Financial Conduct Authority

Payment Systems Regulator

Our new employment offer:

Changes to grading, pay structure and benefits

1 March 2022

Contents

1 Letter from the FCA CEO

Dear colleagues,

I am hugely grateful for the time and effort each of you has put into this consultation. Engaging on such important topics largely virtually is far from easy and you have also been getting to know a number of new senior leaders in the FCA, myself included.

Throughout the consultation, what has struck me most has been your care for the organisation and your pride in colleagues' collective achievements. Your concern for how to build on our successes as we change for the long-term has been clear throughout. As a result, you have approached our work together on the consultation constructively and professionally, even where some of the proposals have been challenging.

Your contributions have helped us to make significant changes to the proposals we consulted on.

Background to the consultation

Our role continues to expand, expectations of us are justifiably high, and the environment in which we operate is increasingly complex. That we adapt and innovate at pace is crucial.

As part of that necessary change, we began consulting you in September on a new grading, pay and benefits offer to ensure we can retain and attract the skills we need to meet our vital objectives – protecting consumers and markets and promoting competition – for the long term. To succeed, our offer has to be fair, competitive, protect the benefits colleagues most value and support our ambitions on inclusivity.

Our consultation was extensive: 4,500 responses through the feedback tool, 2,200 emails to the team, 700 comments raised in meetings and over 580 of your questions answered on our intranet site, Pulse.

My Executive Committee (ExCo) colleagues and I particularly enjoyed meeting as many of you as possible, often in smaller groups, in 77 ExCo-led sessions virtually and, where possible, in person in London and Edinburgh.

In addition, we have engaged regularly and thoroughly with the Staff Consultative Committee representatives (SCC), whose diligence and commitment have ensured we and the Board were kept up to date with views from across our organisation.

As you consider our offer, you will be thinking hard about your own professional future, the needs of yourselves and your families, and the kind of organisations we aspire for the FCA and PSR to become. Our offer therefore needs to be compelling and have flexibility to be adjusted over time as our requirements and the market evolve.

That is all the more important given the recently buoyant labour market. Across the economy, vacancies at the end of last year were at an historic high. I am pleased that our turnover rate of around 13% remains in line with the years before the pandemic, having dipped very sharply during the first year of the pandemic. I am also delighted that we continue to successfully attract colleagues at all levels from the financial services industry, fellow regulators and public authorities and from other sectors, including technology and law. For example, just under 100 new authorisations colleagues will be in place across London and Edinburgh to help us with our new responsibilities as well as tackling operational backlogs.

Our business plan, which so many of you have been working to develop, published later this month will include details on further recruitment for the next year, particularly as we accelerate our expansion in Edinburgh and establish an office in Leeds, which will be led by William Hague and Stephen Braviner Roman. This wider geographical footprint will be achieved naturally, as vacancies arise rather than asking colleagues to relocate.

Our new employment offer

Having listened carefully to your views, we have adjusted our offer in many areas to ensure our offer is as fair as it can be, which I recognise introduces some complexity as we transition over the next two years.

Our offer will see the vast majority of colleagues who meet core performance thresholds receive a guaranteed minimum base pay increase this year of at least 5% and 4% next year. For many – especially for the lower paid and many of our strongest performers – it will be substantially more. Indeed, the average base pay rise for colleagues this year will be around 7% and almost 13% over the next two years. These base salary increases come with pension contributions and flexible benefits.

In response to concerns about current cost of living pressures we have made changes, including doubling the size of the one-off, backdated cash payment in April this year to 4% of the salary of colleagues who meet or exceed performance objectives. We are also extending this to Managers, Technical Specialists and Heads of Department who choose to consolidate the Manager Allowance into their base salary and also meet core performance thresholds.

Around 800 of our lowest paid colleagues will receive salary increases of, on average, £4,310, as they are brought up to the minimum of the new pay ranges, subject to at least meeting their performance objectives. We have increased the cap on how much of this increase can be paid in a single year to 20% of colleagues' salaries, meaning fewer of these pay rises will be staggered over two or more years. Colleagues will also receive further general salary and Performance Related Pay increases in addition.

We believe it is right to go ahead with new London and National pay ranges as we aim to double our presence in Edinburgh and establish an office in Leeds. Doing so reflects differences in regional labour markets and is aligned with the approach of many other public and private sector employers. Having listened in particular to the direct feedback of colleagues in Edinburgh, we have concluded that the differential between our National and London pay ranges will be no more than 10%.

We will review our pay ranges annually and we are committing to a minimum uplift of 2% to all ranges for April 2023.

Given the external environment, we will also exceptionally this year award those who fall in the second performance category (targeting improvement) with a 1.5% salary increase, with the opportunity for further salary increases from the midyear point based on performance up to the interim review.

I recognise the strength of feeling expressed by many colleagues about the discretionary performance bonus and the desire to retain it in some form. The Board and ExCo considered this carefully but we concluded that the discretionary bonus scheme has not supported the long-term performance aspirations we have for the FCA/PSR for the reasons set out in our consultation. Therefore, we have decided to maintain our proposal to end discretionary performance bonuses from the next financial year, with the last bonuses paid in April 2022.

To recognise excellent performance in the moment, however, we are tripling the funding for the "At our Best" scheme to £1m. We will increase the maximum award to £1000, with any colleague eligible for up to £2000 in a single year. Research tells us in-the-moment rewards are highly effective at incentivising strong performance. We are also increasing the choice about how colleagues receive the award, as well as investigating whether one of these options could be increased employer pension contributions building on a suggestion by the Staff Consultative Committee.

Performance Related Pay will reward the strong performers who are paid less in comparison to their peers the most, helping to rebalance our overall salaries over time and narrow pay gaps. What is more, it will be incorporated into salary, with increased benefits and pension contributions.

Importantly, the changes we are making to our pay offer advances our diversity and inclusion objectives. As the equality impact assessment published today shows, our changes focus the greatest pay increases on those in the least senior roles. The result is a positive impact on the pay of younger, female and ethnic minority colleagues in particular. Changes for other protected groups, for example colleagues with disabilities, are less marked, in large part because these groups of colleagues are represented more equally at all levels across the FCA. We are determined to continue our work to ensure the FCA is the inclusive employer for all it aspires to be.

Our public role requires us all to be at our best, which means owning our careers and taking advantage of increased opportunities provided for training and development. We are aiding that career development with a new, simpler structure to provide greater flexibility and opportunities for mobility.

The central aim of our offer is not to cut costs. Indeed, by 2024 our total pay and reward bill per colleague will be higher than for any of the last three years.

Nonetheless, our offer must be financially sustainable. That means putting our benefits on the right footing, balancing the desire to protect the benefits colleagues value the most against substantial increases in costs and considering what other employers offer. That is why we will go ahead with a modest, progressive, industry standard, once-a-year excess for colleagues, their partners and dependant children to access comprehensive private medical care.

One of the best employment packages of any regulator

When we opened the consultation, I set out the aims for our new pay and reward offer.

It has to provide fair, competitive pay at all levels. It must reward strong, consistent performance. It should simplify our overly complex structure of pay and job families, aiding transparency and career development. It should protect the benefits colleagues value for the long term. And it needs to support our aim of closing our ethnicity and gender pay gaps.

I believe the offer in this document achieves all these things and provides a solid platform for a transformed FCA. And in achieving these objectives, I am pleased that the FCA will continue to provide one of the best, if not the best, overall employment package of any regulator or enforcement agency in the UK.

While the consultation may now be at an end, the conversation about how we work best for the future will carry on. We will continue to seek out your views on how we make the most of the opportunities for development and our thoughts for the FCA's strategy and business plan. With restrictions now being lifted, including in the devolved nations, I hope to meet many more of you in person in the coming months to take forward these conversations.

Thank you

Nikhil Rathi

Nikhil Rathi, Chief Executive, Financial Conduct Authority

2 Letter from the Chair and Chair of the Board's Remuneration Committee

Dear Colleagues,

Since the launch of the consultation in September 2021, and with your commitment, the FCA has continued to deliver for the markets it oversees and the consumers reliant on them. The consultation on the new consumer duty, the culmination of complex enforcement investigations, the strides taken to toughen the authorisation gateway, the launch of strategies in consumer investments and ESG, new marketing campaigns, the end of Libor and significant improvements to our technology and data capabilities – each of these shows the FCA at its best: delivering at pace, often cross-divisionally, with greater assertiveness and a commitment to innovation.

We know that the way we were organised and remunerated risked hampering colleague development. We became overly complex, leading to barriers between us that needed to be overcome. People who were performing well too often found they had to leave the FCA to progress their careers. People who were not performing well enough too often received unclear messages.

The offer in this document includes a simpler structure that will help ensure people are better aware of and able to access different roles and enjoy more varied careers. This will also provide the organisation with greater flexibility.

It is a pay and reward offer that, supported by a new performance management approach, incentivises consistent strong performance, with those paid the least and performing the best rewarded the most.

We have also been mindful to ensure we have a fair pay system and very much welcome the focus in these proposals on our lowest paid colleagues. We expect this will materially reduce the remuneration ratio we report in our Annual Report from 2023. Additionally, the Remuneration Committee has decided this year that there will no salary rises for the CEO or Executive Directors.

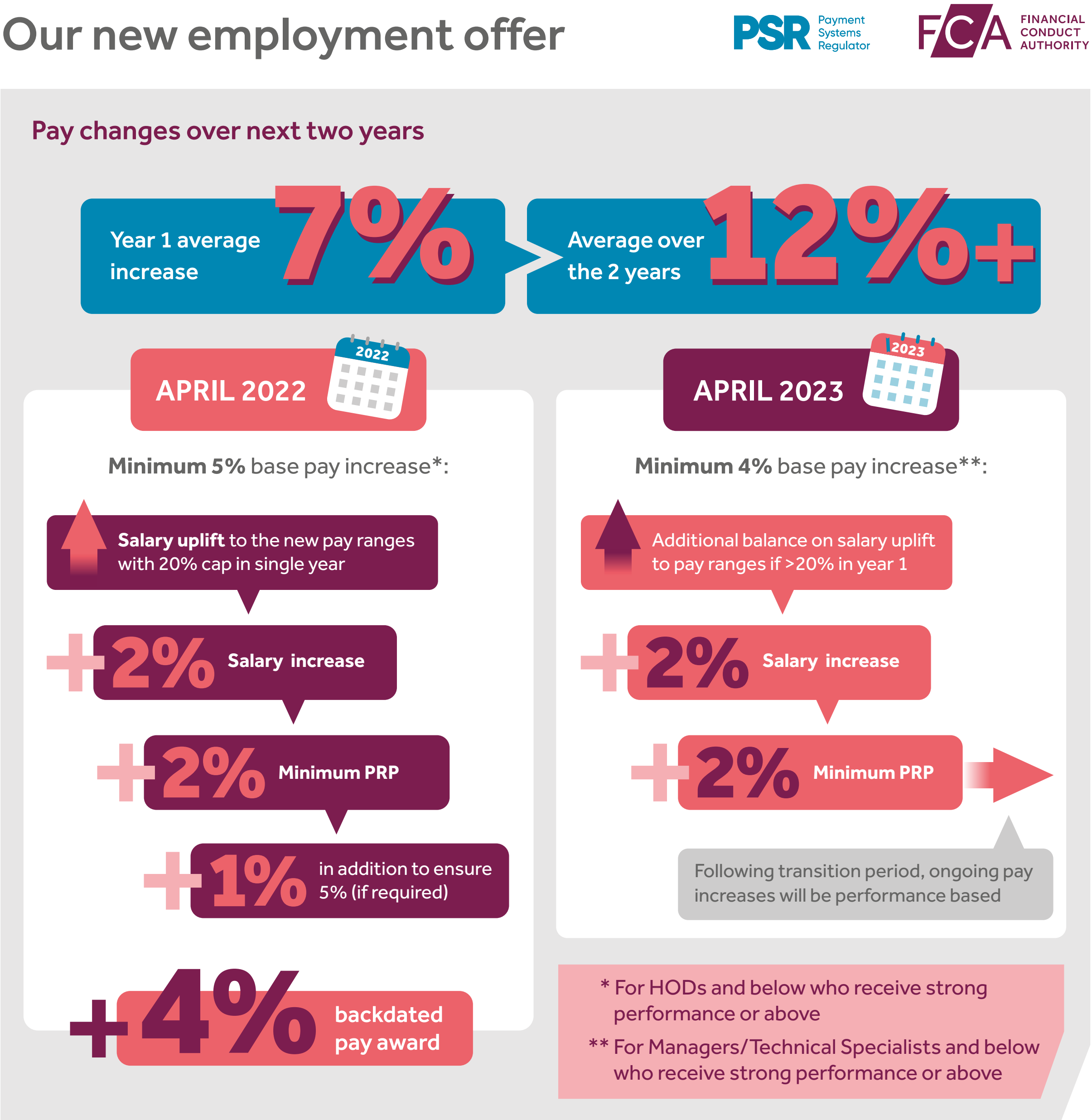
The Remuneration Committee and the Boards of the FCA and PSR have been kept closely informed by Nikhil and his Executive team from the inception of the consultation, to its launch, to the consideration of your feedback. The tireless work of the Staff Consultative Committee Representatives has helped voice be heard throughout. We know how carefully your views have been listened to. We, too, have carefully considered the package, which is one we strongly support. It is an offer that will allow us, as an organisation and as individuals, to grow and develop, so we can better meet our objectives.

Thank you.

Charles Randell
Chair

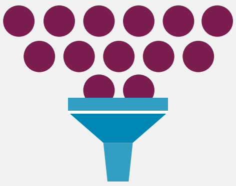
Alice Maynard
Chair of the Board's Remuneration Committee

3 Summary of our new employment offer

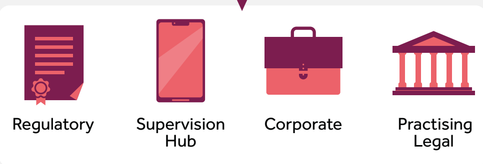


Career families

13 job families



4 career families



- More flexibility
- Broader career paths
- Increased alignment
- Common experience across roles

Grade levels

In the FCA, 10 grade levels (reducing over time to 9) for a consistent, simpler approach

10 ▸ 9

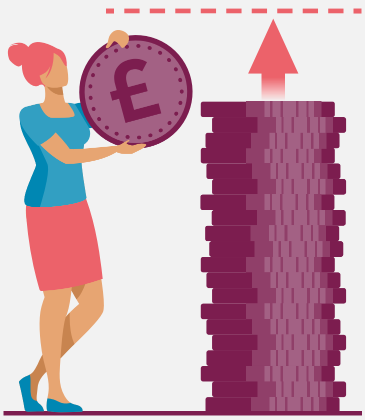
Lead associates introduced across whole organisation

Pay ranges

Salary uplift to the new pay range for those not receiving minimum (with 20% cap)

Benefitting 800 colleagues by on **average £4,310**

New, competitive pay ranges, designed around the career families and helping narrow our pay gaps over time



There will be London and National pay ranges – difference will be **no more than 10%**

	Our new employment offer	How our offer has changed in response to consultation feedback
Grading structure	We will move to 10 grades levels resulting in a simpler approach, with consistency across the FCA. No Senior Manager roles will be created or replaced after 1 April 2022, except for exceptional circumstances until April 2023 reducing the number of career grades to 9 over time. This change does not apply to the PSR.	We have adjusted the naming of some of the new grade levels. We are providing some flexibility to Executive Directors to create Senior Manager roles in exceptional circumstances until April 2023. We are undertaking a review of Professional Support PA roles by July led by Debbie Gupta and Robin Jones.
Career families	We will move from 13 job families to 4 career families: • Regulatory • Corporate • Supervision Hub • Practising Legal	We have further reduced the number of career families to make the system more flexible, helping career development. The roles included in the 'specialist' career family we proposed at consultation will be included in the Regulatory family, with slightly wider pay ranges as a result.
Pay ranges	We will introduce new, narrower pay ranges to ensure those who do similar jobs are paid similarly. Anyone currently not paid at least the minimum will receive a salary uplift to the new pay range, benefiting 800 colleagues by, on average, £4,310, if they meet their objectives. This is before salary and Performance Related Pay increases. Those who do not receive a performance rating of at least 3 this year may still be recommended to benefit from the salary uplift to benchmark if they are found to have responded well and appropriately to development feedback at their next interim review. We will introduce a cap of 20% increase in salary per year for those who are brought to the minimum of the new pay ranges. 130 colleagues will be affected by the cap. However, of these around 42 are expected be brought within new pay ranges as a result of the salary increase and Performance Related Pay. That leaves 88 colleagues who will receive their uplift to the minimum of new pay ranges over the next year or more. They will however receive a base pay increase this year of at least 24%. As we expand our footprint, we believe it is appropriate – as many employers do – to reflect regional differences in labour markets, often reflected in different salary scales. As a result, we will introduce London and National pay ranges. We are increasing the starting salary for the graduate scheme and adjusting the pay of colleagues who enrolled on our graduate scheme in 2020 and 2021.	We have adjusted the pay ranges in line with changes to the career families since consultation. We commit to increase pay ranges by at least 2% in April 2023. At consultation, we indicated those due a salary increase to the minimum of new pay ranges may have a 10% of salary limit per year. We are increasing this, following feedback, to 20%. Fewer colleagues will therefore receive staggered increases. We expect everyone meeting core performance thresholds will be brought into the minimum of new ranges by April 2023. We have also clarified this increase will be in addition to general salary increases and Performance Related Pay, taking the salary rise for these colleagues subject to the cap to at least 24%. We will narrow the difference between London and rest of the UK pay ranges to a maximum of 10%. This will be less if data suggests greater similarity between pay in the London and rest of the UK for certain roles. At consultation the difference was 16-20%.

	Our new employment offer	How our offer has changed in response to consultation feedback
Salary increase	Salary increases of 2% will be awarded this year (2022) for all those below Director-level who meet or exceed their objectives (rating 3, 4 or 5), including apprentices and graduates. There will also be a salary increase of 2% next year (2023) for those at Manager/Technical Specialist level and below who meet or exceed their objectives. We will consider base salary increases for Heads of Department who at least meet their objectives in 2023 considering, among other things, the scope of their role and pay relative to their peers. We are proposing the same case-by-case approach for Directors in both 2022 and 2023. Those who do not receive a performance rating of at least 3 this year can still be recommended to benefit from salary increase of up to 2.5% (i.e. 1% additional on top of the 1.5% salary uplift for level 2 performers), or uplifted into their new pay range, if they are found to have responded well and appropriately to development feedback at their next interim review. Remuneration for the CEO and Executive Directors is reviewed annually by the Remuneration Committee. The Remuneration Committee has decided that there will be no base salary rise this year for the CEO or Executive Directors. We will also be providing an additional backdated pay award in the form of a cash payment this year of 4% of salary as at 1 April 2021 (or pro-rated based on starting salary for those who joined later) to all colleagues up to and including Heads of Department-level who perform strongly, clearly meeting or exceeding their objectives this year in recognition that there was no pay rise this financial year and to reflect the significant effort of colleagues and the external economic environment. Those who receive the Manager Allowance will need to agree to the consolidation of it into their pay to receive this cash payment. In line with past practice, no backdated cash payment will be made to any colleague who has confirmed an intention to leave the FCA and in other specific circumstances.	Given concerns about cost of living, we have doubled the size of the backdated cash payment from 2% to 4%, which will be payable in April this year. This will be based on colleagues' salaries at 1 April 2021. For those who have joined mid-year, it will be based on starting salary and paid on a pro-rata basis. We have updated our offer to provide those who are rated a 2 during their end of year performance review with a pay increase of 1.5% in April and being uplifted into their new pay range, if this applies, subject to them clearly meeting their objectives at interim review. A further 1% will be available for those showing greatest development at Manager discretion. For relevant Heads of Department, Managers and Technical Specialists this increase would depend the consolidation of their Manager Allowance into base pay.

	Our new employment offer	How our offer has changed in response to consultation feedback
Performance related pay	We will introduce performance related pay for all colleagues. This will be based on performance over the previous 12 months and be incorporated into future pay. For any colleague awarded a pay increase following the Performance Related Pay review, that increase will be incorporated into base salary going forward. It will be calculated after any other pay adjustments have been made. This year, as we transition to the new system, the matrix determining how much Performance Related Pay colleagues receive will be applied centrally, based on a colleague's position in pay range and their performance rating. For April 2023, there will be greater line manager judgement over performance related pay with an indicative matrix and guaranteed minimum of 2% increase for those colleagues meeting core performance thresholds (ratings 3, 4 and 5) in addition to the proposed general 2% uplift, taking the guaranteed minimum increase to at least 4%).	We have made changes to smooth the introduction of Performance Related Pay, with the percentages shown average. This is so there can be small variations to prevent the unintended consequence of colleagues on the boundary of a reference point leapfrogging their peers' base salary.
Maintained Pay	From April 2024, colleagues whose salaries sit at or above the maximum of their pay range will see their pay maintained, without further base pay increases until their pay range is adjusted or they move role or receive a promotion. Colleagues on maintained pay will be eligible for a maximum pay award of up to 1% per year. This will not be consolidated into base pay but will be paid as a cash supplement and paid each year, thereafter. This helps ensure base pay remains within a range built around the median average of salaries paid for similar roles in the rest of the market, with those doing similar jobs within the FCA paid similarly. As we consulted on, however, we will not reduce anyone's salary. Maintained pay will only be implemented two years after the new pay ranges apply. Until then, colleagues will still be eligible for pay increases and performance related pay.	This is unchanged since consultation. However, all pay ranges will be uplifted by at least 2% in April 2023 and reviewed annually thereafter with the option of reviewing more frequently if market conditions require.
Discretionary performance bonus	The discretionary bonus will not be available after the financial year 2021 – 2022. The last performance bonus will be paid in April 2022. In line with past practice, no bonus will be paid to colleagues who have confirmed an intention to leave the FCA or in other specific circumstances. We do not believe the current discretionary bonus has been effective in supporting consistent, long-term collective and individual performance. It also does not include some of vital elements we ask of the remuneration practices of the firms we regulate.	This is unchanged since consultation, though please review the revised position on in-year "At our Best" recognition awards in the row below. We can now confirm the bonus rates payable in April 2022 for level 4 performers will be 6% of salary. For level 5 performers it will be 9% of salary or 10% of salary for colleagues in existing administrator and junior associate roles. As in previous years, the bonus calculations will be based on average salary over the last financial year. These payments will be in addition to the 4% of salary backdated cash payment for all Level 3, 4 and 5 performers at HoD level and below.

	Our new employment offer	How our offer has changed in response to consultation feedback
At our Best Recognition Scheme	We will reinforce recognition of excellent performance in the moment by tripling the size of the pot available for these awards to £1m annually (an increase from £300,000).	We have increased the maximum amount for an "At our Best" award from £300 to £1,000. With colleagues eligible to receive awards of up to £2,000 a year. Following feedback, we are considering whether colleagues can choose whether to receive the award as cash, vouchers or have it transferred to their pension pot. The latter option building on a suggestion from the Staff Consultative Committee representatives.
Manager Allowance	**For eligible existing colleagues:** we will introduce the option for the Manager Allowance to be consolidated into base salary at 86% of its current value. This takes account of the resulting impact on pension contributions and flexible benefits. Those opting to consolidate up to and including Head of Department level, will receive the 4% backdated cash payment (providing they clearly meet or exceed their objectives). Directors who choose not to consolidate Manager Allowance will not be eligible for base salary rises in April 2022 or 2023. **For new joiners or those promoted in the future:** the Manager Allowance will not be offered as part of their benefits package with immediate effect.	It will be up to colleagues to decide whether they want to continue to receive the Manager Allowance as a benefit or whether to consolidate it into their salary. We have also clarified that those who are aged under 35 will receive an adjusted percentage at which the allowance would be consolidated to account for lower age-based pension contributions. The pay ranges will be adjusted for those who retain their Manager Allowance and do not consolidate into base pay.
Private Medical Insurance	We will continue to provide every colleague with comprehensive private medical insurance from the first day of employment which will also be available for partners and dependant children. For each person insured, we will introduce an excess of £100 per insured person for those in Professional Support/Associate roles. The excess payment will be £200 per insured person for all colleagues at Associate and more senior. The excess will be payable once a year, regardless of how many times the insured person accesses treatment.	This is unchanged since consultation.
Dependants' pension	The Dependants' Pension on death in service will be replaced for all employees with a higher employer-funded group life assurance.	We have increased the multiple for the life assurance from 6 to 8 times salary, with the option for colleagues to increase this to 10 times salary by using their flexible benefits allowance.
Pension opt-out arrangements	We will increase the Pension opt-out rate from 9% to 12% for those affected by Lifetime Allowance, Fixed Protection and Tapered Allowance and taking a cash payment in lieu.	This is unchanged since consultation

4 Timeline

The new employment offer will take effect from 1 April 2022 and will be rolled out as outlined below.

New employment offer timeline

1-31 March 2022 **Communicating the new employment offer** *Colleagues will receive information about the employment offer before changes take effect.*	**Workday freeze** *From mid-March, certain elements of the Workday system will not be available while changes are implemented*
1 April 2022 *Most grading and pay changes will be introduced from the start of April Individuals can view a statement showing all changes in Workday* **22 April 2022** Pay changes will first appear in pay packets	**Backdated pay as cash payment** 4% for those eligible colleagues up to and including Heads of Department **Pay range uplift** Those not currently paid at least the minimum of new pay ranges will receive a salary uplift, capped at 20% in a single year **Salary increases** 2% for those up to and including Heads of Department who meet their objectives 1.5% for those up to and including Heads of Department in the level 2 performance category. **Performance related pay** All those below director level who meet their objectives will be eligible, with a total pay guarantee of at least 5% increase in base salary for all those below Director who meet their objectives
14 March – 7 April 2022	**Manager Allowance** Decision on whether to consolidate or to keep the allowance No Manager Allowance for those newly appointed or promoted with immediate effect
23 May 2022	**Backdated pay as cash payment** 4% for those at Manager, Technical Specialist and HoD level who receive Manager Allowance and agree to consolidate into base pay

May 2022	**Normal Benefits choice window**
1 June 2022 **Benefits package effective**	**Dependants' Pension** Group life assurance with a multiple of 8x salary, with option to increase to 10x
	Pensions Opt-Out Pension opt-out rate from 9% to 12% for those affected by Lifetime Allowance, Fixed Protection and Tapered Allowance and taking a cash payment in lieu
	Manager Allowance For those who opt-in, the Manager Allowance will be consolidated into base pay from 1 June
Autumn 2022	**Interim performance reviews** Those who are rated a 2 during their end-of-year performance appraisal may be recommended after the interim review for an uplift into their new pay range or a further 1% increase subject to manager discretion
1 April 2023	**Salary increases** 2% for those up to and including managers/ technical specialist who meet their objectives
	Performance Related Pay All colleagues who meet their objectives will be eligible, with a total pay guarantee of at least 4% increase in base salary for all those Manager/Technical Specialist level and below who meet their objectives
	Pay ranges 2% minimum increase to pay ranges
1 April 2024	**Maintained Pay** Colleagues who are paid above the maximum of the new pay ranges will be eligible for maximum non-consolidated pay award of up to 1% per year.

Hypothetical colleague A

Current grade:	REG A
Future job group:	Regulatory
Future level:	Level 9
Title:	Associate
Future salary range:	£30,000 – £48,000
Performance rating:	4

- Colleague A's current salary is more that 20% below the new minimum of the salary range. As a result, their salary uplift to their new pay range will be capped at 20% increase (£4,352).
- As a high-performer, colleague A is also entitled to a 2% salary increase in Year 1 (£522) and Year 2 (£612)
- They are also eligible for a Performance Related Pay increase each year.
- As colleague A has a performance rating of 4 and in year one their salary is below range they are eligible for approximately 6% PRP (£1,598). In year two, their salary is in the bottom third of the salary range so are eligible for approximately 6% PRP (£1,873). In year three their salary remains in the bottom third and again is eligible for 6% PRP (£1,985).
- In year two, colleague A is eligible to be brought to minimum of their pay range. In addition, year two salary ranges are increased by 2%, bringing the bottom of this range to £30,600. Employee A thus receives an uplift of £2,370 to bring them to range in year two.

	Current	Year 1	Year 2	Year 3
Bring To Range	-	£4,352	£2,370	£0
Uplift	-	£522	£612	-
PRP	-	£1,598	£1,873	£1,985
Base Salary	**£21,758**	**£28,230**	**£33,085**	**£35,070**
Manager Allowance	£0	£0	£0	£0
Backdated payment	-	£870	-	-
Total	**£21,758**	**£29,100**	**£33,085**	**£35,070**
YoY Base Salary % Change	**-**	**30.0%**	**17.0%**	**6.0%**
Pension (12%)	£2,610	£3,387	£3,970	£4,208
Flex	£1,398	£1,746	£2,006	£2,194

5 Employment offer in detail

We have included key information about eligibility in each of the following sections. Additional considerations may apply in cases such as those who have recently joined or are about to join the organisation, those under notice, or are on non-standard FCA terms and conditions. Additional information will be shared on Pulse.

Employee grading

The FCA will move to 10 career grades in all, reducing this over time to 9. This will ensure we use job grades consistently across the organisation.

<table>
<tr><th>Contractual grade</th><th>Typical job title</th><th>Proposed mapping</th><th>Final grade level</th></tr>
<tr><td rowspan="2">Director</td><td>Director (ExCo)</td><td>Executive Director</td><td>Executive Director</td></tr>
<tr><td>Director (Divisional)</td><td>Director</td><td>Director</td></tr>
<tr><td>Head of Department</td><td>Head of Department</td><td>Head of Department</td><td>Head of Department</td></tr>
<tr><td rowspan="3">Manager OR Technical Specialist</td><td>Senior Manager</td><td>Senior Manager*</td><td>Senior Manager*</td></tr>
<tr><td>Manager</td><td rowspan="2">Manager OR Technical Specialist</td><td rowspan="2">Manager OR Technical Specialist</td></tr>
<tr><td>Technical Specialist</td></tr>
<tr><td rowspan="5">Associate</td><td>Lead Associate (in a job family with existing Lead and Senior Associate roles)</td><td>Lead Associate</td><td>Lead Associate</td></tr>
<tr><td>Senior Associate (in a job family without Lead and Senior Associate roles)</td><td>Lead Associate or Senior Associate following a mapping exercise</td><td>Lead Associate or Senior Associate following a mapping exercise</td></tr>
<tr><td>Senior Associate (in a job family with existing Lead and Senior Associate roles)</td><td>Senior Associate</td><td>Senior Associate</td></tr>
<tr><td rowspan="2">Associate</td><td>Associate</td><td>Associate (indicated on Workday as level 8)</td></tr>
<tr><td rowspan="2">Junior Associate OR Senior Professional Business Support</td><td rowspan="2">Associate (indicated on Workday as level 9) OR
Senior Professional Support</td></tr>
<tr><td rowspan="2">Administrator</td><td>Senior Administrator/ Professional Business Support (PBS C)</td></tr>
<tr><td>Administrator</td><td>Professional Business Support</td><td>Professional Support</td></tr>
</table>

* No new Senior Manager roles will be created or replaced in the FCA after 1 April 2022, except by agreement with Executive Directors and the Chief People Officer for exceptional circumstances, with the exception of the PSR which will retain the Senior Manager Role as before.

We will retain the existing contractual grade groups shown in the first column. We will rename the Administrator grade group as Professional Support. As is currently the case with the use of different job family levels, the more granular grade levels will continue to be non-contractual in nature.

Colleagues on the Apprentice and Graduate schemes will have the grade levels of Apprentice and Graduate respectively.

How we have considered feedback

We will undertake a review on whether there should be greater differentiation between Professional Support PA roles to better reflect the responsibilities of those who support senior colleagues. This review will be led by Robin Jones and Debbie Gupta, who will report by July 2022. We decided to take this question away and consider it separately because of the amount of feedback we received and because this feedback was mixed. As a result, we want to look at this in more detail but in a time-limited manner to get colleagues answers quickly.

Additionally, we have heard feedback on the naming of the grades. As a result, we have renamed the grade 'Junior Associate' we consulted on. They will now be simply known as Associates.

When we consulted, we said too many management layers risked slowing decision making and reducing empowerment. As a result, we proposed that the FCA would not recruit new Senior Managers. We believe this remains the right decision. However, as the FCA continues to change, we will allow Executive Directors the flexibility to create such roles if justified by exceptional circumstances until April 2023.

However, given the PSR's different structure, where Senior Managers perform a different function to the FCA, they will be able to create and replace Senior Manager roles as they currently do.

We will reaffirm the role of Technical Specialist as a deep technical expert, reporting to either a Head of Department or Director. Our next step will be to create standardised job descriptions for technical specialists, as we will for all grades.

Career families

We will move from 13 job families to four career families:

- Regulatory
- Corporate
- Supervision Hub
- Practising Legal

This simplicity will provide the flexibility we need, allowing colleagues to see and take advantage of wider career paths. This approach finds commonality of experience between those who play different roles.

The new Regulatory career family will be a combination of the 'regulatory' and 'specialist' career families we consulted on. Pay ranges will be modestly broadened as a result, based on the minimum of the regulatory range and the maximum of the specialist range.

All roles will be mapped to one of the new career paths and corresponding pay ranges. The table below shows how roles map into the new career families.

	New career family			
Current job family	**Regulatory**	**Corporate**	**Practising Legal**	**Supervision Hub**
Actuarial	✔			
Communications		✔		
Corporate		✔		
Economics and Research	✔			
Finance		✔		
Facilities		✔		
Human Resources		✔		
Legal and Forensic	✔		✔	
Policy	✔			
Risk	✔			
Regulatory	✔			✔
Technical Services	✔	✔		
Professional Business Support		✔		

How we considered feedback

The feedback we received was mixed. Colleagues recognised the need for our overly complex system to be simplified but were also eager for greater differentiation between job types.

Our current job family structure means that too often, we see ourselves not as regulators but as enforcers, supervisors, policymakers or operational experts, with a complex structure focused on difference rather than on common skills and experience.

A simpler structure will help ensure people are better aware of and able to access different roles, which our current structure may have prevented colleagues from considering. In turn, this should lead to more varied, diverse careers, supporting colleagues' broader development rather than forcing people down narrower career paths.

We agreed with the view expressed that creating a specific 'Specialist' career family was potentially confusing and there were significant boundary issues in a number of areas. By reducing the number of job families and broadening the relevant pay ranges in the new 'Regulatory' career family we are providing flexibility for managers to decide the right pay-level for those with specialist skills, while ensuring these colleagues are part of a career family in which to develop. This decision in response to colleague feedback will mean a small number of colleagues (around 12) who would have received an uplift to the bottom of the Specialist range will receive a smaller uplift than originally consulted on.

We heard detailed feedback, particularly from colleagues in Enforcement, that splitting up the current Legal & Forensic (L&F) job family will impair the operation of multidisciplinary teams in Enforcement. We considered the material submitted to us carefully and judged that an FCA-wide approach was appropriate as multidisciplinary teams exist in a number of Divisions across the FCA and that, for now, a separate Practising Legal job family was justified and necessary. We will keep pay ranges for all job families under review, also in light of our own experience in recruitment.

We recognise the importance of supporting professions within the FCA and, just as Stephen Braviner Roman will act as sponsor and support the legal profession across the whole of the FCA, we will also be asking a number of other senior colleagues to sponsor other professions, including accountants/forensic accountants and actuaries, digital and data colleagues, economists amongst others. We will provide more details about this approach later in the year.

We heard concerns about the maintenance of the Supervision Hub job family as separate from the Regulatory job family. We recognise the critical work the Supervision Hub undertakes to support the FCA's regulatory objectives. However, we also recognise the experience and talent pool drawn on is different from that for other supervisory roles, with different market salary benchmarks as a result. However, we expect Supervision Hub colleagues to be among the biggest beneficiaries from new pay ranges, and the decision to uplift those currently paid less than the minimum.

We also heard concerns about how we described the career families, particular on the use of the word 'services'. We have amended the name of the 'Corporate' career family as a result.

Appeals process

All colleagues will be mapped to an employment grade and a career family, with the results of this exercise shared via Workday on 2 March before taking effect in April 2022. We shared indicative results with colleagues in December during the consultation.

For the vast majority of colleagues, which grade and career family they map to will be straightforward. In a limited number of cases, however, this may be more complicated. As a result, there will be a formal appeals process for colleagues who have reasonable grounds for believing their individual mapping relating to Senior/Lead Associate grades and/or on career family is incorrect. Any appeal is about the results of their individual mapping and not, for example, about the design of the career families and grade levels that someone is mapped to.

In the first instance, colleagues should raise their concern with their line manager or Head of Department. We expect most concerns to be able to be addressed in this way. If this is not possible, then colleagues can complete a Role Mapping Appeal Form, which is available on Pulse, and send it to mappingappeals@fca.org.uk by 5pm on Friday 11 March.

The Appeal will be largely paper-based. However, colleagues can indicate on their Appeal Form whether they would like a short meeting to explain their case. This meeting would be supplementary to the form, which should set out the full details of the grounds for appeal.

Colleagues can request a copy of their job description to support any appeal related to senior/lead associate mapping, which they can do so by emailing mappingappeals@fca.org.uk.

The HR Advisory team will review forms in the first instance to ensure there are reasonable grounds for appeal. Assuming this is the case, a member of the Senior Leadership Team will then review the appeal. The reviewer will not have taken a direct part in that colleague's original mapping process. The reviewer's role is not to repeat the mapping exercise, but to consider any evidence suggesting the original decision was wrong.

Colleagues lodging an appeal will receive the outcome, and the final decision on their mapping, by 14 April 2022.

It is possible that, in a small number of cases, appeals may have a bearing on the mapping of other colleagues who chose not to appeal. If this occurs, the HR Advisory team will be in touch with affected colleagues.

Pay ranges

We have established fair, competitive pay ranges, which are designed around the median average of salaries paid for similar roles based on a benchmarking exercise. These narrower pay ranges ensure there are fewer differences in pay for those performing relatively similar roles.

Manager and Technical Specialist pay ranges are wider. This is to avoid the risk that the consolidation of the Manager Allowance results in colleagues being affected by maintained pay sooner than would otherwise be the case. Please refer to the section on Manager Allowance for further detail on the option to consolidate benefit and its impact on pay ranges from 2024.

We will review the pay ranges annually and are committing to at least a 2% increase in the pay ranges in April 2023.

As part of the transition to the new ranges, individuals will receive an uplift to their base salary subject to meeting or exceeding performance thresholds. That results in around 800 colleagues, all below Manager level, receiving pay rises of, on average, £4,310, before general salary uplifts and performance related pay increases.

We will introduce a cap of 20% increase in salary per year for those who are brought to the minimum of the new pay ranges. 130 colleagues will be affected by the cap. However, of these, around 40 will be brought within new pay ranges as a result of the salary increase and Performance Related Pay in April 2022. That leaves 88 colleagues who will receive their uplift to the minimum of new pay ranges over the next year or more. They will however receive a base pay increase in salary this year of at least 24%.

The FCA has a national role and is committed to a national footprint. We are doubling the size of our team in Edinburgh, we have a small presence in Belfast and Cardiff and we are pushing ahead with an office in Leeds under William Hague's leadership. As we expand across the UK, we believe it is appropriate – as many employers do – to reflect regional differences in labour markets. As a result, we will introduce London and National pay ranges, including for Heads of Department and Directors.

However, we have concluded that the difference between these pay ranges should be a maximum of 10%. Everyone has a geographic office location in their contract of employment. We will use this location to determine which pay structure applies. For existing colleagues based outside London, we will move to the National salary ranges in one-third steps each year, starting in April 2022.

We are increasing the starting salary for our graduate scheme and adjusting the pay of colleagues who started the scheme in 2020 and 2021. Our apprentices and graduates will continue to have their pay managed through structured increases separate to our pay ranges whilst on the respective schemes.

After a 2-year implementation period, from April 2024, colleagues whose salaries sit at or above the maximum of their pay range will see their pay maintained, without further base pay increases or Performance Related Pay until their pay range is adjusted or they move role or receive a promotion.

Colleagues on maintained pay will be eligible for maximum pay award of up to 1% per year. This will not be consolidated into base pay but will be paid as a cash supplement and paid each year, thereafter. This helps ensure base pay remains within a range built around the market median, with those doing similar jobs paid similarly.

As we consulted on, we will not reduce anyone's salary. In Edinburgh, 32 colleagues will receive an uplift to the minimum of the new ranges, subject to meeting performance thresholds. We are introducing a guaranteed base salary increase of 5% from April 2022 for Heads of Department and below and 4% from April 2023 for all colleagues at Manager-level and below clearly meeting their objectives.

Remuneration for the CEO and Executive Directors is reviewed annually by the Remuneration Committee. The Remuneration Committee has decided that there will be no base salary rise this year for the CEO or Executive Directors.

This will come into effect from:

1 April 2022, although the maximum – and maintained pay – will only apply from April 2024

What this looks like in practice

Table to show the new pay ranges, with National ranges applicable only for new recruits

		London 2022/23			National 2022/23		
		Min	Mid	Max	Min	Mid	Max
Senior Leadership	Director	£172,000	**£215,000**	£258,000	£155,000	**£193,500**	£232,200
	Head of Department	£112,000	**£140,000**	£168,000	£101,000	**£126,000**	£151,200
Practising Legal	Senior Manager	£89,000	**£111,000**	£144,000	N/A	**N/A**	N/A
	Manager/Tech Spec	£74,000	**£93,000**	£121,000	£67,000	**£83,700**	£109,000
	Lead Associate	£67,000	**£84,000**	£101,000	£60,300	**£75,600**	£91,000
	Senior Associate	£61,000	**£76,000**	£91,000	£55,000	**£68,400**	£82,000
	Associate 1	£42,000	**£53,000**	£64,000	£41,000	**£51,000**	£61,000
Corporate	Senior Manager	£69,000	**£86,000**	£112,000	N/A	**N/A**	N/A
	Manager/Tech Spec	£57,000	**£71,000**	£92,000	£52,000	**£65,000**	£85,000
	Lead Associate	£50,000	**£62,000**	£74,000	£46,000	**£57,000**	£68,000
	Senior Associate	£43,000	**£53,500**	£64,000	£40,000	**£50,000**	£60,000
	Associate	£38,000	**£47,000**	£56,000	£36,000	**£45,000**	£54,000
	Associate/Senior Professional Support	£26,000	**£33,500**	£41,000	£23,400	**£30,500**	£38,000
	Professional Support	£24,000	**£30,000**	£36,000	£22,000	**£27,000**	£32,400
Regulatory	Senior Manager	£77,000	**£103,500**	£130,000	N/A	**N/A**	N/A
	Manager/Tech Spec	£64,000	**£86,000**	£108,000	£62,000	**£77,400**	£101,000
	Lead Associate	£56,000	**£73,000**	£90,000	£53,000	**£65,700**	£81,000
	Senior Associate	£50,000	**£65,000**	£80,000	£47,000	**£58,500**	£72,000
	Associate 1	£42,000	**£53,000**	£64,000	£38,000	**£47,700**	£57,600
	Associate 2	£30,000	**£40,000**	£50,000	£29,000	**£36,000**	£45,000
Supervision Hub	Associate 1	£34,000	**£42,000**	£50,000	£32,000	**£40,000**	£48,000
	Associate 2	£27,000	**£34,000**	£41,000	£26,000	**£32,000**	£38,000
Graduate	Graduate	£36,000	**N/A**	N/A	N/A	**N/A**	N/A
Apprentice 1	Apprentice 1	£19,000	**N/A**	N/A	N/A	**N/A**	N/A
Apprentice 2	Apprentice 2	£22,000	**N/A**	N/A	N/A	**N/A**	N/A

Table to show the transition of existing colleagues to new National pay ranges, assuming there is no year-on-year increase in the pay ranges

		Year one			Year two			Year three		
		Min	Mid	Max	Min	Mid	Max	Min	Mid	Max
Senior Leadership	Director	£166,000	**£208,000**	£249,000	£161,000	**£201,000**	£241,000	£155,000	**£193,500**	£232,200
	Head of Department	£108,000	**£135,000**	£162,000	£105,000	**£131,000**	£157,000	£101,000	**£126,000**	£151,200
Practising Legal	Senior Manager	N/A	**N/A**	N/A	N/A	**N/A**	N/A	N/A	**N/A**	N/A
	Manager/Tech Spec	£72,000	**£90,000**	£117,000	£69,000	**£87,000**	£113,000	£67,000	**£83,700**	£109,000
	Lead Associate	£65,000	**£81,000**	£98,000	£63,000	**£78,000**	£94,000	£60,300	**£75,600**	£91,000
	Senior Associate	£59,000	**£73,000**	£88,000	£57,000	**£71,000**	£85,000	£55,000	**£68,400**	£82,000
	Associate 1	£42,000	**£52,000**	£63,000	£41,000	**£52,000**	£62,000	£41,000	**£51,000**	£61,000
Corporate	Senior Manager	N/A	**N/A**	N/A	N/A	**N/A**	N/A	N/A	**N/A**	N/A
	Manager/Tech Spec	£55,000	**£69,000**	£90,000	£54,000	**£67,000**	£87,000	£52,000	**£65,000**	£85,000
	Lead Associate	£49,000	**£60,000**	£72,000	£47,000	**£59,000**	£70,000	£46,000	**£57,000**	£68,000
	Senior Associate	£42,000	**£52,000**	£63,000	£41,000	**£51,000**	£61,000	£40,000	**£50,000**	£60,000
	Associate	£37,000	**£46,000**	£55,000	£37,000	**£46,000**	£55,000	£36,000	**£45,000**	£54,000
	Associate/Senior Professional Support	£25,000	**£33,000**	£40,000	£24,000	**£32,000**	£39,000	£23,400	**£30,500**	£38,000
	Professional Support	£23,000	**£29,000**	£35,000	£23,000	**£28,000**	£34,000	£22,000	**£27,000**	£32,400
Regulatory	Senior Manager	N/A	**N/A**	N/A	N/A	**N/A**	N/A	N/A	**N/A**	N/A
	Manager/Tech Spec	£63,000	**£83,000**	£106,000	£63,000	**£80,000**	£103,000	£62,000	**£77,400**	£101,000
	Lead Associate	£55,000	**£71,000**	£87,000	£54,000	**£68,000**	£84,000	£53,000	**£65,700**	£81,000
	Senior Associate	£49,000	**£63,000**	£77,000	£48,000	**£61,000**	£75,000	£47,000	**£58,500**	£72,000
	Associate 1	£41,000	**£51,000**	£62,000	£39,000	**£49,000**	£60,000	£38,000	**£47,700**	£57,600
	Associate 2	£30,000	**£39,000**	£48,000	£29,000	**£37,000**	£47,000	£29,000	**£36,000**	£45,000
Supervision Hub	Associate 1	£33,000	**£41,000**	£49,000	£33,000	**£41,000**	£49,000	£32,000	**£40,000**	£48,000
	Associate 2	£27,000	**£33,000**	£40,000	£26,000	**£33,000**	£39,000	£26,000	**£32,000**	£38,000

How we considered feedback

Colleagues wanted more detail on the benchmarking exercise we undertook to ensure our pay is fair and competitive, relative to the rest of the market.

We commissioned Willis Tower Watson to undertake a benchmarking exercise to inform our approach, but decisions on the pay ranges were made by the Executive and Remuneration Committees.

We recognise that colleagues would have valued more information on Willis Towers Watson's benchmarking than we were able to provide. Their benchmarks are created with data they own, which we were unable to publish. In line with what other organisations in a similar position have been able to provide, including those with fully unionised workforces, on Pulse we have explained the methodology they used in our benchmarking article. We also arranged for Willis Towers Watson to meet the Staff Consultative Committee representatives to provide further background.

More information on the benchmarking would also have been unlikely to provide much more information than is already publicly available about how the FCA salaries compared to those available elsewhere.

We received a significant amount of feedback that we should not differentiate salaries based on location. This was also the Staff Consultative Committee representatives' counterproposal. Colleagues were concerned that different London and National pay ranges did not take account of hybrid working, differences in the cost of living and level of taxation in different locations or the history of the Edinburgh office.

We believe it is appropriate to have different pay ranges based on location, particularly as we intend to expand our non-London presence considerably in the coming years. This reflects the fact that there are differences in pay levels between London and the rest of the UK, even between London and the other capital cities in the UK. This is reflected by most public sector organisations, and also trade unions, offering different remuneration packages depending on whether the role is based in London or elsewhere. In the private sector, differences are also common, though rarely expressed as a 'London weighting'.

However, we have heard the feedback about perceived unfairness for existing colleagues undertaking similar roles and we have narrowed the gap between the London and the National pay ranges to, at most 10%. For some will be lower based on our assessment of market conditions. At consultation, the average gap was 16%.

We have also heard from those on our Graduate scheme that their pay and reward should align better with the new pay ranges. We are proud of the high calibre future talent we recruit at graduate-level. We recognise the concerns raised and, as a result, we are increasing the Graduate starting salary to £36,000.

However, we do believe it is appropriate to pay graduate joiners less than the minimum of the new regulatory associate (level 8 in Workday) pay range, in part because of the likely difference in level of work experience and structured nature of the graduate programme. By the time graduates roll off the scheme, they will be within the new pay range. Additionally, the FCA's graduate starting salary compares well against both public and private sector.

Those who joined the graduate scheme in 2020 will receive an uplift to £37,000, subject to receiving a performance rating of at least 2, to maintain the distinction between their pay and that of those who enrolled in 2021. Those who enrolled in 2021 will receive the new £36,000 starting salary from April 2022. Graduates will still receive their existing 5% pay increases a year each year while on the scheme and, if they meet performance expectations, the additional 2% pay increase available to other colleagues. As graduates and apprentices received a pay increase in the last year, they will not receive the backdated cash payment.

Another concern was that senior leaders were advantaged by the changes relative to less senior colleagues. This is not correct. As a result of the new pay ranges no existing senior leader receives a pay increase to bring them to the bottom of the new pay ranges. Some uplift in the minimum of the senior leader pay range relates also to the proposal regarding consolidation of Manager Allowance. Additionally, if we had kept the minimum of the Head of Department pay range at its current level, it would have meant we needed to reconsider the maximum level of the Manager and Senior Manager pay ranges.

Additionally, Executive Director total remuneration is, on average, now less than it was two years ago and they do not receive the Manager Allowance. Executive Directors did not receive a bonus last year. Directors are also not receiving a bonus this year or any backdated cash payment. Executive Directors will not be receiving a base salary increase this year.

The overall impact of the changes we are making, including to pay ranges, is to rebalance our pay, with greatest focus on those paid the least. We believe this will be borne out by statistics on pay gaps and remuneration ratios as they are published over the coming years.

Some feedback compared pension arrangements, including defined benefit schemes, offered by other regulators, enforcement agencies and the Civil Service with the FCA's non-contributory scheme, which includes age-based contributions up to 12% of salary with the potential for further voluntary contributions to be matched by the FCA. To support colleagues in making an informed view, in December we provided further data on the pension schemes available elsewhere.

As we mentioned in that update, the Civil Service Pension scheme includes both individual and employer contributions and civil servants have an option to join a defined benefit or defined contribution scheme.[1] It's important to consider the required employee contributions that may come out of base pay in any comparisons.

Civil servants are not typically entitled to the wide range of benefits available at the FCA, such as private medical insurance. Other industry-funded regulators, such as Ofcom, offer a defined contribution pension scheme similar to the FCA. The Bank of England offers a defined benefit pension scheme. It is recognised that in some cases the employer contributions at some of these bodies are higher than our typical rate of 12% and some of this may reflect funding for historical pension liabilities. Overall, however, our higher base pay and benefits typically offset this, and by a significant amount in most cases. That is why we consider the FCA reward package overall (including benefits) remains one of the best, if not the best, of any regulator or enforcement agency in the UK.

1 You can find out more about the Civil Service Pension Scheme at the following links:
https://www.civilservicepensionscheme.org.uk/members/contribution-rates/
https://www.civilservicepensionscheme.org.uk/members/defined-contributions/partnership-pension-account/thinking-of-joining-partnership-faqs/

Discretionary Performance Bonus

We do not believe the current discretionary bonus has been effective in supporting consistent, long-term collective or individual performance. It also does not include some vital elements of the remuneration practices we ask of the firms we regulate.

As a result, the discretionary bonus will not be available from 2023 onwards. The last performance bonus in relation to the financial year April 2021 – March 2022 will be paid in April 2022.

We paid £23m in bonuses to colleagues in April 2021, recognising the contribution of FCA colleagues to our work through the pandemic and noting that a number of other organisations, including other regulators, reduced or eliminated their 2020/21 bonus pool.

We took the tough decision to reduce the discretionary bonus pot for the financial year 2021/22 to address budgetary pressure this year and next, the need for investment in our systems, management of contingent risks and because a rise in our fees, higher than the 5.1% increase consulted on, was difficult to justify in the context of increasing regulatory costs, including a 19% increase in the FSCS levy.

This year, the bonus will be paid to those who perform the strongest, receiving 4 or 5 in their performance reviews. In April, colleagues up to and including Heads of Department who receive a performance rating of level 4 will receive 6% bonus. Those with a level 5 performance rating will receive 9%, except for those in current administrator or more junior associate grades who will receive 10%. These bonuses will be based on colleagues' salary average over the last financial year and subject to the normal eligibility criteria that will be shared on Pulse. These bonuses will be in addition to salary increases, Performance Related Pay and the backdated cash payment of 4% of salary payable in April 2022.

However, despite this change, by 2024 our total pay and reward bill per colleague will be higher than for any of the last three years.

When we consulted, we explained we would make a final decision on the discretionary bonus by considering the full package of changes we proposed. With increases in pay for those paid below new benchmarked pay ranges, the introduction of Performance related Pay to help strong performers rise through their pay scales more quickly and with salary increases this year and next, we believe overall our pay offer remains competitive and appropriate, and will support the consistent, strong performance we do not believe the discretionary bonus has successfully delivered.

This will come into effect from:
1 April 2022

How we have considered feedback

Colleagues have fed back that they would like to keep some form of discretionary performance bonus, though there is recognition that it would need to be adjusted or restructured. This was also the Staff Consultative Committee's counterproposal, which focused on maintaining a discretionary bonus of a meaningful monetary amount for outstanding performance, perhaps paid via an additional employer pension contribution.

We carefully considered the concern that those paid the least would be affected most by the bonus coming to an end. However, a discretionary bonus is and always has been variable and there is not, and can never be, a guarantee that bonuses will be available, how many should benefit if they are and by what proportion of pay. Additionally, the bonus does not come with increased benefits, for example pension contributions or increases in the flexible benefits budget. We do not believe, therefore, that a discretionary bonus should be seen or treated as an uplift to salaries.

Instead, we are seeking to rebalance our salaries, with greatest focus on those paid the least. Our benchmarking exercise has shown there is a need to increase the salaries of those who are not currently paid at least the minimum of new pay ranges, benefiting 800 colleagues by, on average, £4,310, if they meet their objectives.

Fair, competitive, benchmarked pay ranges are a better, more sustainable and transparent way of addressing lower pay within the FCA. These pay ranges will be reviewed annually to ensure they remain competitive, and we have committed to increasing them by at least 2% next year.

Feedback, including through the Staff Consultative Committee representatives, questioned the impact of the decision to end the bonus on staff retention and attraction, pointing to the availability of bonuses in the both the private sector and in some other public sector organisations.

We recognise that the FCA will never be able to offer the total pay, including discretionary bonuses, available in parts of the private sector, particularly in the City. However, we have a compelling offer based on competitive salaries, excellent benefits and pension, tough but interesting and rewarding work serving the public, a good work/life balance and excellent career development opportunities, with training and development for all colleagues. This is supported by the fact that our turnover is currently (at 13%) in line with pre-pandemic levels, despite a significant dip during the pandemic, and we continue to successfully recruit for roles at all levels despite a very high vacancy rate across the economy.

The Staff Consultative Committee questioned whether, without the bonus, high performers would be incentivised appropriately, particularly if – after 2024 – they were affected by maintained pay. We recognise the risk and agree monetary benefits can have a role in incentivising behaviour and performance. Strong performance will still be recognised, both through Performance Related Pay and the expanded At Our Best scheme.

Research also tells us that how we work – for example the clarity of responsibilities, autonomy, scope for development, whether we're trusted and delegated to – are vital components of how incentivised we are to do our jobs effectively. We recognise that none of these is the same as a monetary reward, but they allow us to do our jobs better, more productively and with greater pride. That is why we are undertaking a review of decision making and delegation, empowering colleagues, and, also making changes to our performance management framework to ensure greater rigour.

There is also significant research that shows in-the-moment rewards, coupled with regular feedback, are highly effective at incentivising strong performance. That is why we are expanding the "At Our Best" reward scheme, as detailed in the next chapter.

Feedback we received pointed to the Performance Related Pay available in many public sector organisations, including that it works in a similar way to our Discretionary Bonus. However, Civil Service Discretionary Performance Related Pay goes to a smaller proportion of the workforce at a considerably lower percentage than was the case with many of our bonuses and is based on salaries typically much lower than those available at the FCA.

We have, however, considered and taken on board the suggestion regarding a contribution to employer pension pots in the context of our "At our Best" recognition awards (please see next section).

Colleagues also fed back that references to London & Capital Finance in our explanation of why we felt the bonus was no longer sustainable suggested less senior colleagues were 'paying' for the mistakes of the Executive.

The role of discretionary pay is to incentivise performance, individually and collectively. The way the FCA's bonus system had come to work, with significant discretionary rewards paid to the vast majority of colleagues, even to those paid the most within the organisation and high within pay ranges, could not effectively drive consistent, strong performance. Having reached that conclusion, we could not maintain the current approach.

At Our Best recognition scheme

We will reinforce recognition of excellent performance in the moment by tripling the size of the pot available for these awards to £1m annually, an increase from £300,000.

Colleagues will be eligible for single awards up of up to £1,000, up from £300 currently, and a maximum of £2,000 a year. We are investigating whether we can include options for how colleagues receive these awards, for example as cash, in addition to the current vouchers, or as additional employer contribution to their pension pot. The latter builds on a suggestion from the Staff Consultative Committee representatives.

This will come into effect from:
1 April 2022

How we have considered feedback

At Our Best awards are part of our overall total package. Based on feedback that we have received, we have increased the maximum value of individual awards and provided flexibility to receive the award as cash or as a voucher.

We are tripling the overall size of the budget available to allow us to give more awards and recognise exceptional performance.

We have responded to feedback from Staff Consultative Committee representatives by investigating whether colleagues could choose to take awards as an additional employer pension contribution.

We acknowledge that the At Our Best awards are not a substitute for the discretionary performance bonus. They are part of a wider package of rewards within our employment offer. However, we have made the amount colleagues can receive more significant in response to feedback from Staff Consultative Committee representatives.

Salary increases

We will guarantee that everyone at Head of Department level or less senior who at least meets their performance objectives will receive, in total, a guaranteed 5% increase in base pay this year as a result of a combination of the uplift to new pay ranges, 2% general salary increase (which we are confirming), and Performance Related Pay.

We will make a similar guarantee next year, with a base salary increase of 4% for colleagues at Manager/Technical Specialist and less senior through a combination of a generalised salary increase of 2% next financial year, as well as Performance Related Pay and any further uplift for eligible colleagues into new pay ranges.

We will apply base salary increase for Heads of Department who at least meet their objectives in 2023 on a case-by-case basis, considering among other things the scope of their role and pay relative to their peers. The same case-by-case approach will apply for Directors in both 2022 and 2023.

Those who receive a 2 performance rating this year will benefit from 1.5% base salary increase from April 2022 and can be recommended for a further salary increase of a further 1% or uplift to bottom of their pay range (subject to the 20% single year uplift cap) if they are found to have responded well and appropriately to development feedback at the time of the interim review. The additional 1% will be based on the same salary used to calculate the 1.5%, ensuring they receive a total of 2.5%. This will be subject to manager discretion. They will not however receive Performance Related Pay until next year's performance round.

Apprentices and graduates will receive the 2% pay rises this year and next year, subject to meeting or exceeding their objectives, in addition to their 5% structured pay increases.

We will also provide an additional backdated cash payment this year of 4% of salary to colleagues at Head of Department level and less senior who perform strongly, clearly meeting or exceeding their objectives. This recognises that there was no pay rise over the last financial year and reflects the significant effort of colleagues and the external economic environment. This will not be consolidated into future base pay.

This additional cash payment will not be available to graduates or apprentices as they received their structured pay increase this financial year. It will also not be available for those who choose to continue to receive the Manager Allowance rather than consolidate it into base pay.

From April 2024, colleagues – whether based in London or in the rest of the UK – whose salaries sit at or above the maximum of their pay range will see their pay maintained, without further base pay increases or Performance Related Pay until their pay range is adjusted or they move role or receive a promotion.

Colleagues on maintained pay will be eligible for maximum pay award of up to 1% per year. This will not be consolidated into base pay but will be paid as a cash supplement and paid each year, thereafter. This helps ensure base pay remains within a range built around the median average for similar roles in the market, with those doing similar jobs paid similarly. It will also enable us to make progress towards closing our gender and ethnicity pay gaps. We also believe the transition period to April 2024 will enable positive and constructive career development conversations with all affected colleagues and we would anticipate a number of colleagues will get promoted during this period.

This will come into effect from:
1 April 2022

How we have considered feedback

Much of the feedback we received related to the proposed pay increases of 2% this year and next year in the context of increases in the cost of living.

We have made a number of adjustments. For example, we are guaranteeing base pay rises this year for all those in roles less senior than Director who meet or exceed their objectives of at least 5%. Many will receive more as a result of being brought to the minimum of new pay ranges and through Performance Related Pay.

We have also doubled the percentage of the one-off, backdated cash payment due to those at all grades up to and including Heads of Department who meet or exceed their objectives this year.

The Staff Consultative Committee representatives proposed we guarantee that pay increases should always match inflation. However, it is extremely rare in both private and public sector organisations to commit to keeping track with inflation annually. In addition, this may not always be financially sustainable for the FCA given the wider set of financial risks and demands we have to manage. We have however made some adjustments given the current economic environment and will always consider these points are part of our annual review.

Salary increases in the future, as they have done in the past, will take into account market data, inflation and affordability of any increases. The budget available for salary increases will be decided by the Remuneration Committee following recommendations from the Executive annually.

Performance Related Pay

We will introduce Performance Related Pay. As consulted on, this will be based on performance over the previous 12 months and be incorporated into future pay. It will be calculated after any other pay adjustments have been made, excluding the consolidation of Manager Allowance.

We have made changes to smooth the performance matrix to be used this year to address concerns about stepped Performance Related Pay resulting in unintended consequences. The percentages presented below are averages and there will be small differences to smooth the implementation and avoid colleagues on the boundary of a reference point leapfrogging their peers' pay inadvertently despite receiving the same performance grade.

This will be used to calculate Performance Related Pay for those in roles up to and including Head of Department for salaries from April 2022.

In future, the performance matrix will be agreed and communicated each year.

For members of the Senior Leadership Team, in the future, there will be greater flexibility to decide if Performance Related Pay should be paid and at what level, taking into consideration among other things, scope of their role and pay relative to their peers.

	Performance rating				
Position within new pay ranges	**1**	**2**	**3**	**4**	**5**
Below	0%	0%	4%	6%	8%
Bottom third	0%	0%	4%	6%	8%
Mid third	0%	0%	3%	5%	7%
Upper third	0%	0%	2%	4%	6%
Above	0%	0%	2%	4%	6%

For April 2023, there will be greater line manager judgement over performance related pay with an indicative matrix and guaranteed minimum of 2% increase for those colleagues meeting core performance thresholds (in addition to the proposed general 2% uplift, taking the guaranteed minimum increase to at least 4%).

From April 2024, colleagues at or above the maximum in their pay range will be eligible for a maximum pay award of up to 1% per year (Maintained Pay) until their pay range catches up or they move to a role with a higher pay range e.g. promotion. This would not be consolidated into base pay but will be paid as a cash supplement and paid each year, thereafter. This helps ensure base pay remains within a range built around the median average for similar roles in the market, with those doing similar jobs paid similarly.

Those colleagues, so long as they meet their objectives, will however be eligible for the proposed pay increases and Performance Related Pay in 2022 and 2023.

Below is an indicative matrix for 2024, when maintained pay is introduced. Where maintained pay applies, the payment of up to 1% will be as a cash allowance received each year but not consolidated into base salary.

	Performance rating				
Position within new pay ranges	**1**	**2**	**3**	**4**	**5**
Below	0%	0%	4%	6%	8%
Bottom third	0%	0%	4%	6%	8%
Mid third	0%	0%	3%	5%	7%
Upper third	0%	0%	2%	4%	6%
Above	0%	0%	up to 1%	up to 1%	up to 1%

Graduates and Apprentices will not receive Performance Related Pay. Graduates will be eligible for a payment of £2,000 in April 2022 and April 2023, while they remain on the scheme. For Apprentices, the amount will be £1,000. These payments will be dependent on colleagues' performance. Colleagues within the Supervision Hub will continue to receive structured pay increases. These will be taken into account as part of any Performance Related Pay awards.

The Remuneration Committee – as is the case at all regulated firms and most public bodies – will decide the size of the pot for Performance Related Pay each year and the matrix will be adjusted in line with their decisions. The final matrix used in April 2024 will depend therefore on the decision of the Remuneration Committee on size of the pot for Performance Related Pay.

This will come into effect from:
1 April 2022

What this looks like in practice

Our colleague is a senior associate in the corporate career family. They currently earn £62,000. They are rated a 3 performer this year. As a result, they will receive a 2% salary increase. And 2% Performance Related Pay. However, with the 5% guarantee this will be increased, raising colleague B's salary this year to £65,137.

Next year, colleague B is rated a 3 performer again so is due 2% salary increase and as they are paid in the top end of the pay range 2% Performance Related Pay. Their salary from April next year will be £67,769. This is in addition to receiving a 4% backdated pay award of £2,480.

Flexible benefits and pension contributions will be adjusted in line with the increased salary.

From 2024, however, they will be paid above the pay band and so will receive a maximum 1% pay award, which will not be consolidated into salary, under maintained pay.

How we have considered feedback

The most significant concerns colleagues raised were around the annual reviews on which Performance Related Pay is determined. Some colleagues felt that the new performance ratings were difficult to achieve and there was the risk of too much subjectivity, even of favouritism.

Any performance review risks subjectivity. However, the significant attention now being placed on performance management, with more training of both managers and non-managerial colleagues, and the more granular descriptions for each of the five new standards should help ensure the system is more empirical and less subjective. We are very encouraged by the 99% completion rate by deadline of performance evaluations in Workday this year, a sign of how seriously colleagues are taking the performance management process.

What is more, we would expect colleagues to have regular performance conversations so that a performance rating at the end of the year is not a surprise. Where a development plan is agreed with those who are targeting improvement or underperforming, there should be ongoing feedback and which will be a vital part of our expectations of people managers.

There was also a concern about distribution to a performance curve, which gives an indication of the percentage of colleagues expected to fit within each performance description. Again, this is in line with our historic approach. It is also common across employers as a way of smoothing out potential bias and ensuring performance ratings are reasonable.

However, we recognise concern about its potential rigidity. As a result, we have clarified that the performance curve should not be used in smaller teams. It is only applicable to larger groups, for example at divisional level rather than for departments or teams. We have also ensured our leadership understand it is indicative and there is flexibility where deviation from the curve can be supported by evidence.

Others were worried that the system as described in the indicative matrix in the consultation could result in some colleagues pay leapfrogging their peers inadvertently. For example, if someone was paid at the top end of the minimum third in their pay range and received a 4 performance rating, they could receive higher base pay rise than someone at the bottom end of the medium third of the pay range who received a 5 rating. We have therefore smoothed the implementation and the percentages in our matrix are an average of what colleagues will receive to allow for slightly variation to avoid this risk.

Finally, the Staff Consultative Committee representatives recommended that base pay increases should be independent of performance ratings, citing the Makinson report on incentives and rewards in the public sector.

John Makinson made this recommendation so benefits relate only to the relevant performance period. Given the long time horizons for many of our objectives, we do not believe it is as easy to neatly separate out performance in this way. A system that compounds benefits for consistent performance over several years is right for our circumstances. It is also important to note that Mr Makinson's recommendation can only be correctly seen in light of others within his review, which include, for example, that pay incentives should come primarily from efficiency savings.

As a result, we continue to believe Performance Related Pay, adjusted for some of the feedback we have received, is the right approach. Under it, colleagues progress through their pay range, with those performing the strongest progressing faster. Those colleagues consistently demonstrating higher performance in a role should expect to receive pay awards helping them move towards a level of pay that is in the higher part of the range.

Training and professional development

The FCA is investing heavily in its training and support for your professional development. We are also providing additional support, through regular performance discussions, for those who may not be meeting expectations.

For example, we have invested £2.6m of apprenticeship levy funds over the last two years, helping us build the vital skills we need in data analytics, artificial intelligence, finance and risk.

In the last year, we spent over £400,000 on our core training and a further £155,000 on learning available through LinkedIn. We are supporting 27 colleagues work towards certified qualifications through sponsored study. A further 82 colleagues are studying for masters-level qualifications with our support.

We are focused on building manager capacity with £350,000 invested this year in their training, including how to have better development conversations. Through our future manager and advanced manager programmes we are also ensuring we have a healthy pipeline of future senior leaders, while our graduate scheme is best in class.

In total, over 1,600 colleagues took advantage of training we provided last year. We are determined to raise this number, encouraging colleagues to take ownership of their careers and build their skill base.

To further support that, we will create professional colleges – networks of professionals (for example accountants, economics, lawyers, data scientists) coming together to share know-how, experiences and opportunities. Each will be led by a Senior Leader and they will organise profession-specific development opportunities. We will provide further details later in the year.

Manager Allowance

Directors, Heads of Department, Managers and Technical Specialists will have the option of whether they wish to consolidate the Manager Allowance into base salary, at 86% of its current value. This accounts for the resulting impact on pension contributions and flexible benefits. For those aged under 35, the consolidation percentage will be adjusted for slightly lower age-based pension contributions. This takes account of the resulting impact on pension contributions and flexible benefits. Consolidation is only available to those who currently receive the allowance.

This will create two pay options for Directors, Managers, Technical Specialists and Heads of Department:

With Manager Allowance consolidated	Without Manager Allowance consolidated
Base pay will be adjusted to include 86% of the Manager Allowance from 1 June 2022 at the start of the new benefits year, based on its value prior to any salary adjustments in April. Colleagues will have a higher base salary which will increase their benefits and pension contributions. By electing to consolidate the Manager Allowance into base pay it will no longer be payable as a monthly benefit. This would affect individuals who are, or in the future will be on maternity, extended paternity, adoption or long-term ill health. Currently during these periods of absence benefits continue to be paid. For colleagues who have consolidated their Manager Allowance into base pay they will be aligned to the higher published salary ranges. The value of the Manager Allowance used in the calculation will be that prior to any salary adjustments in April.	Manager Allowance continues to be paid the allowance, as they currently are, through the benefits system. Those who choose not to consolidate their Manager Allowance into base pay will have their salary aligned to pay ranges where the top, midpoint and bottom of the pay range are adjusted down. For example, if the top of the pay range is £100,000 or above, it will be adjusted down by £8,600. The mid point and bottom of the range will also be adjusted down by the appropriate amount. Colleagues continue with the current arrangements to pay the manager allowance through the benefits system, unless or until colleagues are promoted. At this point, they will no longer receive the Manager Allowance and move to the new pay ranges, which incorporate the Manager Allowance. Whilst on maternity leave, extended paternity, adoption or long-term ill health the Manager Allowance will continue to be paid as a monthly allowance, unless or until colleagues are promoted . At this point, they will no longer receive the Manager Allowance move to the new pay ranges, which incorporate the Manager Allowance.

As explained above, for those colleagues who choose not to consolidate their Manager Allowance into base pay, there will be adjusted pay ranges that will apply during 2022/23 and onwards. The pay ranges will be lower than for those who choose to consolidate the Allowance, as shown below. Colleagues who choose not to consolidate affected by maintained pay will continue to receive the allowance. Without an adjusted maximum to the pay range, this would lead to the relative disadvantage of those colleagues who had decided to consolidate.

Table to illustrated adjusted pay ranges to allow for retention of the Manager Allowance

		London – 2022/3			National – 2022/3		
		Min	Mid	Max	Min	Mid	Max
Senior Leadership	Director	£172,000	**£215,000**	£258,000	£155,000	**£193,500**	£232,000
	Director (retain manager allowance)	£163,400	**£206,400**	£249,400	£146,400	**£184,900**	£223,600
	Head of Department	£112,000	**£140,000**	£168,000	£101,000	**£126,000**	£151,000
	Head of Department (retain manager allowance)	£103,400	**£131,400**	£159,400	£92,400	**£117,400**	£142,600
Practising Legal	Senior Manager	£89,000	**£111,000**	£144,000	N/A	**N/A**	N/A
	Senior Manager (retain manager allowance)	£79,000	**£101,000**	£134,000	N/A	**N/A**	N/A
	Manager/Tech Spec	£74,000	**£93,000**	£121,000	£67,000	**£83,700**	£109,000
	Manager/Tech Spec (retain manager allowance)	£67,636	**£85,002**	£112,400	£61,238	**£76,502**	£100,400
Corporate	Senior Manager	£69,000	**£86,000**	£112,000	N/A	**N/A**	N/A
	Senior Manager (retain manager allowance)	£63,066	**£78,604**	£103,400	N/A	**N/A**	N/A
	Manager/Tech Spec	£57,000	**£71,000**	£92,000	£52,000	**£65,000**	£85,000
	Manager/Tech Spec (retain manager allowance)	£52,098	**£64,894**	£84,088	£47,528	**£59,410**	£77,690
Regulatory	Senior Manager	£77,000	**£103,500**	£130,000	N/A	**N/A**	N/A
	Senior Manager (retain manager allowance)	£70,378	**£94,900**	£121,400	N/A	**N/A**	N/A
	Manager/Tech Spec	£64,000	**£86,000**	£108,000	£62,000	**£77,400**	£101,000
	Manager/Tech Spec (retain manager allowance)	£58,496	**£78,604**	£99,400	£56,668	**£70,744**	£92,400

The benefits from consolidating the Allowance will compound over time. For example, those who receive a salary in excess of £100,000 and who choose to consolidate the Allowance will see this increase in value to £8944 next year based on the 4% minimum salary increase for those who meet their objectives. This increase would also be reflected in higher pension contributions and flexible benefits.

As outlined above in the pay ranges section, the Manager and Technical Specialist pay ranges have been set as 30% above the median average for similar roles in the market to accommodate the consolidation the Manager Allowance. This is 10% more than the other pay ranges, which have been set at 20% above the market median. This is to avoid the risk that consolidation of the Allowance results in colleagues being affected by maintained pay sooner that would otherwise be the case.

New hires and internal promotions

The Manager Allowance will not be offered to new joiners or on promotion with immediate effect.

This will come into effect immediately for new joiners or managers being promoted. From:

1 June 2022

- **For those who decide to opt in, the consolidated Manager Allowance will be paid from 1 June.**
- **For those who don't opt in, the Manager Allowance will continue to be paid as part of your flexible benefits package.**

What this looks like in practice

In future, all Managers and Technical Specialists will either not have a Manager Allowance as they are a new joiner/newly promoted or they have consolidated, or they still have a Manager Allowance but their salary is aligned to adjusted pay ranges.

Examples	
Example 1: Existing employee who retains their Managers Allowance as a benefit	For a Manager who is a 3 performer and on a base salary of £100,000 by electing not to consolidate their Manager Allowance they will not be eligible to receive the 4% backdated pay of £4,000. Their salary will be increased by 2% £2,000 and they will receive 3% performance related pay of £3,000. Their new salary will be £105,000. They will continue to receive the £10,000 Manager Allowance through flexible benefits.
Example 2: Existing employee who consolidates their Managers Allowance into base pay.	For a Manager who is a 3 performer and on a base salary of £100,000 by electing to consolidate their Manager Allowance they will receive the 4% backdated pay non-consolidated supplement of £4,000. Their salary will be increased by 2% £2,000 and they will receive 3% performance related pay of £3,000. The Manager Allowance will be consolidated into their base salary at £8,600. Their new salary will be £113,600.
Example 3: New joiners or newly promoted	If you are a new joiner or are promoted from the date of this document (1 March 2022), you won't receive a Managers Allowance. Your salary placement will be determined using the new pay ranges.

How we have considered feedback

Following feedback that the consolidation of the Allowance could have a particular impact on those taking maternity or adoption leave, or affected by long term ill health, we are giving colleagues a choice about whether to consolidate it into base pay or retain it as a benefit.

Hypothetical colleague B

Current grade:	L&F D
Future job group:	Practising Legal
Future level:	Level 5
Title:	Manager
Future salary range:	£74,000 – £121,000
Performance rating:	2

- As a 2 performer, colleague B is currently entitled to a 1.5% salary increase in year one (£1,350) and will not be eligible for a Performance Related Pay increase each year, unless their performance rating improves.
- As they are targeting improvement in year one they are not eligible for the guaranteed uplifts of 5%.
- Colleague B's performance will be reviewed at mid-year and has been seen to have sufficiently improved to score a 3. As they are already within range, colleague B will receive a 1% uplift at this point, this is calculated on the salary before Manager Allowance was consolidated. (£914)
- In years two and three, colleague B maintains the score of 3 obtained at mid-year in year one. They are thus eligible for the year two 2% uplift (£2,000) and 2% PRP (£2,040) & year three (£2,081).
- Colleague B currently receives a Manager Allowance and has chosen to consolidate this into base pay at 86% (£7,740).
- As a result of these changes, colleague B will receive an increase of 11% in base salary.

	Current	Year 1	Year 1 Mid-Year	Year 2	Year 3
Bring to Range	-	£0	£0	£0	£0
Uplift	-	£1,350	£914	£2,000	-
PRP	-	£0	£0	£2,040	£2,081
Consolidated Managers Allowance	-	£7,740	-	-	-
Base Salary	**£90,000**	**£99,090**	**£100,004**	**£104,044**	**£106,125**
Manager Allowance	£9,000	£0	£0	£0	£0
Backdated payment	-	£0	-	-	-
Total	**£99,000**	**£99,090**	**£100,004**	**£104,044**	**£106,125**
YoY Base Salary % Change*	**-**	**10.0%**	**0.9%**	**0%**	**0%**
Pension (12%)	£10,800	£11,890	£12,000	£12,000	£12,000
Flex	£4,632	£4,995	£5,031	£5,031	£5,031

Private Medical Insurance

We will continue to provide every colleague with comprehensive individual private medical insurance from the first day of employment.

Our cover will remain comprehensive, it does not exclude pre-existing conditions and provides for quick, straightforward mental health support, which does not require a GP referral. We have enhanced this further by introducing new dedicated mental health provision. A therapist is now also on hand to provide structured confidential counselling support. This will mean colleagues can access support more quickly and conveniently.

Access to the Babylon GP service will remain free from the excess.

We will introduce an excess of £100 for those in Professional Support/Associate (level 9) roles to access the cover, per person insured. The excess payment will be £200 for all colleagues at Associate (level 8) and more senior, per person insured.

The excess will be payable once a year when the insured person receives treatment, regardless of how many claims are made during the 12-month period.

Private medical insurance will continue to be available for close dependants and partners.

This will come into effect from:
1 June 2022
This is the start of the new benefits year.

What this looks like in practice

Our colleague is a Senior Professional Support. They insure their partner under our comprehensive private medical cover.

In July, they needs a knee replacement and pay the £100 excess to receive the treatment. They also access physiotherapy for an unrelated complaint in September. They pay no further excess for this treatment, having already paid the excess within the relevant 12-month period.

Their partner requires treatment for a heart complaint in October. They pay a £100 excess as this is the first time they have received treatment in the relevant 12-month period.

How we have considered feedback

Most of the feedback we received was against the introduction of an excess. The Staff Consultative Committee's counterproposals were to introduce no excess or to introduce a sliding scale of excess starting at zero.

This feedback must be weighed against the increased cost of medical insurance, which has doubled over the last five years. This trend is long-term and not significantly affected by Covid.

To put this valued benefit on a sustainable footing a number of options were available.

The FCA provides comprehensive cover. For example, exclusions are few, including for pre-existing medical conditions, GP services are provided and counselling available. One option was to limit what was covered. However, we believe comprehensive coverage remains a significant advantage to our colleagues and to the organisation.

Many private sector employers provide different cover depending on job grade. However, we are proud that all colleagues receive the same benefits, regardless of seniority.

Some employers provide guided medical cover. This means the insurer tells you which hospital or consultant you should use. While this would reduce the cost of our coverage, we balanced this against the reduction in choice and convenience and decided against the option.

Instead, we believe an excess is reasonable. It reflects the fact that one is payable in those few public sector organisations that provide private medical insurance and in most private companies that offer the benefit. Continuing to offer private medical insurance excess-free would keep us out of step from the market, which is hard to justify.

We considered introducing further differences on the excess payable based on seniority and pay. However, we are not aware of other employers using such an approach. Instead, a flat cost regardless of pay scale is more common and less complex.

We carefully considered feedback that the introduction of an excess disadvantaged women, which was one of the Staff Consultative Committee's concerns. They pointed to our gender pay gap and external research indicating that women have, on average, lower savings. It is for both these reasons that we are introducing a progressive excess, reflecting the fact that women are over-represented in our lower paying employment grades, particularly in Professional Support roles.

We received feedback that the introduction of the excess disadvantaged colleagues with disabilities and those with large families.

We believe these risks are managed by the excess being payable once over a 12-month period per person insured, regardless of how many times each person requires treatment. If a colleague required regular treatment (but not for chronic conditions, which are currently excluded), they would pay no more than a colleague requiring treatment once.

While there are always exceptions, it would be unlikely that all the members of a large family required treatment in same 12-month period. In this unlikely event, we do not think the modest excess would deter colleagues from seeking treatment their family needed.

We also considered the Staff Consultative Committee representatives' request to consult again on this measure. However, the Staff Consultative Committee representatives' survey suggests the vast majority of colleagues understood the proposal consulted on, even if they disagreed with it. However, colleague feedback has allowed us, for example, to further clarify how the 12-month period will work.

We believe the two levels of excess are unlikely to deter colleagues or their dependents and partners from seeking treatment they need, particularly if they can receive private treatment quicker than would otherwise be the case.

There are other elements of our final offer which are beneficial to colleagues, in particular the significant increase in the backdated cash payment for colleagues meeting core performance objectives. For most colleagues, this increased payment will significantly exceed any excess payment that may need to be made in the coming year.

Dependants' Pension

We are seeing a reduction in relevant insurers in the market who are able to offer us this product going forward. Rising costs also mean the Dependants' Pension is not financially sustainable for the FCA/PSR. Since 2015, costs have increased from £1.4m to £3.9m – with a premium increase of 16% in 2021. The current economic conditions along with a reduction in relevant insurers in the market mean premiums are likely to continue to rise significantly in the future. As a result of the reducing number of providers and rising costs, we need to manage a move to an alternative. Additionally, the current Dependants' Pension is not an inclusive benefit and does not cater for colleagues who do not have a spouse or dependant children.

As a result, it will be replaced with an increased life assurance.

The current 2x salary employer-funded life assurance, which includes the option to increase up to 4x salary under the flexible benefit scheme, will increase to 8x salary, with the option to increase for colleagues to increase to 10x, through the flexible benefits pot.

The increase of the life assurance benefit will ensure that our colleagues have a good level of insurance while ensuring that it is financially viable for us as an organisation.

Our final salary pension scheme closed to future accruals in 2010. A commitment was made to affected colleagues that they would continue to be eligible for the Dependants' Pension, while they remained employed with the FSA/FCA. We will keep this commitment to the 130 affected colleagues and this is funded through the FCA Defined Benefit pension scheme. However, the affected colleagues will also have the option to choose to have the 8x salary life assurance instead.

This will come into effect from:

1 June 2022

This is the start of the new benefits year.

What this looks like in practice

The table below provides a number of different scenarios showing the difference between the current benefit and the proposed new benefit.

	Scenario	Current death in service benefit *	New death in service benefit
Employee A	Employee A is 36 with no dependant partner or children. Currently on a salary of £40,000, elects core life assurance at x2 and pays voluntary contributions into the pension scheme.	Should employee A die in service now then they do not have a dependant partner or children so no pension is payable. Life assurance payment of £80,000 will be made and the value of additional pension contributions paid into the pension scheme will be returned. Dependant pensions are taxable in line with individual personal taxation.	Under the proposed replacement of death in service benefit employee A's estate or nominee will receive life assurance payment of x8 £320,000. The value of additional pension contributions paid into the pension scheme will be returned. The life assurance payment is paid as a tax-free lump sum.
Employee B	Employee B is 25 and has a dependant partner who is 26. Currently on a salary of £30,000, elects core life assurance at x2 and pays no voluntary contributions into the pension scheme.	Should employee B die in service now then their partner will be provided with a pension equivalent to 1/3 of their salary, £10,000 per year until their death. Assuming that they live to 80 the notional amount paid out will be £10,000 x 54 = £540,000. A life assurance payment of £60,000 will also be made. Dependant pensions are taxable in line with individual personal taxation.	Under the proposed replacement of death in service benefit the employee's estate or nominees will receive life assurance payment of x8 £240,000. The life assurance payment is paid as a tax-free lump sum.

	Scenario	Current death in service benefit *	New death in service benefit
Employee C	Employee C is 45 and has a dependant partner who is 45. They have two children who are 10 and 12. Currently on a salary of £60,000, elects core life assurance at x2 and pays voluntary contributions into the pension scheme.	Should employee C die in service now then their partner will be provided with a pension equivalent to 1/3 of their salary, £20,000 per year until their death. Assuming they live to 80 the notional amount paid out will be £20,000 x 35 = £700,000. Dependant child pension will be paid out based on 1/6 of annual salary, £10,000 per annum until they reach 18 or 23 if in Fulltime education. Assuming each child stays in education until 22 then this would equate to a notional amount of £10,000 x 10 = £100,000, £10,000 x 12 = £120,000. A life assurance payment of £120,000 will also be made. The value of additional pension contributions paid into the pension scheme will be returned. Dependant pensions are taxable in line with individual personal taxation.	Under the proposed replacement of death in service benefit the estate or nominees of employee C will receive life assurance payment of x8 £480,000. The value of additional pension contributions paid into the pension scheme will be returned. The life assurance payment is paid as a tax-free lump sum.
Employee D	Employee D is 57 and has a dependant partner who is 65. They have two children who are grown up. Currently on a salary of £90,000, elects core life assurance at x2 and pays voluntary contributions into the pension scheme.	Should employee D die in service now then their partner will be provided with a pension equivalent to 1/3 of their salary, £30,000 per year until their death. Assuming that they live to 80 the notional amount paid out will be £30,000 x 15 = £450,000. A life assurance payment of £180,000 will also be made and the value of additional pension contributions paid into the pension scheme will be returned. Dependant pensions are taxable in line with individual personal taxation.	Under the proposed replacement of death in service benefit the employee's estate or nominees will receive life assurance payment of x8 £720,000. The value of additional pension contributions paid into the pension scheme will be returned. The life assurance payment is paid as a tax-free lump sum.

** Dependant pensions and Child pensions increase in line with RPI annually once in payment, capped to a maximum of 5% per annum.*

FCA/PSR Official

How we have considered feedback

We considered the feedback that the salary multiple should be higher.

Typically, the market standard core provision is 3x or 4x, with employees able to flex to 7x or 8x.

The majority of the regulatory community who participate in the Civil Service Pension Scheme are provided with 2x life cover and a dependent death in service pension.

As a result, we increased the multiple from 6x included in the consultation document to 8x salary.

We also carefully considered feedback that we should not bring this change forward, but delay it if there is any chance we may consult on our pension arrangements in future. We do not think this is a desirable option, given the maintenance of the dependants' pension is financial unsustainable now, with only one insurer in the market and very high and growing premiums. The changes affect the dependants' pension as a separate insured benefit.

Pension opt-out

We will increase the pension opt-out rate from 9% to 12% for those affected by Lifetime Allowance, Fixed Protection and Tapered Allowance and taking a cash payment in lieu.

We will continue to explore the implications of this change recognising that there may be challenges due to age related payments.

How we have considered feedback

We received feedback that this change disproportionately benefitted senior colleagues.

Most colleagues typically receive an employer pension contribution of 12%. A decade ago, in order to incentivise pension saving, the FCA set a rate of 9% for those who opted to take a cash payment in lieu of the employer pension contribution. Since then, however, pensions rules and thresholds have changed significantly. As a result, for a number of colleagues it is potentially financially punitive to save the full 12% of employer contribution, even if they wanted to do so.

There can be all kinds of reasons, depending on a colleague's career history and personal circumstances, not just in relation to the size of their existing pension pot, which means a full 12% employer contribution will not make financial sense for them. This has created a potential unfairness and disparity in our system, which we are now proposing to address.

Across the FCA and PSR at all levels there are around 40 colleague who have opted to receive the current 9% supplement in lieu of the employer pension contribution having reached their Lifetime Allowance in pension savings or because they have fixed protection.

If these colleagues had chosen to remain in the pension scheme, then the employer contribution would have been 12% plus any additional matched contributions up to 3%. We are also hearing from more colleagues that they are at risk of reaching their lifetime limit. A smaller number of colleagues are affected by Tapered Allowance also choose to receive part of their pension as a supplement in lieu.

The total cost of making this adjustment for affected colleagues, assuming they maintain the opt-out is less than £0.1m.

We also considered the fact that the opt out rate at other, similar organisations, for example the Bank of England is higher. However, we believe there to be significant advantages to colleagues in saving for their retirement through the generous FCA pension scheme.[2]

2 The opt out rate for Bank of England staff is 23% and 20% for Governors: https://www.bankofengland.co.uk/-/media/boe/files/annual-report/2021/boe-2021.pdf?la=en&hash=965204F6565CB8CAD29A86E595CB7F02E8A54E07#page=83

Wider pension scheme

We do recognise the scale of the changes we are making on pay and reward. As a result, in response to colleague feedback, we can confirm that we will not consult on any further changes to our pension scheme benefits for existing colleagues for at least a year. We will start to look at the structure of how we manage our pension scheme within the next 12-18 months and consider whether we continue with a 'master trust' arrangement. This will not review the scale of contributions for current employees and will only look at the legal form our pension plan takes.

This will come into effect from:
1 April 2022

6 Approach to consultation

The purpose of the consultation was to involve employees in a meaningful two-way conversation on the rationale and detail of a proposed new employment offer. Colleagues' views on the proposals were welcome, allowing for a genuine sharing of ideas and information.

Conducting a meaningful consultation

The extensive consultation document included comprehensive details about the proposed changes. Through the 90-day consultation period, we fully met the requirements for a consultation for the nature of the employment related changes we are proposing. In addition, through working with our employment law advisors we ensured we have gone beyond what is legally required.

We decided to consult fully on all aspects of our package. We feel strongly that we should have a transparent and constructive conversation about the type of organisations the FCA and PSR should be and the offer we make as an employer is an essential part of that. The quality of the feedback colleagues have given us demonstrates how much you care about the FCA and PSR and show it was the right decision to consult with you on all changes proposed, even where there was no legal requirement to do so.

Ensuring colleagues could make informed decisions

A significant amount of additional information was also shared with colleagues so you could actively participate in the dialogue and share informed feedback around whether you believed the offer was fair. For example, following feedback we provided a calculator to ensure colleagues were able to understand how the changes affected them.

Over 580 of your questions were answered on Pulse, with each answer reviewed by Executive Directors. In addition, we published articles covering private medical insurance, mapping senior and lead associate grades and career families, indicative mapping results, graduates and apprentices, benchmarking- market informed pay ranges, Manager Allowance, new employee offer calculator, professional business support, Equality Impact Assessment, proposed changes to pay ranges, performance related pay, responding to feedback from the SCC and possible adjustments to proposals in response to your consultation feedback.

Where there were limits on what we can share (such as on benchmarking where the proprietary data is owned by a third party and as such not available for us to share), we aimed to provide as much information as possible and answered questions where we were able.

We also worked on the mapping of individuals to their career family and pay range, and the mapping of senior associates into senior or lead roles, to share indicative results before the end of the consultation as requested by employees. ExCo shared an article on 'listening and responding to consultation feedback', signalling some of the adjustments it was considering, and published a response to the SCC's interim report along with other articles which supported a continuous dialogue with employees.

We received 4,500 responses through the feedback tool, 2,200 emails to the team and 700 comments were captured from the 77 meetings hosted by Executive Directors. All of this information has been reviewed by the Executive Committee. The Board and its Remuneration Committee has been regularly updated.

Over the course of the consultation, senior management met the SCC reps three times a week and the FCA COO held a weekly discussion with the SCC's co-chairs. In addition to meeting Nikhil, our Chief People Officer and meetings between Executive Directors and divisional SCC reps, ExCo discussed the consultation with the whole SCC on three occasions.

We are therefore of the view that we have consulted in a comprehensive and meaningful manner, we have listened to and considered all representations made during that process and have made a number of modifications to our original proposals as a result. This consultation process was undertaken in good faith and was motivated by a genuine desire to ensure transparency and clarity and to facilitate meaningful, constructive engagement from our employees. We thank you for your participation in the consultation process.

The proposals as set out in this document are clearly described in generic terms. We strongly encourage you, therefore, to take the time to read the document and use the calculator to see how the changes affect you. If you have further questions, please speak to your Executive Director, Director or Head of Department or email employmentoffer@fca.org.uk.

FINANCIAL CONDUCT AUTHORITY

PSR Payment Systems Regulator