Firefighters Pension Scheme 1992 Transitional Calculations

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 <u>informal view</u> of the interpretation of the firefighters' pension scheme as only a Court can provide a definitive interpretation of legislation.

Introduction

- These slides have been provided to give guidance as to the interpretation of the 1992 regulations and the 2015 regulations for the calculation of 1992 benefits for a member who has benefits built up in the 1992 scheme before transferring to the 2015 scheme.

- 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.
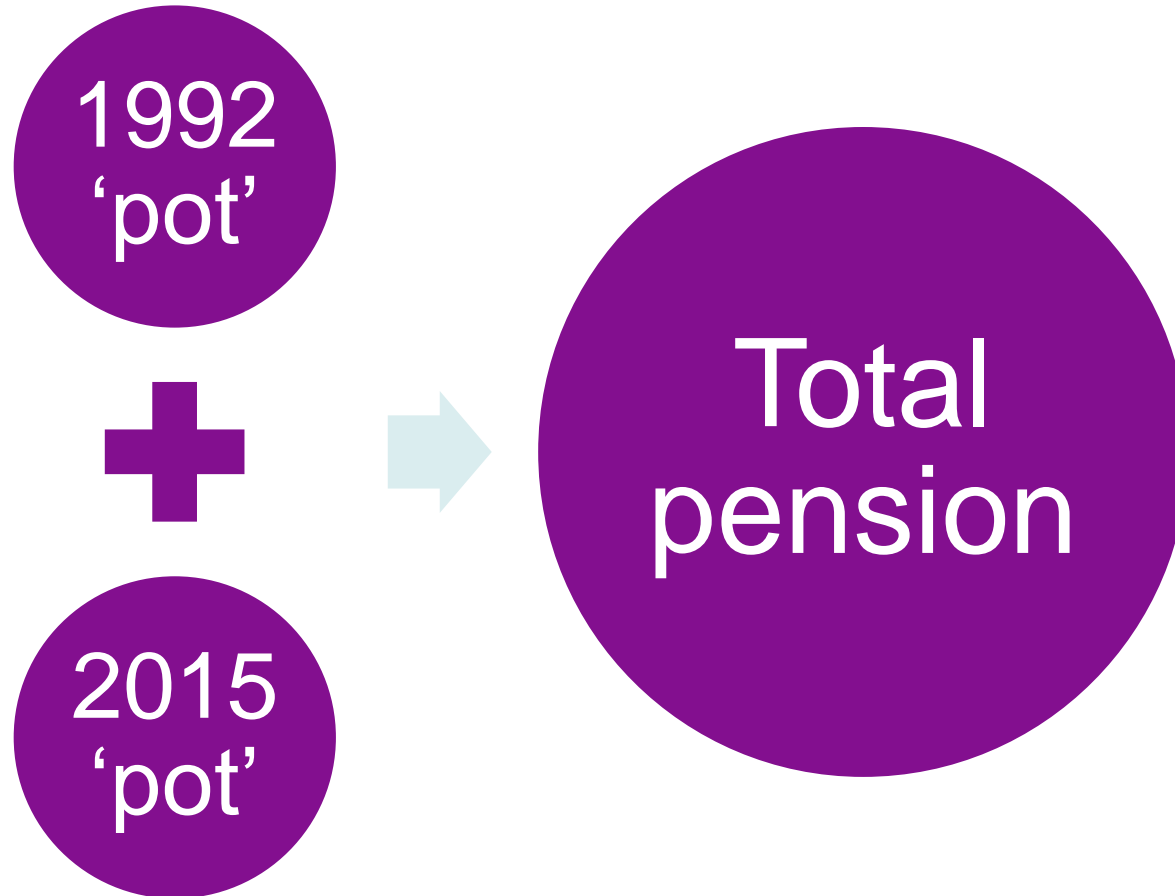
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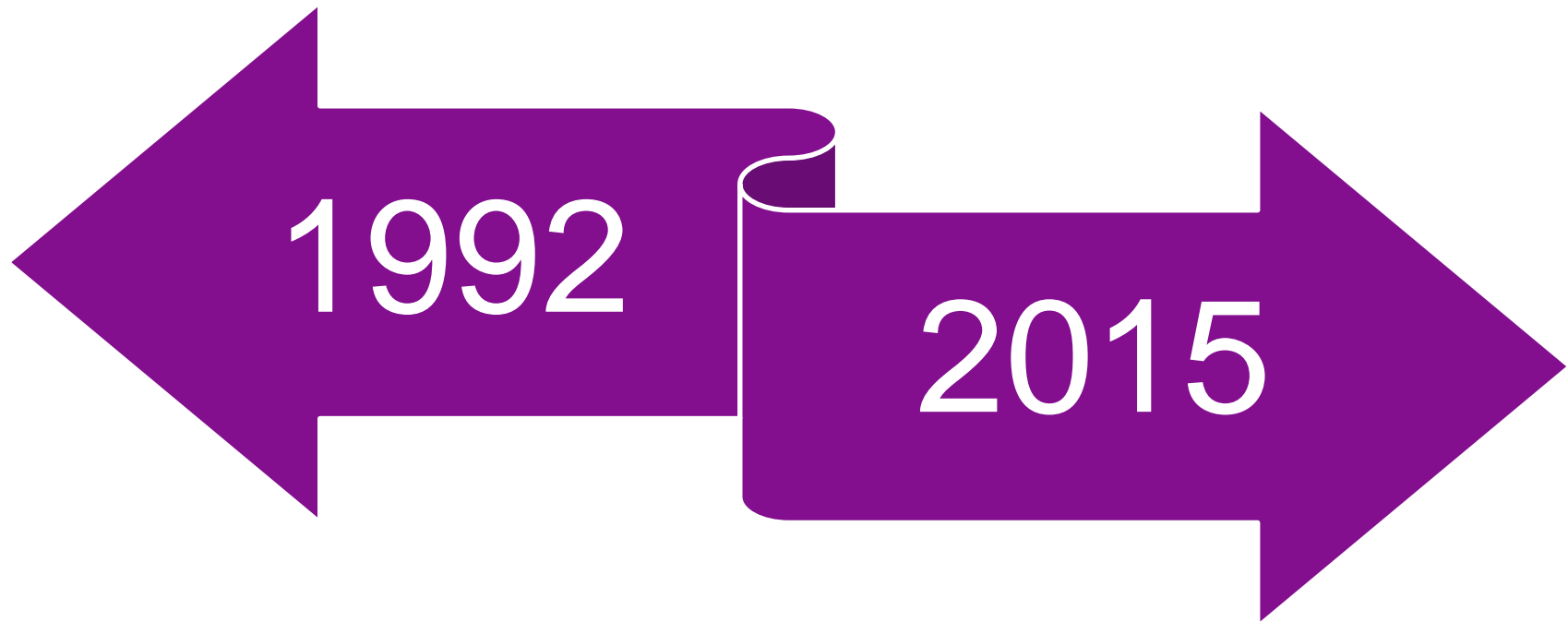
1992

2015

Double Accrual Guarantee

- Recognises the expectation to double accrual for members in the 'old' 1992 Fire scheme.

- Pro Rata's the expected benefit

Two pot

1992 'pot'

+

2015 'pot'

→

Total pension

Two Pot

1992 'pot' — Paid under 1992 scheme regulations

2015 'pot' — Paid under 2015 scheme regulations

Benefits accrued pre 1 April 2015? (or pre taper date)

- The pension built up before transfer to the 2015 scheme is fully protected and is calculated on **final salary** at retirement.

- The pension is paid in addition to the benefits earned under the 2015 scheme. (Two-Pot)

Ordinary retirement

- [A3(7)] of the 1992 regulations confirms a transitional member with continuity of service should be awarded a pension payable under amended [B1A].

- [B1A(1)] confirms that where a transitional member is retiring from the scheme the pension is calculated in accordance with Part 2A of schedule 2

Part 2A Schedule 2 – Ordinary retirement

$(A \div 60) \times (B \div C) \times APP$

- A = maximum 60^{ths} member could have accrued had there been no change to the 1992 scheme.

- B = 1992 service up to 31 March 2015, or taper date.

- C = Calendar Years service in 1992 & 2015

- APP = Final Pensionable Salary

The member

- A firefighter who joins the scheme at 1 April 1999 has 16 years service as at 31 March 2015

- The firefighter then builds up a further 9 years of service in the 2015 scheme to age 55.

- Total service = 25 years

- So if they had not been moved into the 2015 scheme, they would have had an expectation to 1992 pension calculated on 30/60ths

An example…

- (A ÷ 60) x (B ÷ C) x FS

  – A = 30
  – B = 16 years in 1992 scheme
  – C = 25
  – FS = £20000

(30 ÷ 60) x (16 ÷ 25) x £20,000 = £6,400

Your Turn

- **The member:**

- A firefighter joins the scheme on 20th June 1993

- Date of birth 15th November 1970

- Tapers into the 2015 scheme on 21st December 2015

- APP = £30,000.00

Answer

- (A ÷ 60) x (B ÷ C) x FS

  - A = 40
  - B = 22 years 184 days
  - C = 30
  - FS = £30000

(40 ÷ 60) x (22 $^{184}/_{365}$ ÷ 30) x £30,000 = £15,002.74

Part Time

- All pension calculations under the 1992 scheme are subject to Part 6A, Schedule 2 of the 1992 regulations.

- The Fire commentary explains the purpose of Part 6A and its application.

- The 2015 amendment order amends Part 6A and inserts paragraph 3 to determine that in the calculation of pensionable service under (B+C) and D 2015 service should be included.

Part 6A Schedule 2 – Part Time

$$(A \times (B + C)) \div D$$

- A = pension calculated at whole-time.
- B+C = actual service to Date of Leaving includes 2015 service
- D = Full time equivalent service at Date of Leaving includes 2015 service

The member

- Sunil joins the FPS on 1 April 1999, moved to part time working on 17th May 2004, with contractual hours of 30 against whole time equivalent of 42.

- Joined the 2015 scheme on 6th September 2015, and recommenced whole time hours again on 1st April 2016.

- Reaches age 55 on 25th January 2026

- Last day of service is 24th January 2026

An example…

- $(A \times (B+C)) \div D$

A = $33\,{}^{233}\!/_{365} \div 60 \times £20,000 \times 16\,{}^{158}\!/_{365} \div 26\,{}^{299}\!/_{365}$

A = £6,870.39

B+C = 23 years 156 days

D = 26 years 299 days

£6,870.39 x 23 years 156 days ÷ 26 years 299 days

£6,001.51

Your Turn

- **The member:**

- A firefighter joins the scheme on 20th June 1993

- Date of birth 15th November 1970

- Is part time between 25th January 2006 and 18th December 2007 on 38 hours over a whole time 42

- Tapers into the 2015 scheme on 21st December 2015

- APP = £30,000.00

Answer

- (A x (B+C)) ÷ D

A = 40 ÷ 60 x £30,000 x 22 $^{184}/_{365}$ ÷ 30

A = £15,002.74

B+C = 29 years 299 days

D = 30 years

£15,002.74 x 29 years 299 days ÷ 30 years

£14,912.31

Split Pensions

- A member has an entitlement to two pensions under Part B, Rule B5A of the 1992 regulations and is often known as a split pension.

- We have recently published a factsheet on the entitlement to two pensions.

- The split pension effectively pro-rata's the expected benefit, calculated on two different salaries.

- The pension can only be split once.

Part B – Rule B5A– Two Pensions

- **Part 1 (Para 3) A × (B ÷ C) × (D ÷ 60)**

- **Part 2 (Para 4) E × (F ÷ C) × (D ÷ 60)**

First Pension

- **A × (B ÷ C) × (D ÷ 60)**

Where

- A = Average pensionable pay at higher rate
- B = Service at higher rate
- C = Total Service in 1992 scheme
- D = 60ths that would be used in single award

Second Pension

- **E × (F ÷ C) × (D ÷ 60)**

Where

- C & D have the same meanings
- E = Final pay at retirement
- F = Service at lower pay

Adjusted value of D for transition member

- Where the member is a transition member, the value of D must be adjusted using the formula in Part 2A of the 1992 scheme,

- A ÷ 60 × (B ÷ C)

The member

- Rob joins the FPS on 17 April 1990, and will attain 30 years of service on 16th April 2020.

- Rob's date of birth is 16th April 1969 so qualified as a tapered member and moved into the 2015 scheme on 30th September 2018.

- Rob had a drop of pay on 15 October 2011 from £25,000 to £20,000

Part B – Rule B5A– Two Pensions

- A = £25,000
- B = 21 years 181 days
- C = 28 years 166 days
- D = (Adjusted value) A $\times$ (B $\div$ C)

  $40 \times (28\,^{166}/_{365} \div 30) = 37$ years 343 days
- E = £20,000
- F = 6 years 350 days

An example…

- **Part 1 A × (B ÷ C) × (D ÷ 60)**

- £25,000 × (21 $^{181}/_{365}$ ÷ 28 $^{166}/_{365}$) × (37 $^{343}/_{365}$ ÷ 60)

- £11,942.16

- PI Date = 15 October 2011 @ 1.1337

- **£11,942.16 × 1.1337 = £13,538.83**

An example…

- **Part 2 E × (F ÷ C) × (D ÷ 60)**

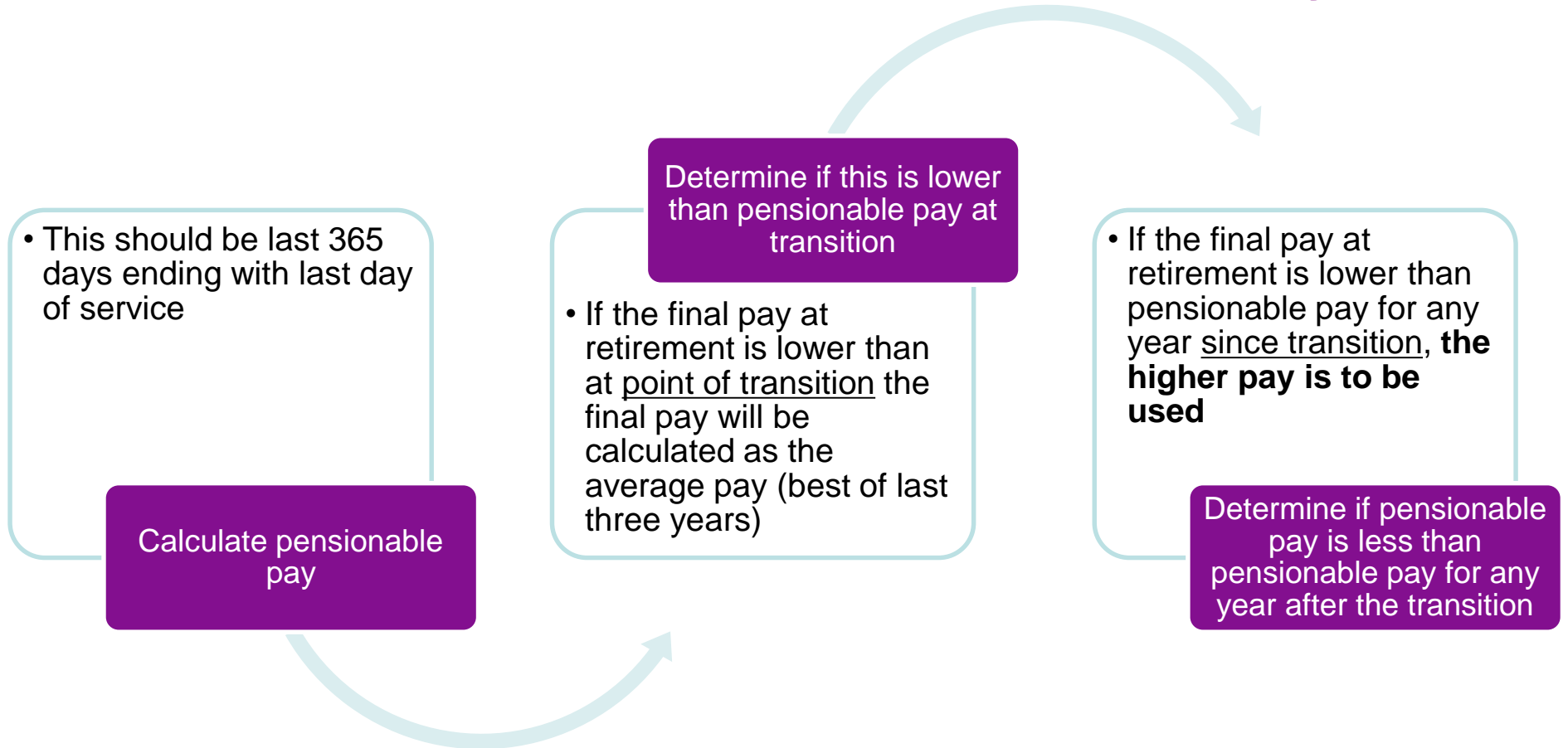- £20,000 × (6 $^{350}/_{365}$ / 28 $^{166}/_{365}$) * × (37 $^{343}/_{365}$ ÷ 60)

- **£3,092.85**

An example…

- **Total Pension**

- Part One and Part Two = Total Pension Award

- £13,538.83 + £3,092.85 = **£16,631.68**

An example…

- **Compare two pensions to a single pension**

- Two Pension Award = £16,631.68

- Single Award = £12,646.58

$(40 \div 60) \times (28 \,^{166}/_{365} \div 30) \times £20,000$

Transition Members – Final Pay

- This should be last 365 days ending with last day of service

Calculate pensionable pay

Determine if this is lower than pensionable pay at transition

- If the final pay at retirement is lower than at point of transition the final pay will be calculated as the average pay (best of last three years)

- If the final pay at retirement is lower than pensionable pay for any year since transition, **the higher pay is to be used**

Determine if pensionable pay is less than pensionable pay for any year after the transition

Drop in salary post transition.

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

- Schedule 2, regulation 33, sets out the final salary rules for transition members of the 1992 scheme.

Final salary – Transition Members

Final salary of certain transition members for any purposes of the 1992 Scheme

33.—(1) This paragraph applies in relation to a transition member (T) with continuity of service who is in pensionable service under this scheme and is a member of the 1992 Scheme.

(2) Subject to sub-paragraphs (3) to (5), in determining T's average pensionable pay for any purposes of the 1992 Scheme under Schedule 7 to the 2013 Act (final salary link)—

    (a)   the provisions of paragraph 1 of that Schedule apply as if "final salary" were a reference to "average pensionable pay", and

    (b)   pensionable pay derived from service under this scheme is to be regarded as derived from service under the 1992 Scheme.

(3) Where T's pensionable pay derived from service under this scheme at the time when T's average pensionable pay is determined for any purposes of the 1992 Scheme under Schedule 7 to the 2013 Act (final salary link) is lower than T's pensionable pay derived from service under the 1992 scheme on the day before the transition date—

    (a)   paragraph (2) does not apply, and

    (b)   T's average pensionable pay is determined in accordance with rule G1 (pensionable pay and average pensionable pay) of the 1992 Scheme.

(4) Where T's pensionable pay derived from service under this scheme at the time when T's average pensionable pay is determined for any purposes of the 1992 Scheme under Schedule 7 to the 2013 Act (final salary link) is lower than the pensionable pay for any year after the transition date, the pensionable pay for the year of service before the reduction in pensionable pay is to be regarded for the purposes of Schedule 7 as the pensionable pay derived from service under the 1992 Scheme.

(5) The definition of pensionable pay derived from service under this scheme in regulation 17 is modified for the purposes of sub-paragraphs (2) and (4) by the omission of paragraph (1)(d) of that regulation and in a case where the member of the 1992 Scheme is being paid an allowance or supplement within the meaning of paragraph (9) of rule G1 (pensionable pay and average pensionable pay) which the employer would have treated as pensionable pay under that Scheme were the member still entitled to reckon pensionable service in that Scheme, that amount is included in pensionable pay for the purposes of determining T's average pensionable pay under the 1992 Scheme.

Final salary – Transition Members

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

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

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

Deferred Retirement

- [B1B] of the 1992 regulations confirms, that where a person does not meet B1A (ie they are not retiring), a deferred pension is paid under rule B5 (Deferred Pension)

> **B1B.**—(1) A person to whom rule B1A does not apply and to whom paragraph (6) of rule A3 does apply is entitled to a deferred pension under rule B5 (deferred pension).

- Rule B5 confirms that a deferred pension is calculated in accordance with Part 4 of schedule 2, (deferred pension)

Part 4 of Schedule 2 - Deferred.

- B * C / D

Where

- B = Notional Pension
- C = Period in years of <u>pensionable service</u>
- D = Period in years of <u>notional service</u>

For the purposes of determining C & D

- Regulation [34(3)]* of the transitional 2015 regulations ensures that for the purposes of ill health and deferred calculations, a transition members 2015 service is not included in the calculation of pensionable service referenced as 'C'.

(3) In determining whether T qualifies under the 1992 Scheme for retirement benefits (other than an award on ill-health retirement or to a deferred pension), T's pensionable service under the 1992 Scheme terminates when T's pensionable service under this scheme terminates.

- Paragraph 3 of Part 4, notes that a persons notional service (D) is the period in years they would have been entitled to reckon on a maximum pension.

The member

- Ben is an unprotected member who joins the FPS on 1st December 1997.

- Ben was born on 30th March 1972 and will retire on his 55th birthday (29th March 2027) having completed 29 years 119 days.

- Ben leaves employment on 31st March 2016, his final salary was £42,000.00

An example….

$$B \times C \div D$$

$B = 38\ ^{238}/_{365} \div 60 \times £42,000 = \mathbf{£27,056.44}$

$C = 17$ years 121 days

$D = 29$ years 119 days

$(27,056.44) \times (17\ ^{121}/_{365} \div 29\ ^{119}/_{365}) =$

£15,990.19

Your Turn

- **The member:**

- Sarah is a tapered member who joined the FPS on 26th September 2000, and tapers into the 2015 scheme on 6th April 2016

- Sarah was born on 13th September 1970 and would have retired on her 55th birthday (12th September 2025) having completed 24 years 352 days.

- Sarah left employment on 4th May 2016, her final salary was £48,000.00

Answer….

$$B \times C \div D$$

$B = 29\ ^{339}/_{365} \div 60 \times £48,000 = £23,943.01$

$C = 15$ years 192 days

$D = 24$ years 352 days

$$(23,943.01) \times (15\ ^{192}/_{365} / 24\ ^{352}/_{365}) =$$

£14,890.81

Annual Allowance

- The formula for calculating the pension for annual allowance purposes should be as per [Part 2A of Schedule 2 of the 1992 regs](#) (A ÷ 60) x (B ÷ C) x APP

- But with the exception that rather than calculating A & C up to the normal retirement age, you calculate these to the 5th April of the annual allowance year.

- A = the maximum 60ths accrued as at the annual allowance date (5th April 2016)

- C = Calendar years in 1992 & 2015 scheme up to the annual allowance date (5th April 2016)

An example….

$$(A \div 60) \times (B \div C) \times APP$$

- Firefighter who joins the scheme at 1st April 1999 has 16 years service at transition and 17 years 5 days service at 6th April 2016

$A = 17\,{}^5/_{365}$

$B = 16$ years

$C = 17$ years 5 days

$$(17\,{}^5/_{365} \div 60) \times (16 \div 17\,{}^5/_{365}) \times £20,000$$

£5,333.33

Fast forward 4 years (6th April 2020)

$$(A \div 60) \times (B \div C) \times APP$$

A = 22 years 10 days

B = 16 years

C = 21 years 5 days

$$(22 \tfrac{10}{365} \div 60) \times (16 \div 21 \tfrac{5}{365}) \times £20{,}000$$

£5,590.62

Annual Allowance

	Total Service	Pension	Growth	AA
06/04/2016	17y 5 d	£5,333.33	0.00	0.00
06/04/2017	18y 5 d	£5,333.33	0.00	0.00
06/04/2018	19y 5 d	£5,333.33	0.00	0.00
06/04/2019	20y 5 d	£5,336.98	£3.65	£58.41
06/04/2020	21y 5 d	£5,590.61	£253.63	£4058.06
06/04/2021	22y 5 d	£5,821.20	£230.59	£3,689.38
06/04/2022	23y 5 d	£6,031.75	£210.55	£3,368.75
06/04/2023	24y 5d	£6,224.76	£193.01	£3,088.18
31/03/2024	25y	**£6,400.00**	£175.24	£2,803.88

# One Pot Ill Health & Death
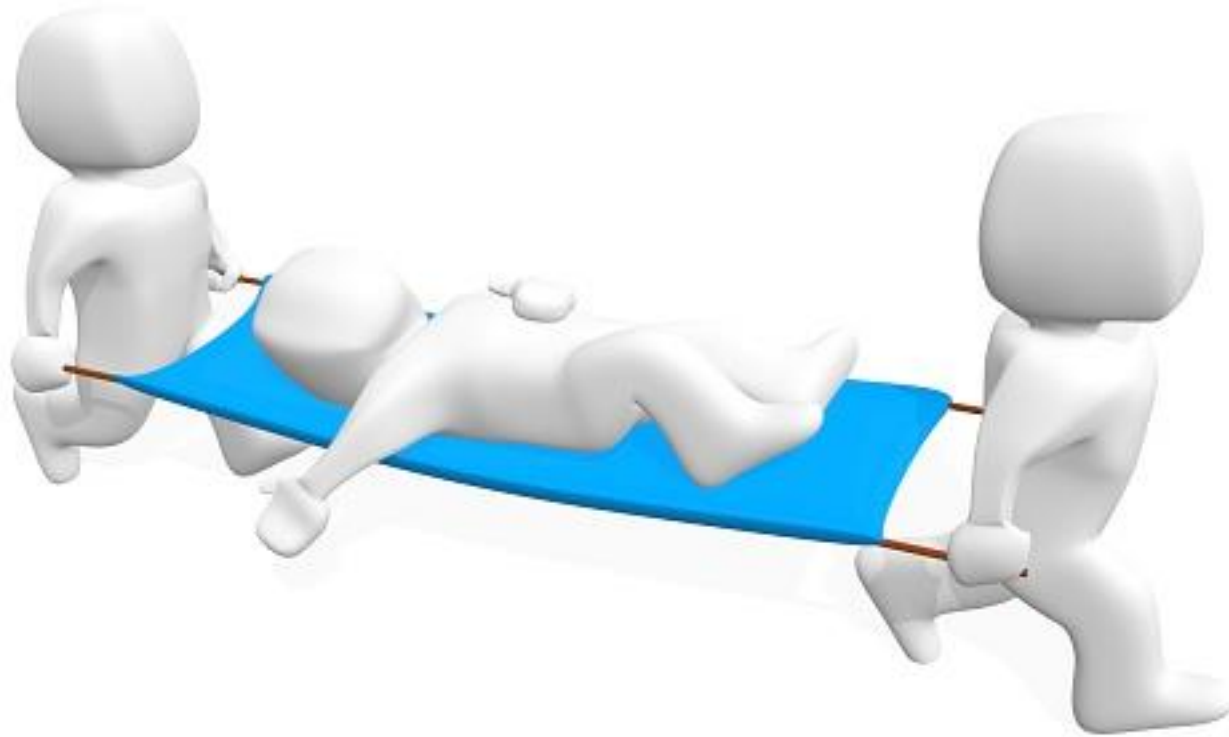
# What does one pot mean?

- Benefits all <u>accessed</u> from the 2015 scheme.
- Death benefits - <u>Rule 78</u>
- Ill Health <u>– Rule 65</u> (amended by <u>transitional regs</u> and <u>amendment regs</u>)

(c) in regulation 65 (entitlement to lower tier ill-health pension and to higher tier ill-health pension), after paragraph (3) insert—

"(4) Where an active member (A) is entitled to a lower tier ill-health pension and paragraph 22 (transition member who has not reached normal pension age under the NFPS) or paragraph 24 (transition member who has not reached normal pension age under the 1992 Scheme) of Schedule 2 to these Regulations applies in relation to A—

    (a) if paragraph 22 applies in relation to A, A is also entitled to an amount equivalent to the annual amount of a lower tier ill-health pension that would, if the member were entitled to payment of a lower tier ill-health pension under rule 2(2) of the NFPS, be payable to the member under the NFPS;

    (b) if paragraph 24 applies in relation to A, A is also entitled to an amount equivalent to the annual amount of a lower tier ill-health pension that would, if the member were entitled to payment of a lower tier ill-health pension under rule B3 (ill-health awards) of the 1992 Scheme, be payable to the member under the 1992 Scheme.
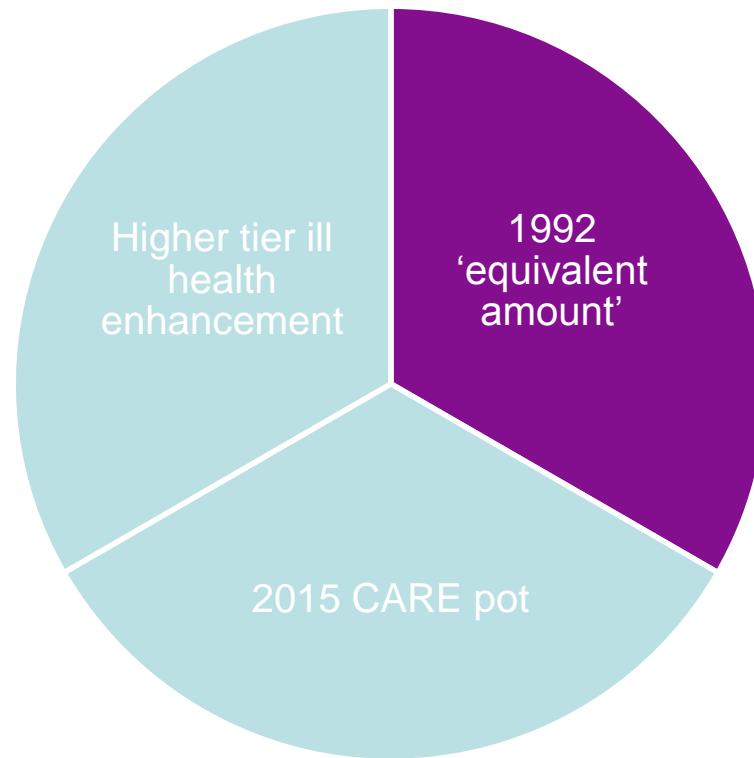
All paid from 2015 scheme
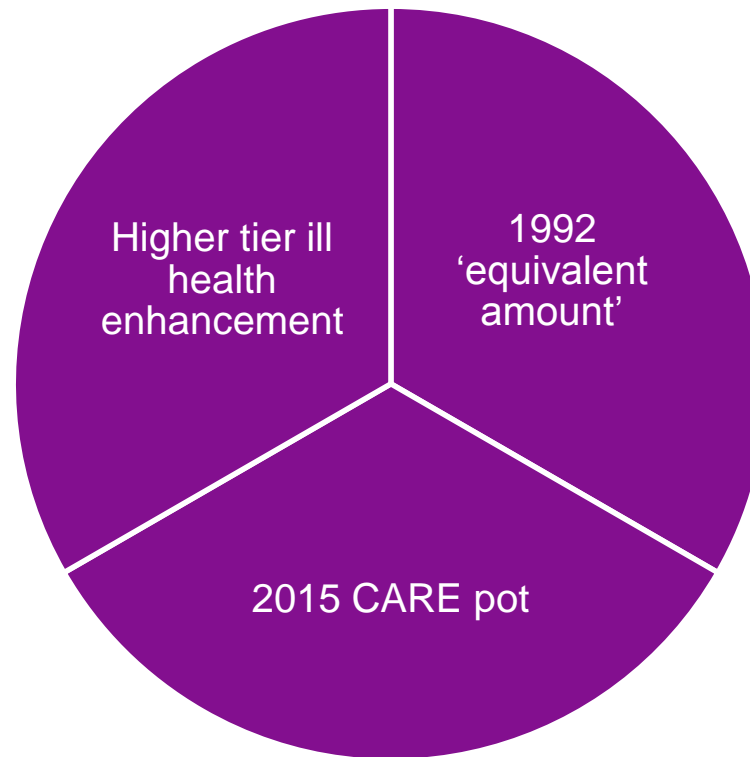
Member reaches normal retirement age (i.e first of 30 years service or age 55 in 1992 scheme)

Higher tier ill health enhancement

2015 CARE pot

1992 'equivalent amount'
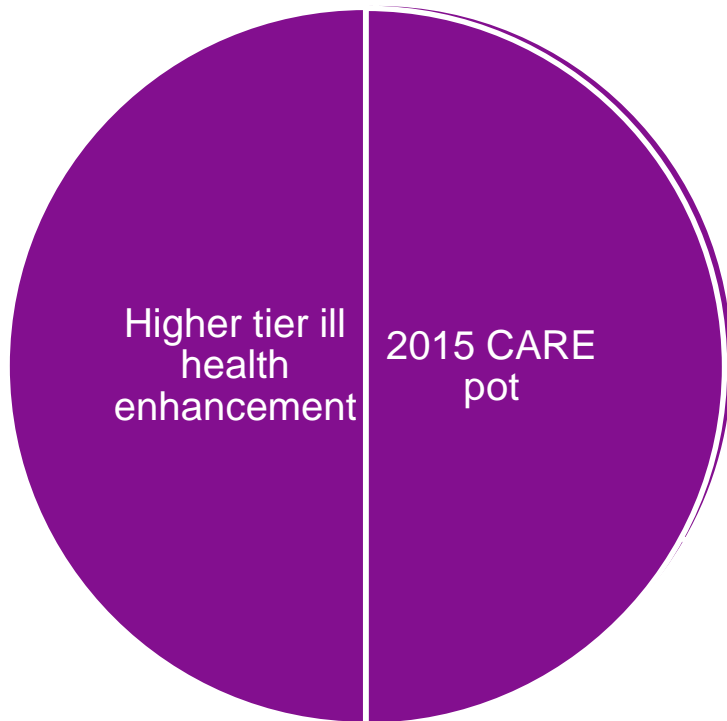
Equivalent amount

Equivalent Amount

- [65(4b)] confirms the equivalent amount is calculated under rule B3 of the 1992 regulations (ill health awards).

- Rule B3 confirms that ill health pension is calculated in accordance with Paragraph 2 of Part 3, schedule 2

- Ill health therefore calculated in line with Part 4 of Schedule 2, deferred pension.

Part 4 of Schedule 2, deferred pension.

- B x C ÷ D

Where

- B = Notional Pension
- C = Period in years of <u>pensionable service</u>
- D = Period in years of <u>notional service</u>

The member

- John joined the scheme on 1st October 1998 and retires from ill-health on 27th October 2016.

- John was born on 28th August 1973 and would have reached age 55 (27th August 2028) before completing 30 years.

- John transitioned into the 2015 scheme on 1st April 2015, after having completed 16 years 182 days service.

- At 27th October 2016, John would have 16 years 304 days service until age 60

Equivalent Amount

$$B \times C \div D$$

B = 39 $^{297}/_{365}$) $\div$ 60 x £40,000 = **£26542.47**
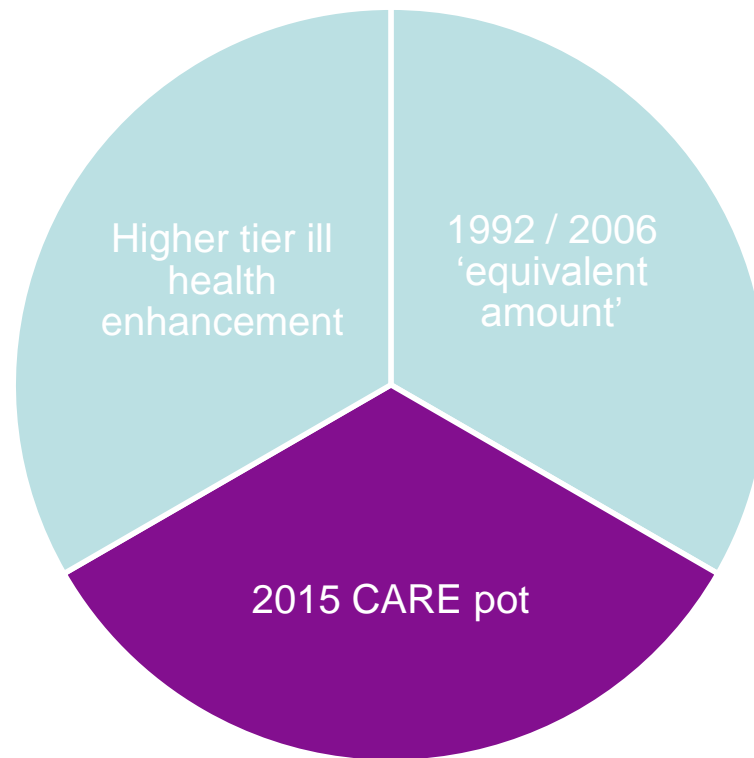
C = 16 years 182 days

D = 29 years 331 days

$$(26{,}542.47) \times (16\ ^{182}/_{365} \div 29\ ^{331}/_{365}) =$$

£14,642.61

2015 CARE Pot

CARE Pot

Date from	Date to	Account Balance	Reval rate	Opening Balance	Actual Pay	Pension Build Up	Closing Balance
01/04/2015	31/03/2016	£0.00		£0.00	£38,000	£636.52	£636.52
01/04/2016	27/10/2016	£636.52	3%	£655.61	£23,333[1]	£390.84	**£1046.45**

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1. Annual salary is £40,000

Enhancement
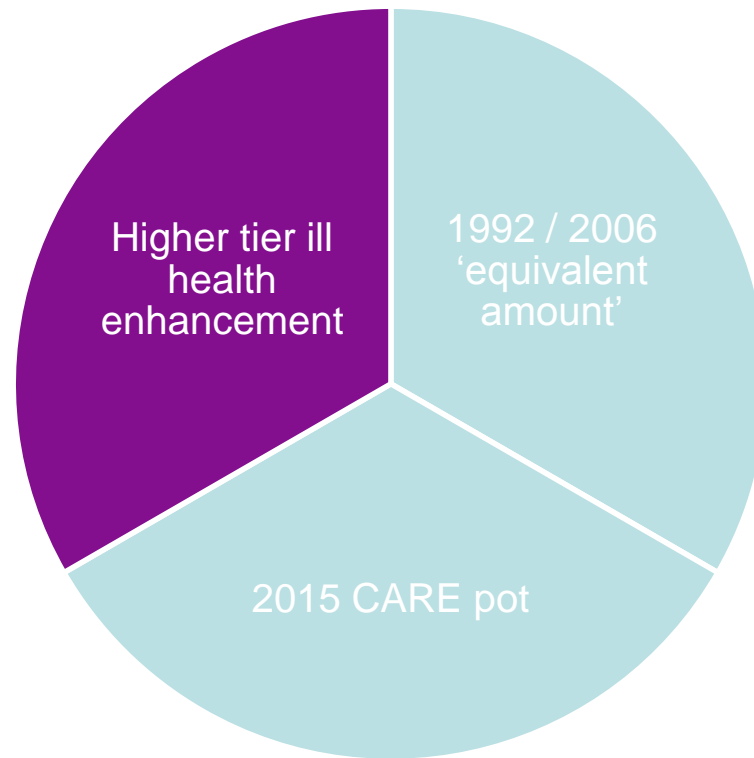
Ill Health Retirement - Enhancement

Lower tier ill health

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

Higher tier ill health

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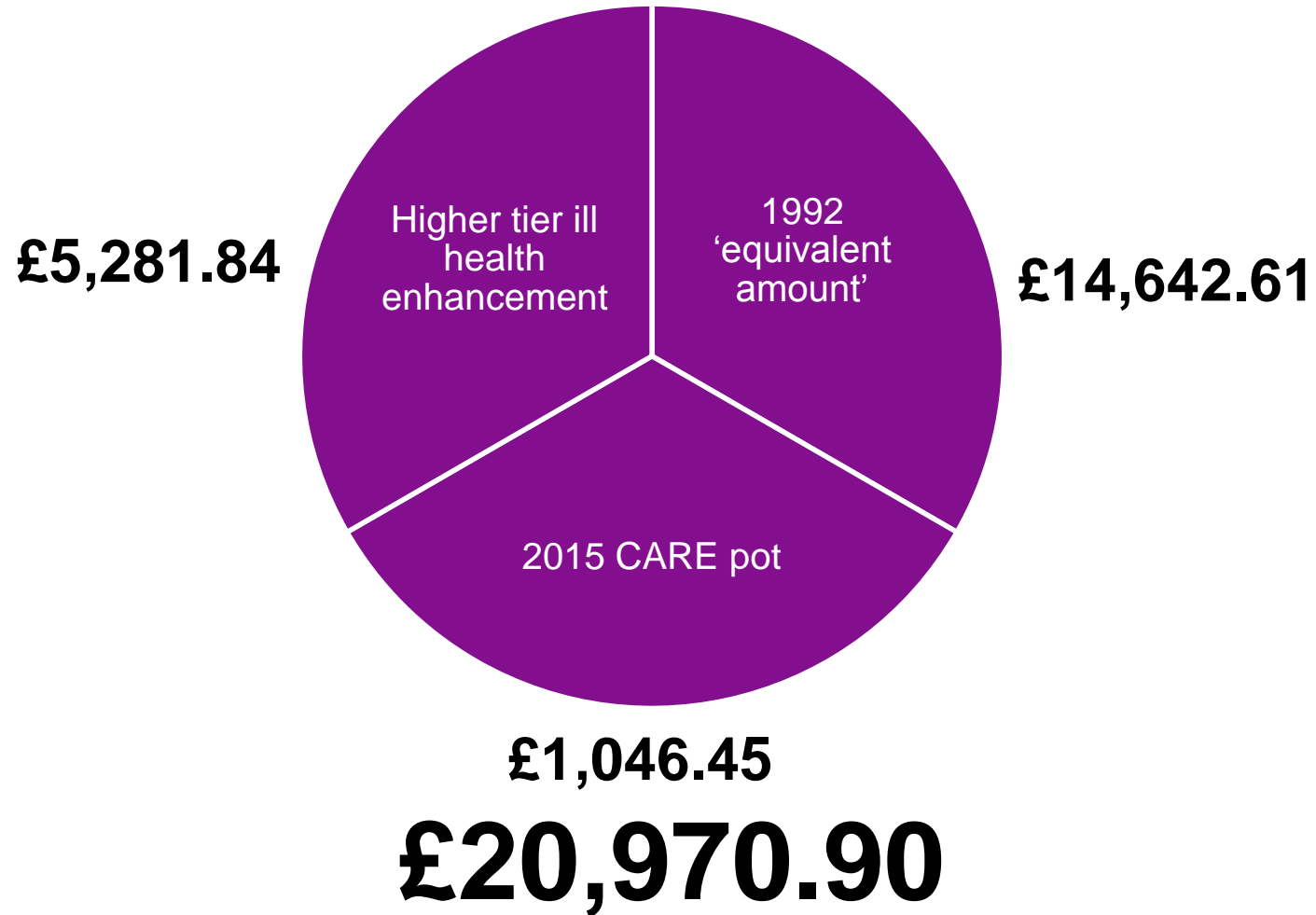
Ill Health Retirement - Enhancement

Lower tier ill health

- No Enhancement
- £14,642.61 + £1046.45 = £15,689.06

Higher tier ill health

- Enhancement based on lower tier ill health pension x service to NPA x 2%
- (£15,689.06 x 16 $^{204}/_{365}$) x 2% = £5,281.84

Total Ill Health Pension – One Pot

£5,281.84

Higher tier ill health enhancement

1992 'equivalent amount'

£14,642.61

2015 CARE pot

£1,046.45

£20,970.90

At Normal Pension Age

£5,281.84

Higher tier ill health enhancement

£1,046.45

2015 CARE pot

1992 'equivalent amount'

£14,642.61

£20,970.90

Your Turn

- **The member:**

- Sam joins the FPS on 1 April 1999, and transitioned to the 2015 scheme on 6th September 2015.

- Sam would reach age 55 on 25th January 2026

- Ill Health date is 30th June 2016

- Sam's final pensionable pay was £30,000.00

Answer….

- Equivalent amount
- $33\ ^{233}/_{365} \div 60 \times £30{,}000 \times 16\ ^{158}/_{365} \div 26\ ^{299}/_{365}$ = **£10,305.59**

- CARE Pot
- 01/04/2015 – 31/03/2016 = £30,000 x 1/59.7 = £502.51 x 1.02 = £512.56
- 01/04/2015 – 30/06/2016 = £8,000 x 1/59.7 = £134 = **£646.57**

- Ill Health enhancement
- £810,952.16 x 2% x 9 years 209 days = £2,096.81

- £13,048.97

Pensions for Survivors

- Spouse
- Civil Partner
- Co-habiting partner
  – Conditions apply
- Wide age disparity clause
- Children's pension
  – For any eligible children

Survivor Benefits Quick Guide

Disclaimer

- **The information contained in these slides are the authors interpretation of the current regulations.**

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Thank you for listening

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