



Government Actuary's Department

The Firefighters' Pension Scheme 2015 (England) **Early Payment Reductions**

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1 Introduction

- 1.1 The Secretary of State, as responsible authority under Schedule 2 paragraph 6 of the Public Service Pensions Act 2013 ('the responsible authority') is required under the Firefighters' Pension Scheme (England) Regulations 2014 ('the 2015 Scheme Regulations') (SI 2014/2848), to issue actuarial guidance on early payment reductions (Regulations 61(3) and (5) of the 2015 Scheme Regulations).
- 1.2 The scheme managers are required to apply early payment reductions (if any) under Regulation 59 (active members) and Regulation 60 (deferred members).
- 1.3 The remainder of this introduction contains:
 - > Details of the implementation and future review of this guidance
 - > Statements about the use of this note and third party reliance
- 1.4 In the remainder of this note:
 - > Section 2 provides guidance on early payment reductions
 - > Appendix A sets out some important limitations
- 1.5 The Government Actuary's Department (GAD) seeks to achieve a high standard in all our work. Please go to our [website](#)¹ for details of the standards we apply.

Implementation and Review

- 1.6 The responsible authority is required to consult the scheme actuary before issuing actuarial guidance under the 2015 Scheme Regulations.
- 1.7 As part of this consultation the responsible authority has asked GAD, as scheme actuary, to recommend actuarial guidance in respect of the regulations detailed below. This document forms GAD's recommendation for the actuarial guidance required by these regulations.
- 1.8 This note has effect only when this guidance is issued by the responsible authority to scheme managers as defined in Regulation 4 of the 2015 Scheme Regulations, and is subject to the implementation instructions provided at that time.
- 1.9 This note relates to early payment reductions in accordance with Regulation 61 of the 2015 Scheme Regulations. It sets out the general method for assessing and applying the early payment reductions.
- 1.10 This guidance relates only to benefits accrued under the 2015 Scheme Regulations. Some firefighters may also have benefits under the 1992 Scheme or the NFPS which should be dealt with separately according to relevant scheme guidance.
- 1.11 This guidance has been written for pension administrators and assumes some knowledge of general pension terminology, and some familiarity with retirement calculations for the Firefighters' Pension Scheme 2015 (England). Any questions concerning the application of the guidance should, in the first instance, be referred to the Firefighters' Pensions teams at DCLG.

¹ <https://www.gov.uk/government/organisations/government-actuarys-department/about/terms-of-reference>



- 1.12 The factors contained in this note will be reviewed periodically. This will depend on external circumstances, for example when changes in the actuarial assumptions adopted for other scheme factors take place; or following each cycle of future valuations of the Firefighters' Pension Scheme 2015 (England).
- 1.13 Scheme managers and administrators should ensure that they use the latest factors in circulation.

Use of this note

- 1.14 This note has been prepared for the responsible authority and can be relied upon by them. We are content for this note to be released to third parties, provided that:
- > it is released in full;
 - > the advice is not quoted selectively or partially; and
 - > GAD is identified as the source of the note.
- 1.15 Third parties may wish to seek their own actuarial advice where appropriate. GAD has no liability to any person or third party for any act or omission taken, either in whole or in part, on the basis of this note.

Third party reliance

- 1.16 When issued by the responsible authority in accordance with paragraph 1.7 above, this note should be used as the actuarial guidance required under the regulations cited. Other than for this purpose, no person or third party is entitled to place any reliance on the contents of this note, except to any extent explicitly stated herein.



2 Guidance on Early Payment Reductions

Active member accounts

2.1 The early payment reductions to be applied in respect of active members' benefits under Regulation 61(3) of the 2015 Scheme Regulations are as follows:

Months	0	1	2	3	4	5	6	7	8	9	10	11
Years												
5	0.783	N/A										
4	0.821	0.818	0.815	0.811	0.808	0.805	0.802	0.799	0.796	0.792	0.789	0.786
3	0.862	0.858	0.855	0.852	0.848	0.845	0.841	0.838	0.835	0.831	0.828	0.824
2	0.906	0.902	0.898	0.895	0.891	0.887	0.884	0.880	0.876	0.873	0.869	0.865
1	0.952	0.948	0.945	0.941	0.937	0.933	0.929	0.925	0.921	0.917	0.913	0.909
0	N/A	0.998	0.994	0.990	0.986	0.981	0.977	0.973	0.969	0.965	0.961	0.956

2.2 Notes:

- The tables are based on the period to the active member's normal pension age. The period to normal pension age should be rounded **up** to the **next** month. Alternatively, the period is equal to the normal pension age minus the age of the member in completed years and months.
- On early retirement, the member's pension should be multiplied by the relevant factor.
- Pensions payable to a member's spouse, partner or dependant should not be reduced.
- Commutation takes place after the early payment reduction has been applied.

2.3 Example 1:

- A firefighter retires from active service at age 55 and 7 months with a retirement pension account of £10,000 pa payable from age 60 (before any reduction for early payment) and claims payment of his pension.
- The period to normal retirement age rounded **up** to the **next** month is 4 years and 5 months. His reduced pension at age 55 and 7 months is therefore $£10,000 \times 0.805 = £8,050$ pa

Added pension accounts (for active members)

2.4 The early retirement factor applying to the added pension account for active members is the same early retirement factor applying to the active member account as set out in paragraph 2.1 above.

2.5 Example 1 (with an added pension account):

- The firefighter retiring from active service at age 55 and 7 months also has an added pension account of £2,000 pa
- His reduced added pension is $£2,000 \times 0.805 = £1,610$ pa



Deferred member accounts

2.6 The early payment reductions to be applied in respect of deferred members' benefits under Regulation 61(5) of the 2015 Scheme Regulations are as follows:

Months	0	1	2	3	4	5	6	7	8	9	10	11
Years												
12	0.531	N/A										
11	0.558	0.556	0.554	0.552	0.549	0.547	0.545	0.542	0.540	0.538	0.536	0.533
10	0.587	0.585	0.583	0.580	0.578	0.575	0.573	0.570	0.568	0.566	0.563	0.561
9	0.618	0.616	0.613	0.610	0.608	0.605	0.603	0.600	0.598	0.595	0.592	0.590
8	0.651	0.648	0.645	0.643	0.640	0.637	0.634	0.632	0.629	0.626	0.624	0.621
7	0.684	0.681	0.679	0.676	0.673	0.670	0.668	0.665	0.662	0.659	0.656	0.654
6	0.720	0.717	0.714	0.711	0.708	0.705	0.702	0.699	0.696	0.693	0.690	0.687
5	0.759	0.755	0.752	0.749	0.746	0.743	0.739	0.736	0.733	0.730	0.727	0.723
4	0.800	0.797	0.793	0.790	0.786	0.783	0.779	0.776	0.772	0.769	0.766	0.762
3	0.846	0.842	0.838	0.834	0.830	0.827	0.823	0.819	0.815	0.812	0.808	0.804
2	0.894	0.890	0.886	0.882	0.878	0.874	0.870	0.866	0.862	0.858	0.854	0.850
1	0.947	0.942	0.938	0.934	0.929	0.925	0.920	0.916	0.912	0.907	0.903	0.899
0	N/A	0.998	0.993	0.988	0.984	0.979	0.974	0.970	0.965	0.961	0.956	0.951

2.7 Notes:

- The 2015 Scheme Regulations provide for a deferred pension to be payable without reduction for early payment from the higher of age 65 and the member's State Pension Age.
- The responsible authority has confirmed that State Pension Age for the purpose of calculating early retirement factors should be as set out in HM Treasury Directions made in exercise of the powers conferred on them by sections 11(2) and 12(3) of the Public Service Pensions Act 2013².
- Factors are provided to accommodate the range of deferred pension ages members will have in relation to service on and after 1 April 2015 in accordance with the HM Treasury Directions over the time period that the factors are expected to be in use.
- The tables are based on the period to a member's deferred pension age. The period to deferred pension age should be rounded **up** to the **next** month. Alternatively, the period is equal to the member's deferred pension age (in years and months) less the age of the member in completed years and months.
- On early retirement, the member's pension should be multiplied by the relevant factor.
- Pensions payable to a member's spouse, partner or dependant should not be reduced.
- Commutation takes place after the early payment reduction has been applied.

² A consolidated version of HM Treasury Directions dated 11 March 2014, including amendments made up to and including 27 November 2014, is found in the following link; SPA assumptions are set out at direction 18.
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/318029/valuations_and_cost_cap_directions_final_020614.pdf



2.8 Example 2:

- A former firefighter retires on their 57th birthday with a deferred pension account of £10,000 pa and a deferred pension age of exact age 67.
- The term to retirement rounded up to the next month is 10 years exactly i.e. 10 years and 0 months.
- The reduced pension based on a term to retirement of exactly 10 years is $£10,000 \times 0.587 = £5,870$ pa

2.9 Example 3:

- A former firefighter retires a few days before their 63rd birthday with a deferred pension account of £10,000 pa and a deferred pension age of 65 and 6 months.
- As the member is aged 62 and 11 months based on completed years and months the term to retirement rounded **up** to the **next** month is 2 years and 7 months.
- The reduced pension is $£10,000 \times 0.866 = £8,660$ pa

Added pension accounts (for deferred members)

2.10 The early retirement factor applying to the added pension account for deferred members is the early retirement factor applying to active members as set out in paragraph 2.1 based on term to normal pension age.

2.11 Example 2 (with an added pension account):

- The former firefighter retiring aged 57 exactly also has an added pension account of £1,000 pa
- His reduced added pension at age 57 based on exact term to retirement of 3 years is $£1,000 \times 0.862 = £862$ pa

2.12 Example 3 (with an added pension account):

- The former firefighter retiring aged 62 and 11 months also has an added pension account of £1,000 pa
- As the member is over normal pension age then no early retirement factor is applied.



Appendix A – Limitations

- A.1 This note should not be used for any purpose other than as the actuarial guidance required under the regulations cited.
- A.2 The factors contained in this note are subject to regular review. Scheme managers and administrators need to ensure that they are using the latest factors, as relevant, when processing cases.
- A.3 This note should be considered in its entirety as individual sections, if considered in isolation, may be misleading, and conclusions reached by a review of some sections on their own may be incorrect.
- A.4 This note only covers the actuarial principles of calculations required under the regulations cited. Any legal advice in this area should be sought from an appropriately qualified person or source.
- A.5 Scheme managers and administrators should satisfy themselves that calculations and benefit awards comply with all legislative requirements including, but not limited to, tax and contracting out requirements.
- A.6 This guidance is based on the Regulations in force at the time of writing. It is possible that future changes to the Regulations might create inconsistencies between this guidance and the Regulations. If users of this guidance believe there to be any such inconsistencies, they should bring this to the attention of the responsible authority. In no circumstances should this guidance take precedence over the Regulations. Scheme managers and administrators should ensure that they comply with all relevant Regulations.