

McCloud/ Sargeant - Pensions Remedy Benefit illustrations

About this communication

This communication follows the fact checker produced in February 2022, which aims to answer some recurring questions that members have about the 2015 Remedy. You can find the fact checker at fpsmember.org/2015-remedy/2015-remedy-your-questions-answered

This communication provides a range of benefit illustrations based on different scheme memberships, scenarios and salary profiles. The range of benefit illustrations should help explain the impact of the 2015 Remedy on members' benefits. This communication does not constitute advice for members but is intended to provide information on how benefits are calculated under the 2015 Remedy.

Before we get into the benefit illustrations, let's remind ourselves of the 2015 Remedy and its impact.

Reminder of the 2015 Remedy

The 2015 Remedy is the official term used to describe the upcoming changes within the Firefighters' Pension Schemes. The changes will remove the age discrimination that has been judged to have taken place since 2015.

The changes brought about by the 2015 Remedy will mean that:

- From 1 April 2022, all active members of the Firefighters' Pension Schemes will build up benefits in the FPS 2015 (sometimes referred to as the 2015 CARE scheme).
- If you are affected by the 2015 Remedy, any service built up in the FPS 2015 between 1 April 2015 and 31 March 2022 (the 'remedy period') will be converted to service in your former final salary scheme. Benefits in the FPS 2015 during the remedy period are called '**reformed benefits**' and benefits in the relevant final salary scheme are known as '**legacy benefits**'.
- As the contribution rates are different for each of the schemes, you may owe extra contributions when your service is converted, or money may be due to you for overpaid contributions.
- At retirement, you will need to make a decision about whether to take your legacy or reformed benefits for the remedy period. This is often referred to as the 'deferred choice underpin'.

- As part of this decision, you will need to take into account any readjustment of contributions needed.
- **Any change to your contributions will also include adjustments for tax relief and interest. For this reason, we have not included member contributions within the illustrations.**
- Members who were previously taper-protected and moved into the FPS 2015 after 1 April 2015 will have to make a choice for legacy or reformed benefits for the whole of the remedy period.

For more information about the 2015 Remedy, including whether you are affected, go to fpsmember.org/2015-remedy/2015-remedy-your-questions-answered

Introduction to the benefit illustrations

The differences between the legacy and reformed schemes mean the set of benefits that is best for you depends on your personal circumstances and preferences, including things you may not yet know, such as how your salary changes in the future and when you will retire.

To improve members' understanding, we have produced a selection of benefit illustrations using different scenarios and salary profiles for a set of example members in service across all the final salary schemes. This shows the total benefits these example members would be entitled to if they retired at key retirement milestones, comparing the position of the member should they choose legacy or reformed benefits for the remedy period at that time. The benefit illustrations show the pension and maximum cash lump sum amounts at different retirement ages. The detailed calculations used to arrive at these figures are available at fpsmember.org/sites/default/files/2015-Remedy-benefit-illustrations-full-calculations-fps-wales There could be some rounding differences. **Please note these benefit illustrations are for information only. You do not need to take any immediate action. It's only at retirement that you will need to make a decision as to whether to take your legacy or reformed benefits.**

Every year, you are sent an annual benefit statement from your FPS administrator. Once the pension regulations are in place and the administration systems have been updated, administrators can start work on updating these benefit statements to show your entitlement for both legacy and reformed benefits. This will help you to have a clearer understanding of the benefits available leading up to your retirement.

You'll also receive benefit illustrations for the legacy and reformed benefits at retirement. This will allow you to choose the most beneficial option at a time when you have the most certainty over what you are entitled to.

The benefit illustrations

We've produced benefit illustrations for five different member profiles:

1. [FPS 1992 – member achieved less than 30 years' pensionable service before 1 April 2022](#)
2. [FPS 1992 – member achieved 30 years' pensionable service before 1 April 2022](#)
3. [FPS 2007 – full-time member](#)
4. [FPS 2007 – part-time/ retained member](#)
5. [FPS 2007 for special members \(RDS modified\)](#)

Each benefit illustration will show two salary profiles/ career progressions:

- A member who remains at firefighter level throughout their career.
- A member who progresses from firefighter to watch manager throughout their career.

We can't produce an illustration to match every member's personal circumstances. You should therefore read the illustration that is closest to your circumstances – you don't need to read every illustration if you don't want to.

How do I know which legacy scheme I belong to?

If you joined the Firefighters' Pension Scheme:

- Before 6 April 2006, you will be a member of the **FPS 1992**.
- On or after 6 April 2006 but before 1 April 2015, you will be a member of the **FPS 2007**.
- If you are a retained firefighter with service between 1 July 2000 and 5 April 2006, you may be a **special member** of the **FPS 2007**.

The information provided here has been prepared for the Firefighters' Pension Scheme Advisory Board for Wales (SABW) by Barnett Waddingham LLP. Barnett Waddingham LLP is authorised and regulated by the Financial Conduct Authority. This communication complies with Technical Actuarial Standard 100: Principles for Technical Actuarial Work (TAS 100).



1. FPS 1992 – member achieved less than 30 years' pensionable service before 1 April 2022

Example member profile details:

Member profile	
Date of birth	31 March 1977
Age at 31 March 2022	45 years
Previous final salary scheme	FPS 1992
Joined scheme at age	25 years
Pensionable service at 31 March 2022	20 years
Salary at 31 March 2015	£29,000
Salary at age 50	£34,161
Salary at age 55	£36,801
Salary at age 60	£39,645
Full or part time	Full time

How is pension in the FPS 1992 calculated?

The FPS 1992 is a final salary scheme. Pensions are worked out based on scheme membership, pay and a formula contained in the scheme rules.

FPS 1992 pension is calculated as follows:

$$\begin{aligned} & \left(\text{Total pensionable service up to 20 years} + \text{total pensionable service over 20 years} \times 2 \right) \text{ limited to 40 years} \quad / \quad 60 \\ & \times \quad \text{Pensionable service in the FPS 1992 scheme before transition to the FPS 2015 scheme} \quad / \quad \text{Total pensionable service in the FPS 1992 and FPS 2015 schemes subject to a maximum of 30 years} \\ & \times \quad \text{Average Pensionable Pay} \\ & = \quad \text{Annual pension} \end{aligned}$$

The formula above includes protection for those who were expected to earn double accrual if they had remained in the FPS 1992. An adjustment is included to pro rata the expected double accrual benefit if the member had stayed in the FPS 1992, by the service built up in the FPS 1992 before moving to the FPS 2015. An example is given at fpsmember.org/fps-2015/double-accrual-guarantee

How is pension in the 2015 CARE calculated?

The FPS 2015 is a Career Average Revalued Earnings (CARE) scheme. Pensions are worked out based on a proportion of pay for each year of membership and added to your pension account.

The FPS 2015 pension builds up year on year with an amount added to your account calculated as follows:

Pensionable pay	/	61.4	=	Pension added to your account for the year
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Then, on 1 April each year, the accumulated pension is revalued in line with average weekly earnings until retirement. An example (using the English accrual rate of 1/59.7) is provided for illustration purposes at fpsmember.org/fps-2015/how-my-pension-worked-out

Example 1

The following example shows the annual pension and maximum cash lump sum entitlement for a member who remains at firefighter level throughout their career. It shows the benefits available from age 50 when the member is first able to take their FPS 1992 pension (age 50 with at least 25 years' pensionable service) until age 60 (when the FPS 2015 pension can be taken unreduced).

The examples assume that:

- The member chooses to exchange the maximum pension possible for cash at retirement.
- Salary increases for the member and the revaluation increase for the FPS 2015 pension are the same (1.5% p.a.).
- The accrual (build-up) rate for the FPS 2015 remains at 1/61.4.
- The commutation factors (rates used to exchange pension for cash) for the FPS 1992 are as at the date of publication of this communication.
- The early retirement factors for the FPS 2015 are as at the date of publication of this communication.

Assumed retirement age	Scheme	Legacy benefits (FPS 1992 benefits up to 31 March 2022 and FPS 2015 benefits from 1 April 2022 to retirement)			Reformed benefits (FPS 1992 benefits up to 31 March 2015 and FPS 2015 benefits from 1 April 2015 to retirement)		
		Annual pension £	Cash lump sum £	Deferred pension £	Annual pension £	Cash lump sum £	Deferred pension £
50	FPS 1992	12,383	30,744	-	8,049	19,984	-
50	FPS 2015	-	-	2,782*	-	-	6,676*
50	Total	12,383	30,744	2,782*	8,049	19,984	6,676*
55	FPS 1992	12,267	89,548	-	7,973	58,206	-
55	FPS 2015	4,055	16,219	-	6,893	27,572	-
55	Total	16,322	105,767	-	14,866	85,778	-
60	FPS 1992	13,215	85,456	-	8,590	55,547	-
60	FPS 2015	7,264	29,056	-	10,654	42,615	-
60	Total	20,479	114,512	-	19,243	98,161	-

*FPS 2015 benefits cannot be paid before age 55 so would be held as a deferred pension.

The detailed calculations used to arrive at these figures are available at fpsmember.org/2015-Remedy-benefit-illustrations-full-calculations-fps-wales. There could be some rounding differences.

Annual pension amounts

- In the example above, the total pension amounts if the legacy benefits are chosen are greater than if the reformed benefits are chosen at all retirement ages. The reason for this is that the legacy option pension amounts include a greater proportion of FPS 1992 benefits, which are based on double accrual for pensionable service greater than 20 years (subject to a maximum of 30 years), as protected by the double accrual guarantee.
- The FPS 1992 pension can be taken at age 50 with at least 25 years' pensionable service.
- The FPS 2015 pension cannot be taken before age 55. This means that if the member chooses to retire before age 55, their FPS 2015 pension will be deferred until age 55 (or later if the member wishes).
- The FPS 2015 has a normal pension age of 60 for active members and State Pension age for deferred members. If the FPS 2015 pension is taken before normal pension age, the pension will be reduced to reflect the fact that it will be paid for longer than expected.
- For active members, an early retirement reduction of 10% is applied to the FPS 2015 pension at age 55. The reduction is lowered by 2% each year until there is no reduction applied at age 60. See gov.wales/sites/default/files/publications/2020-01/w-frsc201918-annex-6.pdf for more information. The early retirement reduction factors for deferred members are higher.
- There is a significant increase in the cash lump sum amount at age 55. There are two main reasons for this:
 - In the case of this member, the limit on the maximum lump sum that can be taken for the FPS 1992 benefits increases significantly. Members who retire under the age of 55 and have less than 30 years' service receive a lump sum which is capped at 2.25 times their annual pension. This restriction is removed at age 55 or on completing 30 years' service (if sooner). Thereafter, a maximum of one quarter (25%) of FPS 1992 pension can be exchanged for a cash lump sum.
 - The FPS 2015 pension comes into payment with the maximum one quarter (25%) assumed to be exchanged for a cash lump sum.
- Please note that the age-related commutation factors for the FPS 1992 decrease as the member ages (to reflect the fact that the pension is expected to be paid for a shorter period) but remain fixed at 12 for all ages in the FPS 2015.
- The illustrations do not take account of any tax charge that may be applied due to exceeding the HMRC limit on tax-free cash. The limit is most likely to be exceeded if the commutation factor is greater than 20.
- For more information please visit fpsmember.org/fps-1992/how-much-lump-sum-can-i-take

Cash lump sum amounts

- In the example, the legacy option cash lump sums are also greater than the reformed cash lump sums at all retirement ages shown. There are two main reasons for this:
 - There is more of the legacy pension to exchange for a cash lump sum; and
 - The commutation factors for the FPS 1992 are higher, meaning that the member receives more cash lump sum per £1 of annual pension given up. For example, at age 55, the age-related commutation factor for the FPS 1992 is 21.9 while the FPS 2015 commutation factor is 12. This means that the member receives £21.90 cash for each £1 of FPS 1992 pension given up compared to £12 cash for each £1 of FPS 2015 pension given up.

Employee contributions

On choosing the legacy or the reformed benefits there may be additional contributions payable by the member, or perhaps a refund, depending on the difference between the contributions already paid and those associated with the chosen benefits.

Individual circumstances

In most cases, the legacy option for former FPS 1992 members would provide higher benefits than the reformed option. However, it should be noted that your choice of whether to receive legacy or reformed benefits for the remedy period will depend on your individual circumstances.

For example, for simplicity we have kept average pensionable salary for the FPS 1992 and pensionable pay for the FPS 2015 the same for this benefit illustration, though it may be the case your pensionable pay in the FPS 2015 includes additional elements that contribute towards a higher pension.

Furthermore, FPS 2015 pension already earned is increased each year in line with average weekly earnings. If average weekly earnings are higher than salary increases over a period of time, this may lead to higher reformed benefits. For this to happen, a member would need to receive salary increases (including any promotional increases) below the national average by a significant amount over a prolonged period of time.

If a member is promoted over the course of the remedy period and to retirement, any increases to the member's salary will increase both the legacy and reformed benefits, however, it is likely that any promotional increases will tend to increase legacy benefits more than reformed benefits. This is illustrated in example 2 below.

This is because the FPS 1992 benefits are based on final salary at retirement. As a final salary scheme, the

FPS 1992 treats the member as though they earned the higher final salary in all years of service. However, the FPS 2015 takes account of salaries earned in any particular year and only future years are affected when there is a promotional salary increase.

You may also want to take account of other considerations at retirement such as death benefits payable under both the FPS 1992 and FPS 2015 schemes. For example, survivor benefits are only paid from the FPS 1992 to married or civil partners while the FPS 2015 provides a pension to unmarried partners. The FPS 2015 also provides a pension guarantee whereas the FPS 1992 does not.

You'll receive benefit illustrations for your legacy and reformed benefits at retirement. This will allow you to choose the most beneficial option at a time when you have the most certainty over what you are entitled to.

Example 2

This example is based on the same criteria as the previous example but assumes that the member is promoted over the course of the remedy period and to retirement. This is to show the effect that promotional salary increases can have on the difference between the legacy and reformed benefits.

We have assumed that a Firefighter (competent) at 1 April 2015 will receive the following promotions and additional increases to salary:

Position	Date of promotion	Age at promotion	Increase applied
Crew manager (development)	1 April 2019	42	6.3%
Crew manager (competent)	1 April 2021	44	4.3%
Watch manager (development)	1 April 2026	49	2.2%
Watch manager (competent A)	1 April 2028	51	2.8%
Watch manager (competent B)	1 April 2031	54	6.5%

Using the promotional increases on the previous page the recalculated benefit illustrations are given below:

Assumed retirement age	Scheme	Legacy benefits (FPS 1992 benefits up to 31 March 2022 and FPS 2015 benefits from 1 April 2022 to retirement)			Reformed benefits (FPS 1992 benefits up to 31 March 2015 and FPS 2015 benefits from 1 April 2015 to retirement)		
		Annual pension £	Cash lump sum £	Deferred pension £	Annual pension £	Cash lump sum £	Deferred pension £
50	FPS 1992	14,026	34,823	-	9,117	22,635	-
50	FPS 2015	-	-	3,097*	-	-	7,122*
50	Total	14,026	34,823	3,097*	9,117	22,635	7,122*
55	FPS 1992	15,208	111,016	-	9,885	72,160	-
55	FPS 2015	4,635	18,541	-	7,568	30,274	-
55	Total	19,843	129,557	-	17,453	102,434	-
60	FPS 1992	16,383	105,943	-	10,649	68,863	-
60	FPS 2015	8,538	34,151	-	12,041	48,164	-
60	Total	24,921	140,094	-	22,690	117,027	-

*FPS 2015 benefits cannot be paid before age 55 so would be held as a deferred pension.

The detailed calculations used to arrive at these figures are available at fpsmember.org/2015-Remedy-benefit-illustrations-full-calculations-fps-wales. There could be some rounding differences.

Annual pension amounts

As expected, both the legacy and reformed benefits are higher than in the first example with the additional promotional increases.

However, the total pension amounts if the legacy option are chosen have shown a greater increase in benefits than the reformed option. The reason for this is that the FPS 1992 benefits are based on final salary at retirement.

As a final salary scheme, the FPS 1992 treats the member as though they earned the higher final salary in all years of service. However, the FPS 2015 takes account of salaries earned in any particular year and only future years are affected when there is a promotional salary increase.

Cash lump sum amounts

The legacy cash lump sums have increased faster than the reformed cash lump sums due to higher available pension amounts to exchange for cash and higher commutation factors.

Individual circumstances

The effect of promotional increases will depend on your own career path, both in terms of number of promotions and when they occur. It is more than likely that any promotional increases will tend to increase legacy benefits more than reformed benefits due to the reasons given above.



2. FPS 1992 – member achieved 30 years' pensionable service before 1 April 2022

Example member profile details:

Member profile	
Date of birth	31 March 1972
Age at 31 March 2022	50 years
Previous final salary scheme	FPS 1992
Joined scheme at age	20 years
Pensionable service at 31 March 2022	30 years
Salary at 31 March 2015	£29,000
Salary at age 50	£31,710
Salary at age 55	£34,161
Salary at age 60	£36,801
Full or part time	Full time

How is pension in the FPS 1992 calculated?

The FPS 1992 is a final salary scheme. Pensions are worked out based on scheme membership, pay and a formula contained in the scheme rules.

FPS 1992 pension is calculated as follows:

$$\frac{(\text{Total pensionable service up to 20 years} + \text{total pensionable service over 20 years} \times 2) \text{ limited to 40 years}}{60} \times \frac{\text{Pensionable service in the FPS 1992 scheme before transition to the FPS 2015 scheme}}{\text{Total pensionable service in the FPS 1992 and FPS 2015 schemes subject to a maximum of 30 years}} \times \text{Average Pensionable Pay} = \text{Annual pension}$$

The formula above includes protection for those who were expected to earn double accrual if they had remained in the FPS 1992. An adjustment is included to pro rata the expected double accrual benefit if the member had stayed in the FPS 1992, by the service built up in the FPS 1992 before moving to the FPS 2015. An example is given at fpsmember.org/fps-2015/double-accrual-guarantee

For the legacy benefits, this example member has reached the maximum possible pensionable service of 30 years in the FPS 1992 and so the double accrual guarantee no longer applies.

For the reformed benefits, the double accrual guarantee continues to apply when taking into account FPS 1992 as the member is assumed to move into the FPS 2015 on 1 April 2015.

How is pension in the FPS 2015 calculated?

The FPS 2015 is a Career Average Revalued Earnings (CARE) scheme. Pensions are worked out based on a proportion of pay for each year of membership and added to your pension account.

The FPS 2015 pension builds up year on year with an amount added to your account calculated as follows:

Pensionable pay	/	61.4	=	Pension added to your account for the year
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Then, on 1 April each year, the accumulated pension is revalued in line with average weekly earnings until retirement. An example (using the accrual rate of 1/59.7 for the English scheme) is provided for illustration purposes at fpsmember.org/fps-2015/how-my-pension-worked-out

Example 1

The following example shows the annual pension and maximum cash lump sum entitlement for a member who remains at firefighter level throughout their career. It shows the benefits available from age 50 when the member is first able to take their FPS 1992 pension (age 50 with at least 25 years' pensionable service) until age 60 (when the FPS 2015 pension can be taken unreduced).

The examples assume that:

- The member chooses to exchange the maximum pension possible for cash at retirement.
- Salary increases for the member and the revaluation increase for the FPS 2015 pension are the same (1.5% p.a.).
- The accrual (build-up) rate for the FPS 2015 remains at 1/61.4.
- The commutation factors (rates used to exchange pension for cash) for the FPS 1992 are as at the date of publication of this communication.
- The early retirement factors for the FPS 2015 are as at the date of publication of this communication.

Assumed retirement age	Scheme	Legacy benefits (FPS 1992 benefits up to 31 March 2022 and FPS 2015 benefits from 1 April 2022 to retirement)			Reformed benefits (FPS 1992 benefits up to 31 March 2015 and FPS 2015 benefits from 1 April 2015 to retirement)		
		Annual pension £	Cash lump sum £	Deferred pension £	Annual pension £	Cash lump sum £	Deferred pension £
50	FPS 1992	15,855	126,839	-	12,155	97,244	-
50	FPS 2015	-	-	-	-	-	3,615*
50	Total	15,855	126,839	-	12,155	97,244	3,615*
55	FPS 1992	17,080	124,686	-	13,095	95,593	-
55	FPS 2015	1,882	7,528	-	4,517	18,066	-
55	Total	18,962	132,213	-	17,611	113,659	-
60	FPS 1992	18,400	118,989	-	14,107	91,225	-
60	FPS 2015	4,495	17,981	-	7,642	30,567	-
60	Total	22,895	136,969	-	21,749	121,792	-

*FPS 2015 benefits cannot be paid before age 55 so would be held as a deferred pension.

The detailed calculations used to arrive at these figures are available at fpsmember.org/2015-Remedy-benefit-illustrations-full-calculations-fps-wales. There could be some rounding differences.

Annual pension amounts

- In the example above, the total pension amounts if the legacy benefits are chosen are greater than if the reformed benefits are chosen at all retirement ages. The reason for this is that the legacy option pension amounts include a greater proportion of FPS 1992 benefits, which are based on double accrual for pensionable service greater than 20 years (subject to a maximum of 30 years), as protected by the double accrual guarantee.
- The FPS 2015 pension cannot be taken before age 55. This means if the member chooses to retire before age 55, their FPS 2015 pension will be deferred until age 55 (or later if the member wishes).
- The FPS 2015 has a normal pension age of 60 for active members and State Pension age for deferred members. If the FPS 2015 pension is taken before normal pension age, the pension will be reduced to reflect the fact that it will be paid for longer than expected.
- For active members, an early retirement reduction of 10% is applied to the FPS 2015 pension at age 55. The reduction is lowered by 2% each year until there is no reduction applied at age 60. See gov.wales/sites/default/files/publications/2020-01/w-frsc201918-annex-6.pdf for more information. The early retirement reduction factors for deferred members are higher.

Cash lump sum amounts

- In the example, the legacy option cash lump sums are also greater than the reformed cash lump sums at all retirement ages shown. There are two main reasons for this:
 - There is more of the legacy pension to exchange for a cash lump sum; and
 - The commutation factors for the FPS 1992 are higher meaning that the member receives more cash lump sum per £1 of annual pension given up. For example, at age 55, the age-related commutation factor for the FPS 1992 is 21.9 while the FPS 2015 commutation factor is 12. This means that the member receives £21.90 cash for each £1 of FPS 1992 pension given up compared to £12 cash for each £1 of FPS 2015 pension given up.
- Please note that the age-related commutation factors for the FPS 1992 decrease as the member ages (to reflect the fact that the pension is expected to be paid for a shorter period) but remain fixed at 12 for all ages in the FPS 2015.

- The illustrations do not take account of any tax charge that may be applied due to exceeding the HMRC limit on tax-free cash. The limit is most likely to be exceeded if the commutation factor is greater than 20.
- For more information please visit fpsmember.org/fps-1992/how-much-lump-sum-can-i-take

Employee contributions

On choosing the legacy or the reformed benefits there may be additional contributions payable by the member, or perhaps a refund, depending on the difference between the contributions already paid and those associated with the chosen benefits.

Individual circumstances

In most cases, the legacy option for former FPS 1992 members would provide higher benefits than the reformed option. However, it should be noted that your choice of whether to receive legacy or reformed benefits for the remedy period will depend on your individual circumstances.

For example, for simplicity we have kept average pensionable salary for the FPS 1992 and pensionable pay for the FPS 2015 the same for this benefit illustration though it may be the case your pensionable pay in the FPS 2015 includes additional elements that contribute towards a higher pension.

Furthermore, FPS 2015 pension already earned is increased each year in line with average weekly earnings. If average weekly earnings are higher than salary increases over a period of time, this may lead to higher reformed benefits. For this to happen, a member would need to receive salary increases (including any promotional increases) below the national average by a significant amount over a prolonged period of time.

If the member is promoted over the course of the remedy period and to retirement, any increases to the member's salary will increase both the legacy and reformed benefits, however, it is likely that any promotional increases will tend to increase legacy benefits more than reformed benefits. This is illustrated in example 2 on the next page.

This is because the FPS 1992 benefits are based on final salary at retirement. As a final salary scheme, the FPS 1992 treats the member as though they earned the higher final salary in all years of service.

However, the FPS 2015 takes account of salaries earned in any particular year and only future years are affected when there is a promotional salary increase.

You may also want to take account of other considerations at retirement such as death benefits payable under both the FPS 1992 and FPS 2015 schemes. For example, survivor benefits are only paid from the FPS 1992 to married or civil partner while the FPS 2015 provides a pension to unmarried partners.

The FPS 2015 also provides a pension guarantee whereas the FPS 1992 does not.

You'll receive benefit illustrations for your legacy and reformed benefits at retirement. This will allow you to choose the most beneficial option at a time when you have the most certainty over what you are entitled to.

Example 2

This example is based on the same criteria as the previous example but assumes that the member is promoted over the course of the remedy period and to retirement. This is to show the effect that promotional salary increases can have on the difference between the legacy and reformed benefits.

We have assumed that a Firefighter (competent) at 1 April 2015 will receive the following promotions and additional increases to salary:

Position	Date of promotion	Age at promotion	Increase applied
Crew manager (development)	1 April 2019	47	6.3%
Crew manager (competent)	1 April 2021	49	4.3%
Watch manager (development)	1 April 2026	54	2.2%
Watch manager (competent A)	1 April 2028	56	2.8%
Watch manager (competent B)	1 April 2031	59	6.5%

Using the above promotional increases the recalculated benefit illustrations are given below:

Assumed retirement age	Scheme	Legacy benefits (FPS 1992 benefits up to 31 March 2022 and FPS 2015 benefits from 1 April 2022 to retirement)			Reformed benefits (FPS 1992 benefits up to 31 March 2015 and FPS 2015 benefits from 1 April 2015 to retirement)		
		Annual pension £	Cash lump sum £	Deferred pension £	Annual pension £	Cash lump sum £	Deferred pension £
50	FPS 1992	17,577	140,619	-	13,476	107,808	-
50	FPS 2015	-	-	-	-	-	3,736*
50	Total	17,577	140,619	-	13,476	107,808	3,736*
55	FPS 1992	19,346	141,225	-	14,832	108,272	-
55	FPS 2015	2,095	8,381	-	4,818	19,273	-
55	Total	21,441	149,606	-	19,650	127,545	-
60	FPS 1992	22,811	147,514	-	17,489	113,094	-
60	FPS 2015	5,139	20,555	-	8,391	33,563	-
60	Total	27,950	168,070	-	25,880	146,657	-

*FPS 2015 benefits cannot be paid before age 55 so would be held as a deferred pension.

The detailed calculations used to arrive at these figures are available at fpsmember.org/2015-Remedy-benefit-illustrations-full-calculations-fps-wales. There could be some rounding differences.

Annual pension amounts

As expected, both the legacy and reformed benefits are higher than in the previous example with the additional promotional increases.

However, the total pension amounts if the legacy option are chosen have shown a greater increase in benefits than the reformed option. The reason for this is that the FPS 1992 benefits are based on final salary at retirement.

As a final salary scheme, the FPS 1992 treats the member as though they earned the higher final salary in all years of service. However, the FPS 2015 takes account of salaries earned in any particular year and only future years are affected when there is a promotional salary increase.

Cash lump sum amounts

The legacy cash lump sums have increased faster than the reformed cash lump sums due to higher available pension amounts to exchange for cash and higher commutation factors.

Individual circumstances

The effect of promotional increases will depend on your own career path, both in terms of number of promotions and when they occur. It is more than likely that any promotional increases will tend to increase legacy benefits more than reformed benefits due to the reasons given above.



3. FPS 2007 – full-time member

Example member profile details:

Member profile	
Date of birth	31 March 1982
Age at 31 March 2022	40 years
Previous final salary scheme	FPS 2007
Joined scheme at age	25 years
Pensionable service at 31 March 2022	15 years
Salary at 31 March 2015	£29,000
Salary at age 55	£39,645
Salary at age 60	£42,709
Full or part time	Full time

How is pension in the FPS 2007 calculated?

The FPS 2007 is a final salary scheme. Pensions are worked out based on scheme membership, pay and a formula contained in the scheme rules.

FPS 2007 pension is calculated as follows:

$$\text{Pensionable service} \times \text{Average Pensionable Pay} / 60 = \text{Annual pension}$$

How is pension in the FPS 2015 calculated?

The FPS 2015 is a Career Average Revalued Earnings (CARE) scheme. Pensions are worked out based on a proportion of pay for each year of membership and added to your pension account.

The FPS 2015 pension build ups year on year with an amount added to your account calculated as follows:

$$\text{Pensionable service} / 61.4 = \text{Pension added to your account for the year}$$

Then, on 1 April each year, the accumulated pension is revalued in line with average weekly earnings until retirement. An example (using the accrual rate of 1/59.7 for the English scheme) is provided for illustration purposes at fpsmember.org/fps-2015/how-my-pension-worked-out

Example 1

The following example shows the annual pension and maximum cash lump sum entitlement for a member who remains at firefighter level throughout their career. It shows the benefits available from age 55 (when the member is first able to take their FPS 2007 and FPS 2015 benefits) until age 60 (when the same benefits can be taken unreduced).

The examples assume that:

- The member chooses to exchange the maximum pension possible for cash at retirement.
- Salary increases for the member and the revaluation increase for the FPS 2015 pension are the same (1.5% p.a.).
- The accrual (build-up) rate for the FPS 2015 remains at 1/61.4.
- The early retirement factors in the FPS 2007 and FPS 2015 schemes are as at the date of publication of this communication.

Assumed retirement age	Scheme	Legacy benefits (FPS 2007 benefits up to 31 March 2022 and FPS 2015 benefits from 1 April 2022 to retirement)		Reformed benefits (FPS 2007 benefits up to 31 March 2015 and FPS 2015 benefits from 1 April 2015 to retirement)	
		Annual pension £	Cash lump sum £	Annual pension £	Cash lump sum £
55	FPS 2007	4,467	17,870	2,383	9,531
55	FPS 2015	6,552	26,208	9,610	38,439
55	Total	11,019	44,078	11,992	47,969
60	FPS 2007	8,008	32,031	4,271	17,083
60	FPS 2015	10,434	41,735	14,085	56,342
60	Total	18,442	73,766	18,356	73,425

The detailed calculations used to arrive at these figures are available at fpsmember.org/2015-Remedy-benefit-illustrations-full-calculations-fps-wales. There could be some rounding differences.

Annual pension amounts

- The total pension amounts if the reformed benefits are chosen are more than if legacy benefits are chosen at all retirement ages up to age 60. The main reasons for this are that the legacy option includes a greater proportion of FPS 2007 benefits which have a greater early retirement reduction. However, at age 60, no early retirement reductions are applied, and the legacy benefits are slightly higher due to the FPS 2007 having a slightly faster rate of building up benefits (1/60 v 1/61.4).
- For active members, the normal retirement age for both the FPS 2007 and FPS 2015 schemes is 60, so if the member retires before then their pension will be reduced to reflect the fact that it will be paid for longer than expected.
- However, to retire early in the FPS 2007 you have to first leave service to become a deferred member and your benefits are then reduced in relation to the deferred normal retirement age, which is 65. This will result in a bigger reduction than in the FPS 2015 as the reduction is based on the member receiving a pension for a longer period before the normal retirement age.
- At age 60, the pension and cash lump sums are very similar due to the FPS 2007 and FPS 2015 schemes no longer having any early retirement reductions applied.

Cash lump sum amounts

- In the example, the cash lump sums follow the same pattern as the pension amounts. This is because under both options the same amount of lump sum is received for each £1 of pension exchanged.
- The commutation factor for both the FPS 2007 and FPS 2015 is 12. This means for every £1 of annual pension given up the member will receive £12 as a cash lump sum.

Employee contributions

On choosing the legacy or the reformed benefits there may be additional contributions payable by the member, or perhaps a refund, depending on the difference between the contributions already paid and those associated with the chosen benefits.

Individual circumstances

In most cases before age 60, the reformed option for former FPS 2007 members would provide higher benefits than the legacy option. However, it should be noted that your choice of whether to receive legacy or reformed benefits for the remedy period will very much depend on your individual circumstances.

Example 2

This example is based on the same criteria as the previous example but assumes that the member is promoted over the course of the remedy period and to retirement. This is to show the effect that promotional salary increases can have on the difference between the legacy and reformed benefits.

We have assumed that a Firefighter (competent) at 1 April 2015 will receive the following promotions and additional increases to salary:

Position	Date of promotion	Age at promotion	Increase applied
Crew manager (development)	1 April 2019	37	6.3%
Crew manager (competent)	1 April 2021	39	4.3%
Watch manager (development)	1 April 2026	44	2.2%
Watch manager (competent A)	1 April 2028	46	2.8%
Watch manager (competent B)	1 April 2031	49	6.5%

FPS 2015 pension earned is increased each year in line with average weekly earnings. How the member's salary increases compare to average weekly earnings may determine which option provides the higher benefits. For example, for simplicity we have kept average pensionable salary for the FPS 2007 and pensionable pay for the FPS 2015 the same for this benefit illustration. However, if average weekly earnings are such that they are greater than salary increases for the same period, then the reformed option may provide more benefits than the legacy option at all retirement ages. Alternatively, if salary increases were greater than average weekly earnings then the legacy option may provide higher benefits. This is illustrated in example 2 below.

It's worth noting, however, that the timing of the increases is important. A few large percentage increases to the FPS 2015 pension when it is relatively small may not offset the increase in FPS 2007 due to a large increase to salary. For example, a large promotional increase close to retirement could lead to a large increase to the final salary FPS 2007 pension and in turn, the legacy benefits option may be more attractive.

You'll receive benefit illustrations for your legacy and reformed benefits at retirement. This will allow you to choose the most beneficial option at a time when you have the most certainty over what you are entitled to.

Using the above promotional increases the recalculated benefit illustrations are given below:

Assumed retirement age	Scheme	Legacy benefits		Reformed benefits	
		(FPS 2007 benefits up to 31 March 2022 and FPS 2015 benefits from 1 April 2022 to retirement)		(FPS 2007 benefits up to 31 March 2015 and FPS 2015 benefits from 1 April 2015 to retirement)	
		Annual pension £	Cash lump sum £	Annual pension £	Cash lump sum £
55	FPS 2007	5,538	22,154	2,954	11,815
55	FPS 2015	7,701	30,804	10,861	43,444
55	Total	13,240	52,958	13,815	55,259
60	FPS 2007	9,928	39,710	5,295	21,179
60	FPS 2015	12,431	49,725	16,205	64,821
60	Total	22,359	89,436	21,500	86,000

The detailed calculations used to arrive at these figures are available at fpsmember.org/2015-Remedy-benefit-illustrations-full-calculations-fps-wales. There could be some rounding differences.

Annual pension amounts

As expected, both the legacy and reformed benefits are higher than in the previous example with the additional promotional increases.

- The reformed benefits are still greater at all retirement ages up to age 60 as the promotional salary increases are not enough to offset the greater early retirement reductions in the FPS 2007.
- The legacy benefits are now even greater than the reformed benefits at age 60. The reason for this is that the FPS 2007 benefits are based on final salary at retirement and the promotional increases have increased these benefits faster than the FPS 2015 benefits.

As a final salary scheme, the FPS 2007 treats the member as though they earned the higher final salary in all years of service. However, the FPS 2015 takes account of salaries earned in any particular year and only future years are affected when there is a promotional salary increase.

Cash lump sum amounts

The cash lump sums under both options have increased as expected though the legacy option cash lump sum is now greater at age 60 due to the higher available pension amount to exchange for cash.

Individual circumstances

The choice between legacy or reformed benefits for former FPS 2007 members is not clear cut and will very much depend on your individual career path and how salary increases compare to FPS 2015 revaluation increases (which are in line with average weekly earnings).

As we can see in the examples above, the reformed benefits may provide a higher annual pension and cash lump sum for those who choose to retire before the age of 60, while the legacy benefits may be more attractive if retiring at age 60 or the member experiences high salary increases, especially later in their career.

You'll receive benefit illustrations for the legacy and reformed benefits at retirement. This will allow you to choose the most beneficial option at a time when you have the most certainty over what you are entitled to.



4. FPS 2007 – part-time/ retained member

Example member profile details:

Member profile	
Date of birth	31 March 1982
Age at 31 March 2022	40 years
Previous final salary scheme	FPS 2007
Joined scheme at age	25 years
Pensionable service at 31 March 2022	4.5 years
Salary at 31 March 2015	£29,000
Salary at age 55	£39,645
Salary at age 60	£42,709
Full or part time	Part time
Part-time hours	30%

How is pension in the FPS 2007 calculated?

The FPS 2007 is a final salary scheme. Pensions are worked out based on scheme membership, pay and a formula contained in the scheme rules.

FPS 2007 pension is calculated as follows:

$$\text{Pensionable service} \times \text{Average Pensionable Pay} / 60 = \text{Annual pension}$$

For part-time members, the part-time element is captured in the pensionable service and the full-time equivalent salary is used as average pensionable pay. For example, if a member works 30% over 10 years then they will earn 3 years' pensionable service.

How is pension in the FPS 2015 calculated?

The FPS 2015 is a Career Average Revalued Earnings (CARE) scheme. Pensions are worked out based on a proportion of pay for each year of membership and added to your pension account.

The FPS 2015 pension builds up year on year with an amount added to your account calculated as follows:

$$\text{Pensionable Pay} / 61.4 = \text{Pension added to your account for the year}$$

Then, on 1 April each year, the accumulated pension is revalued in line with average weekly earnings until retirement. An example (using the accrual rate of 1/59.7 for the English scheme) is provided for illustration purposes at fpsmember.org/fps-2015/how-my-pension-worked-out

In the FPS 2015, pensionable pay already includes the adjustment for part timers. For example, if a member's salary is £29,000 and they work 30% of the time then the pension earned for that year is $\text{£29,000} \times 0.30 / 61.4 = \text{£141.69}$.

Example 1

The following example shows the annual pension and maximum cash lump sum entitlement for a part-time member who remains at firefighter level throughout their career. It shows the annual pension and cash lump sum entitlement from age 55 (when the member is first able to take their FPS 2007 and FPS 2015 benefits) until age 60 (when the same benefits can be taken unreduced).

The examples assume that:

- The member's part-time hours remain at 30% throughout.
- The member chooses to exchange the maximum pension possible for cash at retirement.
- Salary increases for the member and the revaluation increase for the FPS 2015 pension are the same (1.5% p.a.).
- The accrual (build-up) rate for the FPS 2015 remains at 1/61.4.
- The early retirement factors in the FPS 2007 and FPS 2015 schemes are as at the date of publication of this communication.

Assumed retirement age	Scheme	Legacy benefits (FPS 2007 benefits up to 31 March 2022 and 2015 CARE benefits from 1 April 2022 to retirement)		Reformed benefits (FPS 2007 benefits up to 31 March 2015 and 2015 CARE benefits from 1 April 2015 to retirement)	
		Annual pension £	Cash lump sum £	Annual pension £	Cash lump sum £
55	FPS 2007	1,340	5,361	715	2,859
55	FPS 2015	1,966	7,862	2,883	11,532
55	Total	3,306	13,223	3,598	14,391
60	FPS 2007	2,402	9,609	1,281	5,125
60	FPS 2015	3,130	12,520	4,226	16,903
60	Total	5,532	22,130	5,507	22,028

The detailed calculations used to arrive at these figures are available at fpsmember.org/2015-Remedy-benefit-illustrations-full-calculations-fps-wales. There could be some rounding differences.

Annual pension amounts

- The total pension amounts if the reformed benefits are chosen are more than if legacy benefits are chosen at all retirement ages up to age 60. The main reasons for this are that the legacy option includes a greater proportion of FPS 2007 benefits which have a greater early retirement reduction. However, at age 60, no early retirement reductions are applied, and the legacy benefits are slightly higher due to the FPS 2007 having a slightly faster rate of building up benefits (1/60 v 1/61.4).
- For active members, the normal retirement age for both the FPS 2007 and FPS 2015 schemes is 60, so if the member retires before then their pension will be reduced to reflect the fact that it will be paid for longer than expected.
- However, to retire early in the FPS 2007 you have to first leave service to become a deferred member and your benefits are then reduced in relation to the deferred normal retirement age which is 65. This will result in a bigger reduction than in the FPS 2015 as the reduction is based on the member receiving a pension for a longer period before the normal retirement age.
- At age 60, the pension and cash lump sums are very similar due to the FPS 2007 and FPS 2015 schemes no longer having any early retirement reductions applied.

Cash lump sum amounts

- In the example, the cash lump sums follow the same pattern as the pension amounts. This is because under both options the same amount of lump sum is received for each £1 of pension exchanged.
- The commutation factor for both the FPS 2007 and FPS 2015 is 12. This means for every £1 of annual pension given up the member will receive £12 as a cash lump sum.

Employee contributions

On choosing the legacy or the reformed benefits there may be additional contributions payable by the member, or perhaps a refund, depending on the difference between the contributions already paid and those associated with the chosen benefits.

Individual circumstances

In most cases before age 60, the reformed option for former FPS 2007 members would provide higher benefits than the legacy option. However, it should be noted that your choice of whether to receive legacy or reformed benefits for the remedy period will very much depend on your individual circumstances.

FPS 2015 pension earned is increased each year in line with average weekly earnings. How the member's salary increases compare to average weekly earnings may determine which option provides the higher benefits. For example, for simplicity we have kept average pensionable salary for the FPS 1992 and pensionable pay for the FPS 2015 the same for this benefit illustration. However, if average weekly earnings are such that they are greater than salary increases for the same period, then the reformed option may provide more benefits than the legacy option at all retirement ages. Alternatively, if salary increases were greater than average weekly earnings then the legacy option may provide higher benefits. This is illustrated in example 2 below.

It's worth noting however, that the timing of the increases is important. A few large percentage increases to the FPS 2015 pension when it is relatively small may not offset the increase in FPS 2007 due to a large increase to salary. For example, a large promotional increase close to retirement could lead to a large increase to the final salary FPS 2007 pension and in turn, the legacy benefits option may be more attractive.

You'll receive benefit illustrations for the legacy and reformed benefits at retirement. This will allow you to choose the most beneficial option at a time when you have the most certainty over what you are entitled to.

Example 2

This example is based on the same criteria as the previous example but assumes that the member is promoted over the course of the remedy period and to retirement. This is to show the effect that promotional salary increases can have on the difference between the legacy and reformed benefits.

We have assumed that a Firefighter (competent) at 1 April 2015 will receive the following promotions and additional increases to salary:

Position	Date of promotion	Age at promotion	Increase applied
Crew manager (development)	1 April 2019	37	6.3%
Crew manager (competent)	1 April 2021	39	4.3%
Watch manager (development)	1 April 2026	44	2.2%
Watch manager (competent A)	1 April 2028	46	2.8%
Watch manager (competent B)	1 April 2031	49	6.5%

Using the above promotional increases the recalculated benefit illustrations are given below:

Assumed retirement age	Scheme	Legacy benefits (FPS 2007 benefits up to 31 March 2022 and FPS 2015 benefits from 1 April 2022 to retirement)		Reformed benefits (FPS 2007 benefits up to 31 March 2015 and FPS 2015 benefits from 1 April 2015 to retirement)	
		Annual pension £	Cash lump sum £	Annual pension £	Cash lump sum £
55	FPS 2007	1,662	6,646	886	3,545
55	FPS 2015	2,310	9,241	3,258	13,033
55	Total	3,972	15,887	4,144	16,578
60	FPS 2007	2,978	11,913	1,588	6,354
60	FPS 2015	3,729	14,918	4,862	19,446
60	Total	6,708	26,831	6,450	25,800

The detailed calculations used to arrive at these figures are available at fpsmember.org/2015-Remedy-benefit-illustrations-full-calculations-fps-wales. There could be some rounding differences.

Annual pension amounts

As expected, both the legacy and reformed benefits are higher than in the previous example with the additional promotional increases.

- The reformed benefits are still greater at all retirement ages up to age 60 as the promotional salary increases were not enough to offset the greater early retirement reductions in the FPS 2007.
- The legacy benefits are now even greater than the reformed benefits at age 60. The reason for this is that the FPS 2007 benefits are based on final salary at retirement and the promotional increases have increased these benefits faster than the FPS 2015 benefits.

As a final salary scheme, the FPS 2007 treats the member as though they earned the higher final salary in all years of service. However, the FPS 2015 takes account of salaries earned in any particular year and only future years are affected when there is a promotional salary increase.

Cash lump sum amounts

The cash lump sums under both options have increased as expected though the legacy option cash lump sum is now greater at age 60 due to the larger available pension amount to exchange for cash.

Individual circumstances

The choice between legacy or reformed benefits for former FPS 2007 members is not clear cut and will very much depend on your individual career path and how salary increases compare to FPS 2015 revaluation increases (which are in line with average weekly earnings).

As we can see in the examples above, the reformed benefits may provide a higher annual pension and cash lump sum for those who choose to retire before the age of 60, while the legacy benefits may be more attractive if retiring at age 60 or the member experiences high salary increases, especially later in their career.

You'll receive benefit illustrations for the legacy and reformed benefits at retirement. This will allow you to choose the most beneficial option at a time when you have the most certainty over what you are entitled to.



5. FPS 2007 for special members (RDS modified)

Example member profile details:

Member profile	
Date of birth	31 March 1977
Age at 31 March 2022	45 years
Previous final salary scheme	Special members in the FPS 2007
Joined scheme at age	25 years
Pensionable service at 31 March 2022	6 years
Salary at 31 March 2015	£29,000
Salary at age 55	£36,801
Salary at age 60	£39,645
Full or part time	Part time
Part-time hours	30%

How is pension for special members in the FPS 2007 calculated?

The scheme for special members in the FPS 2007 is a final salary scheme. Pensions are worked out based on scheme membership, pay and a formula contained in the scheme rules.

The FPS 2007 pension for special members is calculated as follows:

$$\text{Pensionable service} \times \text{Average Pensionable Pay} / 45 = \text{Annual pension}$$

For part-time members, the part-time element is captured in the pensionable service and the full-time equivalent salary is used as average pensionable pay. For example, if a member works 30% over 10 years then they will earn 3 years' pensionable service.

How is pension in the FPS 2015 calculated?

The FPS 2015 is a Career Average Revalued Earnings (CARE) scheme. Pensions are worked out based on a proportion of pay for each year of membership and added to your pension account.

The FPS 2015 pension builds up year on year with an amount added to your account calculated as follows:

$$\text{Pensionable Pay} / 61.4 = \text{Pension added to your account for the year}$$

Then, on 1 April each year, the accumulated pension is revalued in line with average weekly earnings until retirement. An example (using the accrual rate of 1/59.7 for the English scheme) is provided for illustration purposes at fpsmember.org/fps-2015/how-my-pension-worked-out

In the FPS 2015, pensionable pay already includes the adjustment for part timers. For example, if a member's salary is £29,000 and they work 30% of the time then the pension earned for that year is $\text{£29,000} \times 0.3 / 61.4 = \text{£141.69}$.

Example 1

The following example shows the annual pension and maximum cash lump sum entitlement for a special member who remains at firefighter level throughout their career. It shows the annual pension and cash lump sum entitlement from age 55 (when the special member is first able to take their FPS 2007 and FPS 2015 benefits) until age 60 (when the FPS 2015 benefits can be taken unreduced).

The examples assume that:

- The member's part-time hours remain at 30% throughout.
- The special member chooses to exchange the maximum pension possible for cash at retirement.
- Salary increases for the member and the revaluation increase for the FPS 2015 pension are the same (1.5% p.a.).
- The accrual (build-up) rate for the FPS 2015 remains at 1/61.4.
- The early retirement factors for the FPS 2015 are as at the publication date of this communication.

Assumed retirement age	Scheme	Legacy benefits (FPS 2007 benefits up to 31 March 2022 and FPS 2015 benefits from 1 April 2022 to retirement)		Reformed benefits (FPS 2007 benefits up to 31 March 2015 and FPS 2015 benefits from 1 April 2015 to retirement)	
		Annual pension £	Cash lump sum £	Annual pension £	Cash lump sum £
55	FPS 2007*	3,680	25,515	2,392	16,585
55	FPS 2015	1,216	4,866	2,068	8,271
55	Total	4,896	30,381	4,460	24,856
60	FPS 2007*	3,964	24,976	2,577	16,234
60	FPS 2015	2,179	8,717	3,196	12,784
60	Total	6,144	33,693	5,773	29,019

*For special members

The detailed calculations used to arrive at these figures are available at fpsmember.org/2015-Remedy-benefit-illustrations-full-calculations-fps-wales. There could be some rounding differences.

Annual pension amounts

- In the example above, the total pension amounts if the legacy benefits are chosen are greater than if the reformed benefits are chosen at all retirement ages. The reason for this is that the legacy option pension amounts include a greater proportion of FPS 2007 special members benefits, which are based on a better rate of accrual, meaning more pension benefits are built up for each year of pensionable service.
- FPS 2007 special members have a normal pension age of 55. Benefits cannot be taken earlier than this.
- The FPS 2015 has a normal pension age of 60 for active members and State Pension age for deferred members. If the FPS 2015 pension is taken before normal pension age, the pension will be reduced to reflect the fact that it will be paid for longer than expected.
- For active members, an early retirement reduction of 10% is applied to the FPS 2015 pension at age 55. The reduction is lowered by 2% each year until there is no reduction applied at age 60. See gov.wales/FPS-15-Wales-Early-payment-reductions for more information. The early retirement reduction factors for deferred members are higher.

Cash lump sum amounts

- In the example above, the legacy option cash lump sums are also greater than the reformed option cash lump sums at all retirement ages shown. There are two main reasons for this:
 - There is more of the legacy pension to exchange for a cash lump sum; and
 - The commutation factors for FPS 2007 special members are higher, meaning that the member receives more cash lump sum per £1 of annual pension given up. For example, at age 55, the age-related commutation factor for FPS 2007 special members is 20.8 while the FPS 2015 commutation factor is 12. This means that the member receives £20.80 cash for each £1 of FPS 2007 special members' pension given up compared to £12 cash for each £1 of FPS 2015 pension given up.
- Please note that the age-related commutation factors for special members of the FPS 2007 decrease as the member ages (to reflect the fact that the pension is expected to be paid for a shorter period), but remain fixed at 12 for all ages in the FPS 2015.
- The illustrations do not take account of any tax charge that may be applied due to exceeding the HMRC limit on tax-free cash. The limit is most likely to be exceeded if the commutation factor is greater than 20.
- For more information please visit fpsmember.org/fps-2007-special-members/how-much-lump-sum-can-i-take

Employee contributions

On choosing the legacy or the reformed benefits there may be additional contributions payable by the member, or perhaps a refund, depending on the difference between the contributions already paid and those associated with the chosen benefits.

Individual circumstances

In most cases, the legacy option for former special members of FPS 2007 would provide higher benefits than the reformed option. However, it should be noted that your choice of whether to receive legacy or reformed benefits for the remedy period will depend on your individual circumstances.

For example, for simplicity we have kept average pensionable salary for special members of the FPS 2007 and pensionable pay for the FPS 2015 the same for this benefit illustration, though it may be the case that your pensionable pay in the FPS 2015 includes additional elements that contribute towards a higher pension.

Furthermore, FPS 2015 pension already earned is increased each year in line with average weekly earnings. If average weekly earnings are higher than salary increases over a period of time, this may lead to higher reformed benefits. For this to happen, a member would need to receive salary increases (including any promotional increases) below the national average by a significant amount over a prolonged period of time.

If a member is promoted over the course of the remedy period and to retirement, any increases to the member's salary will increase both the legacy and reformed benefits, however, it is likely that any promotional increases will tend to increase legacy benefits more than reformed benefits. This is illustrated in example 2 on the next page.

This is because the FPS 2007 special member benefits are based on final salary at retirement. As a final salary scheme, the FPS 2007 treats the member as though they earned the higher final salary in all years of service. However, the FPS 2015 scheme takes account of salaries earned in any particular year and only future years are affected when there is a promotional salary increase.

You'll receive benefit illustrations for your legacy and reformed benefits at retirement. This will allow you to choose the most beneficial option at a time when you have the most certainty over what you are entitled to.

Example 2

This example is based on the same criteria as the previous example but assumes that the example member is promoted over the course of the remedy period and to retirement. This is to show the effect that promotional salary increases can have on the difference between the legacy and reformed benefits.

We have assumed that a Firefighter (competent) at 1 April 2015 will receive the following promotions and additional increases to salary:

Position	Date of promotion	Age at promotion	Increase applied
Crew manager (development)	1 April 2019	42	6.3%
Crew manager (competent)	1 April 2021	44	4.3%
Watch manager (development)	1 April 2026	49	2.2%
Watch manager (competent A)	1 April 2028	51	2.8%
Watch manager (competent B)	1 April 2031	54	6.5%

Using the above promotional increases the recalculated benefit illustrations are given below:

Assumed retirement age	Scheme	Legacy benefits (FPS 2007 benefits up to 31 March 2022 and FPS 2015 benefits from 1 April 2022 to retirement)		Reformed benefits (FPS 2007 benefits up to 31 March 2015 and FPS 2015 benefits from 1 April 2015 to retirement)	
		Annual pension £	Cash lump sum £	Annual pension £	Cash lump sum £
55	FPS 2007*	4,562	31,632	2,965	20,561
55	FPS 2015	1,391	5,562	2,271	9,082
55	Total	5,953	37,194	5,236	29,643
60	FPS 2007*	4,915	30,964	3,195	20,126
60	FPS 2015	2,561	10,245	3,612	14,449
60	Total	7,476	41,209	6,807	34,576

*For special members

The detailed calculations used to arrive at these figures are available at fpsmember.org/2015-Remedy-benefit-illustrations-full-calculations-fps-wales. There could be some rounding differences.

Annual pension amounts

As expected, both the legacy and reformed benefits are higher than in the previous example with the additional promotional increases.

However, the total pension amounts if the legacy option are chosen have shown a greater increase in benefits than the reformed option. The reason for this is that the FPS 2007 special scheme benefits are based on final salary at retirement and promotional increases have offset the faster build-up of pension in the FPS 2015.

As a final salary scheme, the FPS 2007 special members scheme treats the member as though they earned the higher final salary in all years of service.

However, the FPS 2015 takes account of salaries earned in any particular year and only future years are affected when there is a promotional salary increase.

Cash lump sum amounts

The legacy cash lump sums have increased faster than the reformed cash lump sums due to higher available pension amounts to exchange for cash and higher commutation factors.

Individual circumstances

The effect of promotional increases will depend on your own career path, both in terms of number of promotions and when they occur. It is more than likely that any promotional increases will tend to increase legacy benefits more than reformed benefits due to the reasons given above.

