

# Transitional benefits Post 1 April 2022



# PSPJOA 2022 Sections 88 to 91

## What's changing

Amends Sect. 18 of PSPA to remove transitional protections

- Schedule 2 of FPS 2015 regulations amended to insert closing date of 31 March 2022 for protected members

Prohibits new Added Years contracts after 31 March 2022

## What's not changing

Transitional benefits:

- Final salary link
- Normal Pension Age (FPS 1992 and FPS 2006 special)
- Commutation factors (FPS 1992 and FPS 2006 special)
- Double accrual guarantee (FPS 1992)

# Secondary legislation

The Police and Firefighters' Pension Schemes (Amendment) Regulations 2022 were laid in parliament on 21 March 2022

Amendments came into force on 1 April 2022:

- Close legacy schemes
- Move all remaining members
- Ill-health “underpin” for FPS 1992 (assess against NPA 55)
- Allows existing AY contracts to continue

# From 1 April 2022 – One scheme: FPS 2015



Transitional members

Transitional FPS 1992  
Transitional FPS 2006  
Transitional FPS 2006 Special



Members with service from  
1 April 2012

FPS 2006 Transitional Members



Members with service from 1 April 2015

# Transitional benefits

## Final salary



FPS 1992 –  
DOUBLE  
ACCRUAL  
GUARANTEE



FPS 2006 –  
SERVICE  
ACCRUED



FINAL SALARY  
LINK



NORMAL  
RETIREMENT  
AGE

## FPS 2015

FPS 2015

- Survivor benefits

CARE  
Build Up

- Builds pension annually based on pensionable pay and an accrual rate set by cost cap – currently 1/59.7

Retirement

- FPS 2015 – 60 or earlier with reductions

<https://fpsmember.org/fps-2015/transition-members>

# One-pot v's Two-pot

## One-pot benefits

**Ill-health retirement**

- Including “underpin”

**Death in service**

## Two-pot benefits

**Normal retirement**

- Including pay protections

**Deferred benefits**

- Including DIP on health grounds

**Death after leaving**

# One-pot (single source)

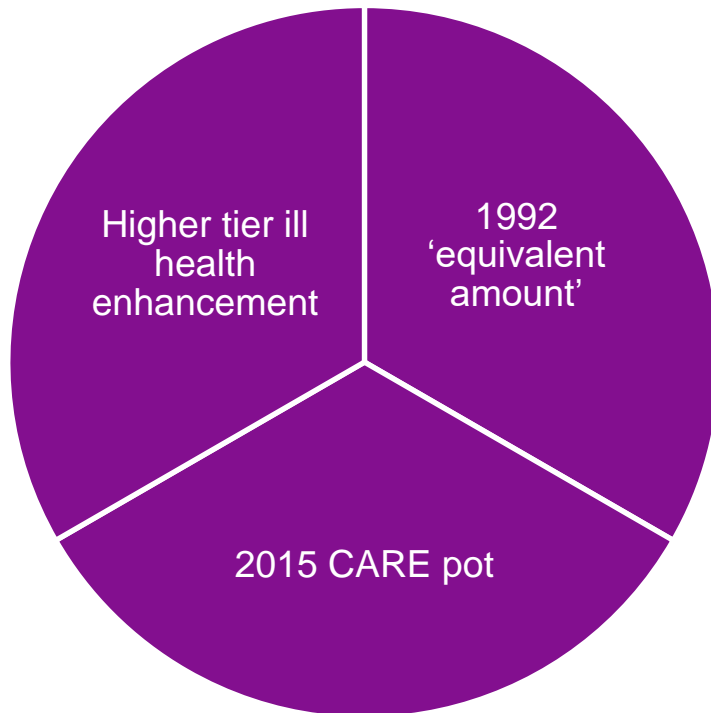


# Ill-health retirement - eligibility

	FPS 1992 [Part B]	FPS 2006 Standard and Special Members [Part 3, Para 2]	FPS 2015 [Part 6]
Lower Tier	Where the firefighter is <u>capable</u> of undertaking regular employment [Rule B3, para 3]	Leaves employment by reason of permanent disablement [Sub-Para 2 (1)]	In opinion of IQMP member is incapable of performing duties of the role [65(1a)]
Higher Tier	Where the firefighter is <u>incapable at the time of assessment</u> of undertaking regular employment [B3, para 4]	Where the firefighter is <u>incapable</u> of undertaking regular employment [Part 3, para 2 (3c)]	in the opinion of an IQMP the member is permanently incapable of undertaking regular employment [65 (2a)]
Permanency	Whether the disablement will continue to <u>normal retirement age</u> [A10 (1A)]	Whether the disablement will continue to normal retirement age [Part 1, Para 3 (3)]	Incapacity will continue until <u>normal pension age</u> [65 (1a)]



# One-pot = all paid from 2015 scheme



## Sum of:

- Accrued FPS 2015 benefits
  - FPS 1992/ 2006 “equivalent amount”
  - Higher tier ill-health enhancement based on FPS 2015 (if applicable)
-

# Ill-health retirement - tiers

## Lower tier ill health

- Immediate pension calculated as for ordinary retirement without addition to pensionable service, or reduction for early payment.

## Higher tier ill health

- Enhancement based on 2% of lower tier ill health pension x service to NPA.

# Equivalent amount

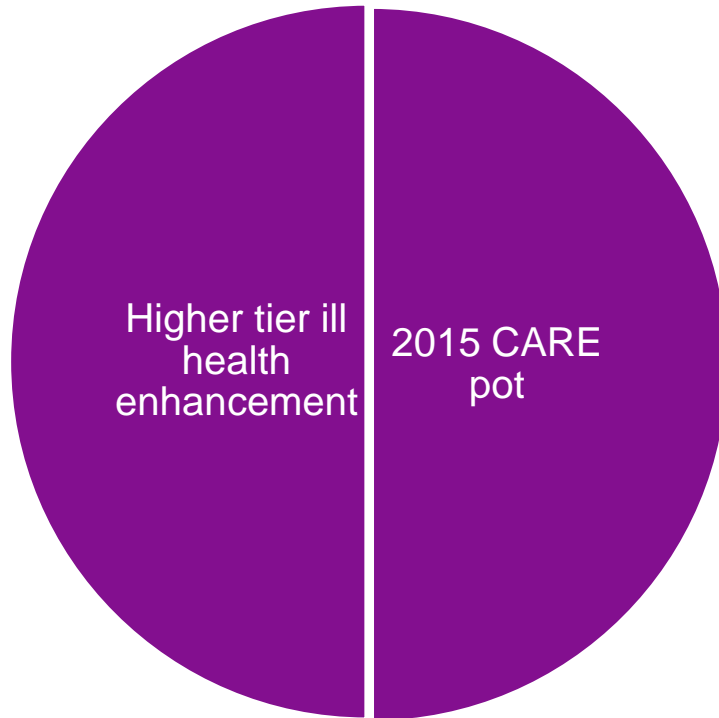
## FPS 1992

- [\[65\(4b\)\]](#) confirms EA calculation under rule B3 FPS 1992 (ill-health awards)
- [Rule B3](#) is calculated in accordance with [Paragraph 2 of Part 3, schedule 2](#) = deferred pension

## FPS 2006

- [\[65\(4a\)\]](#) confirms EA calculation under Part 3, Rule 2(2) FPS 2006 (Award on ill-health retirement)
- [Part 3, Rule 2\(2\)](#) is calculated as service x pay / 60 ([Annex 1\(1\)](#))

## At normal pension age: (30 years' service or age 55 FPS 1992) (Age 60 FPS 2006)



## IHR “underpin” – protected members

- Applies to protected FPS 1992 members
- IHR “in-train” at 31 March 2022
- Will only apply if member does not qualify for ill-health in FPS 2015
- Other scenarios covered under ‘one-pot’ rule
- Member assessed using NPA 55
- [Regulation 65\(2A\) and \(2B\)](#) inserted to FPS 2015 regulations

## One-pot death in service

- If a person dies in service in FPS 2015 scheme, even if they have transitional benefits in a legacy scheme, the entitlement to a pension is as per [Regulation 78](#).
- This means that a cohabiting partner will still be entitled to half of the equivalent FPS 1992 pension as well as the FPS 2015 portion.

# Survivor pension - regulations

	FPS 1992 [Part C]	FPS 2006 Standard and Special Members [Part 4]	FPS 2015 [Part 6]
Entitlement	Surviving Spouse or Civil Partner [Rule C1]	Spouse, Civil Partner or Nominated Partner [Part 4, Para 1 (1)]	Spouse, Civil Partner or Co-habitee [76]
Death In Service	Half of higher tier ill health [C1(1)(a)] [Part 1 Schedule 3 (1) (2a)]	Half higher tier [Part 4, Para 2 (1a)]	Half higher tier (payable under regulation 65(2)) [78(3)]
Death In Retirement	Half of pension in payment disregarding commutation [Part 1, Schedule 3 (1) (2)]	Half of pension payable to member on death, accounting for any commutation but as if there had been no actuarial reduction [Part 4 , Para 2]	Half of pension payable to member on death accounting for any commutation but as if there had been no actuarial reduction [80(3)]

# Death grant – Regulations

	FPS 1992 [Part E]	FPS 2006 Standard and Special Members [Part 5]	FPS 2015 [Part 6, Chapter 4]
Death in Service lump sum?	2 x pensionable salary [E1(3)]	<b>Standard Members</b> - 3 x pensionable salary [Part 5, Para 1 (2)]  <b>Special Members</b> 2 x pensionable salary [Part 5, Para 1 (2A)]	3 x pensionable salary [96(2)]
Death in deferment lump sum?	No	No	No
Death on pension lump sum?	No	5 x pension less that already paid [Part 5 Para 2 (1)]	5 x pension less that already paid [97(3)]
Death grant paid to?	Spouse/Civil Partner or to estate [E1 (4)]	FRA discretion [Part 5, Para 1 (10)]	FRA discretion [95]



# Other regulations that may apply

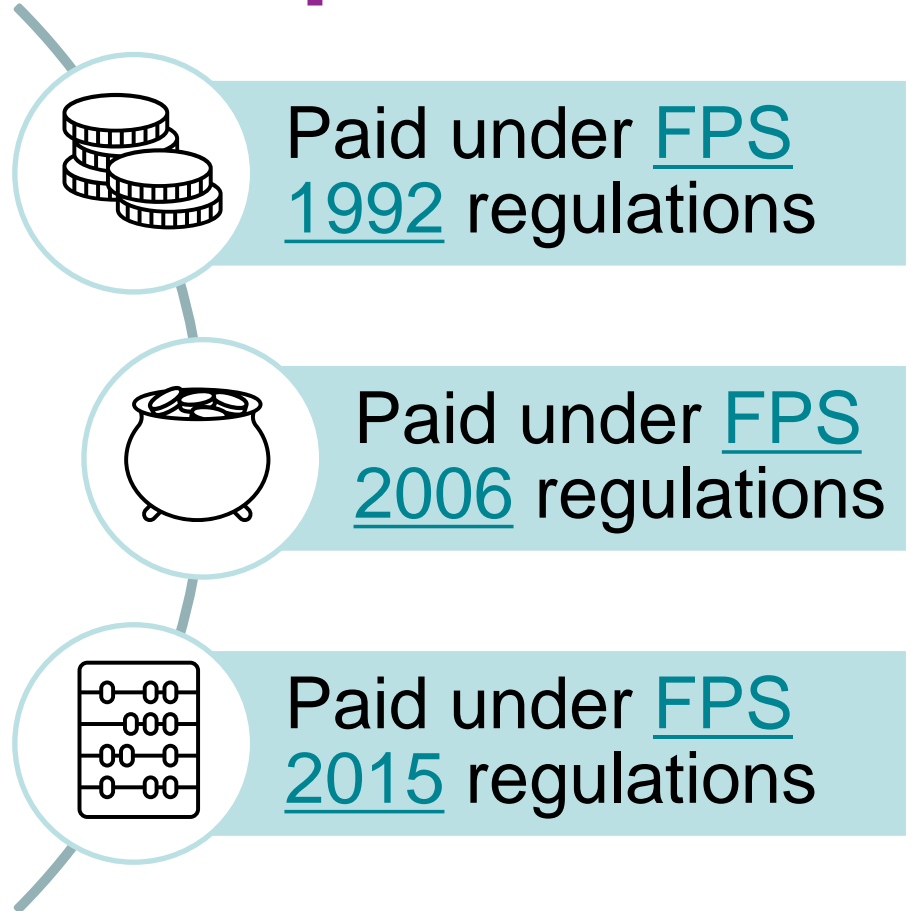
	FPS 1992 [Part C]	FPS 2006 Standard and Special Members [Part 4, Chapter 1]	FPS 2015 [Part 6, Chapter 2]
Wide age disparity	Not applicable	Reduced by the lower of 50% of pension or a reduction of 2.5 per cent for each year by which the deceased's age exceeds, by more than twelve years, that of the survivor [[2.5 * (N – 12) %] where N = the number of whole years the surviving partner is younger than the member] [Part 4, Para 3]	Reduced by the lower of 50% of pension or a reduction of 2.5 per cent for each year by which the deceased's age exceeds, by more than twelve years, that of the survivor [[2.5 * (N – 12) %] where N = the number of whole years the surviving partner is younger than the member] [82]
Post-retirement marriage	[C5 (2)]	Not applicable	Not applicable

# Two-pot



# Benefits accrued pre 1 April 2022?

- Pension built up before transfer to FPS 2015 is fully protected and is calculated on **final salary** at retirement.
- The pension is paid in addition to the benefits earned under FPS 2015



## Ordinary retirement – FPS 1992

- [\[A3\(7\)\]](#) of the 1992 regulations confirms a transitional member with continuity of service should be awarded a pension payable under amended [\[B1A\]](#).
- [\[B1A\(1\)\]](#) confirms that where a transitional member is retiring from the scheme the pension is calculated in accordance with [Part 2A of schedule 2](#)

## Double Accrual Guarantee

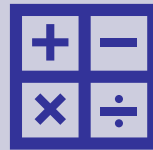
Expected pension at 30 years service = 40/60ths [0.6667]  
Sometimes expressed as 30/45ths [0.6667]

Pro-rated by time spent in FPS 1992

$27 \div 30 \times [40 \div 60 \times \text{Final Salary Link}]$



Recognises the expectation to double accrual for members in the FPS 1992



Proportions the expected benefit by the service in FPS 1992 to 31 March 2022

<https://fpsmember.org/fps-2015/double-accrual-guarantee>

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## Ordinary retirement – FPS 2006

- [[Part 3, Rule 1A](#)] of the 2006 regulations confirms a connected member should be awarded a pension payable under [Part 3, Rule 1(3)] on reaching NRA (60).
- [[Part 3, Rule 1\(3\)](#)] confirms the calculation as final pensionable pay x pensionable service / 60

# Options for lump sum

Optional lump sum at retirement

Up to 25% of pension can be commuted

- Subject to HMRC limits

Can apply separate options to each element

FPS 1992

- Actuarial commutation factors
- Potential UPC
- Restricted lump sum if < age 55 and < 30' years (2.25 times pension)

FPS 2006 and FPS 2015

- Flat rate commutation 12:1

# Two pension awards

- Entitlement to two pensions occurs when there is a drop in pay before a person is moved to the FPS 2015
- Regulations in the FPS 1992 [[B5A](#)] and FPS 2006 [[Part 3, Rule 7](#)] came into force from 1 April 2007
- The entitlement to two pensions occurs when a person suffers a reduction to the amount of pensionable pay on a) taking up a different role, or b) becoming entitled to a different rate of pay in the existing role
- The split pension effectively pro-rata's the expected benefit, calculated on two different salaries
- The pension can only be split once
- Formulas, examples, and FAQs shown in the [two pension factsheet](#)
- We have recently published an [FRA case study](#) on good practice



# Drop in salary post transition #1

Where there is a reduction in pensionable pay after transition to FPS 2015 scheme, the regulations protect the final pay at it's highest point

[Schedule 2, regulation 33](#), sets out the final salary rules for transition members of FPS 1992

[Schedule 2, regulation 32](#), sets out the final salary rules for transition members of FPS 2006

## Drop in salary post transition #2

3

Sub paragraph 3 safeguards final pay at the point of transition. If the final pay at retirement is lower than at point of transition the final pay will be calculated as the average pay (best of last three years)

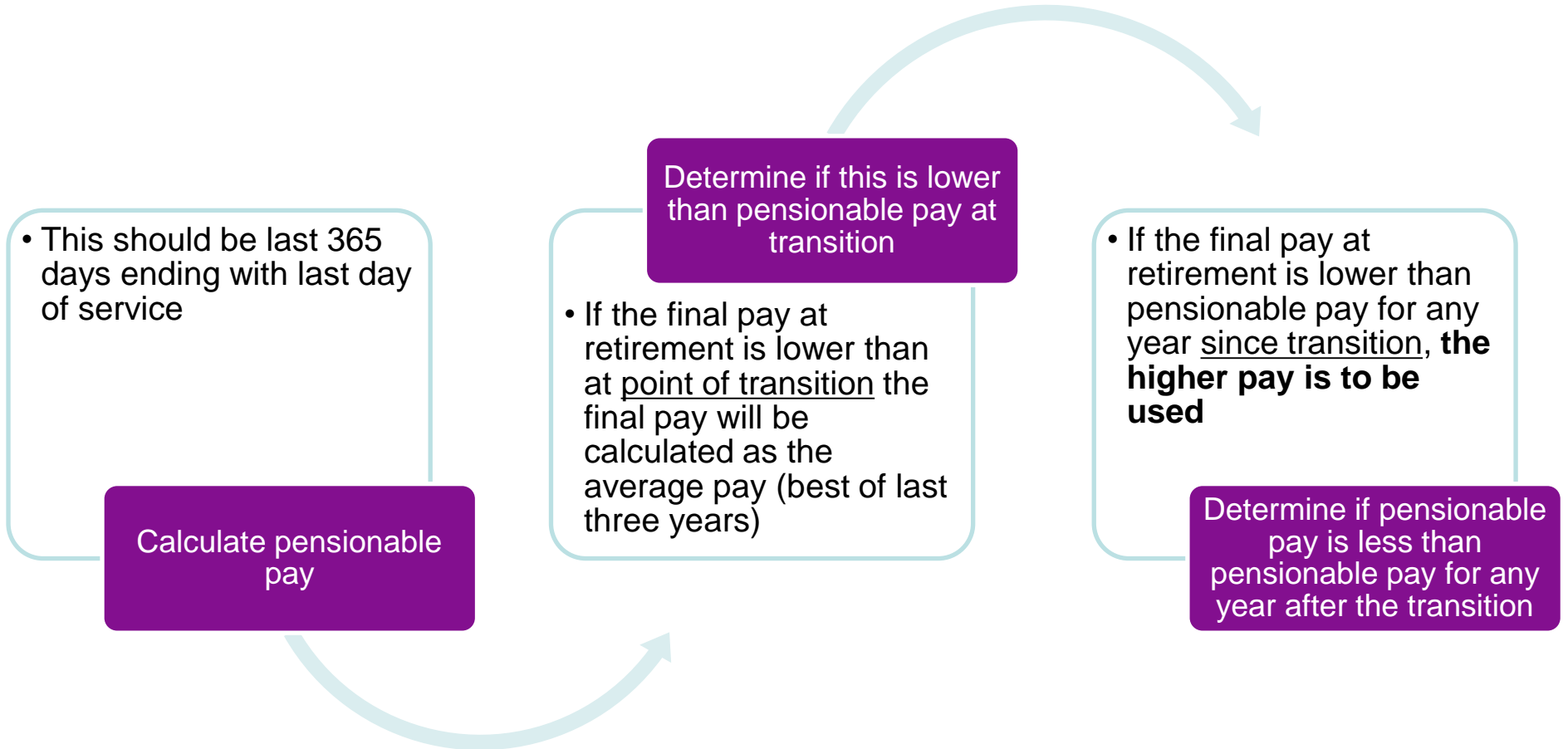
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Sub paragraph 4 further safeguards pay and says that where the final pay at date of retirement is less than pensionable pay for any year after the transition date, the higher pensionable pay is to be used.

5

Sub paragraph 5 safeguards any allowance or supplement treated as pensionable before July 2013 (ie temporary promotion), continues to be treated as pensionable in the final salary link

# Drop in salary post transition #3



# 1 April 2022 – 30 Sept 2023



# Current position

Protected members HAVE moved into the FPS 2015 on 1 April 2022

Members WERE NOT 'put back' into their final salary schemes on 1 April 2022

Retrospective remedy WILL NOT be implemented until 1 October 2023

- CARE service not converted to final salary until 2023
- Members remain in 'new' scheme for remedy period until 2023
- Contingent decisions cannot be offered until 2023
- **This is only the start of the implementation period – up to 18 months to provide options**

Retirements up to 30 Sept 2023 will be on current regs and current transition date UNLESS under immediate detriment

- Members will be offered IC from October 2023 – **up to 18 months to provide options**

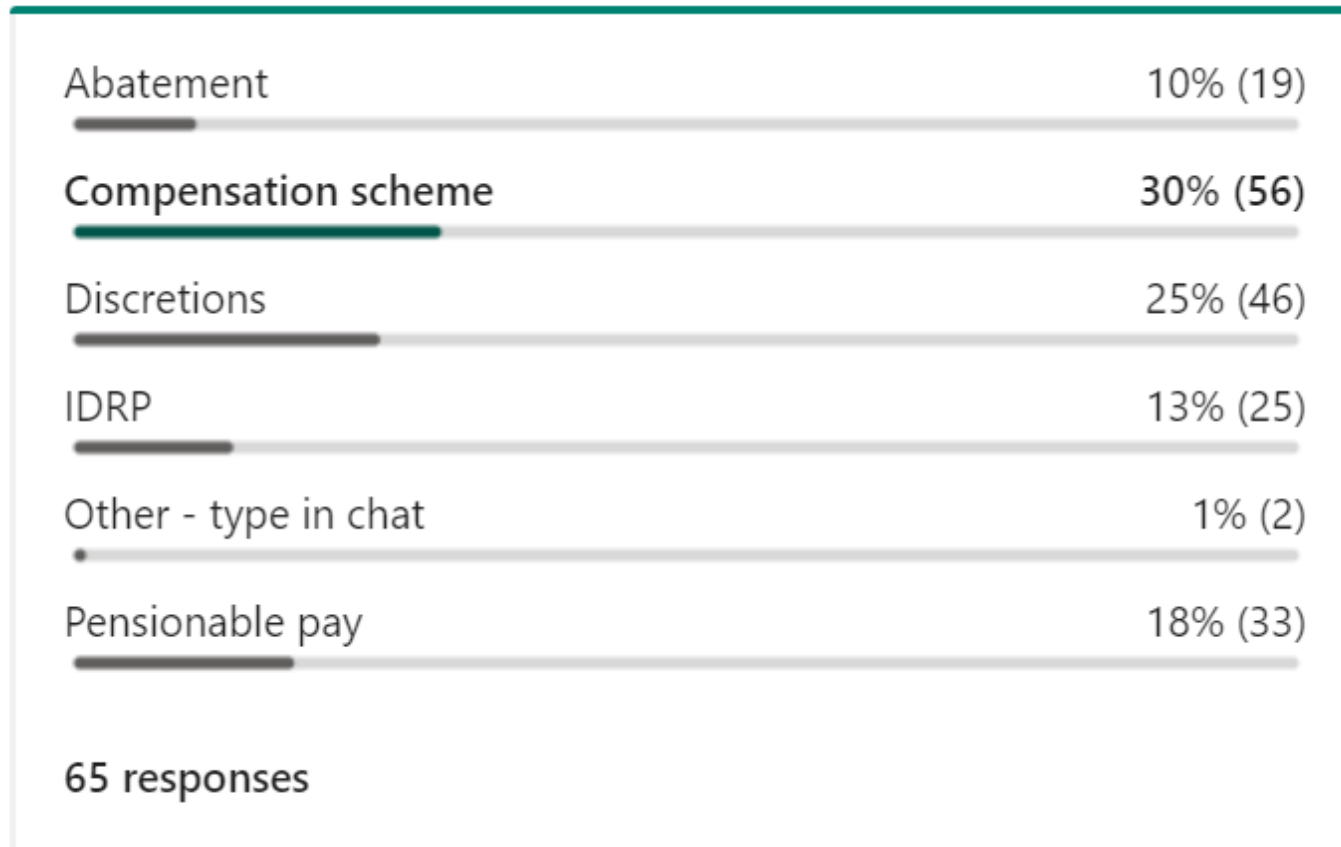
# Save the date

**FPS AGM 25-26 October 2022**

**18 Smith Square, London**



# Proposed workshop sessions



# Any questions





# Resources

- [www.fpsboard.org](http://www.fpsboard.org)
- [www.fpsregs.org](http://www.fpsregs.org)
- [www.fpsmember.org](http://www.fpsmember.org)
- [FPS bulletins](#)
- [Regulations](#)
- [GAD Guidance](#)
- [Age discrimination](#)
- [Special members FPS 2006](#)
- [Coffee morning archive](#)

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**Thank you for listening!**

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