FIREFIGHTERS' PENSION COMMITTEE

FIREFIGHTERS' PENSION SCHEME: SPLIT PENSIONS

Note by DCLG

1.   At previous meetings, the Committee has discussed the position of members of the Firefighters' Pension Scheme (FPS) who on changing roles may have a reduction in pay which may impact adversely on pensionable pay at the point of retirement. An obvious example of this would be the case of a member in receipt of a flexible duty allowance who moved to a post which did not attract the allowance.

2.   The New Firefighters' Pension Scheme (NFPS) allows for any reduction in pensionable pay by providing, in rule 7 of Part 3, for a split award and the payment of two pensions, if this is more favourable to the member. Where a split pension is awarded the last day of service for the calculation of the first pension will be the last day on the higher rate of pay. The second pension is based on their pay and service after the reduction.

3.   We have discussed with the Scheme Actuary whether the same approach could be applied to the FPS, with a modification because pension builds up in the Scheme at the rate of one 60th of Average Pensionable Pay for the first 20 years of service, and at two 60th of APP thereafter. The modification would provide for any pensions to accrue uniformly over the period of service, on a similar basis to that used for determining a deferred pension.

4.   Because of the need for a modification, we consider that the arrangement needs to be limited to members who can complete 30 years' service by age 55 (normal pension age).

5.   The alternatives would be either to remain in the FPS with a pension based on the (lower) APP or to take a deferred pension in the FPS and join either the NFPS or the Local Government Pension Scheme (LGPS), depending on the person's role, for future service.

6.   The proposal would be more beneficial to firefighters both because the two pensions would reflect earnings across service and would enable them to retire with an ordinary pension from age 50. There would be some extra costs for the FPS but these would be offset by the benefit of retaining experienced firefighters.

7.   Some examples of how the proposal would work are attached at Annex A.

The Committee is invited to comment.

FIREFIGHTERS' PENSION SCHEME: SPLIT PENSIONS - EXAMPLES

Example 1

Firefighter: Age 46. 26 years' service. APP [i] £28,000.00.
Re-deployed to a post paying £18,000.00 p.a. Serves a further 4 years and APP at retirement is £20,000.00.

Split Pension:

Split pension (1) £28,000.00 x $\frac{26}{30}$ x $\frac{40}{60}$ = £16,178.00

Split pension (2) £20,000.00 x $\frac{4}{30}$ x $\frac{40}{60}$ =   £1,777.78

Total of Split Pension (1) + (2)   = £17,955.78

Single Award:

£20,000.00 x ($\frac{(20}{60}$ + 2 x $\frac{10}{60}$) = £13,333.33
[Applies double accrual as per the FPS]

Example 2

Firefighter: Age 48. 27 years' service. APP £42,000.00 (includes 20% FDA [ii] of £7,000.00)
FDA terminates and pay reduces to £35,000.00. Serves a further 3 years and APP at retirement is £38,000.00.

Split Pension:

Split pension (1) £42,000.00 x $\frac{27}{30}$ x $\frac{40}{60}$ = £25,200.00

Split pension (2) £38,000.00 x $\frac{3}{30}$ x $\frac{40}{60}$ =   £2,533.33

Total of Split Pension (1) + (2)   = £27,733.33

Single Award:

£38,000.00 x ($\frac{(20}{60}$ + 2 x $\frac{10}{60}$) = £25,333.00
[Applies double accrual as per the FPS]

Example 3

Firefighter: Age 40. 15 years' service. APP £28,000.00.
Re-deployed to a post paying £15,000.00 p.a. Serves a further 15 years and APP at retirement is £27,000.00.

Split Pension:

Split pension (1) $£28,000.00 \times \dfrac{15}{30} \times \dfrac{40}{60} = £9,333.33$

Split pension (2) $£27,000.00 \times \dfrac{15}{30} \times \dfrac{40}{60} = £9,000.00$

Total of Split Pension (1) + (2) = £18,333.33

Single Award:

$£27,000.00 \times \left(\dfrac{20}{60} + 2 \times \dfrac{10}{60} \right) = £18,000.00$

[Applies double accrual as per the FPS]

Example 4

Firefighter: Age 49. 24 years's service. APP £30,000.00.
Re-deployed to a post paying £15,000.00 p.a. Serves a further 6 years and APP at retirement is £18,000.00

Split Pension:

Split pension (1) $£30,000.00 \times \dfrac{24}{30} \times \dfrac{40}{60} = £16,000.00$

Split pension (2) $£18,000.00 \times \dfrac{6}{30} \times \dfrac{40}{60} = £2,400.00$

Total of Split Pension (1) + (2) = £18,400.00

Single Award:

$£18,000.00 \times \left(\dfrac{20}{60} + 2 \times \dfrac{10}{60} \right) = £12,000.00$

[Applies double accrual as per the FPS]

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[i] APP = Average Pensionable Pay
[ii] FDA = Flexible Duty Allowance