

Firefighters Pension Scheme Special Members of the 2006 Scheme

2 May 2018

An important note

- These slides are intended to provide an overview of the scheme regulations and should not be regarded as a complete guide
 - Please note that it is the responsibility of each FRA to apply the rules of the pension scheme in accordance with their interpretation of the scheme and to obtain legal advice where they consider this is necessary.
 - The information contained in these slides have been provided to give some guidance on the rules of the pension scheme, however they should be used only as an informal view of the interpretation of the firefighters' pension scheme as only a Court can provide a definitive interpretation of legislation.
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Agenda

- Introduction and Objectives
 - An administrators perspective, Vicky Jenks, Shropshire
 - The regulatory framework
 - Workshop 1
 - The view from GAD, Chris Mulholland, GAD
 - Types of Special Member and Special Firefighter Service
 - Workshop 2
-

Special members of the 2006 Scheme





Objectives of the day



Terminology

- Commonly known as the modified scheme or retained modified
 - Introduced a new category of member ‘special member’ to the 2006 scheme. It is not a standalone scheme.
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Special Members of the 2006 Firefighter Pension Scheme

- Ability for those retained who were excluded from a scheme from 2000 – 06 to join a scheme similar to the FRS 1992.
- Benefits reflect 1992 scheme (in part)
- Incorporated into 2006 scheme
- Accrual rate 1/45th
- Normal pension age 55
- Deferred pension age 60
- Built in ill health benefits/life cover
- Pension benefits for Partners/Children
- The options exercise ended September 2015.



Scheme Comparison

Feature	1992 Scheme	2006 Scheme	Modified Scheme	2015 Scheme
Basis of pension	Final salary	Final salary	Final salary	(CARE)
Accrual rate	40/60ths 1/60 th up to 20 y (2/60 th after 20 y)	1/60 th	1/45 th	1/59.7 th
Benefit / Membership Cap	40/60 th	45 years	30 years	None
Earliest Retirement Age	> 25 years service aged over 50	Age 55 with e.ret reductions	Age 55	Age 55 with e.ret reductions
Revaluation rate	n/a	n/a	n/a	Average Weekly Earnings

Types of member

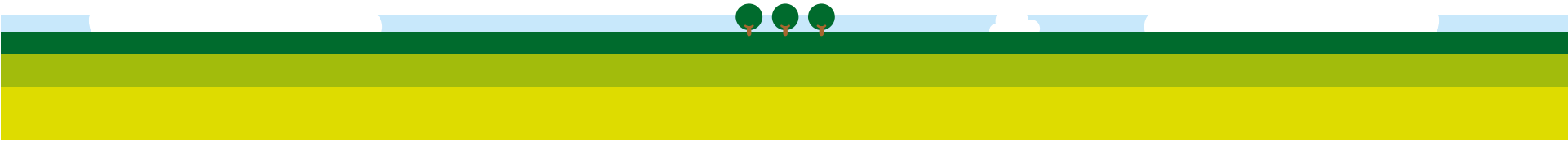
1992 Scheme	2006 Scheme (Standard Members)	2006 Scheme (Special Members)	2015 Scheme	Compensation Scheme
Protected standard members	Protected standard members	Protected special members	2015 only	Benefits based on service
	Protected retained members		1992 transitional	Protections for retained firefighters with a qualifying injury before 1 st April 2014
			2006 standard transitional	
			2006 standard retained transitional	
			2006 special transitional members	



Administration of Retained Modified



Presented by :





Introduction of the Retained Modified Scheme

- The scheme was introduced after a legal case, *Matthews v Kent and Medway Towns Fire Authority [2006] UKHL*, went through the House of Lords and led to legislation allowing retained firefighters the right to be treated equally as they were employed under the same type of contract as WT firefighters and gave them the right to join a pension scheme
- With effect from 1 April 2014, [SI 2014/445](#) implemented the regulations for the Retained Modified Scheme



Features of the Modified Scheme

MNFPS	NFPS 2006
Normal retirement age of 55	Normal retirement age of 60
Deferred benefit age of 60	Deferred benefit age of 65
Death in service benefits (info on request)	Death in service benefits is 3x pensionable pay
Accrual rate = 1/45th	Accrual rate = 1/60th
Contribution rate = 11% for service before 1 st April 2012 and then between 11% and 17%	Contribution rate = 8.5% to 12.5% from 1 st April 2014
Commutation factor is fixed and linked to age at retirement and FPS 1992*	Commutation factor is 12 to 1



Who could join the scheme

Specifically Retained Firefighters



Current firefighters



Firefighters who have left
the service



Firefighters who
have left the
service and are
in receipt of a
pension



Firefighters who have left
the service and in receipt
of ill-health benefits
(or potential ill health cases)



Those employed as retained
Firefighters between
1 July 2000 and 5 April 2006



Administration – Where to start!

- FRA had to identify those that would be able to join
- HR/Payroll information required as Pensions Administrator would only know of members in the Pension Scheme - Was this information still held??
- *In the regulations 5A(4) Authorities were instructed to contact employees - Within two months of the initial date, the authority shall use reasonable endeavours to notify all those existing employees and former employees who may be entitled to join this scheme as a special member that they may be so entitled.*
- What constitutes as reasonable?? A few IDRPs cases have been raised due to employees not being contacted and Authorities not being able to show they used reasonable endeavours



Initial contact

- Reg 5A(5) Within two months of receiving the notification in paragraph (4), or if no notification has been received, within four months of the initial date, a person may be able to apply to the authority by which he was employed in service falling within paragraph (2) above for a statement of the service in respect of which he may become entitled to pay contributions under this rule and the mandatory special period pension contributions which he would be required to pay in respect of it.
- (6) An application under paragraph (5) shall be in writing and shall state –
- (a) The date on which the application took up employment as a retained firefighter;
 - (b) Where he has left that employment, the date on which he left;
 - (c) Where he took up employment as a regular firefighter, the date on which he took up that employment;



Project Management

Month	Oct-14		Nov-14				Dec-14				Jan-15			Feb-15			
Week Beginning	26	2	9	16	23	30	7	14	21	28	5	12	19	26	2	9	16
Task																	
Project Plan set up																	
Project Plan to be communicated to Fire Authority																	
Preparations of Team Training																	
Team Training																	
Spreadsheet Set up ready for input of results of calculation																	
Control spreadsheet to be created for return requests																	
Team Working on Calculations																	
Review of cases completed - update to Fire Authority																	
Draft of Letter/form & FAQ sheet																	
Fire Authority to authorise letter/form																	
Inform Fire Authority of Costs																	
Mail Merge of Letter																	
Mail Merge Data / Letter to be sent to Fire Authority																	
Review of costs to Fire Authority																	
Letters to be sent by the Fire Authority																	



Options exercise

Not just a matter of purchasing past service:

The options :

- Purchase special service
- Purchase special and continue with standard service
- Purchase special and convert standard to Special
- Option to transfer in from other pension schemes

- Conversion of transfers already received from standard to special



Options exercise continued.....

Payment options :

- Lump sum
- Pay by instalment for 10 years contract period
- Pro rata if all contributions not paid up
- Pensioners already in receipt of a pension from standard service



The contributions paid :

- If deducted via payroll tax relief at source
- If deducted from retirement lump sum – certificate for HMRC to claim tax relief
- Collection via standing order – those not active





Administration burden

- For those employees who had left and would be entitled to a deferred benefit - the on going collection and recording of contributions will need to be done until their retirement or 10 years from start of payment of instalments
- At Shropshire each year finance confirm payments received and a certificate is issued to the member in order that they may claim tax relief on the contributions paid for that year
- For some Authorities - still being contacted by employees who want to take up the option but were not contacted at the time of the options exercise, but the Regulations do not allow for elections after 30 September 2015.
- *(12) Where it is not reasonably practicable to comply with the requirement in paragraph (1) within the period specified, the election shall be given by written notice as soon as reasonably practicable after the end of that period but in any event may not take effect after 31st March 2015 this was extended to 30 September 2015*



Software Developments

- At the time of introduction calculations had not really be developed
- Instructions on how to set up a record were introduced but were not available from 1 April 2014
- Some aspects of administration had not been considered fully by the software provider and we had to ask for these to be developed – uprating of standard membership to special member
- Worked together with the software provider to create screens that show the split between purchased service and uprated service – through the Testing working party
- Still take part in testing calculations specifically for Modified scheme



Where to find information?

- At the time Eunice Heaney wrote a guide for employers setting out what needed to be provided to employees
- FROG worked together to produce a template for letters and forms to standard information being sent out in the region
- The Home Office supplied the calculators and user guides
- A FAQs document was also put together by LGA, this consisted of questions asked by Authorities/Administrators on the www.khub.net/group/thefirefighterspensionsdiscussionforum
- Most of this can be found on the Knowledge hub and will be made available on www.fpregs.org.uk

Thank you for listening.



Firefighters' Pension Schemes Regulations and Guidance

[Welcome](#)[Regulations](#)[Bulletins and Circulars](#)[GAD Guidance](#)[Administration Resources](#)[Legal Landscape](#)[Contact Us](#)[Search](#)[Member Area](#)

Special members of FPS 2006

Following the introduction of the Part-Time Workers (Prevention of Less Favourable Treatment) Regulations 2000, a claim was made by a number of retained firefighters that they should receive equal treatment with full-time regular firefighters and thereby be able to access pension benefits under the 1992 Firefighters' Pension Scheme. The claim proceeded through the Employment Tribunal and Court of Appeal before judgement was given in the House of Lords in favour of the retained firefighters.



Although, since 6 April 2006, retained firefighters have been eligible to join the Firefighters' Pension Scheme 2006 ("FPS 2006") the House of Lords judgement allowed those who were serving during the period 1 July 2000 to the date on which they elected to join the 2006 Scheme, to have special provisions which generally reflect the rules of the Firefighters' Pension Scheme 1992 ("FPS 1992"). They could not be given backdated membership of FPS 1992 because that Scheme is now closed. Consequently FPS 2006 was amended to introduce pension benefits for these "special" retained firefighters.

Useful Links

- [CLG Archive](#)
- [Firefighters' Pension Scheme Statistics](#)
- [HMRC Pensions Tax Manual](#)
- [Local Government Association](#)
- [LGPS Regulations and Guidance](#)
- [The Pensions Ombudsman](#)
- [The Pensions Regulator](#)
- [FPS England Scheme Advisory Board](#)
- [Scottish Public Pensions Agency](#)

Regulations

The relevant regulations that amended the 2006 scheme to allow retained firefighters access as special modified members are listed below:

SI	Title	Date into force
2014/445	The Firefighters' Pension Scheme (England) (Amendment) Order 2014	01/04/2014
2014/446	The Firefighters' Pension Scheme (Amendment) (England) Order 2014	01/04/2014
2014/447	The Firefighters' Compensation Scheme (England) (Amendment) Order 2014	01/04/2014
2015/590	The Firefighters' Compensation Scheme and Pension Scheme (England) (Amendment) Order 2015	01/04/2015

Resources

Guides and other communications are listed in the table below:

Document	Description	Date of issue
Tax and NI guide (PDF, 16 pages, 643kb)	Informal guidance on Income Tax and National Insurance implications	Version 2. Oct 2016
Calculator user manual (PDF, 42 pages, 1,040kb)	The Retained Firefighters' Pension Settlement Calculator user manual - DCLG	September 2015
Settlement calculator (xlsm, 789kb)	The Retained Firefighters' Pension Settlement Calculator	September 2015
FAQs (PDF, 34 pages, 557kb)	Modified Retained FAQ guide - LGA	May 2015
Scheme guide (PDF, 37 pages, 660kb)	Guide to FPS 2006 for Special Members	May 2015
Further information letter (PDF, 3 pages, 159kb)	Template covering letter to be issued with eligible member guide	February 2015
Eligible member guide (PDF, 18 pages, 293kb)	Modified pension arrangements and terms of payment for eligible individuals	November 2014
Employee guide (PDF, 20 pages, 210kb)	Employee information leaflet on the introduction of the new modified pension arrangements	April 2014
EOI letter (PDF, 3 pages, 172kb)	Template expression of interest letter	April 2014
EOI form (PDF, 2 pages, 74kb)	Template expression of interest form	April 2014
DG application form (PDF, 2 pages, 74kb)	Application for a time-limited death grant	April 2014
Employer guide (PDF, 24 pages, 323kb)	Action to be taken by employers to identify and contact prospective members	March 2014



Regulation Framework

- Special Firefighter Members
 - Introduced by [SI 2014/445](#)
 - Amended by [SI 2015/590](#)
 - Amended the 2006 Scheme [SI 2006 /3432](#)
 - All the 2006 regulations and statutory amendments can be found [here](#) on www.fpsregs.org
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2014/445

SCHEDULE Amendment of Schedule 1 to the Firefighters' Pension Scheme (England) Order 2006

1. Amendment of Part 1 (citation and interpretation)
 2. Amendment of Part 2 (scheme membership, cessation and retirement)
 3. Amendment of Part 3 (personal awards)
 4. Amendment of Part 4 (survivors' pension)
 5. Amendment of Part 5 (awards on death)
 6. Amendment of Part 6 (pension sharing on divorce)
 7. Amendment of Part 8 (determination of questions and appeals)
 8. Amendment of Part 9 (review, withdrawal and forfeiture of awards)
 9. Amendment of Part 10 (qualifying service and pensionable service)
 10. Amendment of Part 11 (pensionable pay, pension contributions and purchase of additional service)
 11. Amendment of Part 12 (transfers into and out of the Scheme)
 12. Amendment of Part 14 (payment of awards)
 13. Annex ZA – commuted portion: special members
 14. Amendment of Annex A1 (pension contributions)
 15. Annex AB1 – pension contributions for special members
 16. Amendment of Annex 1 (ill health pensions)
 17. Annex 3 – converting membership from special membership to standard membership
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2015/590

SCHEDULE 2 Amendment of Schedule 1 to the Firefighters' Pension Scheme (England) Order 2006

1. Amendment of Part 1 (citation and interpretation)
 2. Amendment of Part 2 (scheme membership, cessation and retirement)
 3. Amendment of Part 11 (pensionable pay, pension contributions and purchase of additional service)
 4. Amendment of Annex ZA (commuted portion: special members)
 5. Amendment of Annex A1 (pension contributions)
 6. Amendment of Annex AB1 (pension contributions for special members)
-

Pension

- Special Members Ordinary Pension rules are set by [Part 3, Rule 1A](#) 2006 scheme - Amended by SI 2014/445
- The special members ordinary pension is calculated as 45ths of final pensionable salary multiplied by special pensionable service

(5) Where a special member to whom this rule applies becomes entitled to a special member's ordinary pension in respect of service as a retained firefighter, his special member's ordinary pension shall be calculated by multiplying his final pensionable pay by his special pensionable retained service and dividing the resultant amount by 45.

III – Health Pension

- Special Members III-Health Pension rules are set by [Part 3, Rule 2](#) 2006 scheme - Amended by SI 2014/445
- Rule 2A introduces a retrospective ill-health award – this only applies to those who left before 6th April 2006

2A.—(1) This rule applies to a person who elects to join this Scheme as a special deferred member or a special pensioner member and who had been dismissed on the grounds of ill-health or had retired from employment as a retained firefighter before 6th April 2006

Lump Sum

- Special Member Commutation factors were fixed to reflect the commutation rates in force the day before the amendment order was made.
 - Commutation rules are set by [Part 3, rule 9](#) of the 2006 scheme - Amended by SI 2014/445, [Rule 3, Paragraph 11](#)
 - Commutation restricted within HMRC limits
-

Lump Sum restriction with HMRC limits

- Commutation lump sum is limited to HMRC's PCLS limit [Paragraph 4A of rule 9, Part 3]
 - Guidance on [Khub](#)
 - **$(20 \times \text{Gross Special Pension}) \div [(3 \times \text{Commutation Factor}) + 20]$**
-

Lump Sum restriction with HMRC limits

- **Example**
 - Annual (pre-commutation) pension = £3000.00.
 - Member elects to commute 25% (£750 a year)
 - Lump Sum of £15,600 (£750 x 20.8)
 - Annual (post commutation) pension = £2,250.00.
-

Lump Sum restriction with HMRC limits

- Maximum permitted by HMRC is 25% of the total value of benefits vested

$$[(20 \times \text{£}2,250) + \text{£}15,600 = \text{£}60,600 \times 25\% = \text{£}15,150]$$

- For this particular member the commuted lump sum of £15,600 will have exceeded the HMRC limit by £450.
[£15,600 - £15,150]
-

Lump Sum restriction with HMRC limits

- $[(20 \times \text{£}3000.00) \div ((3 \times 20.8) + 20) \times 20.8] = \text{£}15,145.63$
 - Checked against HMRC test $[\text{£}2271.85 \times 20] + \text{£}15,145.63 = \text{£}60,582.63 \times 0.25\% = \text{£}15,145.66$
-

Survivor Pension

	FPS 2006 Standard and Special Members [Part 4]
Entitlement	Spouse, Civil Partner or Nominated Partner [Part 4, Para 1 (1)]
Death In Service	Half higher tier [Part 4, Para 2 (1a)]
Death In Retirement	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]

Survivor Lump Sum

	FPS 2006 Standard and Special Members [Part 5]
Death in Service lump sum?	Standard Members - 3 x pensionable salary [Part 5, Para 1 (2)] Special Members 2 x pensionable salary [Part 5, Para 1 (2A)]
Death on pension lump sum?	5 x pension less that already paid [Part 5 Para 2 (1)]
Death grant paid to?	FRA discretion [Part 5, Para 1 (10)]

Children's Pensions

	FPS 2006 Standard and Special Members [Part 4, Chapter 2]
Childs Pension	<ul style="list-style-type: none"> ➤ 1 child - $\frac{1}{4}$ ill-health [Part 4, Para 8 (1a)] ➤ >1 child $\frac{1}{2}$ ill-health \div total children <p>[Part 4, Para 8 (1b)]</p>
Where there is no entitlement to survivors pension	<p>$\frac{1}{2}$ ill-health pension or pension in payment after commutation \div total children</p> <p>[Part 4, para 10]</p>

'total children' means 'total number of eligible children'

Short Term Pension

	FPS 2006 Standard and Special Members [Part 4]
Survivors Pension Active or Pensioner Member	13 week short pension [Part 4, Chapter 1, Para 4]
Childs pension where there is no entitlement to survivors pension	13 week short pension [Part 4, Chapter 2, Para 9]

Retained Firefighter

	Compensation Scheme [Part 8]
Entitlement to ill-health pension for retained firefighter [Part 8, rule 2, (4)]	A retained firefighter who was employed prior to 6 April 2006 and awarded an injury pension before 1 st April 2014 shall be treated as having been a regular firefighter and awarded an ill-health pension
Protected right to [Part 8, rule 2 (4)] [SI 2014/447Rule 3 (2)]	A retained firefighter employed prior to 6 April 2006, who didn't subsequently become a 'special member' under the terms of the modified arrangements and <u>after 1 April 2014</u> has been retrospectively awarded an injury pension. Where it has been determined that the injury is a qualifying injury and was sustained <u>before the 1st April 2014</u> .

2006 Scheme (Special) Part 12 (9)

	2006 scheme (special members)
Club Transfers	<p>1. Special members who were not already a standard member: 12 months of election [Part 12(9)(4)]</p> <p>2. Special members who were previously standard members: Club memorandum restricts to 12 months compulsory transfers are not included</p>
Non Club – Occupational	No restriction [Part 12(9)]
Non Club – Non Occupational	<p>1. Special members who were not already a standard member: No restriction [Part 12(9)(4)]</p> <p>2. Special members who were previously standard members: Period of one year from active membership or such period as scheme manager may allow [Part 12 (9)(1cii)]</p>

Other guidance

- [Ill-Health and Injury Quick Guide](#)
 - [Survivor Benefits](#)
 - [Transfers](#)
-

Special Members GAD Guidance

GAD Guidance	FPS 2006	Most recently dated
Added Pension	Special Members	2 December 2014
Additional Pension Benefit (APB)	Special Members Column 4 here	1 July 2014
CETV	Second addendum for special members here	17 th June 2016
Commutation Factors	Annex ZA and extended factors to age 75 here	29 December 2017
Conversion of standard benefits to special membership	Transfer in credits; Added Years and APB's here	12 February 2015

Special Members GAD Guidance

GAD Guidance	FPS 2006	Most recently dated
Conversion of special to standard membership	Annex 3 here	01 April 2014
Pension Credit	Table J1 here	13 May 2016
Tax charge debits	Special Members	13 May 2016
Transfer Ins	Special Members - Table C3 & C4 - here	29 January 2015
Trivial Commutation	Factors apply to all schemes	2 December 2014



Tax

- PAYE
 - Tax rebates on contributions
 - NIC rebates to correct contracted out service
-

PAYE Failures

- Special Pensioner Members who elected to join were entitled to receive back dated pension payments.
 - These payments are chargeable to Tax under Section 569 ITEPA 2003 and therefore should have been subject to PAYE
-

PAYE Failures

- In some cases PAYE was not deducted and the member was asked to contact HMRC directly
 - HMRC have confirmed that a PAYE failure means that the FRA is required to foot the bill for the tax, rather than the pensioner
-

Tax Rebates on Contributions

- Tax rebate based on year contribution is made
 - Where the contribution was made in a lump sum rebate is for the year of payment
 - Where contributions are periodical rebates are for each year based on tax circumstances of that year
-

Tax Rebates on Contributions

- A number of issues have been reported - Still in discussion with HMRC, hopeful for an update soon.
-

NIC Rebates

- Members not in a pension scheme pay A rate NIC contributions. Not contracted out of state pension and get full state pension.
 - Members in a pension scheme pay D rate NIC contributions (slightly lower) and are contracted out of state pension
-

NIC Rebates

- HMRC need to process employee and employer refund from A rate to D rate

AND

- Amend contracted out service
 - [Bulletin 2](#)
-

Key Reminders



Eligibility

- A person who was employed as a retained firefighter and to whom paragraph (1) of rule 2 of Part 8 of the Compensation Scheme applies may not be a special member of this Scheme.
 - [[Part 2, Rule 1A, Para 15](#)]
-

Eligibility

- The election to join as a special member must have been made before 30 September 2015
 - Authority must have used 'reasonable endeavours' to notify of entitlement
 - [Bulletin 3](#) Backdated elections to the modified scheme - Informal opinion that there is no vires to offer membership of the scheme after 30 September 2015 -
-

Employee Contributions

- The employee contribution rate is laid out in [Annex AB1](#)
 - Contributions are the same as those paid by 1992 scheme members to reflect that the benefits are the same.
-

Employer Contributions

- Employer contributions (based on the 1992 employers rate) are due for any new service accrued after joining the Modified Scheme.
 - Table 4.3 (paragraph 4.9) of the [2012 valuation](#) of the Firefighters' Pension Scheme sets out contribution rates from 2015 to 2019:
 - Waiting on valuation results to set the employer contribution rate from 2019 to reflect past service contributions.
-

Workshop 1

- What were your experiences of implementation?
 - How comfortable do you feel about your knowledge
 - Are there any common questions you are faced with?
-



Firefighters' Pension Scheme (England)

2016 Valuation Special 2006 Scheme Members

Chris Mulholland

Actuary

Government Actuary's Department

2 May 2018



Contents

- > 2016 Valuation Data Exercise
- > Membership Statistics
- > Special membership data
- > GAD's approach to data processing
- > Common data issues



2016 Valuation – Membership data

- > Membership data collected as at 31 March 2016
 - > Included special members for the first time
- > Data provided separately for:
 - > Active members
 - > Deferred Pensioners
 - > Pensioners
 - > Dependants
- > Shows accrued pension at 31 March 2016, or salary and service for active members



Membership statistics

Group/statistic	31 Mar 2012 All members	31 Mar 2016 All members	31 Mar 2016 Special members only (% of all members)
Active firefighters	35,149	32,985	1,461 (4%)
Deferred pensioners	5,242	10,675	729 (7%)
Pensioners (including dependants)	38,254	42,376	1,103 (3%)
Total membership (number of records)	78,645	86,036	3,293 (4%)
Total salaries ¹ (£m pa)	954	878	16 (2%)

1. Actual salaries, not full time equivalents.



2016 Valuation – Special active members

Protection	Number of members	Total Pensionable Salary (FTE) £m	Total Actual Pay £m	Average Age ¹	Average Service	Total 2015 Scheme pension £m
Full protection	671	21.4	7.0	55.1	5.3	-
Tapered protection	256	8.0	2.5	48.6	4.7	<0.1
Unprotected	534	16.5	6.6	42.1	5.3	0.1
All Members	1,461	45.9	16.1	48.7	5.2	0.1

1. Weighted by actual salary.



2016 Valuation – Approach to data processing

- > Ideally use 100% accurate data
- > In practice, some data items are missing in the valuation data received by GAD
- > Approach taken was to
 - > Focus on the critical data items
 - > Ask for an updated data set if significant number of critical items missing
 - > Otherwise, approximate incomplete records assuming average members



2016 Valuation – Approximated records

Membership group	Proportion of members being approximated	Approximate number of records being approximated
Active members	5%	1,800
Deferred members	1%	150
Pensioners (including dependants)	1%	200
All members	2%	2,150



2016 Valuation – Special members

2016 Valuation – Approximated active records

Membership group	Proportion of members being approximated	Approximate number of records being approximated
All active members	5%	1,800
Special retained active members	11%	160
Standard retained active members	10%	800
Regular active members	3%	800



Common Special member data problems

- > Pensionable pay (FTE) missing or too low to be a FTE
- > Actual pay (ie not FTE) missing
- > Part-time proportion missing, or shown as 0% or 100%
- > Pensionable service missing
- > Protection status
 - > Mostly unprotected members shown as still being in the special scheme.



Particular issues with special active data

- > Members paying by periodic contributions
 - > Data suggests that the full period of service being purchased has been recorded, ie not just the amount paid for by 31 March 2016
- > Different approaches to recording the 'Date Joined Scheme'
 - > 1 July 2000 (or later employment date).
 - > 6 April 2006
 - > Later dates, including 1 April 2015
- > Members who converted from standard to special service
 - > Records updated or new records added?



Going forwards

- > Important to identify the periodic contributions being payable by special members when submitting cash flow data to Home Office each year
 - > ie, show this separately from normal employee contributions towards future service
- > Are you able to report the outstanding periodic contributions at each valuation date?
- > How are records updated if a member does not complete their periodic payments?



2016 Valuation – Special members

Current employer contribution rates Payable 2015 to 2019 (from 2012 valuation)

Rate as % of pensionable pay	1992 Scheme	2006 Scheme	2015 Scheme
Cost of accrual	43.6%	30.7%	27.3%
Past service effects	-5.5%	-5.5%	0.0%
Less member contributions	-14.8%	-10.7%	-12.5%
Less allowance for ill health charges	-1.6%	-2.6%	-0.5%
2015-19 employer contribution rate	21.7%	11.9%	14.3%

Special Membership

- [Rule 1A of Part 2](#) of Schedule 1 to The Firefighters' Pension Scheme (England) Order 2006 specifies three kinds of special membership
 - Special Firefighter
 - Special Deferred Member
 - Special Pensioner Member
-

Special Firefighter Member

- Employed as a retained firefighter before 6th April 2006 and continues without a break to date of election [Para 1a]

Or

- Employed as a retained firefighter before 6th April 2006 and without a break takes up employment as a regular firefighter and continues in that employment without a break to date of election [Para 1b]
-

Four Types of Special Deferred Member

1. They had already left employment before they elected to purchase their mandatory special period [Sub para 7]
 2. They were an active member of the standard 2006 scheme in their retained employment at the point of electing to purchase their mandatory special period, but elected not to convert their standard service to special service [Sub para 8] (Likely to still be employed)
-

Four Types of Special Deferred Member

3. Ceases to make contributions [sub para 3] (Likely to still be employed)
 4. They were an active member of the special scheme, and when they have left / opted out they meet the appropriate eligibility criteria for a special member to qualify for deferred benefits. [Sub para 9]
-

A deferred member but still building up benefits?

- A special deferred member could still be actively accruing benefits by paying periodical contributions under [Part 11, 6A, paragraphs 3 & 4](#)
 - Because under [\[Part 10, Rule 2A, paragraph 1\]](#) they don't actually accrue the service until it has been paid for.
-

Annual Allowance Consequences

- For annual allowance purposes if they have paid by periodical contributions, they would still be getting relevant benefit accrual, which would need to be measured against the annual allowance.
-

Annual Benefit Statements

- [Part 15, Rule 4](#) requires annual benefit statements to be sent to firefighter, deferred and pension credit members
 - Are all your special deferred firefighters getting Annual Benefit Statements?
-

Four Types of Special Pensioner Member

1. Between 1st July 2000 and election date retired from retained employment having
 - attained age 55
 - qualified for retrospective ill-health retirement; or
 - attained age 60

[Para 11 & 12]

Four Types of Special Pensioner Member

2. Retires as a special firefighter member having attained age 55 [Para 13]
 3. Retires on ill-health from active or deferred status [Para 13 (B&C)]
 4. Reaches age 60 as a special deferred member [Para 14]
-

Special Membership



- A protected retained firefighter under Rule 2 of Part 8 of the Compensation Scheme may not be a special member of this Scheme.
 - [[Part 2, Rule 1A, Para 15](#)]
-

Pensionable pay

- Scheme Rules say the relevant date for final pensionable pay is the last day of pensionable employment/date of death
 - ‘Pensionable employment’ could be employment under the 2006 scheme (Special or Standard) or 2015 scheme
-

Pensionable Pay

- [Part 11, Rule 2](#)

(8) In the case of a special member, paragraph (2)(b) applies with the substitution of “special pensionable service” for “pensionable service” .

(9) In the case of a person who joined this Scheme as a special deferred member or a special pensioner member, his final pensionable pay shall be the amount determined by the authority and set out in the notice given by the authority under rule 5A(13) of this Part.

But what is the relevant date?

- Scenario 1 – They had already left before election
 - use pensionable pay when they left employment
 - Scenario 2 – Choose not to convert, BUT still have active employment
 - Use pensionable pay at date of election
 - Scenario 3 – Join as an active member and later become a special deferred member
 - Use pensionable pay at date of leaving
-

Special Pensionable Service

- Types of pensionable service
 - How to calculate special pensionable service
 - Accrual of special pensionable service
 - Present value vs projection of full benefits
 - Calculation of service on leaving employment
 - Calculation of service if stop making payments
-

Special Pensionable Service Types

Mandatory Special Period

- All special members will have this service

Converted Standard Service

- 1992 service
- 2006 standard service

Converted Special Service

- Special to standard service

Purchased Service

- Added 45ths

Future Service

- Accrued future service after date of election
-

Pensionable Service

- **Standard Retained Firefighter**

Service is calculated based on actual pay \div reference pay

Earns pension at an accrual rate of 60ths of actual pay.

- **Special Firefighter**

Past service is calculated on joining, future service is

calculated based on actual pay \div reference pay

Earns pension at an accrual rate of 45ths of actual pay.

Retained Firefighter Pensionable Service

- Membership builds up based on the earnings compared with a Regular Firefighter (reference pay).

e.g. if a retained firefighter earns £8,125 in one year and their reference pay is £28,000, membership is calculated as:-

$\text{£8,125} / \text{£28,000} * 365 \text{ days} = 106 \text{ days membership}$

Choices of payment

- Lump Sum

Instantly credited to the account, counts immediately to annual allowance and present value benefits for annual benefit statements

- Periodical Contributions

The service is only counted for (and converted) once paid for. For annual allowance, it means only service paid for should count as accrued benefits in the year, for ABS only service paid for should be included in present value.

Periodical Contributions

- The election to pay by periodic contributions is in line with GAD Guidance and over a period of 10 years, or by a lump sum, there is no in between option or facility to overpay.

- [Part 11, 6A, Paragraph 8](#)

(8) The mandatory special period pension contributions may be paid by periodic contributions which must be calculated in accordance with tables provided by the Scheme Actuary so as to discharge the member's liability over a period of 10 years or may be paid by way of a lump sum contribution.

Accrual of Special Pensionable Service

Mandatory Special Period

- All special members will have this service

Converted Standard Service

- 1992 service
- 2006 standard service

Purchased Service

- Added 45ths
-

Mandatory Special Contributions

- The service used for the calculation of present value benefits should be calculated in line with the principle of [Part 11, Rule 6B Paragraph 6](#)

$$A * (B/C)$$

Where

A = Number of 45ths elected to purchase

B = Period of contributions made

C = Full period for paying contributions

Added pension

Additional 45ths

- Election made under rule 5, paragraph 1, Part 11,
 - The accrued service is calculated under paragraphs 3 & [3A](#) (amended), [Rule 7, Part 11](#) in line with the formula
 - $A * (B / C)$
-

Transfer of 1992 rights to special membership

- Where the member has elected under [\[Part 12, Rule 11A, paragraph 5\]](#)
 - If application at same time as election, the 1992 service shall be treated as special pensionable service accrued in this Scheme.

(5) A person who receives a statement under paragraph (2) or (4) may elect to transfer his accrued rights under the 1992 Scheme to his special membership of this Scheme.
 - If application made within 12 months of the election date, the service shall be transferred as a club transfer [Part 12, 11A (7)]
-

Converted 2006 Standard

Converting standard to special

- A member may opt to convert standard service to special service by an election under [Part 12, Chapter 6, rule 17.](#)
 - The [calculator](#) converts standard to special service
 - The member shall pay the difference in standard rate contribution to special rate contribution for the period elected to convert [5(b)]
-

Converted 2006 Standard

Converting standard to special

- Service will only be converted once all payments made
 - Present value should be calculated in line with paragraph 8, rule 17
 - Same $(A \times (B \div C))$ formula but where A equals 'Period of standard service elected to convert'
-

Standard to special example

- Mandatory period bought is 2 years
- Elects to convert 8 years of standard service.

Service type	Present value	Projected benefits
Mandatory (Bought 2 years)	$2 \text{ years} * 1 \text{ year} / 10 \text{ years} = 30 \text{ days} / 45 * £20000 = \mathbf{£88.89}$	$2/45 * £20000 = \mathbf{£ 888.89}$
Converts standard to special	$8 \text{ years} * 1 \text{ year} / 10 \text{ years} = 292 \text{ days} / 45 * £20,000 = \mathbf{£355.56}$	$8 / 45 * £20000 = £3555.56$
Unconverted standard service	$7 \text{ years} / 60 * £20,000 = £2,400.00$	Zero
Total Pension	£2,844.44	£4,444.45

Annual Allowance - Growth Example

	Mandatory Pension	Converted Pension	Standard 60ths	Total Pension	Growth	AA
Standard member – 8 years				£2666.67	£177.78	£2,844.44
Year 1	£88.89	£355.56	£2,400	£2844.44	£177.78	£2,844.44
Year 2	£177.78	£711.11	£2,133.33	£3,022.22	£177.78	£2,844.44
Year 3	£266.67	£1,066.67	£1,866.67	£3,200.00	£177.78	£2,844.44
Year 4	£355.56	£1,422.22	£1,600.00	£3,377.78	£177.78	£2,844.44
Year 5	£444.44	£1,777.78	£1,333.33	£3,555.56	£177.78	£2,844.44
Year 6	£533.33	£2,133.33	£1,066.67	£3,733.33	£177.78	£2,844.44
Year 7	£622.22	£2,488.89	£800	£3,911.11	£177.78	£2,844.44
Year 8	£711.11	£2,844.44	£533.33	£4,088.89	£177.78	£2,844.44
Year 9	£800.00	£3,200.00	£266.67	£4,266.67	£177.78	£2,844.44
Year 10	£888.89	£3,555.56	£0.00	£4,444.44	£177.78	£2,844.44

Leaving service with payments outstanding

- If the member leaves or opts out they have the option to pay all remaining contributions within three months of the leaving date in order to count all of the service [\[Part 11, Rule 6A, paragraph 9\]](#)
- The calculation of the remaining lump sum contribution is processed through the “Settlement Lump Sum” option of the [calculator](#).

(9) If a special firefighter member makes a contributions election, or retires, he shall cease to pay periodic contributions and he may then pay within three months of the date of the contributions election a lump sum of an amount equivalent to the contributions which would otherwise be paid calculated in accordance with tables provided by the Scheme Actuary.

Leaving service and continuing to pay by periodical contributions

- The members decision to leave should not impact their ability to continue to pay for the cost of past service
 - They can continue to pay periodical contributions as a deferred member, as per [Rule 6A, Part 11](#), paragraphs 3 & 7.
-

Using the lump sum calculator

- User Guide and calculator available [here](#)
 - Data Required
 - Name
 - Date of original calculation
 - Date periodic contributions commenced
 - Date of last periodic contributions
 - Number of instalments paid
 - Periodic contribution amount being paid
-

Ceasing payments

- If the member stops making payments, the final pension should be calculated in line with paragraph 11.
- Election revoked, contributions paid credited against mandatory special period.

(11) Where paragraph (10) applies in the circumstances referred to in paragraph (10)(a)—

- (a) the election to convert shall be treated as having been revoked; and
 - (b) any contributions that the member has paid shall be credited against the mandatory special period pension contributions payable by the member.
-

Ceasing payments

- Mandatory period bought is 2 years
- Elects to convert 8 years of standard service
- Stops after 5 months

Service type	Service bought/ converted	Period contributions paid	Amount of Contributions paid	Total Contributions Expected
Mandatory	2 years	1 st November 2015 to 31 st March 2016 = 5 months	£42 a month	£5,040 (over 10 years)
Converted	8 standard to special	1 st November 2015 to 31 st March 2016 = 5 months	£15 a month	£1,800 over 10 years)

Ceasing payments

Service type	Present value
Mandatory (Bought 2 years)	$2 \text{ years} * 5 \text{ months} / 10 \text{ years} = 30 \text{ days} / 45 * £20000 = \mathbf{£37.04}$
Converts standard to special	$5 \text{ months at } £15 / £5040 * 2 \text{ years} = 11 \text{ days} / 45 * £20,000 = \mathbf{£13.23}$
Unconverted standard service	$8 \text{ years} / 60 * £20,000 = \mathbf{£2666.67}$
Total Pension	$\mathbf{£2,716.94 (£37.04 + £13.23 + £2666.67)}$

Accrual of pensionable service

Purchase
mandatory
special service

Convert
special service
to standard
service

Converting special to standard

- An election to convert special membership is done under [Part 12, Chapter 6, Rule 16](#), and must be done at the same time as an election to purchase service during the limited period.
 - Converted service as a special member is only added to the pensionable service as a standard member, once the special contributions have been made.[16(7)]
-

Special to standard (Example)

- Election to purchase 4 years 53 days of mandatory limited period service, and at the same time requests to convert special service to standard service.
 - First need value of accrued mandatory special period $4 \frac{53}{365} * (1 / 10) = 151$ days
 - 151 days * 124% = 170 days * Factor applied as per annex 3
-

Special to standard example

- Mandatory period bought is 4 years 53 days
- Elects to convert special to standard

Service type	Present value	Projected benefits
Mandatory (Bought 4 years 53 days)	$4 \text{ years } 53 \text{ days} * 1 \text{ year} / 10 \text{ years} = 151 \text{ days} * 124\% = 170 \text{ days} / 60 * \text{£}20000 = \text{£}155.31$	$4 \text{ years } 53 \text{ days} * 124\% = 4 \text{ years } 241 \text{ days} / 60 * \text{£}20,000 = \text{£}1553.07$

Accrued Special Service

Mandatory Service	Converted Service	Added years
Part 11, Rule 6B Paragraph 6	<ul style="list-style-type: none">• Part 12• 2006 standard to special –Part 12, rule 17, paragraph 8• Special to standard 2006, Part 12, rule 16 paragraph 7• 1992 service to special, Part 12, rule 11A, paragraph 6	Part 11, rule 7 paragraphs 3 & 3A

Results of Survey

	Lump Sum	Periodical	Direct Debit	Payroll	PAYE
Active	558	1163	211	947	67%
Deferred	380	477	477		
Pensioner	1207				

42 Authorities responded

Workshop 2

- Record Keeping
 - Lessons Learnt
 - Further Resources?
-

Record Keeping

- Type of election (Periodical or lump sum)
 - Type of service purchased
 - Mandatory
 - Additional
 - Future accrued service
 - Conversion election
 - 1992 to Special
 - Standard to Special
 - Special to Standard
 - Contribution payments (contribution history, period made, total elected for)
-

Lessons learnt

- GDPR
 - Record keeping requirements
 - Training
 - Collaboration
 - What else?
-

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Any questions

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