

Firefighters' Pension Scheme (1992)
New Firefighters' Pension Scheme (2006)

Continual Professional Development (CPD)
Pension Factors

Date: 15 February 2008



1 Background

- 1.1 This Note was commissioned by the Firefighters' Pensions Team (LGFPS Division) of the Department for Communities & Local Government (DCLG). The Note explains how Continual Professional Development (CPD) payments are treated in the Firefighters' Pension Scheme 1992 and the New Firefighters' Pension Scheme 2006.
- 1.2 Certain firefighters are eligible to apply for Continual Professional Development (CPD) payments. The basic levels of payment were determined by the Joint National Council for each individual Fire & Rescue Authority. (FRA may also make supplementary CPD payments.) CPD payments typically total less than £1,000 a year (full-time equivalent) at present. Successful applicants receive payment with effect from 1 July each year. The first payments under the CPD Scheme were made from 1 July 2007. CPD payments are taxable and pensionable.
- 1.3 CPD payments are pensionable via an additional pension benefit arrangement. In brief:
- > Employees and employers pay pension contributions on CPD payments in accordance with the rules of the Firefighters' Pension Scheme (1992) or the New Firefighters' Pension Scheme (2006);
 - > These contributions secure additional monetary benefits which come into payment at the same time as, and in addition to FPS or NFPS benefits.
- 1.4 The amount of additional benefit secured for a given CPD year is found by dividing the relevant contributions by the capitalised present value of an additional benefit of £1 pa payable in accordance with the scheme rules. Tables of factors for converting contributions derived from CPD payments into additional pension benefits are given in Section 4.
- 1.5 Provision for CPD payments to be pensionable in England was made by the Firefighters' Pension Scheme (England) (Amendment) Order 2008 No 214 and the New Firefighters' Pension Scheme (England) (Amendment) Order 2008 No 213. The relevant rules in each scheme are:
- > Regulations B5C and B5D of the Firefighters' Pension Scheme 1992;
 - > Regulations 7B and 7C of Part 3 (Personal Awards) of the New Firefighters' Pension Scheme 2006;
- There are equivalent provisions in Scottish and Welsh legislation.
- 1.6 Section 2 of this note summarises the benefits which it is assumed will be secured by CPD payment contributions. Section 3 gives other details of the method and assumptions used for this purpose. Section 4 introduces the tables of factors.

2 Summary of benefits

2.1 Members' benefit entitlements are determined by the rules of the relevant pension scheme. This section summarises the main benefits payable in respect of CPD payments.

2.2 Normal retirement

Benefit is normally payable at the same time as other normal retirement benefits:

- > (FPS) from normal pension age, or in the case of a regular firefighter to whom rule B1 applies, from the date of retirement;
- > (NFPS) at normal retirement age.

Part of the pension benefit may be commuted to lump sum on the same terms as normal retirement pension.

2.3 Pension increases

Benefit is increased in line with the Retail Prices Index (RPI), both before and after coming into payment. The first increase is awarded in the April following the relevant CPD year.

2.4 Ill health retirement

Benefit is normally payable at the same time as an ill-health retirement benefit:

- > (FPS) where a firefighter is required to retire on grounds of permanent disablement under rule A15;
- > (NFPS) where a firefighter leaves employment on ill health retirement under rule 2 of Part 3.

Benefit is not enhanced on ill-health retirement.

2.5 Leaving service

In circumstances where a member leaves service with entitlement to a deferred pension, benefit in respect of CPD payments is likewise deferred, and becomes payable under:

- > (FPS) rule B5;
- > (NFPS) rule 3 of Part 3. Where a member takes early-retirement, rule 5 (pension on member-initiated early retirement) or rule 6 (pension on authority-initiated early retirement) of Part 3 applies, as appropriate.

2.6 Survivors' benefits

Where a member dies before or after retirement, benefit in respect of CPD benefit is used to determine survivors' benefits in accordance with:

- > (FPS) Parts C, and D;
- > (NFPS) Part 4.

2.7 Transfer value calculations and payments

The benefit is added to other leaving-service benefits for transfer purposes.

3 Methods and Assumptions

3.1 The tables annexed to this Note give factors for the capitalised present value of an additional benefit of £1 pa, to be secured by contributions on CPD payments. There are separate factors for the benefits payable under the Firefighters' Pension Scheme (1992) and the New Firefighters' Pension Scheme (2006).

3.2 Methods

The conversion of CPD contributions to additional benefit is carried out according to the member's age on the relevant date. The relevant date is 1 July immediately following the CPD year. The same applies when a member retires or leave service during the year. In these and other cases where some of the contributions due for a CPD year are not in fact paid, the corresponding benefit for that CPD year is reduced pro-rata.

3.3 The factors given in Section 4 are applicable for the CPD year commencing on 1 July 2007. These factors may be revised for future CPD years.

3.4 The factors vary with age. CPD contributions paid at a younger age secure a larger additional benefit than those paid at a higher age (other things being equal), because there is a longer interval until retirement.

Financial assumptions

3.5 The long term rate of return is assumed to be 3½% a year in excess of price inflation. However, current yields on appropriate index-linked government bonds are significantly lower. It is assumed that the real rate of return will increase from 1½% a year to 3½% a year over a 15-year period.

Demographic assumptions

3.6 The demographic assumptions are generally the same as those adopted for costing assessments carried out in 2004¹. In particular, the assumed rates of mortality after retirement are derived from the standard PXA92 mortality tables issued by the Continuous Mortality Investigation of the Actuarial Profession. (New standard mortality tables based on more recent statistics are now available: designated as PXA00.)

3.7 The same factors are applicable to male and female firefighters. These unisex factors are based on the assumption that most firefighters are male. (Actual pension costs for females are typically higher than males, other things being equal, because of women's generally longer life expectancy.)

3.8 Likewise, the same factors are applicable to firefighters in the Firefighters' Pension Scheme who could be eligible to retire before age 55, as to other FPS members.

3.9 An actuarial review of firefighter pensions is currently in progress, based on data as at 31 March 2007. This will most likely result in revised demographic assumptions for CPD pension factors and other purposes.

¹ "Main Actuarial assumptions adopted for costing purposes in 2004" GAD, December 2004.

4 Tables of factors

- 4.1 There are separate factors for each pension scheme: FPS 1992 and NFPS 2006. The relevant factor is determined according to the member's age last birthday at the relevant date (section 3.2).
- 4.2 **Column (2)** of the Table gives factors for the Firefighters' Pension Scheme 1992. Normal pension age is age 55 under rule A13. Rule B1 allows earlier retirement in certain cases, but the same factors apply in all cases.
- 4.3 **Column (3)** of the Table gives factors for the New Firefighters' Pension Scheme 2006. Normal retirement age is 60 for all members.

Example

- 4.4 A firefighter member of FPS is age 50 on 1 July. The relevant factor from column (2) of the Table is 20.1. His CPD payment attracts pension contributions of £150. The additional benefit is calculated as $£150 / 20.1 = £7.46$ pa.

Firefighters' Pensions: CPD Pension Factors

Table of CPD Pension Factors [February 2008]

	Firefighters' Pension Scheme (1992)	New Firefighters' Pension Scheme (2006)
Age last birthday on relevant date	Factor for additional (CPD) benefit of £1 pa	Factor for additional (CPD) benefit of £1 pa
(1)	(2)	(3)
20	8.0	6.3
21	8.3	6.5
22	8.5	6.8
23	8.8	7.0
24	9.1	7.3
25	9.4	7.6
26	9.8	7.9
27	10.1	8.2
28	10.4	8.5
29	10.8	8.8
30	11.2	9.1
31	11.6	9.5
32	12.0	9.8
33	12.4	10.1
34	12.8	10.5
35	13.3	10.9
36	13.7	11.2
37	14.2	11.6
38	14.6	12.0
39	15.1	12.4
40	15.5	12.8
41	16.0	13.1
42	16.4	13.5
43	16.9	13.9
44	17.4	14.3
45	17.8	14.7
46	18.3	15.0
47	18.7	15.4
48	19.1	15.8
49	19.6	16.1
50	20.1	16.5
51	20.5	16.8

Firefighters' Pensions: CPD Pension Factors

	Firefighters' Pension Scheme (1992)	New Firefighters' Pension Scheme (2006)
Age last birthday on relevant date	Factor for additional (CPD) benefit of £1 pa	Factor for additional (CPD) benefit of £1 pa
52	21.0	17.2
53	21.6	17.5
54	22.2	17.9
55	22.4	18.3
56	22.0	18.7
57	21.7	19.2
58	21.3	19.8
59	20.9	20.5
60	-	20.7
61	-	20.3
62	-	19.9
63	-	19.4
64	-	19.0