

**Options Appraisal for Category 2 Immediate Detriment**

<b>Option</b>	<b>Benefits</b>	<b>Risks</b>
Await facilitating legislation to be in force (January - October 2023)	<ul style="list-style-type: none"> <li>• Absolute certainty for FPS members &amp; FRA</li> <li>• FPS members receive true remedy as if pension reform had not occurred, with full benefits and no tax charges</li> <li>• The further delay in receiving benefits is mitigated by 3% p.a. interest paid to members as per MoU &amp; 10/23 legislation</li> <li>• FRA bears no cost, as only payments are legitimate expenditure funded by Govt.</li> </ul>	<ul style="list-style-type: none"> <li>• FRA reputational damage as delivery of remedy delayed</li> <li>• Potential legal challenge for failure to deliver ET judgement in the meantime</li> </ul>
Pay category 2 ID Remedy without deducting Unauthorised Payment Charge (UPC). Warn members that they bear the UPC risk. Also, a risk of losing tax relief on contributions.	<ul style="list-style-type: none"> <li>• ET judgement remedied without further delay</li> <li>• FPS members receive true remedy as if pension reform had not occurred (but with proviso that member bears a tax risk)</li> <li>• FRA theoretically bears no cost for UPCs as risk transferred to FPS members</li> </ul>	<ul style="list-style-type: none"> <li>• FRA reputational damage if risks manifest at a later stage and member suffers loss</li> <li>• Even with risk explained to member, risk of legal challenge akin to Cherry Pensions Ombudsman case i.e. tax charge(s) later falls upon FRA to bear</li> <li>• FPS members may ultimately bear a significant reduction in benefits and true remedy not delivered</li> </ul>
Pay category 2 ID Remedy without deducting UPC. FRA consciously accepts cost of UPC. Also, a risk of the member losing tax relief on contributions.	<ul style="list-style-type: none"> <li>• ET judgement remedied without further delay</li> <li>• FPS members receive true remedy as if pension reform had not occurred</li> </ul>	<ul style="list-style-type: none"> <li>• FRA reputational risk – challenge from external auditor, community, etc regards. value for money, legality, etc.</li> <li>• Cost to FRA and impact to reserves and/or operating budget</li> </ul>
Pay category 2 ID Remedy and deduct UPC at source	<ul style="list-style-type: none"> <li>• ET judgement remedied without further delay</li> </ul>	<ul style="list-style-type: none"> <li>• FRA reputational damage as true remedy not delivered due to shortfall in benefits</li> <li>• Member shortfall of 55% of benefits, 'lost' to tax. Also, a risk of losing tax relief on contributions.</li> <li>• Risk of legal challenge akin to 'Cherry' case i.e. FRA shouldn't have facilitated member to accept ID ahead of national mitigating rules and "lose" 55%</li> </ul>

NB In addition to the UPC risks above, potential risk of Govt's "uncertainties relating to tax matters" still exist with all options other than Option 1 (wait for the facilitating legislation)