

GUIDANCE NOTE ON WITHDRAWING THE EARLY RETIREMENT CONCESSION

This note sets out the impact of withdrawing the early retirement concession on the pension benefits of a firefighter member of the 2015 scheme.

Background

1. Following extensive discussions with the trades unions and employers, the Department published a Proposed Final Agreement in May 2012 which included improved early retirement terms for firefighters retiring from age 57.
2. On 19 June 2013, Brandon Lewis MP offered to amend the Proposed Final Agreement to extend the improved early retirement terms. To remain within the cost ceiling set by the Treasury, this meant a corresponding reduction in the rate that a firefighter earns pension in each year in the 2015 scheme.
3. The extension of improved early retirement terms down to age 55 was conditional on the FBU agreeing to these terms. In line with the terms of the proposal, Ministers withdrew the offer following the further period of strike action on 1 and 4 November.

Impact of withdrawing the offer

4. The Proposed Final Agreement calculates the retirement terms for 2015 scheme benefits between the ages of 55 and 57 on the same basis as the New Firefighters' Pension Scheme 2006. However, the early retirement calculation between age 57 and 60 will still be on enhanced terms.
5. In practice, this means that a firefighter retiring from age 57 will receive a larger pension than under the terms of the 19 June offer. Firefighters retiring between age 55 and 57 see a larger reduction in their 2015 scheme benefits. No reduction will apply to a members earned 1992 scheme benefits irrespective of when they retire from the 2015 pension scheme.

Example 1

- A firefighter who joins the 2015 scheme at age 20 and retires at age 60 will get a pension of £19,600. This is an increase of £300 per annum compared to the terms of the 19 June proposal.
- The same firefighter retiring at age 57 would receive a pension of £15,600, an increase of £200 per annum compared to the terms of the 19 June proposal.

Example 2

- A firefighter who joined at age 20, has 10 years service in the 1992 scheme, transfers to the 2015 scheme, and retires at age 60 will get a pension of £21,100, an increase of £200 per annum compared to the terms of the 19 June proposal.
- The same firefighter retiring at age 57 would receive a pension of £17,800, an increase of £200 per annum compared to the terms of the 19 June proposal.

Pension calculator

6. To work out your own, personal pension entitlement under the reforms, a calculator can be found at <https://www.gov.uk/government/publications/firefighters-pension-scheme-reforms-pension-scheme-calculator>.

Actuarial reductions to apply in 2015 scheme

7. The following table sets out the actuarial reductions which will now apply to benefits earned in the 2015 scheme only, if taken before age 60. These will be reviewed regularly with advice from the scheme actuary.

Age of retirement	Reduction to be applied to 2015 benefits
59	4.8%
58	9.5%
57	13.9%
56	44.5%*
55	47.1%*

*Calculated from state pension age of 67. Reductions will be 47.8% at age 56 and 50.3% at age 55 if calculated from a state pension age of 68.

8. Any pension benefits built up in current schemes are fully protected and can be taken at the same age as currently. There will be no reductions to any 1992 scheme benefits earned prior to transfer to the 2015 scheme on retirement and any earned 2006 scheme benefits will be reduced in accordance with the reduction factors applicable to that scheme (if taken prior to age 60).