

# Short guide to the Firefighters' Pension Scheme 2015



## The Scheme

This is a short description of the conditions of membership and main scheme benefits that apply if you pay into the Firefighters' Pension Scheme 2015 (FPS 2015).

### What kind of scheme is it?

The FPS 2015 is a statutory, defined benefit, public service pension scheme made under the Public Service Pensions Act 2013. It came into force on 1 April 2015 and the scheme is a career average (CARE).

### Who can join?

FPS 2015 is open to any person taking up employment as a firefighter with a fire and rescue authority on or after 1 April 2015 on terms under which they are, or may be, required to engage in firefighting, and whose role includes resolving operational incidents, or leading and supporting others in the resolution of such incidents. Enrolment into the Scheme is automatic on appointment.

### Can I opt-out of the FPS 2015 and re-join at a later date?

You can leave the FPS 2015 at any time by giving a signed written notice to your fire and rescue authority

If you opt out of the Scheme and later change your mind, you can give the authority your written, signed election to re-join, provided you satisfy the membership conditions at that time.

You may wish to seek independent financial advice if you are thinking about opting out.

### Automatic re-enrolment

Under "automatic enrolment" requirements introduced by the Pensions Act 2008 and which impact on all UK employers, the authority has to periodically re-enrol members who have opted out back into a pension scheme. You have the right to opt out again if this is your choice.

Provided your option is made within three months of the date of automatic re-enrolment, you would be entitled to a refund of any contributions paid since that date.

## What do I pay?

As a member of FPS 2015 you would pay a pension contribution which is a percentage of your pensionable pay or assumed pensionable pay.

<b>Pensionable pay range for an employment</b>	<b>Contribution rate 1 April 2018 to 31 March 2019</b>
Up to £27,818	11%
£27,819 to £51,515	12.9%
£51,516 to £142,500	13.5%
£142,501 or more	14.5%

## Does my employer contribute?

Employer contributions as determined by the Scheme Actuary and the Secretary of State are paid by the authority, together with any additional costs which have to be borne by the employer, e.g. relating to ill-health retirement or employer initiated early retirement.

## Can I pay more to increase my benefits?

If, as an active member of FPS 2015 you wish to increase your retirement pension and death benefits, you can do so by making payments in the form of periodical payments or lump sum.

If you choose to make these payments, an "**added pension account**" would be set up for you (in addition to your active member's account). An amount of added pension, determined by the authority in accordance with guidance from the Scheme actuary, would be credited to the account for each scheme year in which the additional payments are made. As in the case of an active member's account, the added pension would be "indexed" each year to keep pace with inflation.

## Can I transfer pension benefits into the FPS 2015?

On taking up your employment you will be asked to give details about any previous membership of a pension scheme and to indicate whether or not you would like the fire and rescue authority to explore the possibility of a transfer of pension rights to FPS 2015. FPS 2015 can accept a transfer from another occupational pension scheme registered with HM Revenue and Customs, a qualifying recognised overseas pension scheme, or a personal pension scheme.

Certain restrictions and time limits may apply depending on the type of transfer so it may be beneficial to investigate this at the earliest opportunity.

## How is my pension assessed?

When you join FPS 2015, a pension account will be opened for you and it will remain open for as long as you are a contributing member of the Scheme. This is called an "active member's account".

Your pension will build up year on year as follows:

$1/59.7 \times \text{pensionable pay} = \text{earned pension credit}$

For example

$£29,850 \times 1/59.7 = £500.00$

## When can I retire?

### Normal pension age

If you are an active member at normal pension age (60) you can draw your pension at any time on or after your 60th birthday. Your active member's account and any added pension account would be closed and a retirement account set up. There would be no reduction for early retirement but there may be an age addition if you had continued in service after age 60.

### Early retirement

If you are an active member but wish to draw your pension before age 60, you can give written notice to the authority that you would like to receive your retirement pension at or after age 55. In these circumstances, however, the pension would be subject to an early retirement reduction based on [factors](#) provided by the Scheme actuary.

### Partial retirement

There is also an option for "partial retirement" once you have reached age 55 if you wish to draw your pension but continue your employment as a firefighter without a break and accrue additional pension. Your active member's account and any added pension account would be closed, and the pension held in those accounts would be put into payment (subject to an early payment reduction if you had not reached age 60). A new active member's account would be opened for the pension you will accrue in your continuing membership. This second pension will become payable, on similar terms to your first pension, when you are ready to draw it

## **Employer initiated early retirement**

A retirement pension may also be paid to an active member at or after age 55 but before age 60 without any early payment reduction in the event of "employer initiated retirement". This is where an authority terminates a member's employment and has determined that a retirement pension should be awarded on the basis that it would "assist the economical, effective and efficient management of its functions" having taken account of the costs likely to be incurred in the particular case.

(There would still be a cost to paying the retirement pension before normal pension age but in these circumstances the authority would have to pick up the cost rather than the Scheme member.)

## **What if I am ill?**

A firefighter who has not reached normal pension age (60) and who leaves because of permanent disablement, may be considered for an ill-health pension. If an ill-health pension is awarded, their active member's account and any added pension account would be closed and a retirement account set up.

There are two tiers of ill-health pension: lower tier and higher tier. A minimum of three months' qualifying service is required for a lower tier ill-health pension and a minimum of five years' qualifying service for a higher tier ill-health pension. The medical conditions which have to be met, for entitlement to an ill-health award, are as follows:

- for a lower tier ill-health pension, the person must be incapable of performing any of the duties of the role in which last employed, because of incapacity of mind or body which will continue until normal pension age (60);
- for a higher tier pension, the person must be entitled to a lower tier ill-health pension and must also, because of incapacity of mind or body which will continue until normal pension age, be incapable of undertaking regular employment. Regular employment means employment for at least 30 hours a week on average over a period of not less than 12 consecutive months, beginning with the date on which the issue of the person's capacity for employment arises

## **Can I exchange part of my pension for a lump sum?**

On retirement, if you wish, you can give up part of your annual entitlement to pension to receive a one-off lump sum payment. This is called "commutation".

There are limits, however, on the amount which can be commuted. The commuted portion of pension must not be more than 25%, nor be such that the

lump sum exceeds certain tax limits, resulting in a scheme chargeable payment. By staying within these limits, the lump sum by commutation will be tax free. At the time of retirement your pension administrator can advise you of current limits.

Also, although a retirement, deferred or lower-tier ill-health pension can be commuted, a higher tier ill-health pension cannot.

For every £1 by which the annual rate of pension is reduced, you would receive £12 as a lump sum.

For example, if you are entitled to a retirement pension of £16,000 a year and you choose to commute the maximum portion of one quarter, i.e. £4,000. Assuming this is permitted within tax limits, your total benefits would be:

- Pension: £16,000.00 - £4,000.00 = £12,000.00 a year
- Lump sum: £4,000.00 x 12 = £48,000.00 one off payment

## What if I leave before retirement?

### Refund

If you leave with less than three months' service and without having a transfer in you are entitled to a refund of your pension contributions.

### Deferred benefits

If you cease to be an active member of the Scheme before you become entitled to the payment of retirement benefits, and have at least three months' qualifying service or have had a transfer value paid into your pension account, you would become a deferred member of the Scheme.

Your active member's pension account would be closed and a deferred member's account would be set up. This account would contain the value of your pension account at date of leaving.

Should you return to Scheme membership within the five years after leaving, the deferred member's account would be closed and your active member's account would be re-established as if you had remained in pensionable service during the break but had received no pensionable pay for that period.

If you do not return to active membership your pension will remain in the deferred member's account until you become eligible to draw it.

## When can I receive payment of my deferred pension?

### **Retirement from a deferred pension account**

You would become eligible to draw your pension on age grounds at deferred pension age, which is the same as your State Pension age, or age 65 if that is higher. If you have an added pension account your retirement pension will be the total of the value of your deferred pension account, and your added pension, plus indexation.

### **Early retirement from deferred pension account**

If you wish, you could give written notice to the authority that you would like to receive your deferred pension at or after age 55 and before deferred pension age. In these circumstances, however, the pension would be subject to an early retirement reduction based on [factors](#) provided by the Scheme actuary.

### **Ill health retirement from deferred pension account**

If, before reaching deferred pension age, you suffer from ill-health to the extent that you would be incapable of undertaking regular employment and this incapacity will continue at least until deferred pension age, you could request early payment of the deferred pension on ill-health grounds. The decision as to entitlement would be made by the fire and rescue authority after they have considered the written opinion of an Independent Qualified Medical Practitioner.

If awarded on ill-health grounds, your entitlement to the early payment would be kept under review by the authority until you reach deferred pension age. Should the authority consider that you had become capable of undertaking regular employment, payment of the pension would cease. If the pension continues in payment, no further review would be required once deferred pension age is reached; if payment ceases on review, it would be restored at deferred pension age.

Part of your deferred pension paid on any grounds can be commuted to provide a lump sum.

## Death Benefits – What will be paid if I die?

### Lump sum death benefit

If you were to die in service as an active member of FPS 2015, a lump sum death benefit would be payable. This would be a one off payment equivalent to three times your final pay at the date of death.

### 5 year guarantee lump sum

If you were to die within five years of your pension coming into payment, there would be a lump sum death benefit equivalent to the difference between five times the annual amount of pension and the amount of instalments of pension already paid.

## What about my partner?

### Bereavement pension

For the first 13 weeks following the death of a member, a "bereavement pension" may be paid to a surviving partner. If the member was:

- an **active member** at the date of death, the weekly amount of bereavement pension would be the difference between the weekly amount of pensionable pay or assumed pensionable pay that the member was receiving at the date of death, and the weekly amount of surviving partner's pension.
- a **pensioner member** at the date of death, the weekly amount of bereavement pension would be the difference between the weekly amount of pension to which the pensioner member was entitled at the date of death, and the weekly amount of surviving partner's pension.
- a **deferred member** at the date of death and the pension had not come into payment, no bereavement pension would be payable.

Where there is no surviving partner, an eligible child would be entitled to the bereavement pension.

### Survivor's long term pension



A pension will be paid to an eligible surviving partner.

A person is a "surviving partner" if they are –

- the spouse or civil partner of the member, or
- cohabiting with the member and meet certain criteria

Providing the surviving partner is not more than 12 years younger than the member at date of death, a surviving partner's pension is generally half of the member's pension.

A surviving partner's pension is payable for life. It would not cease on marriage or remarriage or upon entering into a new partnership.

## Is anything paid to my children?

In the event of the death of a Scheme member (whether before or after retirement) provided they had at least three months' qualifying service, a pension will be paid to an 'eligible' child.

Following the death of:

- an **active member**, an eligible child or eligible children would be entitled to a quarter of the pension which the member would be entitled to draw if, at the date of death, they had retired on the grounds of ill-health with a higher tier ill-health pension.
- a **deferred member**, an eligible child or children would be entitled to a quarter of the amount of pension in the member's deferred account plus half of any added pension in the member's added pension account .
- a **pensioner member**, an eligible child or children would be entitled to a quarter of the rate of pension payable to the member immediately before the death (this would be the pension after any commutation or allocation but before any reduction made for early retirement).

If there is more than one eligible child one half of the member pension mentioned above is divided between the children equally; if one of the children ceases to be an "eligible child" the half pension would be reapportioned between the others.

## Can I transfer out?

If you leave employment you can ask for your pension rights to be offered in the form of a transfer value to another pension arrangement. A transfer value is calculated by working out the value of deferred benefits and applying actuarial factors. In effect it is the value of your pension rights expressed as a lump sum.

You should compare the offer of benefits the transfer value would purchase in the new scheme with any alternative benefits in FPS 2015 before making your decision about transferring pension rights.

## **What if I join another Fire Authority?**

The above principles would also apply in respect of a transfer of pension rights to fire and rescue authorities in Wales, Scotland or Northern Ireland.

However, if you leave employment with one English fire and rescue authority to transfer to another, where you remain a member of FPS 2015, different transfer arrangements will apply. No transfer payment would be made. Your former authority will provide you with a certificate setting out the entries in your pension accounts held by them and give details of your period of pensionable employment.

This would be done automatically if there is no break between your employments.

If there has been a break in pensionable service, but not exceeding five years, the certificate would be provided at your request. You must give the certificate to your new authority so that they can transfer the details to your new pension account with them.

## **More information**

This guide is designed to give you a quick guide to the benefits of FPS 2015. You can ask for more information from your Fire and Rescue Authority or their pension administrators.