

INFORMAL GUIDANCE

The Retained Firefighters' Pension Scheme

Modified pension arrangements and terms of
payment for eligible individuals

2014

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Introduction

The information set out in this document provides details of the pension benefits on offer to any individual who was employed as a Retained Firefighter in England during the period of 1 July 2000 to April 2006. The document also provides guidance on the options available to individuals who have expressed an interest to join the new modified pension scheme.

Please note it is your responsibility to seek professional advice, if you deem it necessary, on whether to proceed. Fire and Rescue Authorities can only provide a statement of cost and information about the modified scheme.

This document does not replace or substitute any documents which will be provided to you on joining the modified scheme.

By signing the options election form you will be agreeing to the terms of payment outlined within this document and accompanying letter.

The pension benefits are incorporated within the Firefighters' Pension Scheme 2006 (the "2006 Scheme"). It does not constitute a scheme on its own but rather a new modified section of the 2006 Scheme with different benefits. However, for the purposes of this information leaflet we will refer to it as the "*modified scheme*".

As previously outlined: The modified scheme will be subject to the reforms that apply to all public service schemes. Members of the modified scheme who are not protected will transfer to the 2015 Firefighters' Pension Scheme on 1 April 2015 or later if they are taper-protected. Further information on the 2015 Scheme can be found at SI 2014/2848.

Background

Who is Eligible:-

Individuals that were employed as Retained Firefighters between 1 July 2000 and 5 April 2006 are entitled to purchase pension rights under the terms of the new pension arrangements. Membership will be open to all such eligible individuals. The normal pension age of the modified scheme will be 55 years.

- Current firefighters
- Firefighters who have left the service
- Firefighters who have left the service and are in receipt of a pension: and
- Firefighters who have left the service and are in receipt of ill health retirement benefits

As you are aware the modified scheme is available to individuals who were employed as a retained Firefighter by an English Fire and Rescue Authority during the relevant period, and you were not given the opportunity to join the membership of

the Firefighters' Pension Scheme 1992 (the "1992 Scheme") in respect of that employment. The Government has now introduced the terms of the Retained Firefighters' Pension Settlement that will offer pension entitlement for all employees who were employed as retained firefighters between the relevant period. If you joined after that date you are not eligible to join the scheme. Any service before 1 July 2000 will not be counted as pensionable service.

Any individuals eligible to join the modified scheme will be entitled to elect to pay the historic contributions to count their retained service during the limited period as part of their pensionable service. The individual can choose the date on which they enter the scheme within this period. Payments for historic contributions can be made by either a lump sum payment, periodical contributions or by commuted lump sum (which can be topped up if necessary). Further details are outlined within this document.

Special Firefighter members will be able to continue their membership of the modified scheme provided that they remain in continuous eligible pensionable service and do not opt out of the scheme's membership. Eligible individual's will have the option to transfer pension benefits from other pension schemes into the scheme provided that the individual has not already had the option to transfer in such service as a member of the standard 2006 scheme following the options exercise in 2007. This exercise will be undertaken after you have joined the scheme, within time restrictions which will be advised by your pension provider.

Regular firefighters employed under a single contract that includes regular and retained duties which would include duty systems such as 'day crewing' during this period are not recognised as part time workers. Therefore, firefighters employed under 'day crewing' contracts between 1 July 2000 and 5 April 2006 inclusive will not be permitted to join the modified NFPS ('The Modified Scheme') for any retained elements of their contract. Where an individual left their employment as a retained firefighter after 5 April 2006 and without a break in service took up employment as a regular firefighter, then the individual will have the option to combine these periods of service under the modified scheme.

Method of calculating service into the modified pension scheme

The usual method of assessing service for retained firefighters is used to assess potential special service which can be "purchased", i.e. for each year is;

$$\frac{\text{Actual pensionable pay}}{\text{Reference pay}} = \text{special pensionable service [Part 11 Rule 5A(11)]}$$

Consequently, your personal calculation, as contained within the attached individual statement of details, has been made up of;

- the period during which the firefighter was serving as a retained firefighter (noting the date, if any, when the firefighter became a regular member of the NFPS)

- the earnings of the firefighter for each year of service during that period which could count as pensionable if a Scheme member
- the earnings of a whole-time regular firefighter in a similar role and with similar service (i.e. “reference pay”).

In accordance with Part 11 Rule 5A(12), the FRA must calculate the amount of the special pension contributions payable in respect of special pensionable service during the limited period, having regard to Part 11 Rule 3(1A). Under this Rule, pension contributions are assessed at the rate of 11% of pensionable pay for the period up to and including 31 March 2012.

(AMEND IF NECESSARY) As you have provided no additional documentation to assist in the establishment of service/pay we have calculated the above on pensionable pay on the basis of the information we hold on our records. A breakdown of these figures is contained within the individual statement of details enclosed.

Information- membership category

There are three distinct types of special members which will depend on your own personal circumstances at the point of joining.

1. You will join as a **special firefighter member** if you:

- took up employment as a retained firefighter before 6 April 2006; This includes firefighters who were employed for all or part of the eligible period and who remain in service without a break in service. This could also include a retained firefighter who subsequently moved to wholetime and remain employed as wholetime now.
- have continued in that or subsequent employment as a retained firefighter¹; and
- elect to join the modified scheme and pay the contributions.

2. You will join as a **special deferred member** if you:

- were employed as a retained firefighter for all or part of the period between 1 July 2000 and 5 April 2006 inclusive, and before age 55 left² that employment on a date prior to joining the modified scheme;
- join the modified scheme as a special firefighter member and subsequently leave your employment (or opt out of the modified scheme) before age 55; or

¹ You will also be entitled to join as special firefighter member if you satisfy points (i) and (iii) above, but ceased to be a retained firefighter on or after 6 April 2006 and immediately after, without a break in service, became a regular firefighter and continued as such until the date of your election.

² This will not apply if you left due to ill-health and are assessed as being entitled to a retrospective ill-health pension by an IQMP.

- (iii) are already a member of the standard 2006 Scheme for your retained employment and subsequently join the modified scheme as a special firefighter, in respect of the same employment, and decide not to convert your standard service to modified service i.e. you decide to continue with your 2006 Scheme membership.

This includes firefighters who were employed for part or all the relevant period who left employment on a date prior to making an election to join the modified scheme and who are not entitled to immediate payment of their modified scheme pension on this date.

It also covers retained firefighters who elect to join the modified scheme as a special firefighter member and subsequently leave employment or opt out of the scheme before becoming entitled to an immediate payment of benefits.

It would also apply to members individuals who are also members of the NFPS scheme and are eligible to join the modified scheme, but do not convert to the NFPS service to the modified service, i.e., they continue with their standard membership.

3. You will join as a ***special pensioner member*** if you:

- were employed as a retained firefighter for all or part of the period between 1 July 2000 and 5 April 2006 inclusive, and had left that employment on a date prior to making an election to join the modified scheme; **and** you meet one of the following conditions;
 - (a) you had attained age 55 when you left your employment; **or**
 - (b) you have attained age 60; **or**
 - (c) you were medically discharged or left due to ill-health prior to 6 April 2006 and are certified by an Independent Qualified Medical Practitioner that you were permanently disabled for undertaking the role of a firefighter at the date of your discharge and that your permanent disablement has continued to the date of the medical assessment.

This includes firefighters who were employed for part or all of the reference period who left employment for all or part of the eligible period and who would become eligible to receive their pension immediately on joining the new scheme. It also includes individuals who are 60 or above. Is entitled to an ill health pension. Any eligible individual who is certified as being permanently disabled prior to attaining ordinary pension age or normal benefit age, or any eligible individual who attains age 55 years and retires.

Important note: Anyone who joins as a special pensioner member will be entitled to receive backdated payment of their pension from the date they would have first been entitled to receive it.

Information- Terms of payment

Please note, by signing the options elections form you will be declaring your understanding of these terms of payment, and all other conditions outlined within this document, the covering letter and the annexes.

Commutation

As a member of the modified scheme you will have an option to commute part of your annual special pension for a lump sum on retirement. The amount of lump sum that you will receive will be determined by applying commutation factors provided by the Scheme Actuary.

The commutation factor will be age related, but fixed. The amount that a member can commute will be limited to the amount that is permissible without a scheme chargeable payment being required under part 4 of the Finance Act 2004.

Important note: The amount that a member can commute will be limited to the HM Revenue and Custom's Pension Commencement Lump Sum Limit.

Abatement

Abatement is the process whereby a member's pension is withdrawn, in full or in part, if they become re-employed by a fire authority after retirement. The rules for abating any pension paid under the terms of the modified scheme will reflect the corresponding provision of the 2006 scheme. Any application of the abatement rules would only apply for those who are re-employed on or after 1 April 2014.

Opting out of modified scheme

If you join the modified scheme and subsequently opt-out prior to becoming entitled to an immediate payment of pension you will become entitled to a special deferred pension, payable from age 60. You will not be permitted to rejoin the modified scheme at a later date. You should discuss this with the pension provider at the time of opting out of the scheme.

Death Grant

If you were to die whilst being a special firefighter member, the modified scheme will pay a death grant equal to two times your pensionable at the time of your death to your spouse, civil partner or nominated partner.

Purchasing additional service in the modified scheme

If you join the modified scheme as a special firefighter member you may be entitled to purchase additional 1/45ths by means of regular contributions payment or by lump sum payment. Your eligibility will be subject to satisfying the scheme rules. The cost associated with purchasing each additional 1/45ths will be determined by tables and guidance provided by the Scheme Actuary.

Important note: The option to purchase additional service in the modified scheme will not extend to special deferred or special pensioner members.

Taxation

If you join the modified scheme you may be entitled to receive certain tax relief on the historic contributions in respect of your past service accrued since 1 July 2000. You may also be entitled to a rebate in your National Insurance Contributions for any time during this period where you were contracted into the State Second Pension. The Department for Communities and Local Government is currently producing guidance that will set out how you may be able to claim back this entitlement using existing HM Revenue and Customs processes. When complete, the guidance will be issued to fire authorities for further circulation.

Important note: If you have a personal pension that spans the period of proposed retrospective entry to the modified scheme then your benefits under your personal pension will be reduced accordingly. Either your personal pension that you are currently receiving will be reduced or, if you are not yet in receipt of your personal pension, the pension fund to be paid to your personal pension provider by HM Revenue and Customs will be reduced.

It is recommended that you contact your personal pension provider or consult an Independent Financial Advisor to see what affect this will have on your personal pension before making a final decision.

Buying back your service in the modified scheme

Special firefighter member

If you join the modified scheme as a special firefighter member you will have the option of paying the historic contributions by means of a lump sum payment or periodical contributions. If you elect to pay by lump sum you will have 6 months from the date of electing to join the modified scheme to pay the lump sum. If the lump sum has not been received by the fire authority before the expiration of this period, your election to join the modified scheme will be treated as not having been made.

Alternatively, you will have the option of purchasing your past service rights by means of making periodic contributions over a spreading period of 10 years (which will include interest), or up to the point where you attain age 55, whichever comes earlier. Upon attaining age 55, any outstanding balance should be paid within 3 months of becoming entitled to receive payment of your pension. You will have the option of paying this from your commuted lump sum, or from another source.

Important note: The total level of commuted lump sum, for tax purposes, will be the amount of lump sum, prior to the payment of your historic contributions, not the residual lump sum after contributions have been deducted.

If you decide to opt out of the modified scheme, cease paying the periodic contributions or decline to pay any outstanding balance of historic contributions on retirement then you will receive a prorated service credit for the service that you have purchased. You will also become entitled to a special deferred pension. There will be no option for you to resume the periodical payment of contributions at a later date.

If you were to die whilst making periodical contributions in respect of your past service, your special pensionable service in the modified scheme will be credited with the full amount of special service that you had elected to purchase. This will be used to determine any survivor benefits that may be payable in respect of your pension.

If you were to become entitled to an ill-health pension whilst making periodical contributions in respect of your past service, you will have the option to pay any outstanding balance by lump sum, including from a commuted lump sum. If you choose not to pay an outstanding balance then the past service credit will be prorated to reflect the past service contributions actually paid.

Special deferred member

If you join the modified scheme as a special deferred pensioner member you will have the option to pay the cost of your historic contributions by means of lump sum.

If you elect to pay by lump sum you will have 6 months from the date of electing to join the modified scheme to pay the lump sum, otherwise your election to join the modified scheme will be treated as not having been made.

Alternatively, you will have the option of purchasing your past service rights by means of making periodic contributions over a period of 10 years (which will include interest), or up to the point where you become entitled to receive payment of your deferred pension, whichever comes earlier. Upon becoming entitled to receive payment of your deferred pension, any outstanding balance could be paid at that time from your commuted lump sum, or from another source.

If the value of your commuted lump sum is not sufficient to pay the full balance of your past service costs, you will be required to pay any outstanding balance within 3 months of becoming entitled to receive payment of your pension.

Important note: The total level of commuted lump sum, for tax purposes, will be the amount of lump sum, prior to the payment of your historic contributions, not the residual lump sum after contributions have been

If you decide to cease paying the periodic contributions or decline to pay any outstanding balance of historic contributions on retirement then you will receive a prorated service credit for the service that you have purchased. There will be no option for you to restart the periodical payment of contributions at a later date.

If you were to die whilst making periodical contributions in respect of your past service, your special pensionable service in the modified scheme will be credited with the full amount of special service that you had elected to purchase. This will be used to determine any survivor benefits that may be payable in respect of your pension.

Under the terms of the negotiated Settlement, if you join as a special deferred member you will not have an entitlement to transfer any other pension benefits (be that from the 1992 Scheme, 2006 Scheme or any other external pension arrangements) into the modified scheme; or to convert service between the 2006 Scheme and the modified scheme.

Special pensioner member

If you join the modified scheme as a special pensioner member you will have to pay the cost of your historic contributions by means of lump sum only. You will have to pay the lump sum to the relevant fire authority within 6 months of electing to join the modified scheme. You will not receive any pension payments until the lump sum has been paid.

However, you will have the option of paying your lump sum from any commuted lump sum. Where this option is made, the fire authority responsible for implementing your pension entitlement will deduct the total cost of your historic lump sum payment from your commutation lump sum prior to it being paid to you. If the value of your commuted lump sum is not sufficient to pay the full balance of your past service costs, you will be required to pay any outstanding balance within 3 months of becoming entitled to receive payment of your pension.

Important note: The total level of commuted lump sum, for tax purposes, will be the amount of lump sum, prior to the payment of your historic contributions, not the residual lump sum after contributions have been paid.

If you elect to purchase your past service from some other source, other than your commuted lump sum, the full amount must be paid to the fire authority before the expiration of the 6 month period after you elect to join the modified pension arrangements; otherwise your election to join will be treated as not having been made.

Converting 2006 scheme membership to modified already in receipt of an ordinary/ill-health pension under the 2006 Scheme

If you joined the 2006 Scheme in respect of your retained service and have since retired and are receiving payment of the pension, you can continue to receive payment of your 2006 Scheme pension but will be able to convert an equivalent amount of service into special service in the modified scheme. There will be an offsetting mechanism to deduct the value of your 2006 Scheme pension from the pension that will be paid under the modified scheme. Essentially, you will end up receiving two pensions (one from the 2006 Scheme and one from the modified scheme) with a combined value equal to what you would have received from the modified scheme had you converted all your 2006 Scheme service to the modified scheme.

Under the terms of the negotiated Settlement, if you join as a special pensioner member you will not have an entitlement to transfer any other pension entitlement (be that from the 1992 Scheme, 2006 Scheme or any other external pension arrangements) into the modified scheme. You will also not have an option to convert service between the 2006 Scheme and the modified scheme, unless you have already retired and are in receipt of a pension in respect of your 2006 Scheme membership (*see paragraph 45 above*).

Information – transfers

Transferring external pension benefits into the modified scheme

If you join the modified scheme as a special firefighter member, you may have the option to transfer pension benefits from other external pension schemes into your special membership. Further details on this can be obtained from the pension provider after you have joined the scheme.

Transferring accrued 1992 Scheme service into the modified scheme

If you join as a special firefighter member and have existing service in the 1992 scheme (in the form of active membership or a deferred pension) you may be eligible to transfer this service into the modified scheme. Your election to transfer this service must be made to the relevant fire authority within one year of them notifying you of the details of the costs of purchasing your past service pension rights.

Important note: The modified scheme has a pensionable service cap of 30 years. This cap will still apply even if the total of your special pensionable service exceeds 30 years at the point of your retirement.

Transferring deferred 1992 scheme service which is continuous from pre- 6 April 2006 retained service to the modified scheme

If you are eligible to join the modified scheme as a special firefighter member and have an existing deferred pension in the 1992 scheme and you did not have a break in service before becoming employed as a retained firefighter, then you will have the option to transfer this 1992 Scheme service into your membership of the modified scheme.

Under this option you will receive a 1/45th of special pensionable service for each full year of service that you accrued in the 1992 scheme. If you choose this option you will be required to elect to start your special membership in the modified scheme from the date that you were first employed as a retained firefighter. If you are interested in considering this option, you must make the request to transfer your 1992 Scheme at the same time as you make your election to join the modified scheme.

Important note: The modified scheme has a pensionable service cap of 30 years; this will still apply even if the total of your special pensionable service exceeded 30 years at the point of your retirement

Converting service in the modified scheme to 2006 Scheme membership

If you are a current member of the 2006 scheme you will be able to convert any special service accrued before 6 April 2006 to your 2006 Scheme membership. The conversion of any service would be calculated in accordance with the preferential

transfer terms that were on offer to 1992 scheme members who transferred to the standard 2006 scheme in 2007.

To qualify for this option there has to be no break in service between your membership of the modified scheme and the 2006 Scheme. Therefore, if you did not chose to join the 2006 scheme from 6 April 2006, then you will also be required to pay the contributions in the 2006 Scheme for any service accrued on or after 6 April 2006 up to the date you joined the 2006 scheme. This additional service would then be credited to your standard service as 1/60th for each full year accrued. If you do not fully pay the historic contributions then any service credit to your 2006 Scheme membership will be prorated accordingly.

If you were interested in considering this option, you should have made this request for the associated service credit quote from the fire authority at the same time as declaring your interest in joining the modified scheme. Please refer to your individual statement of details.

Converting 2006 scheme membership to the modified scheme

If you are a current member of the 2006 scheme in respect of service which is linked and continuous to your pre-6 April 2006 retained service you will have the option to convert your 2006 Scheme membership to the modified scheme. This will be conditional on you paying the difference in the employee contribution rates between the modified scheme and the 2006 Scheme, including interest. On full payment of the top up contributions, the service in the 2006 Scheme would be credited to your special service in the modified scheme at a rate of 1/45th for every full year accrued.

If you were to default in the payment of these increased contributions, your election to convert will be revoked as there will not be continuity of service between your membership of both schemes.

If you are interested in considering this option, you must make this request to convert at the same time as you elect to join the modified scheme. Please refer to the options election form.

Information- ill health pensions and injury awards

Ill-health pensions

If you join the modified scheme as a special firefighter member and subsequently become permanently disabled for undertaking your role as a firefighter, you will be eligible to retire on the ill-health terms of the 2006 scheme.

Injury Awards

The protected right for those firefighters with unbroken retained employment from before 6 April 2006, who suffer a Qualifying Injury, to be treated as whole time regular firefighters **was removed** on 1 April 2014.

This is because as retained firefighters have the right to be treated as part-time firefighters for the purpose of the pension scheme, they will also be treated on the same terms as part-time regular firefighters where any injury and/or ill-health awards are prorated according to the member's service.

The removal of this protected right will not affect those former retained firefighters currently in receipt of injury and ill-health pensions or for those cases where the Qualifying Injury occurred prior to the date that the protected right is removed i.e. 1 April 2014.

What do I need to think about as someone who left employment due to poor health between 1 July 2000 and 5 April 2006 inclusive?

If you are a former retained firefighter who has an entitlement to join the modified scheme and were medically discharged or left employment due to ill-health between 1 July 2000 and 5 April 2006 inclusive, you may be entitled to receive the payment of a retrospective ill-health pension. Your entitlement will be subject to certification by an Independent Qualified Medical Practitioner that you were permanently disabled for undertaking the role of a firefighter at the date of your discharge and that your permanent disablement has continued to the date of the medical assessment.

Where your entitlement to a retrospective ill-health pension has been confirmed, the payment of the ill-health pension will take effect from the date of your dismissal and will be conditional on the payment of all historic contributions, including interest. The fire authority will also pay you a lump sum for any backdated ill-health pension payments, to include interest.

Options form

If you do not return the options form within four months you may lose the right to join the modified pensions scheme. If you indicate a 'no' that you do not wish to pursue an option then you will be sent an acknowledgement receipt and no further action will then be taken.

If you return the options form indicating a "Yes" – you do wish to take up option of joining/transferring service into the modified scheme you will receive an

acknowledgement receipt of form by letter as soon as received. The election will take effect from the date of receipt of the election form. The period that will count upon payment will be detailed in the statement of calculation.

If you have elected to pay by lump sum, then arrangements will be made for collection.

If you have elected to pay by contributions, FRAs will notify their payroll of the amount to be collected as well as giving details of special membership status and the ongoing "standard" contributions that are due.

A special membership pension record will be created. You will receive further details from the pension provider as to confirmation of your membership.

Annex 1

Individual Statement of details for (name)

Period of service during the limited period that you may purchase

XX YEARS

The amount of special pension contributions payable in respect of the mandatory special period, i.e. from the date the firefighter selects for joining the modified scheme

XX

The amount of special pension contributions payable in respect of the remainder of service during the limited period

XX

The pensionable pay (for each year during the limited period) used to calculate service and contributions due

Year	Amount (£)
2000-2001	
2001-2002	
2002-2003	
2003-2004	
2004-2005	
2005-2006	

Final pensionable pay

Include if relevant

**Annex 2
OPTIONS ELECTION FORM**

RETAINED SETTLEMENT: ELECTION TO JOIN THE MODIFIED SCHEME AND STATEMENT OF SPECIAL SERVICE

Complete in BLOCK CAPITALS:

Surname

.....
.....

Forename(s)

.....

Address

.....
.....
.....
.....

Date of birth.....

National Insurance number

Confirmed details of your retained employment: (FRA TO ADD IN BASED ON EXPRESSION OF INTEREST FORM AND DETAILS THEY HAVE).

From	To	Fire Authority	Station

Date you became a member of the NFPS (delete if not relevant):

Confirmed member of 1992 Scheme (YES/NO)

On your expression of interest form you have ticked yes to the following options (DELETE AS APPROPRIATE)

- A. I wish to consider converting my service under the modified pension arrangements to the 2006 Scheme service

- B. I wish to consider converting my 2006 Scheme service to my membership under modified pension arrangements
- C. I wish to consider transferring my deferred 1992 Scheme pension benefits to my membership under the modified pension arrangements
- D. I wish to be considered for a retrospective ill-health pension under the modified pension arrangements

The costs applicable to you are contained within your individual statement of details.

Terms and options for payment.

If you wish to proceed, you should elect to do so within 4 months of receiving this options election form.

Payment options

Payment can be by the payment of periodic contributions or by lump sum as outlined within the document ' Modified pension arrangements and terms of payment for eligible individuals'.

The election takes effect on the day on which the notice of election (See below) is received by the FRA and is irrevocable once the first contribution, or the lump sum, has been paid.

There are options to transfer pension rights from a previous pension arrangement, including the FPS and NFPS. This would be dealt with after you have joined, and within the associated time limits.

In accordance with the information indicated in this letter and accompanying documents, I have considered my position, and have read and understood the information, and have decided that (tick box A or B below)

- A. I do not wish to become a member of the Modified Pension Scheme in respect of my employment as a retained duty system in the relevant period??
- B. I do wish to become a member of the Modified Pension Scheme.

In addition to B;

1. I wish to convert my service under the modified pension arrangements to the 2006 Scheme service
2. I wish to convert my 2006 Scheme service to my membership under modified pension arrangements
3. I wish to transfer my deferred 1992 Scheme pension benefits to my membership under the modified pension arrangements (this will be carried out after you have joined the scheme)

4. I wish to be considered for a retrospective ill-health pension under the modified pension arrangements

I understand that by signing above I am agreeing to join the modified pension scheme from xxx (can we put this date in??).

I wish to pay by lump sum (yes/no)

I wish to pay by contributions over x years.

Your FRS will now write to you confirming the details and notice of joining the modified scheme.

Name:

Signature:

Date: