

Firefighters' pension scheme: further guidance for firefighters

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Firefighters' Pension Reform - the five most frequently asked questions

1. I would transfer from the 1992 scheme into the 2015 scheme. At what age could I retire?

You will have a range of options available to you about when you choose to retire. It is important to understand that you can still choose to retire with your 1992 scheme pension from age 50 if that is your current plan – there is no requirement for you to work until age 60 to take your current pension benefits.

The Department has now published a more detailed set of frequently asked questions for firefighters who transfer from the 1992 scheme to the 2015 scheme, which can be found on page 4 of this document. You can also find out what your personal entitlement will be at different retirement ages on the [pension calculator](#).

2. Will I have to work an additional X years longer for no additional benefit?

For every year that you are a member of the 2015 scheme you will earn more pension, even if you have served for 30 years. This is different from the 1992 scheme which caps the amount of pension that a person can earn at 30 years.

So it is possible for you to continue in the 2015 scheme and earn more pension than you would have been entitled to in the 1992 scheme. You can see what your personal entitlement will be at different retirement ages on the [pension calculator](#).

Will I lose the pension that I transferred in?

If you transferred in pension from another scheme, that will be included in the calculation of your 1992 scheme pension. As you are not limited in the amount of pension that you can earn in the 2015 scheme, if you decided to continue in the pension scheme you may also end up with more pension.

3. Why have you not included commutation in the pension calculator – can you explain how my lump sum will be calculated?

The calculator shows the amount of pension that you are entitled to before you make any decisions about exchanging your pension for a lump sum. You have a choice about the amount of pension that can be commuted for a lump sum and whilst most firefighters commute their maximum entitlement, this may change as firefighters transfer into the 2015 scheme. Further information on commutation can be found on page 11.

4. Why will my pension be reduced in the new scheme if I retire at age 55?

The cost of the 2015 scheme has been calculated on the basis of a Normal Pension Age of 60. If you retire at age 55 then your 2015 scheme pension will be paid for 5 years longer than the scheme has planned on the basis of you retiring at age 60; it will therefore be more expensive as a result.

So, if you retire before age 60, your pension benefits will be adjusted to reflect the additional period for which a firefighter is expected to receive those benefits. The reduction will be calculated on a cost neutral basis so that neither the scheme nor your pension benefits are disadvantaged from early retirement.

If you have any 1992 scheme benefits, these will not be reduced if you take them before age 60 even if you have transferred into the 2015 scheme. The benefits you will have can be worked out on the [pension calculator](#).

5. Why do the transitional protection arrangements not take into account length of service?

The approach taken to public service pension schemes is to provide 10 years of transitional protection from a scheme's Normal Pension Age. The Normal Pension Age in the Firefighters' Pension Scheme 1992 is 55, although firefighters are eligible to retire from age 50 with 25 or more years' service. This is why the 10 year transitional protections for the 1992 scheme apply from age 45. The Proposed Final Agreement provides 4 years of tapered protection for firefighters; this is longer tapered protection than is available for many other public service pension schemes which only provide 3.5 years of tapered protection.

It is not appropriate to use 30 years' service for the transitional protections for the Firefighters' Pension Scheme 1992 as 30 years' service does not provide a firefighter with an absolute right to retire as because the firefighter must also be over the age of 50. This is unlike the police where in the Police Pension Scheme 1987, if an officer has 30 years' pensionable service, they have a right to retire with an immediate pension before age 50.

The transitional protections available to firefighters still mean that that a greater proportion of firefighters are protected than any other large workforce – even more than the police.

How the reforms will affect members of the Firefighters' Pension Scheme 1992 who transfer to the 2015 Scheme

Q1: What are my options for the age at which I choose to retire?

You have a number of options, the three most likely are given below. As you have transferred from the 1992 scheme to the 2015 scheme, you will be entitled to a “two-part” pension. The first part will be based on your pension benefits earned in the 1992 scheme before you transferred to the 2015 scheme and the second part will be based on pension benefits earned in the 2015 scheme.

Where there is a reduction to an element of your 2015 scheme pension benefits because you have chosen to retire before age 60, this is because your pension benefits will be paid to you for longer than has been costed.

The Department has published pension calculators which are designed to work out how the new firefighters' pension scheme 2015 design will affect you. These can be found at

<https://www.gov.uk/government/publications/firefighters-pension-scheme-reforms-pension-scheme-calculator>

Option 1: You can retire at age 50 if you have 25 or more years combined, continuous, pensionable service in the 1992 and 2015 schemes. This means:

- The 1992 scheme pension benefits will be paid immediately, and there will be no reduction to these benefits.
- The 2015 scheme benefits will be deferred. You can choose to receive these benefits in full from your State Pension Age or take these benefits from age 55 (ie before your State Pension Age) at a reduced level.

Option 2: You can retire from age 55 up to age 60. This means:

- The 1992 scheme pension benefits will be paid immediately, and there will be no reduction to these benefits.
- The 2015 scheme benefits will be paid immediately with a reduction to your pension benefits to reflect the fact that they will be in payment for longer.

Option 3: You could retire at age 60. This means:

- The 1992 scheme pension benefits will be paid immediately, and there will be no reduction to these benefits.
- The 2015 scheme benefits will be paid immediately and with no reduction to these benefits.

Q2: What happens to the pension benefits that I have earned under the 1992 scheme if, when I transfer from the 1992 scheme to the 2015 scheme, I choose to stop paying contributions and opt out of the 2015 scheme?

Think carefully about this – it is a good idea to seek independent financial advice before you make any decisions. If you stop paying contributions to the 2015 scheme (ie opt out of the scheme) at any stage before you retire then the link to your 1992 scheme benefits will be broken.

This means that you will not be able to access your 1992 scheme pension benefits until you are 60 as that is the 1992 scheme's deferred pension age.

In addition, the final salary used to calculate your 1992 scheme benefits will be the salary at the point you choose to opt out from the 2015 scheme rather than your final salary at the point of retirement. Any pension benefits earned under the 2015 scheme will become deferred and payable from your State Pension Age.

If you choose to rejoin the 2015 scheme at any point, then your 1992 scheme benefits will remain deferred, and payable from age 60. This is because the 1992 scheme is closed and is not open to re-joiners and therefore you cannot reactivate your membership. Provided that you rejoin the 2015 scheme within 5 years of opting out, then your previous benefits earned in the 2015 scheme will be linked with your new membership of the 2015 scheme and you will be able to take all these benefits at the scheme's Normal Pension Age of 60.

Q3: I was expecting to retire at age 52, after a full 30 years service, and now have to work an additional 8 years until age 60 without accruing any further pension.

This is not correct. As set out above, you can choose the age that you wish to retire. Every year that you are a member of the 2015 scheme you will always earn further pension benefits in that scheme even if that is beyond 30 years of membership. Please see the pension calculators for further information:

<https://www.gov.uk/government/publications/firefighters-pension-scheme-reforms-pension-scheme-calculator>

Q4: What will be the reduction to my 2015 scheme benefits if I choose to retire before age 60?

The percentage reduction that will be applied to your 2015 scheme benefits will depend on your age when you retire. The reduction to apply is set out in the table below. The table shows two sets of reductions:

- The first is based on the 2015 scheme design set out in the Proposed Final Agreement published on 24 May 2012. Any 2015 scheme pension benefits taken before the Normal Pension Age of 60, and between the ages of 55 and up

to 57, will have the reduction calculated from the State Pension Age. Any 2015 scheme benefits taken between the ages of 57 and up to age 60 will have the reduction calculated from the Normal Pension Age of 60.

- The second is based on the Government's revised offer as set out in Brandon Lewis' letter of 19 June 2013 to the Fire Brigades Union. Any 2015 scheme benefits taken between the ages of 55 and up to age 60 will have the reduction calculated from the Normal Pension Age of 60.

	2015 scheme Proposed Final Agreement (24 May 2012)	2015 scheme revised offer (19 June 2013)
Reduction to be applied if pension taken from age exactly:		
59	4.8%	4.8%
58	9.5%	9.5%
57	13.9%	13.9%
56	44.5%*	17.9%
55	47.1%*	21.8%
Accrual rate for the scheme	1/58.7th	1/59.7th

*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.

Note: The actual early retirement factors will be set with reference to advice from the scheme actuary, who will advise on assumptions that best meet the requirements of the 2015 scheme regulations. Factors will be subject to review, for example if new relevant information became available on life expectancies.

Q5: How will my two part pension be calculated?

You will be able to obtain an estimate of the pension benefits that you can receive by using the pensions calculators found at:

<https://www.gov.uk/government/publications/firefighters-pension-scheme-reforms-pension-scheme-calculator>

You will wish to note that the level of pension benefits that you will receive depends on a number of personal factors including:

- the amount of service accrued in the 1992 scheme before you transferred to the 2015 scheme
- the amount of combined continuous service in both schemes
- the age when you wish to retire and
- the final salary at the point you retire.

The **first part** of the pension built up in the 1992 scheme will be calculated as:

- Final salary at the point of retirement, multiplied by
- Length of 1992 pensionable service, multiplied by
- the accrual rate

The accrual rate is the rate at which you build up your pension benefits, expressed as a fraction, and the accrual rate will depend on your total combined continuous pensionable service, in both the 1992 and 2015 schemes. Further details on the level of the accrual rate that will apply is set out in the attached *Annex A*.

The **second part** of the pension built up in the 2015 scheme will be calculated under a Career Average Scheme Arrangement (CARE). Each year a slice of pension will build up based on your pensionable pay in that year multiplied by an accrual rate. The accrual rate is set out in the table at question 4 above. Each year the pension that you have built up will be updated by a revaluation rate. This second part of the pension will be reduced if it is taken before the scheme's Normal Pension Age of 60.

We have provided some worked examples for different scenarios in the Frequently Asked Questions document. This document can be found at <https://www.gov.uk/government/publications/firefighters-pension-scheme-reforms>. A further example is set out at *Annex B*.

Q6: What happens to my pension lump sum arrangements?

Part of a firefighters' pension may be commuted (ie exchanged) for a lump sum. The lump sum arrangements will also be calculated in two parts:

- The pension payable under the 1992 Scheme will be able to be commuted by using a commutation factor, which is based on the current commutation arrangements for 1992 Scheme members. The commutation factors will therefore be calculated in accordance with the relevant commutation tables in force at that time of your retirement.
- The pension payable from the 2015 Scheme will be able to be commuted at a rate of 12:1 – this means that every one pound of pension can be converted to twelve pounds of lump sum. The amount of pension exchanged for a lump sum must not exceed one quarter of the pension.

Further details on commutation are provided on page 11 of this document.

Q7: How much are the contributions that I will have to pay in the 2015 scheme?

An average contribution rate of 13.2% will apply across all three firefighter pension schemes: the 1992, 2006 and 2015 schemes. No decisions have yet been taken on contribution rate levels for each scheme and will follow once the final year of contribution increases in 2014-15 (which are also yet to be decided) have been reviewed.

Q8: Where can I find more information on the firefighters' pension reforms?

You can find answers to frequently asked questions and worked examples for the 2015 firefighters' pension scheme ('the 2015 scheme') at:

<https://www.gov.uk/government/publications/firefighters-pension-scheme-reforms>

Annex A

To recognise members' expectation to double accrual on the service already earned, the Government has agreed to meet that expectation, and apply a multiplier to the 1992 pension scheme service that the member has already earned. This is as follows:

Total continuous pensionable service upon retirement in the 1992 and 2015 scheme	Multiplier applied to earned 1992 service to recognise expectation to double accrual	Fraction that years of earned 1992 service is converted to
30	1.333	1/45th
29	1.310	1/45.789th
28	1.286	1/46.667th
27	1.259	1/47.647th
26	1.231	1/48.75th
25	1.200	1/50th
24	1.167	1/51.429th
23	1.130	1/53.077th
22	1.091	1/55th
21	1.048	1/57.273th
20 or less	1.000	1/60th

In applying this table, you can either multiply the number of years' pensionable service you have in the 1992 scheme by the multiplier to arrive at the number of 60ths, or you can just apply the number of years' pensionable service in the 1992 scheme to the fraction.

For instance, if you have 24 years' accrued service in the 1992 scheme (or 28/60ths) and transfer into the 2015 scheme and continue to earn 6 years of pensionable service in the 2015 scheme, your 1992 scheme rights will be enhanced to 32/60ths (by applying the 1.33 multiplier to the length of service) or by converting the 24 years to 24/45ths. Each arrives at the same proportion of final salary earned.

Example of how pension benefits will be calculated for a firefighter transferring from the 1992 to 2015 schemes

A firefighter has earned 22 years pensionable service in the 1992 scheme before transferring to the 2015 scheme. The firefighter continues to pay pension contributions as a member of the 2015 scheme for a further 8 years. The firefighter's salary during each of the 8 years membership of the 2015 scheme is £30,000, and this is the final salary that the firefighter is earning at the point of retirement.

The firefighter therefore has a combined continuous pensionable service of 30 (22+8) years in the 1992 and 2015 schemes. At this point the firefighter has reached the age of 52 and wishes to retire.

The firefighter is entitled to a “two part” pension:

The **first** part of the pension is calculated as:

- £30,000 (final salary on retirement) multiplied by
- 22 (years of pensionable service in the 1992 scheme) multiplied by
- 1/45 (the relevant accrual rate for a firefighter who has 30 years combined service in both schemes – see Annex A for further details)

= £14,667. This can be taken immediately at age 52 and without any reduction.

The **second part** of the pension built up in the 2015 scheme will be calculated under a Career Average Scheme Arrangement (CARE) and will depend on various factors including the pensionable pay earned by a firefighter in each of the 8 years as a member of the 2015 scheme, and the revaluation rate to be used that will increase the firefighter's pension pot each year.

Assuming that each year of membership of the 2015 scheme the firefighter earns £30,000 then the amount put into the pension pot each year will be:

£30,000 multiplied by the accrual rate of 1/58.7th (under the Proposed Final Agreement)
= £511*

* This would be £503 using the accrual rate of 1/59.7th (under the revised offer to the FBU).

So the amount put into the pension pot over the 8 years would be £4,088 (ie £511 x 8), before taking into account any annual revaluation of pension benefits. This second part pension will be deferred and will be able to be taken in full at State Pension Age or from age 55 but with a reduction.

Commutation Arrangements

This document provides information for firefighters on commuting a portion of their pension to a lump sum. It sets out the arrangements for:

- Firefighters who are fully protected and will remain in their existing scheme
- Firefighters who will transfer from their existing scheme to the 2015 firefighters' pension scheme

i) Firefighter members who are fully protected and will remain in their existing scheme will have their commutation arrangements for that scheme continue to apply:

For 1992 scheme members

Firefighters may be able to commute up to a quarter of their 1992 scheme pension provided that when the firefighter is able to retire:

- the firefighter is able to reckon at least 30 years pensionable service or
- the firefighter retires at or after the Normal Pension Age. The Normal Pension Age for the 1992 scheme is aged 55.

In all other cases the commuted portion must not be such that the lump sum exceeds two and a quarter times the full amount of the pension. This would apply to those firefighters who retire between the ages of 50 and up to 55 with more than 25 or more years' pensionable service but less than 30 years.

The lump sum will be calculated in accordance with the relevant commutation tables in force at that time of a firefighter's retirement.

For 2006 scheme members

The pension will be able to be commuted at a rate of 12:1 – this means that every one pound of pension can be converted to twelve pounds of lump sum. The amount of pension exchanged for a lump sum must not exceed one quarter of the pension.

ii) Firefighter members who transfer to the 2015 scheme

The pension and the lump sum arrangements will be calculated in two parts (based on service in either the 1992 or 2006 schemes and service in the 2015 scheme).

So, for example, the lump sum arrangements for a former 1992 scheme member who transfers across to the 2015 scheme:

- The pension payable under the 1992 Scheme will be able to be commuted, based on the current commutation arrangements for 1992 Scheme members. So, for example, a firefighter who retires from the 2015 scheme at age 55 or retires from age 50 with combined continuous pensionable service (in the 1992 and 2015 schemes) of 30 years will be able to commute up to a quarter of their 1992 scheme pension for a lump sum. The lump sum will be calculated in accordance with the relevant commutation tables in force for the 1992 scheme at that time of the firefighter's retirement.

- The pension payable from the 2015 Scheme will be able to be commuted at a rate of 12:1 – this means that every one pound of pension can be converted to twelve pounds of lump sum. The amount of pension exchanged for a lump sum must not exceed one quarter of the pension.

You may wish to speak to your fire and rescue authority about your own pension arrangements, and the choice that you will have on the pension amounts that you will be able to be convert to a lump sum.

Example

A firefighter joins the 1992 scheme at age 25 and completes 20 years pensionable service in the 1992 scheme before transferring across to the 2015 scheme. The firefighter continues active membership of the 2015 scheme for a further 10 years before retiring at age 55.

Annual pension earned under the 1992 scheme:	£ 14,500
Annual pension earned under the 2015 scheme:	<u>£ 3,200</u>
Total Pension	£ 17,700

As the firefighter has completed 30 years combined continuous pensionable service in the 1992 and 2015 schemes (or you could also say that the firefighter has reached the 1992 scheme's Normal Pension Age of 55) then the firefighter can commute up to one quarter of the 1992 scheme pension, under the existing rules of the 1992 scheme, using the commutation factors in force at that time.

Assuming that the firefighter wishes to commute the maximum amount that s/he is able to:

For the 1992 scheme pension element:

Maximum amount of pension that can be commuted is a quarter:

$$£14,500 \times \frac{1}{4} = £3,625$$

After commutation the 1992 scheme pension will be £10,875 (ie £14,500 less the commuted portion of £3,625)

Using current commutation factors for the 1992 scheme (as at July 2013, where the commutation factor for a firefighter who retires at age 55 is 20.8), the lump sum will be calculated as $£3,625 \times 20.8 = £75,400$

For the 2015 scheme pension element:

Maximum amount of pension that can be commuted is a quarter:

$$= £3,200 \times \frac{1}{4} = £800$$

After commutation the pension will be £2,400 (ie £3,200 less the commuted portion of £800)

The commuted element of pension can be converted to the lump sum at a rate of 12:1. Lump sum will be $£800 \times 12 = £9,600$

Total annual pension after commutation:	£ 13,275 (£10,875 + £2,400)
Total lump sum:	£ 85,000 (£75,400 + £9,600)