administrative costs and remedy implementation expenditure.

In relation to the Age Discrimination (McCloud/Sargeant) remedy, the Service continues to record remedy-related costs in order to support claims for reimbursement from Government where this is applicable. However, administration associated expenditure is not recoverable.

The Part-Time Workers (Matthews 2) remedy also gives rise to a potential direct cost to the Authority in relation to the use of discretion under Regulation 12(5) of the Firefighters' Pension Scheme 2015 for a small number of affected employees. The estimated maximum employer contribution cost associated with this approach is £80,000, assuming full take-up by all eligible individuals. This figure represents a maximum estimated exposure and may be lower depending on member elections.

The Authority does not hold a specific pensions remedy reserve. Costs will therefore be met from a combination of existing revenue budgets and, where applicable, Government reimbursement. Any residual unfunded pressure will be managed through the Authority's reserves strategy and medium-term financial planning process.

Overall, the financial position remains complex and will continue to be monitored closely as national remedy programmes progress, outstanding cases are resolved, and final liabilities are confirmed.

Legal Implications

The matters set out in this report arise from statutory pension scheme requirements, associated remedy legislation, and the Authority's responsibilities as Scheme Manager for the Firefighters' Pension Schemes. Legal compliance is therefore central to the administration of the Age Discrimination (McCloud/Sargeant) remedy, the Part-Time Workers (Matthews 2) remedy, and the consideration of contingent decision cases.

The Authority is also required to operate and determine pension disputes in accordance with the Internal Disputes Resolution Procedure and to respond appropriately to any complaints or determinations issued by The Pensions Ombudsman. In addition, the delay in issuing certain remediable service statements has been reported to The Pensions Regulator and remains subject to ongoing monitoring.

A number of aspects of remedy implementation continue to depend on further national guidance and, in some cases, additional legislation. The Authority's approach is therefore to proceed on the basis of the current statutory framework and published guidance, while keeping any emerging legal developments under review to ensure decisions remain lawful, consistent and defensible.

Local Government (Access to Information) Act 1985

List of background papers

Paper:

Date:

Contact:

Reason for inclusion in Part 2 if appropriate: Paragraph 1