FINANCIAL CONDUCT AUTHORITY

Payment Systems Regulator

Proposed changes to your grading, pay structure and benefits

Your proposal and consultation guide

21 September 2021

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1 Letter from the FCA CEO

Dear Colleagues,

At the FCA we are justly proud of our achievements and purpose in serving consumers and protecting the UK's financial system. That purpose has never been more evident than in the last 18 months, when the FCA rapidly put in place extraordinary measures to support consumers and markets during an unprecedented global health and economic emergency.

As our work since March 2020 shows, the environment around us grows more complex and challenging. But our commitment to fairness and integrity, to improving the way markets work and to minimising harm to the public interest remains constant.

That commitment requires us always to consider how we can improve how we operate.

As part of the transformation work already underway to help ensure we can perform to a consistently high standard – to ensure we are an adaptive, innovative and assertive regulator, as set out in our Business Plan in July – we are now proposing changes to the offer we make as an employer.

When I joined the FCA a year ago, I heard that a number of the changes we're now proposing have been under discussion for many years, with colleagues keen to see progress. Now, with full Board support, we believe is the right time to consult you on them.

To be successful, our offer must:

- Provide fair pay at all levels.
- Incentivise strong performance.
- Simplify and make transparent our pay ranges and job families.
- Assist career development and mobility.
- Ensure we can continue to offer the benefits colleagues most value.
- Support our diversity and inclusion objectives, including on an ongoing basis making progress tackling pay gaps.

The proposals are not primarily driven by saving money. But, together, the package must of course be financially sustainable.

Even where not driven by financial considerations, we are proposing to make tough decisions, not least on the future of the discretionary bonus.

This has been in the form of an annual one-off cash payment. It has been available to all, including to the most senior colleagues.

We are concerned, however, that such one-off rewards have not been effective at driving consistent individual or collective performance, particularly when so many objectives and outcomes have multi-year time horizons.

Furthermore, the payment of significant cash bonuses risks undermining confidence in the FCA.

The bonus does not include some key elements that we ask of those firms we regulate, for instance clawback or deferred payment mechanisms for senior colleagues.

What's more, it has become increasingly difficult to justify these one-off payments following the publication of two independent reviews, which found that we acted too slowly and with insufficient creativity and assertiveness to prevent harm to consumers. This is particularly so when bonuses are paid to the vast majority of staff and not just those who have performed exceptionally.

As a result, we are proposing that the discretionary bonus, from next financial year, will no longer be available.

We recognise the impact of this proposal.

However, it is important we place it within the context of the new employment offer we are making.

This offer ensures the FCA continues to provide one of the best employment packages of any regulator or enforcement agency in the UK.

Our offer focuses on improving base pay for those who meet their objectives and are in lower pay brackets or paid below or at the lower end of our pay ranges.

To ensure our offer is competitive, we have undertaken a rigorous benchmarking exercise, looking at public and private sectors, financial and professional services, and in London and the whole of the UK.

This is vital. For the FCA to operate effectively, we need your skills and commitment. We know that many of those skills are in high demand and that you have a choice of employer. To attract and keep those skills here, we need an offer that measures up to what is available elsewhere, balanced against the need to offer value for money and commitment to our public purpose.

As a result, we are proposing new, simplified salary ranges. These will be reviewed annually so they remain in line with the market.

For the first time, we are also proposing different pay ranges for those based outside London to reflect geographically diverse labour markets. This move would bring us in line with many other employers. This is vital so we can reconfirm our commitment to our Edinburgh office, with a planned doubling of roles, look to set up an office in Leeds, as well as establishing a presence in Cardiff and Belfast, reflecting our commitment as a national regulator for all of the UK.

With these new, narrower pay ranges we want to ensure all colleagues are fairly paid, with less difference between those who perform similar roles and regardless of which part of the organisation they work. That has not always been the case.

The sheer complexity of our current system with 77 job families made pay comparisons more difficult, hindering the achievement of our diversity and inclusion objectives.

That complexity has also made career flexibility and moves around the organisation too difficult.

We would like to see far greater mobility across divisions in the FCA and we believe our proposals will make movement across the organisation far easier.

We propose bringing all those who perform strongly, clearly meeting or exceeding their objectives (i.e. rated 3, 4 or 5 in our new performance grading system) this year within new pay scales if they are currently paid less than the minimum of the new ranges. We expect over 800 colleagues, the overwhelming majority in Professional Support or Associate grades, to receive a base salary increase as a result, with an average rise of £3,800.

In addition, those clearly meeting or exceeding their objectives (i.e. rated 3, 4 or 5), will receive a proposed 2% increase in base pay from April 2022 and a similar 2% base salary increase is also proposed to be available from April 2023, provided performance is maintained.

For colleagues below Manager/Technical Specialist level who perform strongly, clearly meeting or exceeding their objectives (i.e. rated 3, 4 or 5 in our new performance grading system) this year, we also propose to backdate the 2% pay increase to April 2021, and pay it as an equivalent, one-off cash payment in April 2022.

The proposed introduction of Performance Related Pay will provide incremental increases in base pay for those who perform consistently. Not only will it take account of performance but also position within pay range. This would mean those paid the least within their pay band and who meet or exceed their objectives will see faster increases in their base pay, tackling longstanding concerns about fair pay progression.

Performance Related Pay won't alone address the issue of fair recognition for strong performance, an issue I've heard raised by many colleagues along with concerns about our bonus gap. However, along with the introduction of a new performance management framework, closer attention to the quality and openness of the career conversations we have and line manager attention, it helps set the preconditions.

We will reinforce in-year recognition of excellent performance in the moment by tripling the size of the pot available for At Our Best awards to £1m annually.

Put together, our proposals mean a colleague in the Supervision Hub currently on £25,000 a year, who consistently meets their objectives, will receive a 26% increase in base pay over three years.

Finally, in order to maintain the benefits we offer, we are proposing a number of adjustments to take account of a changing market. These are vital if these benefits are to be sustainable for the long term.

We now need to hear your voice.

We have the opportunity for a conversation about what sort of organisation the FCA should be, of which our employment offer is a vital part.

We will explain the detail, listen to your response and take careful account of the views you share.

There is a huge amount of detail in these proposals. We plan to give you a week to absorb them before opening our online feedback questionnaire, which will be available from 28 September. This reading week also ensures the Staff Consultative Committee representatives have two weeks from receiving the draft consultation document to prepare to support you.

We look forward to working with the Staff Consultative Committee representatives and colleagues in all corners of the FCA in conducting this conversation honestly, objectively and respectfully. And, of course, we will share and discuss the outcomes with you in the New Year.

Thank you.

Nikhil Rathi

Nikhil Rathi
Chief Executive, the Financial Conduct Authority

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

Dear Colleagues,

This summer the FCA published its Business Plan and the PSR issued its proposed Strategy. Both organisations set out an ambition to become forward-looking, proactive regulators – more innovative, more assertive and more adaptive.

The extraordinary performance of colleagues over the last 18 months supported millions of our fellow citizens and hundreds of thousands of businesses, large and small, through the pandemic. It is clear we've learnt lessons from our response to the pandemic, with greater pace and assertiveness coming through in our day-to-day work. But it's also clear there is still untapped potential in our people which we need to unlock if we are to achieve our ambitions. We have great people, but they are not always given the opportunities they deserve and which we need them to take.

To achieve that, we need a career offer which attracts and retains diverse talent, with fair pay at all levels, recognition of strong and exceptional performance and open conversations where performance does not meet expectations. We need to ensure that all our people can develop to their potential with the opportunity to progress. We need to ensure that we have structures which support mobility and agile working – something that will be particularly important as we build our presence in the nations and regions of the United Kingdom.

The current complexity inhibits mobility, reinforces silos and narrows career paths. This, along with a bonus that is currently paid to almost all, has not helped us deliver our objectives and the expectations our stakeholders rightly have of us.

So, changes are needed, and your views are essential to ensure the changes are right.

The Remuneration Committee and the Boards of the FCA and PSR have been kept closely informed and fully support this consultation, which starts an important conversation with you all. We will be listening carefully to that conversation.

Thank you.

Charles Randell
Chair

Alice Maynard
Chair of the Board's Remuneration Committee

Our rewards

The aspects of our total package that are part of this consultation are in ***bold italic*** text below.

A compelling employee offer:

- We are an ambitious regulator with a strong reputation on a world stage
- Our people make decisions that matter
- Our people can be sure diversity and inclusion are core values
- Our people have our support to grow professionally and develop
- The physical and mental wellbeing of our people is a priority
- Our people are offered flexibility
- We offer a fair, competitive total package of pay, benefits, pension and facilities

Base pay

Base pay
Competitive salary benchmarked externally and linked to grading structure

Total reward

Total reward = Base pay *plus*
- ***Discretionary annual performance bonus***
- Private Medical insurance
- Group Income Protection
- Life Assurance (2 x salary)
- ***Spouse's Death in Service Pension Benefit***
- ***Flexible Benefits scheme offering many choices***
- ***Manager Allowance for Manager/Technical Specialist grades and above***
- Non-contributory pension
- ***At Our Best recognition scheme***

Total package

Total package = Total reward *plus*
- Annual holiday
- Investment in learning & development
- Professional body membership reimbursement
- Flexible working
- Policies to support parents and carers
- Subsidised restaurant in London
- On site gym in London
- Health assessments
- Virtual GP service
- Employee assistance programme
- New London office, refurbished Edinburgh office, new Leeds base and presence in Cardiff and Belfast

Our guiding principles when re-designing our total reward

The changes being proposed flow from how we think about people, how we need to position ourselves in the market, and what that means for our reward offer. Many aspects of this apply to the needs of the Payment Systems Regulator (PSR); although some are different.

- We want to grow our own talent and we will also continue to bring in expertise and experience from outside at all levels. This reflects the breadth and depth of challenges the organisation faces, our evolving skills needs, how dynamic these are and our relative size.
- We want our reward offer to be positioned so that it's aligned with comparable organisations. The offer will be positioned between the public and private sectors. Our total offer aims to be a compelling package making the most of our purpose and the opportunities we can offer.
- We want to bring in those towards the start of their careers from outside in higher numbers compared to more senior levels. We'll provide varied careers and opportunities for people to grow their career with us and continue to support external secondments to partner organisations. We will promote a strong alumni connection for those who leave, hoping that our most talented alumni may return in future.
- We want our reward offer to support our diversity and inclusion aims, including contributing to the effective and fair reduction in our pay gaps.
- We want to reward performance, measuring the outcomes achieved alongside the behaviours and skills demonstrated. We want supportive and open feedback to be a central part of our performance and reward framework. We will aim to progress the pay of those who consistently contribute the highest performance, so their pay is managed higher in the pay range. We will recognise individual colleagues in many ways – both financial and non-financial.
- We want to use benchmarks that take account of the many and increasingly diverse sectors we recruit and retain talent from, as well as differences that exist between London and the rest of the UK.
- We must ensure we are financially sustainable in the short and long term.
- We want to be able to communicate our offer easily, to both new and existing colleagues, with greater transparency.

3 Summary of our proposals

Salary increase	In 2022, we are proposing that all colleagues who perform strongly, clearly meeting or exceeding their objectives (i.e. rated 3, 4 or 5 in our new performance grading system), below the Senior Leadership Team, will receive a 2% base salary increase in April 2022. In 2023 colleagues who have a performance rating of 3 or above, below the Senior Leadership Team, will receive a further base salary increase of 2% from April 2023. There will not be automatic pay rises for Directors in either year, or Heads of Department (HoDs) in the second year, even where they meet all their objectives. This reflects the focus on those paid the least within the FCA, while providing more certainty for Heads of Department for the next financial year. For colleagues below Manager/Technical Specialist level who perform strongly, clearly meeting or exceeding their objectives (i.e. rated 3, 4 or 5 in our new performance grading system), we propose to backdate the 2% pay increase to April 2021 to be paid as an equivalent one-off cash payment in April 2022.
Contractual grading structure (e.g. Associate)	We propose having 10 grade levels to be used consistently in the future across the organisation, moving over time to 9: • Executive Director • Director • Head of Department • Senior Manager* • Manager or Technical Specialist • Lead Associate • Senior Associate • Associate • Junior Associate or Senior Professional Support • Professional Support * No new Senior Manager roles will be created or replaced after 1 April 2022 in the FCA. This does not apply to the PSR.
Pay structure	We propose to move from 13 job families to 5 career families. Each one will have a set of relevant, benchmarked pay ranges: • Regulatory • Corporate Sevices (which includes Professional Support) • Supervision Hub • Practising Legal • Specialist We will review the pay ranges on an annual basis. Those colleagues paid who perform strongly, clearly meeting or exceeding their objectives (i.e. rated 3, 4 or 5 in our new performance grading system) and are currently paid below the new pay ranges will be moved up to the minimum. We invite views on whether we should introduce a limit on the size of increase in any one year, for example to a maximum of 10%, resulting in a phased approach for some colleagues with any amount above the 10% used to increase salary in the subsequent year(s).

Maintained pay	We propose that those colleagues whose pay is above the maximum of their new pay range will have their pay maintained. If those colleagues meet their objectives, for the next two years, they will still be eligible for proposed pay increases each year, including Performance Related Pay. From April 2024, those colleagues paid above the proposed new pay ranges (which will be reviewed every year against market benchmarks) will be eligible for a maximum 1% of base salary award a year. This would not be consolidated into base pay but will be paid as per cash supplement and paid each year, thereafter. They won't be eligible for further increases in base pay from Performance Related Pay.
London & UK (outside London) salaries	We are proposing that each of the pay ranges will have a London and UK national (outside of London) version. We would use the UK national range for our Edinburgh office (subject to transitional arrangements explained in chapter 8) and when we open a Leeds site as well as our presence in Cardiff and Belfast.
Discretionary bonus	We propose ending the availability of a discretionary performance bonus from 2022/23. Any final Discretionary Performance Bonus payment would be paid in April 2022 for those who outperformed or significantly outperformed (performance ratings 4 and 5) for the performance year 2021/22, up to and including Head of Department level.
Performance Related Pay for 2022/23 and onwards	We propose introducing Performance Related Pay. In addition to the 2% salary increases listed above, colleagues who perform strongly, clearly meeting or exceeding their objectives (i.e. rated 3, 4 or 5 in our new performance grading system), will be eligible to be considered for a Performance Related Pay increase in base pay from 1 April 2022. Those colleagues consistently demonstrating higher performance in a role should expect to receive base pay awards helping colleagues move towards a level of base pay that is in the higher part of the proposed new pay ranges. Performance Related Pay Rise will be introduced in April 2022.
Manager Allowance	We propose to consolidate the allowance into base salary for existing colleagues at 86% of its current value, which takes account of resulting impact on pension contributions and flexible benefits.
Private medical insurance terms	We propose to introduce a yearly, excess payment of £100 or £200 per insured person, depending on seniority, in order to access treatment.
Dependants' Pension	We propose to remove the Dependants' Pension on death in service for all employees and replace it with a higher employer-funded group life assurance multiple.
Pension opt-out arrangements	We propose to 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.

4 Timeline

Consultation timeline

We want to hear your views and ideas throughout the consultation period, which starts on 21 September. We'll be providing lots of different ways for you to do this, so that we can have a ongoing conversation – not just waiting until the very end of the 3 months.

2021

Sep – Dec

21 September 2021
Consultation reading week begins

28 September 2021
The Consultation feedback tool opens

5 October 2021
ExCo townhall session, to respond to your intial feedback

20 December 2021
Consultation ends

Weekly sessions with the SCC to discuss feedback received

Weekly Q&A update

Regular updates and townhall sessions with ExCo

2022

Jan

1st/2nd week of January 2022
SCC formal feedback report to FCA

By end of January 2022
ExCo decision on which proposals to take forward

If our proposals go ahead, we propose to follow this timeline.

Feb

By end of February 2022
You will receive confirmation of the salary ranges and grade you have been mapped to. There will be an appeals process for those Senior Associates confirmed in either a Senior Associate or Lead Associate role following a mapping exercise.

Mar

Apr

1 April 2022
Grading and pay changes introduced

May

Jun

1 June 2022
Benefits changes introduced

5 What's in the consultation

We are proposing changes to the following:

	Limited to a policy or practice	Non-contractual term	Contractual term	Contractual term and statutory consultation
Grading and pay				
Contractual grading structure (e.g. Associate)			4	
Pay structure	4			
Introduction of Performance Related Pay*		4		
London & UK (outside London) salaries	4			
Benefits				
Discretionary performance bonus scheme for 2022/23 and onwards		4		
Private medical insurance terms *Private medical is contractual but the terms of the scheme is non-contractual and at the discretion of the organisation/provider.*		4		
Manager Allowance			4	
Dependants' Pension				4
Other				
Pension opt-out arrangements	4			

* For any individual who is awarded a pay increase following the Performance Related Pay review, that increase will be a contractual term

Pension Scheme

The FCA is committed to offering a pension that provides security in retirement.

Aside from some adjustments to opt-out arrangements, we are not proposing significant changes to the FCA's pension scheme in this consultation.

However, we recognise that our pension scheme has a number of features that sets it apart from those offered by many other employers. For example, the FCA's pension scheme currently does not require employee contributions, which are now a feature of the Civil Service pension scheme and most private sector employer schemes. In addition, the FCA scheme includes age-based contributions, age-based matching, both of which are increasingly less common amongst employers generally, and is operated as a Master Trust.

We need to review how the scheme should work in future, to take account of a changing market and to ensure its long-term sustainability.

We will engage further through a separate, future consultation if, following this review, we believe any changes are necessary.

6 Equality impact assessment

The impact of the base case proposal has been assessed across the different protected characteristic groups. The analysis shows no group is disproportionately negatively affected as a result of the proposed changes.

We believe there are distinct potential benefits to this proposal for the FCA's diversity and inclusion objectives.

In common with many employers, the FCA has gender and ethnicity pay gaps. These gaps are structural in nature, with many ethnic minority and female colleagues in less senior positions. We are making good progress on meeting our diversity targets in the Senior Leadership Team, though we recognise tackling pay gaps will take time. We need also to ensure we have the right pipeline of talent for those below Manager-level and the Senior Leadership Team.

Market benchmarking determined that our pay ranges, although competitive, are too broad and that we needed to raise the minimum salaries of colleagues in more junior roles who perform strongly, at least meeting their stretching objectives. As women and ethnic minority colleagues are more likely to be junior roles they are more likely to receive salary uplifts into our new pay ranges.

For the same reason, women and ethnic minority colleagues should also benefit from the introduction of Performance Related Pay. This aims to quickly progress those paid towards the bottom of our pay ranges and who are consistent strong performers to a level of base pay that is towards the middle and higher part of the pay range.

The impact of Performance Related Pay depends on how the revised performance grading structure and more rigorous approach to performance management is implemented. Women are currently more likely to receive a high performance grading. The same is not true for ethnic minority colleagues. As a result, increased management focus on ensuring fairness and objectivity in performance grades will be vital.

Over time we expect the impact to increase.

Those who are currently paid more than the maximum in the new pay ranges will have their pay maintained from April 2024. Colleagues below the Senior Leadership Team, will be eligible for the proposed pay increase of 2% a year for the next 2 years if they perform strongly and meet their stretching objectives as well as Performance Related Pay. Thereafter, if they still remain above the pay band, any future increase in pay will be capped at 1% and not consolidated into base pay. This will help, over time, to reduce pay gaps within grades.

Beyond the direct impact, the changes are expected to bring greater transparency in how pay is managed, while improving mobility and career development for all colleagues.

The changes we propose will not, by themselves, make the FCA more diverse or inclusive. They will not, alone, close pay gaps, as we also have much work to do to address imbalances in representation across different grades. However, we anticipate these changes leading to a fairer pay system within and across grades.

7 Grading

We're proposing a move to 10 career grades in all, moving over time to 9: a consistent, slimmer, simpler approach that supports our changing role and will help accelerate career development and individual contribution.

We have heard that at various points career advancement can be a challenge, for example to move from a Professional Support role to Associate or from Senior Associate to Manager. The new structure allows for consistent, intermediary grades to make those jumps easier.

We believe there is a benefit from having four levels of Associate used consistently across the organisation:

- Lead Associate
- Senior Associate
- Associate
- Junior Associate

Lead Associate roles will have greater management responsibilities i.e. for people and/or work activities.

We propose to recognise the current overlap of Senior Professional Business Support roles into Junior Associate roles by merging them into one single grade level.

We risk having too many manager layers, which can reduce empowerment and slow decision making. As a result, we propose not appointing anyone new into a Senior Manager role. This change will not apply in the PSR.

We propose reaffirming the role of Technical Specialist as a deep technical expert, reporting to either a HoD or Director. This change will not apply in the PSR.

The table below shows the mapping of current roles to the new proposed grading structure.

<table>
<tr><th>Contractual grade</th><th>Typical job title</th><th>Mapped to</th></tr>
<tr><td rowspan="2">Director</td><td>Director (ExCo)</td><td>1. Executive Director</td></tr>
<tr><td>Director (Divisional)</td><td>2. Director</td></tr>
<tr><td>Head of Department</td><td>Head of Department</td><td>3. Head of Department</td></tr>
<tr><td rowspan="3">Manager OR Technical Specialist</td><td>Senior Manager</td><td>4. Senior Manager *</td></tr>
<tr><td>Manager</td><td rowspan="2">5. 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>6. 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></tr>
<tr><td>Senior Associate (in a job family with existing Lead and Senior Associate roles)</td><td>7. Senior Associate</td></tr>
<tr><td>Associate</td><td>8. Associate</td></tr>
<tr><td>Junior Associate</td><td rowspan="2">9. Junior Associate 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>10. Professional Support</td></tr>
</table>

**No new senior manager roles will be created or replaced in the FCA after 1 April 2022.*

The following table shows a full mapping of all existing job families into the new grades. You can find the current job families and pay ranges on Pulse.

Graduates and Apprentices will continue in roles separate to our grading structure whilst they are on their respective schemes.

	Job families												
Mapped to	**Actuarial**	**Communications**	**Corporate**	**Economics & Research**	**Facilities**	**Finance**	**Human Resources**	**Legal & Forensic**	**Professional Business Support**	**Policy**	**Regulation**	**Risk**	**Technical Services**
Executive Director													
Director													
Head of Department													
Senior Manager		COM E	COR G			FIN F	HR E	L&F E		POL E	REG E		TS F
Manager OR Technical Specialist	ACT E	COM D	COR F	ER D	FAC E	FIN E	HR D	L&F D		POL D	REG D	RISK D	TS E
	ACT E1			ER D1		FIN E1	HR D1	L&F D1		POL D1	REG D1	RISK D1	TS E1
Lead Associate	ACT D										REG C1	RISK C1	
Lead or Senior Associate following mapping exercise		COM C	COR E	ER C		FIN D	HR C	L&F C		POL C			TS D
Senior Associate	ACT C										REG C	RISK C	
Associate	ACT B	COM B	COR D	ER B	FAC D	FIN C	HR B	L&F B		POL B	REG B	RISK B	TS C
Junior Associate OR Senior Professional Support	ACT A			ER A	FAC C	FIN B		L&F A		POL A	REG A	RISK A	TS B
		COM A			FAC B	FIN A	HRA A+		PBS C				
Professional Support					FAC A		HRA A		PBS B PBS A				

Job titles

We know job titles are important and also send a message externally – both to those we interact with and the people we hire. We will therefore consider views on job titles as part of the consultation.

Approach to implementing changes

We propose to make these changes from 1 April 2022.

New hires and internal promotions

Colleagues that join after 1 April 2022 will be graded based on the proposed grades detailed above.

Existing colleagues

Senior Manager	There will be no changes for existing Senior Managers who will remain in role. We will not create any new Senior Manager roles or appoint any new Senior Managers from 1 April 2022. This change does not apply to the PSR.
Technical Specialist	Technical Specialists will continue to play a highly valued role in the FCA. There will be no changes for existing Technical Specialists. We anticipate over time that we will be able to align reporting lines into HoDs or Directors, and that we will in the future need fewer Technical Specialists. As Technical Specialists either move on to other roles in the organisation or leave the organisation, roles would be reviewed, for example to understand whether that role is appropriately designated as a Technical Specialist role in the future. This does not apply to the PSR.
Lead Associate	We will complete a mapping exercise to align Senior Associates to either Senior Associate or Lead Associate roles, for colleagues in job families with only one Senior Associate level currently. We will share more information about the proposed mapping approach with those colleagues involved.
Senior Professional Support	All Senior Professional Business Support roles (COM A, FAC B, FIN A, HR A+, PBS C) will be mapped to the Senior Professional Support and Junior Associate grade. Flexitime will continue to apply for those roles that are currently eligible and is not affected by this change.

Feed back using our online questionnaire

You can feed back on these proposals to grading using our online questionnaire.

8 Career families and pay ranges

77 pay ranges make us too complex, hinders the joined-up thinking we need as a regulator and makes moves around the FCA harder than they should be.

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.

Our pay ranges are currently very broad, from the bottom to top quartile of the market. Wide pay ranges enable large differences in individual salaries.

We have heard from colleagues that this needs to be rectified, particularly to address concerns about higher pay for those recruited into the FCA rather than promoted through it.

We propose moving to 5 career families only: easy to understand, better aligned within the FCA and to the environment we regulate and better for career development. This simpler approach will find commonality of experience between those who play different roles.

New career families	Roles
Regulatory	All roles involving a regulatory skill set
Corporate Services and Professional Support	All general roles across the organisation e.g. Finance, HR, Communications
Supervision Hub	Junior Associate (REG A) and Associate (REG B) roles in Supervision Hub
Practising Legal	Practising lawyers only where this is required by role
Specialist	Roles such as cloud architecture, enterprise systems, data scientists, economists, actuaries and payments specialists

All roles will be mapped to one of the new career paths and corresponding pay ranges. This helps us manage our pay taking into account the different market benchmarks for different roles. The table indicates which roles based on the existing job family structure are likely to map into which potential new career path structure. Roles in some existing job families, such as Legal & Forensic, are expected to fall into more than one new career path depending on the nature of the role.

A full mapping exercise will be undertaken to determine where individuals will be placed if the proposals are taken forward. This is important to ensure we get the right roles aligned to the right career paths and pay ranges. We also know that some people are not currently mapped to the correct job family within our current structure.

	New career path and pay range					
Current job family	**Regulatory**	**Corporate Services**	**Specialist**	**Practicing Legal**	**Supervision Hub**	**SLT Director & HoDs**
Actuarial			4			
Communications		4				
Corporate		4				
Economics and Research	4		4			
Finance		4				
Facilities		4				
Human Resources		4				
Legal and Forensic	4			4		
Policy	4					
Risk	4		4			
Regulatory	4		4		4	
Technical Services		4	4			
Professional Support		4				
HoD						4
Director						4

The proposals 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 worked with a consultancy and, using the benchmarks detailed below, we have determined the market median pay ranges for each career family.

The new pay ranges, which are narrower than was previously the case, are plus or minus 20-30% of this market median.

This will help ensure that there is less difference between those performing similar jobs. Crucially, we want to ensure that all those who perform strongly, at least meeting their objectives, are paid at least the minimum of these new ranges.

We will review these benchmarks every year to make sure they remain appropriate for the FCA's objectives.

The FCA (and FSA before it) has not previously differentiated between the salaries paid to those colleagues based in London and Edinburgh. Those salaries have been calculated by reference to the median pay for financial services roles in London.

To reflect our national role, the FCA is committed to having a truly national footprint.

We are expanding the team in Edinburgh, doubling its size.

We are establishing a small presence in Belfast and Cardiff, where we can communicate more easily with the devolved adminstrations.

We are exploring opening an office in Leeds.

This would give the FCA its first base in northern England, providing access to a wider labour market that has strong financial and professional services, as well as technological, skills.

Our plan is to create an office starting with 100 colleagues, fulfilling core regulatory and technology roles, created through new recruitment.

The intention is to take serviced accommodation initially to take advantage of short and flexible lease arrangements. We expect to welcome the first colleagues to this office by January 2023.

Once we are established in Leeds and it is clear what numbers and functions are to be based there, we will then look to secure a permanent base. We may partner with the Bank of England, which has also announced an intention to expand their presence in Leeds.

As we expand geographically, it is important now to revisit the decision not to differentiate salaries on the basis of location. Many employers offer differentiated salaries, which reflect geographic differences in the cost of living and different labour markets.

Our research shows that although there are small differences in the salaries paid in different locations across the UK (outside of London), there are still similarities. When comparing these UK (outside of London) salaries against London salaries these differences are significant.

For this reason, we are proposing that each of the pay ranges will have a London and UK national (outside of London) version. We would use the UK national for our Edinburgh office and when we open a Leeds site. We have detailed below the benchmarks we've used in deciding on these national pay ranges.

Everyone has a geographic office location in their contract of employment. We will use this location to determine which pay structure applies.

We are proposing London and National pay ranges for HoD and Director levels, with individual benchmarking of roles.

London Pay Benchmarks

New career family	Benchmark
Regulatory	Financial Services London – Regulatory roles
Corporate services	General Industry London – Operational roles
Supervision Hub	Combination of Financial Services London – Contact centre and Financial Services London – Regulatory roles
Practising Legal	Financial Services London – Legal roles
Specialist	Financial Services London – Number of different benchmarks

Proposed London Pay Ranges

The proposed pay ranges below are linked to the new grades we are proposing in the previous section. You can find the current job families and pay ranges on Pulse.

		New Salary Ranges - London		
		Min	Mid	Max
	Director	£172,000	£215,000	£258,000
	Head of Department	£112,000	£140,000	£168,000
Practising Legal	Senior Manager	£89,000	£111,000	£144,000
Practising Legal	Manager or Technical Specialist	£74,000	£93,000	£121,000
Practising Legal	Lead Associate	£67,000	£84,000	£101,000
Practising Legal	Senior Associate	£61,000	£76,000	£91,000
Practising Legal	Associate	£42,000	£53,000	£64,000
Corporate Services	Senior Manager	£69,000	£86,000	£112,000
Corporate Services	Manager or Technical Specialist	£57,000	£71,000	£92,000
Corporate Services	Lead Associate	£50,000	£62,000	£74,000
Corporate Services	Senior Associate	£43,000	£53,500	£64,000
Corporate Services	Associate	£38,000	£47,000	£56,000
Corporate Services	Junior Associate or Senior Professional Support	£26,000	£33,500	£41,000
Corporate Services	Professional Support	£24,000	£30,000	£36,000

		New Salary Ranges - London		
		Min	Mid	Max
Regulatory	Senior Manager	£77,000	£96,000	£125,000
Regulatory	Manager or Technical Specialist	£64,000	£80,000	£104,000
Regulatory	Lead Associate	£56,000	£70,000	£84,000
Regulatory	Senior Associate	£50,000	£62,500	£75,000
Regulatory	Associate	£42,000	£53,000	£64,000
Regulatory	Junior Associate	£30,000	£38,000	£46,000
Specialist	Senior Manager	£80,000	£100,000	£130,000
Specialist	Manager or Technical Specialist	£66,000	£83,000	£108,000
Specialist	Lead Associate	£60,000	£75,000	£90,000
Specialist	Senior Associate	£53,000	£66,500	£80,000
Specialist	Associate	£42,000	£53,000	£64,000
Specialist	Junior Associate	£34,000	£42,000	£50,000
Supervision Hub	Associate	£34,000	£42,000	£50,000
Supervision Hub	Junior Associate	£27,000	£34,000	£41,000

National Pay Benchmarks

New career families	Primary benchmark
Regulatory	General Industry UK – Regulatory roles
Corporate Services	General Industry UK – Operational roles
Supervision Hub	Combination of General Industry UK – Contact Centre and General Industry UK – Regulatory roles
Practising Legal	General Industry UK – Legal roles
Specialist	General Industry UK – Number of different role benchmarks

Proposed National Pay Ranges

		New Salary Ranges - UK		
		Min	Mid	Max
	Director	£144,000	£180,000	£216,000
	Head of Department	£96,000	£120,000	£144,000
Practising Legal	Senior Manager	n/a	n/a	n/a
Practising Legal	Manager or Technical Specialist	£64,000	£80,000	£104,000
Practising Legal	Lead Associate	£57,000	£71,000	£85,000
Practising Legal	Senior Associate	£50,000	£62,000	£74,000
Practising Legal	Associate	£41,000	£51,000	£61,000
Corporate Services	Senior Manager	n/a	n/a	n/a
Corporate Services	Manager or Technical Specialist	£52,000	£65,000	£85,000
Corporate Services	Lead Associate	£46,000	£57,000	£68,000
Corporate Services	Senior Associate	£40,000	£50,000	£60,000
Corporate Services	Associate	£36,000	£45,000	£54,000
Corporate Services	Junior Associate or Senior Professional Support	£23,000	£30,500	£38,000
Corporate Services	Professional Support	£21,000	£26,000	£31,000
Professional Support	Professional Support	£21,000	£26,000	£31,000
Regulatory	Senior Manager	n/a	n/a	n/a
Regulatory	Manager or Technical Specialist	£53,000	£66,000	£86,000
Regulatory	Lead Associate	£46,000	£57,000	£68,000
Regulatory	Senior Associate	£40,000	£50,000	£60,000
Regulatory	Associate	£36,000	£45,000	£54,000
Regulatory	Junior Associate	£28,000	£35,000	£42,000
Specialist	Senior Manager	n/a	n/a	n/a
Specialist	Manager or Technical Specialist	£53,000	£66,000	£86,000
Specialist	Lead Associate	£47,000	£59,000	£71,000
Specialist	Senior Associate	£42,000	£53,000	£64,000
Specialist	Associate	£38,000	£47,000	£56,000
Specialist	Junior Associate	£29,000	£36,000	£43,000
Supervision Hub	Associate	£32,000	£40,000	£48,000
Supervision Hub	Junior Associate	£26,000	£32,000	£38,000

Executive Directors receive a base salary in the current financial year of £300,000, other than the CEO and any Executive Directors already receiving a salary higher than this. They will remain on their current salary. Executive Directors do not receive a bonus or Manager Allowance.

The proposed pay ranges below are linked to the new grades we are proposing in the previous section. You can find the current job families and pay ranges on Pulse.

Approach to implementing changes

We propose to make these change from 1 April 2022.

For those based outside London, we propose moving to the national salary ranges in one-third steps each year, starting in April 2022.

Existing colleagues

Colleagues paid below the proposed new range for their role will see their salary increased into the relevant new pay band range if they perform strongly, clearly meeting or exceeding their objectives (i.e. rated in performance grade 3, 4 or 5). This should benefit over 800 colleagues, primarily Associate and Professional Support colleagues, by, on average, £3,800.

The uplift into the new range will take place in April 2022. This adjustment will happen before any other pay awards.

We invite views on whether we should introduce a limit on the size of increase in any one year, for example to a maximum of 10%, resulting in a phased approach for some colleagues with any amount above this maximum used to increase salary in the subsequent year(s).

Colleagues who have a base salary below the new minimum benchmarks and who do not meet their performance objectives in the current year (i.e. receive a performance grade 1 or 2) can secure pay at the new minimum benchmark from April 2023 if their performance next year is at grades 3, 4 or 5.

For colleagues whose salary is above their proposed new range, salary will be maintained until their pay range catches up or they move to a role with a higher pay range e.g. promotion.

We will not reduce anyone's salary.

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

For subsequent years, colleagues at or above the maximum in their pay range will be eligible for a maximum pay award of 1% per year (Maintained Pay). 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 market median, with those doing similar jobs paid similarly. As the national pay bands are adjusted over the next three years, more Edinburgh-based colleagues may find their existing pay is above their new pay range. In addition, this may affect how much Performance Related Pay is available to these colleagues in 2022 and 2023, should they perform strongly, clearly meeting or exceeding their objectives (i.e. rated 3, 4 or 5 in our new performance grading system).

Separate arrangements for Graduates and Apprentices will continue. The impact of these proposals on these individuals will be shared separately. The practice of having structured pay increases for those joining the Supervision Hub in the early stages of their time in role will continue.

New hires and internal promotions

Colleagues that join after 1 April 2022 will be placed on a salary within the pay ranges, depending on a number of factors, including experience.

Feed back using our online questionnaire

You can feed back on these proposals to pay structure using our online questionnaire.

9 Fair pay and reward to inspire performance

Our evolving role as a regulator in an increasingly complex external environment requires strong performance from everyone at the FCA and PSR. That requires better measurement of our performance, a feedback culture with regular, meaningful and open conversations about career development, as well as a system of reward that recognises consistently strong performance over time.

A new system of measuring performance, which is not part of this consultation, was rolled out this year.

Performance will now be described through the following 5 categories:

Standard	Description
Significantly outperforming (5)	Performance stands out and far exceeds expectations, performance objectives and job responsibilities **and** Role models behaviours demonstrating our values and application of skills **and** Recognised as highest performer compared to peers
Outperforming (4)	Performance consistently exceeds expectations across performance objectives and job responsibilities **and** Role models behaviours demonstrating our values and application of skills
Strong performance (3)	Performance clearly meets stretching performance objectives and job responsibilities **and** Consistently demonstrates behaviours that reflect our values and effective application of skills
Targeting improvement (2)	Inconsistent delivery against performance objectives or job responsibilities **and/or** Not consistently demonstrating behaviours that reflect our values or application of skills needed
Underperforming (1)	Not meeting a number of performance objectives and or job responsibilities **and/or** Not demonstrating behaviours that reflect our values or application of skills needed in a number of situations

These new performance descriptions, along with a more rigorous approach to setting objectives, which is clearer, fairer and capable of being evidenced, will underpin an approach to incentivising high performance and behaviour in line with our values.

Proposed Performance Related Pay would ensure those who perform strongest and are paid the least within their pay band will receive higher pay increases, which will be built into base pay.

To help ensure pay at all levels remains fair and competitive, we are proposing those below Head of Department level and who meet or exceed their objectives receive an increase in base salary of 2% a year. This will apply for both the next two financial years provided objectives are consistently clearly met.

Along with a supportive feedback culture, a structure that allows for more flexible, diverse careers and an environment where training and development are encouraged, the fair pay offer will ensure we can attract and retain those who want to build their career at the FCA.

The FCA offers one of the best employment packages, including pay, of any regulator or enforcement agency in the UK. It will continue to do so under these proposals.

10 Discretionary Performance Bonus

The FCA maintained discretionary bonuses for colleagues in 2020/21 recognising the efforts of colleagues throughout the pandemic. This financial year (2021/22), we have taken the tough decision to reduce the discretionary bonus pot and make access to a bonus available only to our highest performers (i.e. those in performance grades 4 and 5). Executive Directors chose not to receive a bonus last year and Executive Directors and Directors will not receive a bonus in this financial year.

The decision this year was taken because of current financial pressures and risks faced by the FCA in the context of an externally challenging environment.

To be able to effectively protect consumers and markets we need to have the right operational foundations in place to work with.

As a result, we are recruiting new colleagues into our authorisations and technology teams to support a more robust gateway and our operational resilience.

We need also to make a significant investment in our systems and infrastructure to ensure they deliver what consumers and firms expect.

While we increased our fees by 5.1% this year, we judged that further scope for increasing them was limited. Many of the firms we regulate are under the same financial pressure felt by others across the economy and total regulatory costs are up significantly, with a 19% increase in the FSCS levy.

Separate from the decision this year, we need to consider the future of discretionary bonuses.

This decision is not driven by financial considerations, but whether, as currently arranged, discretionary bonuses drive consistent performance and are appropriate given our public duty.

We believe the current discretionary bonus does not support consistent, longer-term performance. As currently configured, the bonus provides reward in the form of a cash payment to reflect performance within year. However, we know that many of our objectives and the outcomes we're seeking, are delivered across a longer time horizon.

The bonus does not include some key elements that we ask of those firms we regulate, for instance clawback or deferred payment mechanisms for senior colleagues.

The confidence risk created by a once-a-year, cash bonus has increased following the publication of two independent reviews, which found that we acted too slowly and with insufficient creativity and assertiveness to prevent harms to consumers.

We are therefore proposing the removal of the discretionary bonus from 2022/23. The last discretionary bonuses would therefore be paid in April 2022 for those who outperformed or significantly outperformed (performance ratings 4 and 5) over the previous 12 months, at Head of Department level or below.

We recognise the potential impact of this proposal. However, we need to ensure that any discretionary awards promote consistently strong performance and are reputationally sustainable.

We need to take into account all relevant matters before reaching a final decision and so the withdrawal of the discretionary bonus will be considered together with the full package of changes we proposing.

Approach to implementing changes

We propose to make this change from 1 April 2022.

Feed back using our online questionnaire

You can feed back on the proposed change to our Discretionary Performance Bonus using our online questionnaire.

11 Salary increase for the next 2 years

We propose a base salary increase, which would be included before any Performance Related Pay award, of 2% a year, each year for the next 2 financial years for all those below Senior Leadership Team level who at least meet their objectives.

Year 1 (2022)	We are proposing that all colleagues who have a performance rating of 3 or above, below the Senior Leadership Team, will receive at least a 2% salary increase. This 2% award will apply even if a colleague is above the top of their pay range.
Year 2 (2023)	We are proposing that all colleagues who have a performance rating of 3 or above, below the Senior Leadership Team, will receive a further salary increase of 2%. This award will apply even if a colleague is above the top of their pay range.

The proposed increase in salary will be calculated after any upward adjustment is made for those whose pay is currently below the minimum of the proposed new pay ranges.

Colleagues whose salary is above their proposed new range will have their salary maintained from April 2024 until their pay range catches up or they move to a role with a higher pay range e.g. promotion. We will not reduce anyone's salary.

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

For subsequent years, colleagues at or above the maximum in their pay range will be eligible for a maximum 1% of base salary pay award per year. 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 market median, with those doing similar jobs paid similarly.

Heads of Department will be eligible for the default increase in 2022, subject to meeting their objectives.

We are not proposing the same default increase for the Heads of Department in 2023 or Directors in 2022 or 2023. Instead their entitlement to any base salary increase of 2% for those with a performance rating 3 or above, will be reviewed, 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.

The impact of these proposals on graduates and apprentices will be shared separately.

Additional cash payment this year for Associate and Support Grades

For colleagues below Manager/Technical Specialist level who perform strongly, clearly meeting or exceeding their objectives this year (i.e. rated 3, 4 or 5 in our new performance grading system), we propose to backdate the 2% pay increase to April 2021 and paid as an equivalent one-off cash payment in April 2022. This will not be incorporated into base pay.

Feed back using our online questionnaire

You can feed back on the proposed salary increases over the next 2 years using our online questionnaire.

12 Performance Related Pay

We want to introduce Performance Related Pay that takes into account both performance and position in pay range. We want to support colleagues to develop and grow so that they can move through the pay range faster. This helps the shift from broad pay ranges and an overreliance on peer comparison, to narrower ranges and more emphasis on position within pay range.

We'll aim to help all colleagues make progress through the range to an appropriate level of pay, with those performing the strongest progressing faster. Those colleagues consistently demonstrating higher performance in a role should expect to receive pay awards helping them get towards a level of pay that is in the higher part of the range.

Pay awards 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 a contractual term.

Performance Related Pay would be calculated after any other pay adjustments have been made.

Performance Related Pay would be available to those who are in roles in grades below Executive Director level.

To help people managers, we will produce a matrix each year of performance ratings and position in range. This will provide a guide to the appropriate pay award. We propose there is flexibility for people managers to use judgement and help correct any anomalies. The final pay award decision will be a judgement made by people managers. HR will support to ensure that this is calibrated fairly across the organisation.

An illustrative example matrix based on a 2% Performance Related Pay budget is shown below.

Pay range positioning / Rating	1	2	3	4	5
Min	0%	0%	4%	6%	8%
Mid	0%	0%	3%	5%	7%
Max	0%	0%	2%	4%	6%
Above	0%	0%	0%	0%	0%

From April 2022, colleagues who are above the top of their pay band will be eligible to receive a pay award for the first two years. For subsequent years, colleagues at or above the maximum in their pay range will be eligible for a maximum award of 1% per year. This won't be consolidated into base salary but will be paid as a cash supplement. This helps ensure base pay remains within a range built around the market median, with those doing similar jobs paid similarly.

The implications for Graduates, Apprentices and structured increases within the Supervision Hub will be confirmed separately.

Approach to implementing changes

We propose to make this change from 1 April 2022.

Feed back using our online questionnaire

You can feed back on the proposed introduction of Performance Related Pay using our online questionnaire.

13 Manager Allowance

All colleagues at Manager or Technical Specialist and above receive a Manager Allowance. The allowance is a contractual benefit and has its origins as a 'car allowance'.

This benefit is 10% of salary, up to a maximum of £10,000 and is added to the flexible benefits figure.

Colleagues can use it to buy additional benefits or take it as cash.

We want to look at the right way forward with this allowance to ensure the employment package we offer is in line with that offered by other employers.

Manager Allowance currently sits outside of base pay. For some colleagues this is not helpful when seeking to secure commitments such as a mortgage or in counting towards a pension.

Therefore, we propose consolidating the Manager Allowance into base salary. This will be done after the 2% uplift has been added (for those rated 3 or above) and any adjustment to salary and any Performance Related Pay rise in the first year.

We propose consolidating the allowance at 86% of its current value, to take account of the increased pension contribution and flexible benefits pot that results from incorporation into base pay.

Approach to implementing changes

We propose to make this change from 1 April 2022.

New hires and internal promotions

We will not offer the Manager Allowance to new joiners or those promoted as part of their benefits package.

Existing colleagues

We will consolidate the allowance into base salary, discounted for costs that are based on a percentage of salary i.e. flexible benefits and pension.

Feed back using our online questionnaire

You can feed back on the proposed consolidation of Manager Allowance using our online questionnaire.

14 What this means in practice

Detailed below is the sequence of the various pay proposals. Each element builds on the last to provide a consolidate increase in base pay.

Sequence	When	Description
1	April 2022	Bring within the new pay bands those colleagues currently paid below the minimum and perform strongly, clearly meeting or exceeding their objectives (i.e. rated 3, 4 or 5 in our new performance grading system). We may introduce a limit on the size of increase in any one year, for example to a maximum of 10%, resulting in phased approach for some colleagues, with any amount above the 10% used to increase salary in the subsequent year(s).
2	April 2022	2% backdated pay increase to April 2021 for colleagues below manager level, paid as a cash payment and not incorporated into base pay.
3	April 2022	2% salary increase for those below Director level who perform strongly, clearly meeting or exceeding their objectives (i.e. rated 3, 4 or 5 in our new performance grading system) and those Directors awarded it on a case-by-case basis.
4	April 2022	Performance Related Pay for those who perform strongly, clearly meeting or exceeding their objectives (i.e. rated 3, 4 or 5 in our new performance grading system) in financial year 21/22.
5	April 2022	Manager Allowance consolidated into base pay.
6	April 2023	2% salary increase for those below the Senior Leadership Team who perform strongly, clearly meeting or exceeding their objectives (i.e. rated 3, 4 or 5 in our new performance grading system) and those Directors and Heads of Department awarded it on a case-by-case basis.
7	April 2023	Performance Related Pay for those who perform strongly, clearly meeting or exceeding their objectives (i.e. rated 3, 4 or 5 in our new performance grading system) in financial year 22/23.

Below are some examples, based on the London pay ranges, to help illustrate this.

Example 1

Current grade:	REG C – Senior Associate
Future job group:	Regulatory
Future salary range:	£50,000 – £75,000
Performance rating:	4

- Their current salary is below the new range so they are brought to the bottom of the range of their new job group and level.
- As a high-performer, entitled to a 2% salary increase in Years 1 and 2. They are eligible for a Performance Related Pay increase each year, until they rise above range.
- Salary has increased to £61,372 by Year 3 – a 33% increase.

	Current	Year 1	Year 2	Year 3
Base Salary	£46,000	£54,060	£58,450	£61,372
Manager Allowance	£0	£0	£0	£0
Total	**£46,000**	**£54,060**	**£58,450**	**£61,372**
YoY % Change	**–**	**17.5%**	**8.1%**	**5.0%**

Example 2

Current grade:	L&F D - Manager
Future job group:	Legal
Future salary range:	£74,000 – £121,000
Performance rating:	2

- Current salary falls within the mid-third of their new salary range.
- As a low-performer, not entitled to a 2% salary increase in Years 1 and 2 and will also not be eligible for a Performance Related Pay increase each year, unless their performance rating improves.
- Currently receives a Manager Allowance. This will be consolidated into their base pay.
- As a result of these changes, they will receive a reduction of –1% in their base pay, with increased pension contribution and flexible benefit because of Manager Allowance consolidation, which is not shown in the figures below.

	Current	Year 1	Year 2	Year 3
Base Salary	£91,000	£98,826	£98,826	£98,826
Manager Allowance	£9,100	£0	£0	£0
Total	**£100,100**	**£98,826**	**£98,826**	**£98,826**
YoY % Change	**–**	**-1%**	**0%**	**0%**

Example 3

Current grade:	REG A - Associate
Future job group:	Supervision Hub
Future salary range:	£27,000 – £41,000
Performance rating:	3

- Current salary falls below the range of their new salary band. This means they will receive a salary raise to bring them into their pay range.
- With a performance rating of 3, they are entitled to a 2% salary increase in Years 1 and 2. In addition to this, they will receive Performance Related Pay increase in Year 1, 2 and 3.
- Overall, by Year 3 they will have received an increase in their base salary of 26% when compared to their current salary.

	Current	Year 1	Year 2	Year 3
Base Salary	£25,000	£28,642	£30,383	£31,598
Manager Allowance	£0	£0	£0	£0
Total	**£25,000**	**£28,642**	**£30,383**	**£31,598**
YoY % Change	**–**	**14.6%**	**6.1%**	**4.0%**

Example 4

Current grade:	REG C - Associate
Future job group:	Regulatory
Future salary range:	£50,000 – £75,000
Performance rating:	1

- Current salary falls within the bottom-third of their new salary range.
- As a low-performer, they won't be entitled to a 2% salary increase in Years 1 and 2. In addition to this, they will not receive Performance Related Pay increase in Years 1, 2 and 3.
- As salary is already in range, they don't currently receive a Manager Allowance and aren't eligible for PRP or the Y1 & 2 salary increase, their salary will not be affected over the 3 years and will remain in the bottom-third of their new salary range.

	Current	Year 1	Year 2	Year 3
Base Salary	£54,500	£54,500	£54,500	£54,500
Manager Allowance	£0	£0	£0	£0
Total	**£54,500**	**£54,500**	**£54,500**	**£54,500**
YoY % Change	**–**	**0%**	**0%**	**0%**

15 Private medical insurance

We provide every colleague with individual private medical insurance from the first day of employment. This allows them to access treatment for a wide variety of medical concerns by obtaining a referral from their NHS GP or Babylon. The benefit is also available for close dependants and partners.

Unlike most other employers offering private health cover, FCA colleagues currently do not have to pay an excess to access private medical care.

To ensure we can can continue to offer this benefit, which we know colleagues value highly, we need to ensure value for money given premium costs have almost doubled over the last five years, while headcount has risen by only 22%.

We propose introducing an excess payment of £100 for those in Professional Support roles and Junior Associates in order to access treatment, per person insured.

The excess payment will be £200 for all colleagues at Associate level and above, per person insured.

These excesses would be payable just once a year if someone needs to access medical treatment. Multiple claims can be made during this period, with no additional excess payment required. The excess would apply to each individual insured.

This will be subject to the ability of the private medical insurer to implement the proposal as consulted upon, however we are confident this will be possible.

Approach to implementing changes

We propose making this change from 1 June 2022. This is the start of the new benefits year.

Feed back using our online questionnaire

You can feed back on the proposed changes to private medical insurance using our online questionnaire.

FCA Official

16 Dependants' Pension

Originating in our previous defined benefit ('final salary') pension scheme we offer some colleagues a linked Dependants' Pension. Under this scheme 33.33% of salary is payable as a death-in-service pension to a financial dependant – a spouse, civil partner, financial dependant or child.

We have experienced rising costs for insuring the Dependants' Pension for colleagues in recent years. Since 2015, costs have increased from £1.4m to £3.9m – with a premium increase of 16% this year. Given the current economic conditions and the reducing number of insurers in the market, we expect premiums to continue to rise in the future.

We also know that our current Dependants' Pension is not an inclusive benefit, as it excludes colleagues that do not have a spouse or dependant children.

We propose to remove the Dependants' Pension for all colleagues and replace it with an increased level of employer-funded group life assurance. This change would be in line with UK market trends and, importantly, available to everyone.

Colleagues already have 2x employer-funded life assurance as a core benefit within their total reward package, with the option to increase this to 4x salary under the flexible benefits scheme.

We propose to replace the Dependants' Pension with an additional 4x life assurance, on top of the existing 2x giving a total of 6x life assurance. Colleagues will still retain the option to increase this benefit to 10x life assurance via their flexible benefits pot.

This does not affect the spouse's and other pensions that may be payable from the scheme on or after retirement date.

Approach to implementing changes

We propose making this change from 1 June 2022. This is the start of the new benefits year.

Feed back using our online questionnaire

You can feed back on the proposed changes to the Dependants' Pension using our online questionnaire.

17 Pension opt-out

We currently allow colleagues to opt out either fully, or partially, in the following situations:

Life Time Allowance or Fixed Pension Protection

Colleagues can opt out of the pension scheme and receive a payment in lieu of the employer pension contributions. The opt-out rate is currently set at 9% whereas employer standard contribution rates into the pension vary up to a maximum of 12%.

Tapered Allowance

If annual earnings are in excess of £240,000, colleagues can elect to have £10,000 of their employer pension contribution paid into their pension plan annually and take the remainder of the employer pension contribution as a payment in lieu at 9%.

If annual earnings are in excess of £300,000, colleagues can elect to have £4,000 of their employer pension contribution paid into their pension plan annually and take the remainder of the employer pension contribution as payment in lieu at 9%.

Background to 9% opt out rate

The 9% opt-out rate was introduced in 2010. Prior to this, colleagues were able to elect to opt out and receive their employers pension contribution as cash. These payments were directly correlated to the age-based pension contribution.

The 9% figure was based on the higher costs to the organisation (the payment attracts employer's National Insurance) and that was a single figure as compared to our pension contribution ranging from 8% - 12%.

All colleagues already receiving a cash payment in lieu of pension were able to continue on their existing arrangement. All new opt outs after 2010 were at 9%.

Proposal

With the reduction of the lifetime pension saving limited now at £1,073,100 for tax years 2021/22 to 2025/26 more colleagues are predicted to reach their Lifetime Allowance over the next few years. We also recognise there are an increasing number of colleagues impacted by the Tapered Allowance.

For colleagues affected by Lifetime Allowance, Fixed Protection and Tapered Allowance and who take some level of cash payment in lieu of pension as a result, we propose increasing the pension opt-out rate from 9% to 12%.

Approach to implementing changes

We propose making this change from 1 April 2022.

Feed back using our online questionnaire

You can feed back on this proposal using our online questionnaire.

18 Consultation process and how to share your views

We want to get these changes right for the future of our organisation. Through the consultation we will work together to achieve the right outcome.

Consultation dates

We will be consulting with all colleagues working at the FCA and PSR for 90 days from 21 September to 20 December 2021.

We really want to hear what you think about these proposals so encourage you to either share your views direct with us or with the Staff Consultative Committee (SCC) Employee Representatives Group. So we capture all feedback fairly and consistently, it's important that during the consultation process you use the feedback methods we've put in place. Collecting feedback through these mechanisms helps us to address questions and get you answers. As a result, we won't be able to accept feedback provided through other mechanisms and won't, for example, allow blogs relating to the consultation to appear on Pulse.

We want to hear your views and ideas throughout the consultation. The feedback tool will enable you to respond on different parts of the consultation separately and at different times.

Feed back directly via our questionnaire

You can provide feedback directly via our online response tool which will be available from 28 September and found on Pulse.

The questions relate directly to each individual proposal.

This feedback will be reviewed and analysed on a regular basis. We will share your feedback on an anonymised basis with the SCC Employee Representatives Group.

Feedback through the SCC Employee Representatives Group

The SCC Employee Representatives will be holding a series of virtual drop-in sessions to hear the views of colleagues across the organisation. Further information about these sessions will be shared by the SCC in due course. You can read more about the SCC's role in the consultation process on the following pages.

You can also send your feedback to the Staff Representatives directly by emailing: [redacted]. The SCC Employee Representatives Group will monitor this mailbox regularly and ensure that this feedback is captured within their feedback.

How to ask questions if you don't understand the proposals

Please look at the Consultation Pulse pages for more information. This will include Q&As, which will be regularly updated.

You may also find it helpful to speak with your manager.

If you are not able to find an answer to your question please email [redacted].

Please note this email address is for clarifying questions about the proposals and not responses to the consultation. You can feedback using the online questionnaire, which will be available on Pulse from 28 September.

We will also be arranging town halls, drop ins with ExCo and with local team managers to answer any questions which you may have about the proposals.

Keeping you updated throughout the consultation period

We will be meeting with the SCC Employee Representatives Group regularly throughout the consultation to share the feedback and ideas we are receiving.

Throughout the consultation period we will use the Pulse site to publish our responses to your questions. Whilst we won't be able to respond to individual questions, we'll respond to themes. We plan to publish these on the Pulse site on a weekly basis.

The SCC Employee Representatives Group will also keep you updated regularly on the feedback they receive.

19 Role of SCC Employee Representatives Group

The Staff Consultative Committee (SCC) Employee Representatives Group (SCC reps) plays a vital role in supporting you to share your thoughts, questions or concerns. This is in addition to direct routes for feedback.

Purpose of the Staff Consultative Committee

The SCC is there to make sure information is effectively exchanged between the organisation and its employees. It is part of the organisation's formal governance structure and chaired by Steph Cohen, as COO. Sandra Paton has just been appointed as deputy chair. The committee is made up of the SCC reps on behalf of employees and senior leaders who are able to share information and listen on behalf of the organisation.

The SCC allows us to test ideas with colleagues and provides opportunities for decisions to be influenced or changed. That often means sharing sensitive information with the SCC reps early. The SCC reps also have regular meetings with many colleagues from the leadership team. More information can be found in the SCC Constitution.

SCC Employee Representatives

SCC reps are elected by you, although sometimes there's a need for the SCC reps to co-opt others to join them. They each represent different areas of the organisation. And they represent all grades within the organisation. They volunteer 10%-20% of their time to SCC activities. During the consultation, this is increasing to 30% for representatives and 50% for the SCC's two co-chairs.

How the SCC reps work with you and the organisation depends on the situation. In addition to providing a route for consultation, or acting as a companion at disciplinary meetings, they are a vital source of information or a sounding board for concerns.

The SCC Employee Representatives and the consultation

The SCC reps are not in a position to negotiate changes to terms and conditions on your behalf. So, as well as a consulting with the SCC reps about the changes we are proposing, we are also consulting individually with you all. Everyone will receive a copy of the proposals and have the opportunity to respond.

We are putting in place support for the SCC reps for the consultation, including training and independent legal advice. We are also making sure they have more time to support you, with the offer of additional resource to assist them.

As well as feeding back throughout the consultation, the SCC reps will publish a report on Pulse setting out a response to the proposals at the end of the consultation.

The aim of the consultation is for a genuine exchange of views and information to achieve the best outcome for the organisation.

FCA FINANCIAL CONDUCT AUTHORITY

PSR Payment Systems Regulator