



The Retained Firefighters Pension Scheme The 'Modified' Scheme

**Dorset County Pension Fund
Scheme Administrators**





Today

- Background
- To buy or not to buy!
- Conversion Options





Background.....

- Prior to April 2006 no pension provision for RDS firefighters
- From 6th April 2006 could join 2006 Scheme (NFPS)
- Now firefighters have option to buy pension for RDS employment between 1st July 2000 and 5th April 2006





The Regulations

- Benefits reflect 1992 (in part!)
- Incorporated within the 2006 scheme
- New ‘Modified’ part of the 2006 scheme
- Effectively a separate scheme, benefits different to 1992 & 2006





Scheme Naming Structure

- **Fire ‘Old’ Scheme – 1992 Scheme or FPS 1992**
- **Fire ‘New’ Scheme (NFPS) – 2006 Scheme or FPS 2006**
- **Fire 2015 Scheme – 2015 Scheme or FPS 2015**
- **Retained Modified Scheme 2006**





The Benefits in summary

- Accrual rate $1/45^{\text{th}}$
- Normal Pension Age 55
- Deferred Pension Age 60
- Commutation factors reflecting 1992 scheme at 1 April 2012
- Death Grant (in service) 2 x pensionable pay
- Option to purchase additional $1/45^{\text{th}}$





The Benefits in summary

- Option to convert 2006 scheme to service in the modified scheme
- Option of transferring in external pension benefits*
- Ill Health retirement benefits in accordance with the 2006 Scheme
- Abatement of pensions upon re-employment





Special firefighter members

- Current serving firefighter
- Could be member of 1992 and / or 2006, or neither!





Special deferred members

- Left Service before age 55
- Entitled to a deferred benefit only under Modified Scheme (i.e. did not convert 2006 membership)
- Deferred Normal Pension Date (NRD) is age 60





Special pensioner members

- Entitled to immediate pension payments
 - Age 55 or more
- Or a special deferred member aged over 60 or entitled to ill health benefits
- Eligible to receive backdated payment of pension, plus interest





To buy or not to buy, that is the question!





To buy or not to buy.....

- What pension provision do you have for your retirement?
- How much income will you need in retirement?
- Can you afford to pay the contributions?
- Is it a good investment?





What will I get for my money?

- An annual pension which is index linked
- Payable for the duration of your retirement
- Provision for dependants pension
- Option for lump sum





Is it worth doing?

- How much do you need to pay?
 - Don't forget to take off tax relief
- How many years in retirement to re-coup your investment
- Valuable secure index linked income





Example..

- Firefighter Sam has worked as retained firefighter since 1st January 2004
- Sam joined the NFPS on the 6th April 2006
- Sam now has the opportunity to buy a pension entitlement for the period 1 January 2004 to 5 April 2006
- Sam worked for the equivalent of 196 full time days





Example..

- The cost for this is £1,529.37 (via lump sum)*
- Less tax relief at 20% = £1223.50
- The amount of pension Sam would get for this sum is £343.16 per annum
- $1223.50 \div 343.16 = 3.56$
- So, based on basic amounts only, if Sam lived for more than 3.56 years in retirement he would get his money back!





- Firefighter Sam also has the choice of converting the membership he has in the 2006 scheme (accrued since 6 April 06) into the Modified Pension Scheme
- This would mean that Sam would be only a member of the Modified Scheme going forward and would be subject to those regulations – possible transition to 2015 scheme.





- Should firefighter Sam convert his 2006 membership to 'special' membership in the Modified Scheme?
- This incurs extra cost in backdated contributions as contributions are higher in the 1992 scheme
- Need to compare the two schemes





The potential benefits of conversion

	Modified Scheme	2006 NFPS
Accrual Rate	1/45 th	1/60 th
Normal Retirement Date	55	60
Deferred NRD	60	65
Dependants Benefits	Yes	Yes
Death Grant - active member	2 x pay	3 x pay
Lump Sum Option	Commutation Factors	1:12





2006 membership for conversion example

2006 Membership to 31.3.14 * = 1year 259 days (ft equivalent)

Reference pay = £28,694.95

	2006 Scheme	Modified Scheme
Pension paid on retirement per annum	£817.61 pa	£1090.14 pa

Cost to Sam for conversion = £1379.28

(1103.42 (1379.28 – 20% tax) / 272.53 = 4yrs 18 days in profit)





Contribution Rate – Modified Scheme



- Contribution pay bands depending on pay
- Retained / Volunteer firefighter, contribution based on reference pay



Retained Firefighters – Pension Settlement



Salary bands	Modified Scheme	NFPS 2006
Up to £15000	11%	8.5%
£15,000 to £21,000	12.2%	9.4%
£21,000 to £27,000	14.2%	10.4%
£27,000 to £30,000	14.2%	10.4%
£30,000 to £40,000	14.7%	10.9%
£40,000 to £50,000	15.2%	11.2%
£50,000 to £60,000	15.5%	11.3%
£60,000 to £100,000	16%	11.7%
£100,000 to £120,000	16.5%	12.1%
£120,000 to £142,500	17%	12.5%
Over £142,500	17%	12.5%





Tax and National Insurance

If you elect to pay contributions for Modified Scheme membership, or to convert your standard (2006) membership to Modified special membership, you will be entitled to tax relief on the contributions you need to pay





Tax relief

- If your contributions are deducted from your salary you will get tax relief at source
- If you pay by lump sum, or do not have the option of having regular payments deducted from your salary, you will need to claim the tax relief back from HMRC yourself





Paying your contributions

- **Lump sum** – by cheque made payable to Dorset Fire Authority
- Some special pensioner members will be able to pay by lump sum out of the benefits they are due





Paying your contributions

- Or - **monthly payments over a ten year period**
- If you pay monthly, the overall amount you pay will be higher
- If you leave before completion of your 10 year period you will be credited with the amount you have purchased at that point in time*
- Or, remaining sum can be deducted from benefits due if immediate retirement





National Insurance

- You may also be entitled to a refund of NI contributions
- We will advise members of claim process once we have received guidance
- If you have been in a personal pension between 2000 and 2006, and have been receiving NI rebate amounts please speak to Dorset Fire and Rescue





Transfers In

- Transfer in from external pension provider not available to members who had opportunity to transfer in previously when they joined NFPS 2006
- Some debate continues in regard to this, if our understanding changes we will make modified members aware





The payment process

- Please bear with us we have a large number of cases to process!
- Special Pensioner Members will be processed first





Special firefighter members

– current actives

- If you elect to proceed the calculation of potential benefits and costs will have to be re-done to take account of the 2014/15 year
- So the final figure will be different to that quoted





Special deferred members

- Amounts quoted will not change from that quoted in your letter





Special pensioner members

- Amounts will change from that quoted in letter
- Interest amount on contributions will increase slightly
- But, you will get more interest on back payments
- We will make these adjustments automatically on your behalf and notify you of final amounts





Annual Allowance (AA)

- The Annual Allowance is the maximum your pension 'pot' can increase in a single year
- The AA is currently £40,000 per year
- Any pension growth in excess of £40,000 is subject to a tax charge
- Unused allowances from previous 3 years can be 'carried forward' – this often negates the charge





Annual Allowance (AA)

- Buying into the Modified Scheme will mean that your overall pension savings will increase, significantly for some, within the tax year
- There is the potential to exceed the limits and incur a tax charge





Annual Allowance – who is at risk

- Members who have substantial pension savings elsewhere, including any Fire Scheme benefits, are more at risk
- Members with reduced ‘carry forward’
- Members who have had recent significant pay rises





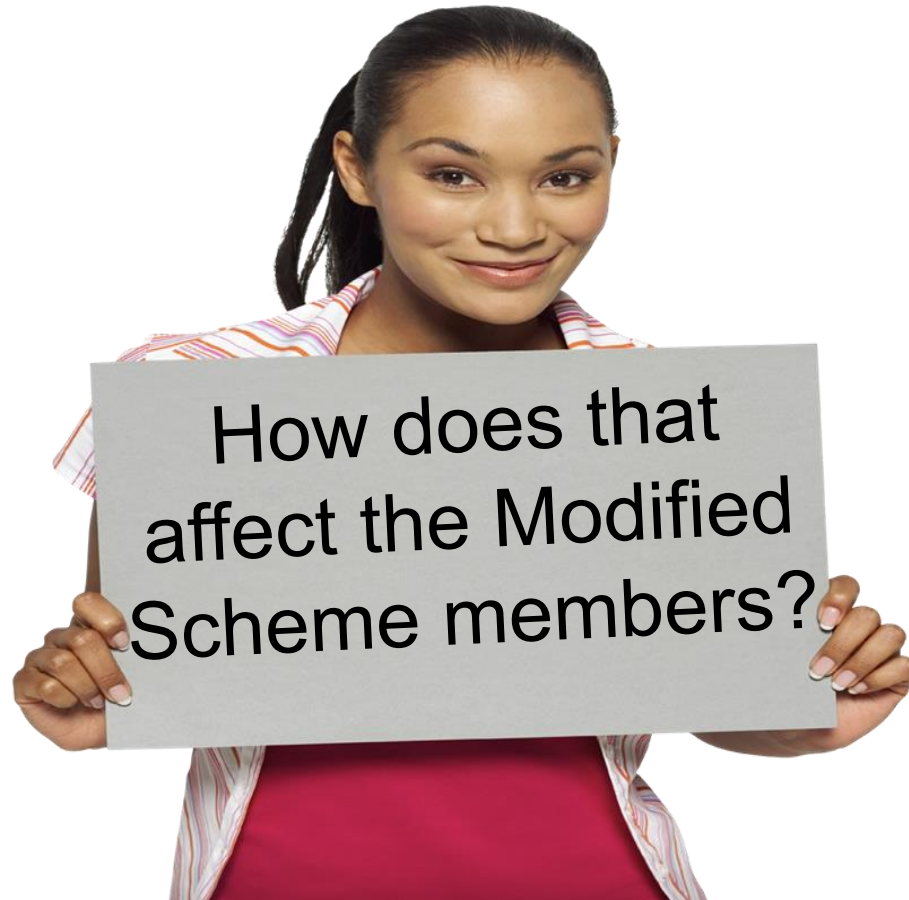
Deadlines

- Elections must be returned by 31 May 15
- This date has been extended from that stated on your original letters





The new Firefighter Pension Scheme 2015





2015 Firefighters Pension Scheme

- Effective from 1 April 2015
- Members of the modified scheme are subject to the same reforms as members of the 1992/2006 schemes
- Those not protected will move to 2015 scheme from 1 April 2015 or later if they are taper protected





Group 1 – Fully Protected

Within 10 years of current Normal Pension Age (NPA)

- Modified & FPS 1992 members aged 45 or over as at 1st April 2012.
- NFPS 2006 members– Age 50 or more on 1st April 2012.

Remain in current scheme - No change!





GROUP 2 – Phased move to 2015

- Modified & FPS (1992) members age 41 – 45 on 1st April 2012.
- NFPS (2006) members between 46 and 50 on 1st April 2012.

Partial (Tapered) protection

Phased move to new scheme
– will depend on age.





GROUP 3 – No protection

- All other members will move to new scheme from 1st April 2015.





Don't forget Survivor Benefits –

- Spouse
- Civil Partner
- Nominated Partner
 - Conditions apply
- Children's pension
 - For any eligible children





DORIS!

- Additional information, fact sheets etc will be added to your Intranet system
- Please let us know if you need anything more





How to contact us

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Questions and Feedback

