

Issue

1. As part of the valuation of the Firefighters' Pension Schemes, the Department for Communities and Local Government (DCLG) consults stakeholders on the actuarial assumptions to be adopted, having obtained advice from the Government Actuary's Department (GAD). DCLG is seeking views on the early retirement assumption to be adopted for the 2012 valuation for future members of the 2015 scheme who are currently members of the 1992 scheme.

Background

2. The Department for Communities and Local Government has announced that the enhanced early retirement arrangements in the Firefighters' Pension Scheme 2015 will apply from age 55 rather than age 57. Following consultation on the assumption to be adopted previously, paper FPC(14)1 set out that GAD would adopt the following assumption for 'Age retirement: *Members with service in both 1992 and 2015 schemes*':

"Members with tapered protection and members with no tapered protection and 16 or more years accrued service as at 31 March 2012 retire in line with 1992 scheme assumptions

"Members with no tapered protection and less than 16 years accrued service as at 31 March 2012 do not retire earlier than age 57."

Considerations

3. Having obtained advice from GAD, DCLG propose that the updated assumption should be consistent with the previous assumption but to apply from age 55, rather than age 57, as follows:

Members with tapered protection and members with no tapered protection and 16 or more years accrued service as at 31 March 2012 retire in line with 1992 scheme assumptions.

Members with no tapered protection and less than 16 years accrued service as at 31 March 2012, do not retire earlier than age 55.

(This means that those members who would have been assumed to retire before age 55 under the 1992 scheme assumptions, are assumed to retire at age 55. Above age 55 the same retirement rates are assumed to apply as per the 1992 scheme assumptions.)

4. The assumption for members with taper protection and those with longer service is consistent with the 1992 scheme benefits having more influence on retirement behaviour than the 2015 scheme benefits, because these members will have a relatively large amount of pension accrued in the 1992 scheme.
5. The assumption for members with shorter service in the 1992 scheme reflects the relatively small amount of pension accrued in the 1992 scheme, such that the 2015 benefits (with the significant disincentive of leaving before age 55) have more influence on retirement rates.
6. Views are sought from Committee members on the revised assumption by 14 November 2014.