

Lancashire Combined Fire Authority

Resources Committee

Meeting to be held on 25 March 2026

Pensions Update

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Executive Summary

This report outlines key developments concerning firefighter pensions at Lancashire Combined Fire Authority, focusing on ongoing remedies for Age Discrimination (McCloud/Sargeant) and Part-Time Workers (Matthews 2), as well as recent changes to pension contribution structures. The Service continues to manage Internal Dispute Resolution Procedure (IDRP) appeals, including some cases referred to the Pensions Ombudsman, and remains engaged with pension administrators to uphold compliance and support members. Despite legislative and administrative complexities, Lancashire Fire and Rescue Service (LFRS) is maintaining performance above the national average.

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 officers of the Fire Service.

Internal Disputes Resolution Procedure (IDRP) – Stage 2

The Internal Dispute Resolution Procedure (IDRP) is a two-stage complaints procedure and can be used by anyone who is dissatisfied with a decision made about pension benefits either by an Employer, or by the Pension Fund. The first stage is dealt with by the Chief Fire Officer or Director of People and Development. The second stage is dealt with by the Resources Committee. The purpose of the IDRP is to provide a clear process for a decision to be reconsidered fairly and impartially. The IDRP process involves a methodical review of the initial decision (the decision that is under appeal), checking the regulations have been interpreted correctly and consistently, and that procedures have been followed in a reasonable and fair way.

Lancashire Fire and Rescue Service (LFRS) has several cases that have previously progressed through both stages of the IDRP process. These relate to the payment of pensionable allowances within LFRS. Some members remain dissatisfied, particularly regarding the limitation of backdated allowances to six years or the classification of allowances as non-pensionable when applied to temporary roles. The Pensions Ombudsman has contacted the Service regarding these cases. While LFRS has provided the relevant information, no formal outcomes have been received to date.

Additionally, a further IDR application has recently been submitted for consideration by the Committee. This is related to the Age Discrimination Remedy (McCloud/Sargeant).

Firefighter's Pension Scheme Member Contribution Structure Consultation

During 2024/25 the government conducted a consultation on proposed amendments to the Firefighters' Pension Scheme (England) Regulations 2014. The objectives of the consultation were to:

- achieve the target yield of 13.2% of pensionable pay over 1 October 2025 to 31 March 2027, and future valuation periods.
- update the member contribution structure to encourage scheme participation and reduce opt-outs.
- ensure the member contribution structure is administratively sustainable.
- ensure due regard to the Public Sector Equality Duty.

On 8 December 2025, the outcome was published confirming that, with effect from 1 April 2026, the contribution structure will be amended as follows:

- An additional band will be introduced, increasing the bands from four to five.
- Contributions will be based on Actual Pay rather than Wholetime Equivalent (WTE) pay. This will be a change for part-time and on-call firefighters, whose banding will now be based on their actual pay instead of the WTE for their role.
- From April 2027 the bandings will be increased each April in line by consumer price index (CPI) to allow for futureproofing.

Tier	Actual Pay	Rate
1	£0 to £36,130	11.09%
2	£36,131 to £45,407	12.59%
3	£45,408 to £66,908	14.09%
4	£66,909 to £190,691	15.59%
5	£190,692 and above	17.09%

Table 1 - New Contribution Banding Structure (from 1 April 2026)

This change affects all employees who are members of the Firefighters' Pension Scheme 2015, resulting in either an increase or decrease in employee contributions. This change has been communicated to employees.

FRA's are expected to have an appropriate policy in place to determine employee contribution bandings.

Information Consultation on the Firefighters' Compensation Scheme for injury and death

The Local Government Association (LGA) launched an informal consultation on 6 March 2026 relating to the Firefighters' Compensation Scheme (FCS). The FCS provides compensation for injury and death, in the form of an injury pension or gratuity for firefighters who are permanently disabled or die as a result of an injury received in the exercise of their duties. The consultation forms part of an initial review commissioned by Ministry of Housing, Communities and Local Government (MHCLG)

to ensure the scheme remains fair, effective and reflective of the modern firefighting role. The information consultation period ends on 14 April 2026.

Age Discrimination Remedy (McCloud/Sargeant)

In 2015, the government introduced new laws which resulted in a new pension scheme for firefighters - the Firefighters' Pension Scheme 2015 (FPS 2015). These laws included protections which meant that some members of the existing schemes (FPS 1992 and FPS 2006) didn't join FPS 2015 either straight away or at all, depending on their age. Following a legal challenge known as McCloud/Sargeant, the courts determined that the protections given to members were age discriminatory.

From 1 April 2022 all existing employees who are members of the pension scheme were moved to the reformed scheme, FPS 2015. The service is currently implementing retrospective remedy, providing eligible members with a choice to receive legacy pension benefits (FPS 1992 or FPS 2006) or reformed pension benefits (FPS 2015) for the period of discrimination (01.04.2015 – 31.03.2022).

The implementation of retrospection involves a statutory requirement to issue a Remediable Service Statement (RSS) to all members affected by age discrimination by 31 March 2025. This is a requirement for all public service pension schemes and has been a challenge across the sector. Table 2 shows a breakdown of the RSSs issued and the numbers outstanding:

	Total Cases	Number Issued	Not Issued
Pensioners (including ill-health cases)	357	277	80
Pensioners (Beneficiaries of deceased members)	12	0	12
Actives	328	301	27
Deferred	181	157	24
	878	735 (83.7%)	143

Table 2 – RSSs issued

The delay in issuing RSSs is due to a range of factors, including the delay in the issue of final government guidance, data processing challenges, software defects and the need to enact the Part-Time Workers remedy (Matthews) before progressing with McCloud - related options.

The Pension Scheme Manager reported a breach to The Pensions Regulator (TPR) in relation to cases where guidance was available, but the Local Pensions Partnership Administration (LPPA) failed to issue an RSS. As part of this breach, an action plan was developed with LPPA to ensure the issue of the outstanding RSSs. The remainder of the RSSs are expected to be issued by 31 March 2026, with the beneficiary calculations being issued by 30 June 2026.

LPPA continue to prioritise the issue of RSSs but have reported a risk in relation to 54 of the 80 outstanding Immediate Choice (IC)-RSSs. 31 of these cases have an interaction with the Matthews part-time remedy, LPPA are currently experiencing production issues and are working with their software suppliers to resolve this issue. LPPA have informed LFRS that these IC-RSSs will not be issued by the 31 March 2026 deadline. A further 23 cases are at risk of not being issued, most of these cases relate to data validation errors. LPPA will make every effort to issues these cases by 31 March

2026 and are prioritising unprotected and taper protected members, but these cases are complex to resolve and require specialised resource requirement from LPPA. The Scheme Manager has provided an update to The Pensions Regulator in relation to this breach and will provide a further update following the 31 March 2026 deadline.

73 IC members have opted for alternative pension benefits. LPPA commenced the payment of retrospective pensions in October 2025, and 59 members have had their pension adjusted as at the end of February 2026. LPPA continue to process payments for the remaining 14 pensioners.

A number of IC members have yet to make their election. The 12-month deadline for many of these members is approaching at the end of March 2026. If these members fail to decide by the 12-month deadline, a deemed election will be made by the Scheme Manager, this decision is irrevocable. LPPA and LFRS are making efforts to contact these members, particularly the tapered or unprotected members ahead of the deadline date.

The Service acknowledges the concerns of affected former firefighters and is actively working with LPPA to ensure the remaining IC-RSS statements are issued to members by 31 March 2026 and to bereavement cases by June 2026.

The Pensions Regulator has acknowledged the breaches and deferment and currently has not requested any further information.

The failure to issue RSSs has applied across all Fire Authorities in respect of the Firefighter pension schemes. Indications across the public sector pension schemes and the fire sector suggest that LPPA remains ahead of the position nationally in terms of the implementation of remedy.

Contingent Decisions

The firefighter remedy regulations provide for some decisions made by members during the remedy period to be revisited. This includes decisions to opt out of the pension scheme and whether a firefighter would have purchased additional years in their legacy scheme had they been allowed to remain in it.

LFRS has received 16 contingent decisions opt-out claims, which have been accepted by the Pension Scheme Manager. 11 of the 16 contingent decisions are from members purchasing service under the Part-Time Workers remedy (Matthews 2). A contingent decision is a decision taken by a member who may have taken a different decision if there had been no changes to the pension scheme. These individuals are due to be issued with a Contingent Decision Remediable Service Statement (CD-RSS) so that they can decide whether to make an election to opt back into their legacy scheme for the remedy period. These are yet to be issued as the Contingent Decision guidance from the Local Government Association (LGA) has been withdrawn. Questions raised by the LGA, trade unions and employers in relation to the contingent decision provisions in remedy legislation are yet to be resolved. The Home Office has taken legal advice to provide clarity over which pension schemes are available for individuals to opt back into.

Further guidance from the LGA to scheme managers was published in September 2025. This guidance allows for members who opted out of the FPS 2006, or where an FPS 1992 member opted out during remedy period and did not rejoin during the remedy period to be processed. All other types of cases remain on hold pending further guidance.

Part Time Workers (Matthews 2) Remedy

The Matthews remedy for part-time workers involved a series of steps to ensure that On Call firefighters could access pension schemes.

The Service has identified over 600 existing and former employees who are eligible to express an interest in joining or purchasing additional pension under the Modified Pension Scheme. Reasonable endeavours have been made to contact all eligible individuals, including multiple follow-up letters and the use of a tracing service. These efforts are on-going.

To date, 420 individuals have expressed an interest, and 355 calculations/options packs have been issued. The calculations can be complicated and, occasionally requiring data going back as far as the 1960's and 1970's. So far, 259 individuals have elected to join or purchase additional pension.

LPPA has implemented a process to facilitate backdated pensions to Special Pensioner Members. These are On Call firefighters who were employed between 7 April 2000 and 5 April 2006. They were eligible to join the Firefighters Pension Scheme 2006 with retrospective membership to the start date of their employment, which for a small number of these cases dates back as far as the late 1960's. Payments began in March 2025, with 106 individuals having received backdated lump sum and pension payments to date.

The historical nature of these claims, including reverting back to the individuals original 'date entered service', poses difficulties in respect of service progression and payroll information. Issues over tax treatment have also not been resolved.

As a result of the difficulties and issues that have arisen, the Government has undertaken a consultation. This consultation considers making changes to the original legislation including extending the deadline. The outcome of the consultation was published on 04 December 2025; it is expected the legislation coming into effect no later than 1 April 2026. It is anticipated that the legislation will include a 12-month period from the date of publication in which fire authorities and pension administrators must fully implement the legislation and resolve outstanding cases.

The proposed amendments relate to deceased members, the payment of additional death grants and conversion options. The fire authority will need to review cases from both the first and second options exercises.

An area that remains of some concern is no mechanism has been finalised to deal with aggregation. This is where an on-call employee subsequently achieves a wholetime role and would wish to combine both pension scheme benefits. Unless an agreement is reached by the government and Fire Brigades Union (FBU), the issue of disqualifying breaks in service will need to be addressed through the legal process in 2026 before aggregation will be dealt with in 2027. The Authority has agreed to the LGA proposal to jointly participate with other Fire Authorities in cost sharing in respect of any legal costs. The three case types to be resolved are:

- Retained duty system (RDS) firefighters who, without a break in service, changed to become whole-time firefighters at some stage between 7 April 2000 and 6 April 2006, and who joined the FPS 1992 in respect of their wholetime service;

- RDS firefighters who, without a break in service, changed to become wholetime firefighters on or after 6 April 2006, and who joined the FPS 2006 Standard scheme in respect of their wholetime service;
- Firefighters with concurrent retained and wholetime service.

The national Scheme Advisory Board (SAB) have written to HMRC to highlight their concerns that no 'spreading mechanism' has been put in place for members affected by the Matthews remedy receiving pension backpay, over a number of years, taking them into a higher tax bracket. A spreading mechanism has been put in place for employees affected by the McCloud/Sergeant Age Discrimination remedy.

In addition, the SAB are currently engaging with MHCLG in relation to a compensation framework, to assist employees/former employees with tax advice and the potential costs of reopening an estate for a deceased member.

Resources

In addition to the LFRS resources, our pension provider, LPPA has increased their resource to deal with this workload. Both sections are working extensively on age discrimination and part-time workers remedy in addition to the business-as-usual workloads.

It is likely that the government will extend the deadline for completion of the Part-Time Workers (Matthews 2) exercise to March 2027; this will allow for LFRS to complete existing workloads and any required changes as a result of the legislative changes.

The challenge of implementing two significant, complex pieces of pension legislation, affecting large numbers of individuals concurrently is not to be under-estimated. To create capacity sufficient for the implementation of the above two projects, the Temporary Pensions Coordinator role is currently filled on a casual basis and the postholder is predominantly supporting the administration of the Part Time Workers (Matthews 2) exercise. This temporary post continues until 31.03.2026.

Dashboards

The Pensions Dashboard Programme continues to publish regular updates and newsletters in the lead-up to the pension schemes beginning their connections in April 2025. The connection date for public sector pension schemes into the central digital architecture was 31 October 2025. LPPA's completed connection of schemes to the dashboard's infrastructure by 15 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.

The Pension dashboard Programme (PDP) has published an updated draft of its reporting standards and opened a consultation on the changes. The update explains how pension schemes and providers will need to send daily reporting data to Money and Pension Service (MaPS) using a software interface, but it does not change what data must be collected or reported. The proposed deadline to implement the new standards is 30 November 2026, and the consultation is open until 25 March 2026. LPPA's Dashboards Working Group intend to respond to this consultation.

Business Risk

The situation in relation to pension changes has a potential to cause adverse reactions both to employees internal and external to the Service. Lack of timely and correct ICT solutions continue to hamper the solution.

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

In the absence of fully proved ICT solutions, LPPA and LFRS are successfully utilising workarounds for immediate retirements.

The delay in the provision of the methodology of electronically processing the solutions means that whilst the Service and our pension provider will process as quickly as possible, it is likely some delays will occur.

Local Pensions Partnership Administration (LPPA) administer pensions for seven FRAs and, accordingly, LFRS will be required to fit in with their priorities in applying the changes to all FRAs, not just LFRS.

The situation is challenging and makes our employee communications and relations difficult which can impact morale amongst Grey Book members of staff affected by the changes. Frustrations exist and all concerned are aware of the potential problems and try and mitigate them. Progress has been made over the last six-months in terms of adjusting the pension retrospectively for those members opting for a different pension scheme under 'age discrimination' remedy, which is a positive step forward. In addition, the majority of Special Pensioner Members who have returned their election forms have been paid.

Financial implications

The impact on both LFRS and public resources are considerable although the exact amounts cannot currently be determined.

The basis of funding the outcome will be complicated by the eventual outcome in respect of the McCloud/Sargent ruling as currently the rules applied are the current rules, which will require recalculation once the Government determines the national remedy.

The cost implications directly associated with remedy are being recorded to ensure reimbursement from Government. Other associated costs such as additional administration will create a financial liability for the Authority.

Legal Implications

Compliance with the legal processes is essential, the Authority has delegated responsibility for ensuring scheme compliance to the Pension Scheme Manager.

Local Government (Access to Information) Act 1985

List of background papers

Paper:

Date:

Contact:

Reason for inclusion in Part 2 if appropriate: N/a