

New Firefighter Pension Scheme (NFPS): Member Initiated Early Payment of Pension – Actuarial Reduction

Part 3, Rule 5 of the NFPS provides for a member to request early payment of their pension prior to attaining the scheme's normal pension age (60 years) or normal benefit age (65 years) in cases for a deferred pension. Where a member makes an election for their pension to be paid early, Part 3, Rule 4(b) and 5(b) of the scheme's regulations prescribe that the resulting pension should be reduced in accordance with actuarial factors provided by the Scheme Actuary (GAD) to reflect the fact that the pension has been paid early.

The current actuarial factors show an average reduction of approximately 5% across the age range from 55 to 65 years. However, the reduction is not applied uniformly and therefore a simple 5% reduction per year cannot be applied. GAD have calculated the relevant factors that should be applied to pensions that are paid early under Part 3, Rule 5 of the NFPS which reflect the reductions that should be applied depending on the age in years and complete months of the member.

Fire and Rescue Authorities (FRA) who receive applications from members who elect to invoke early payment of their pensions should provide details of the member's date of birth and retirement date to CLG who will provide the relevant % reduction that should be applied for each specific case.

In addition to this, Part 3, Rule 6 of the NFPS provides for a FRA to initiate early payment of a member's pension where, after having regard to the economical, effective and efficient management of their functions and the costs likely to be incurred, it determines that a member, who is at least 55 years' old but younger than the scheme's normal pension age (60 years), should be retired from the authority's employment. In cases where a FRA initiates early payment of a member's pension, the member will receive the full pension that is related to his/her pensionable service and final pensionable pay at the date of the member's retirement calculated in accordance with Part 3, Rule 1 of the regulations. However, FRAs that elect to invoke early payment of a member's pension under Part 3, Rule 6 of the NFPS will be required to make a payment into the Firefighters' Pension Fund. The amount of the payment will be equal to the difference between the amounts of the pension paid to the member and the amount of the pension that would have been payable under Part 3, Rule 5 (member initiated early payment of pension). Again, in these instances FRAs should provide the member's date of birth and retirement date to CLG who will provide the relevant % reduction that should be applied in order to work out the relevant amount.

*Communities and Local Government
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