

The Firefighter's Pension Scheme 1992

Helen Scargill

Member Services Manager
West Yorkshire Pension Fund

Range of Benefits

- Inflation proofed pension based on final pay and service
- Option to convert part of the pension to a lump sum
- Early payment of benefits on permanent ill health
- Death in service cover of twice pensionable pay

Range of Benefits

- Pension for widow(er) or civil partner
- Children's and dependants' pensions
- Covered by The Firefighters' Compensation Scheme

Pension

- Normal pension age of 55
- Maximum pension based on 30 years pensionable service
- Age 50 with at least 25 years service
- Ill Health Pension
- Deferred pension payable from age 60

Pension

- $\frac{1}{60}$ th of APP of pensionable service up to 20 years
- $\frac{2}{60}$ th of APP of pensionable service after 20 years
- APP – Average Pensionable Pay
- Maximum is $\frac{40}{60}$ ths
- Strike Absences – repay pension contributions or extend service

Pension

- APP = pensionable pay averaged over the last 365 days of pensionable service or previous 2 years

Split Pension

- Allows for the award of two pensions
- Suffers a reduction or restriction in pay
- Stops receiving flexible duty allowance
- Moves to a lower paid job
- Applies to retirements from 1 April 2007 and only to roles up to Area Manager
- First pension calculated on service and APP to date of change
- Second pension calculated from date of change to retirement

Additional Pension Benefits

- LSI – Long Service Increment
- Pensionable payment of £990
- Ceased 30 June 07
- If receiving LSI on 30/6/07 will be awarded APB
- APB accrues Pensions Increase from 1 Oct 07

How is APB calculated?

- $A + (B \times 2) \times \text{£}990/60$
- A = No of years to 30.6.07 that exceed 15 years but not 20 years
- B = No of years to 30.6.07 that exceed 20 years but not 30 years
- Maximum based on 30 years is:
 $5 + (10 \times 2) \times \text{£}990/60 = \text{£}412.50$

CPD

- Continuous Professional Development
- Each FRA has their own annual payment
- Subject to annual review – temporary payment
- Introduced from 1 July 07
- APB awarded annually on 1st July
- Pensions Increase from following April

How is CPD calculated?

- Annual payment = £790
- Total pension contributions paid by Fire-fighter AND FRA = 37.5%
- Assume age 49 (GAD Factor 18.50)
- $£790.00 \times 37.50\% = 296.25 / 18.50$
= £16.01(APB)

APB – Temp Promotion

- From 1 July 2013 the additional salary received from a Temporary Promotion is not pensionable as part of final salary
- At the discretion of your FRA it can be pensionable via an APB
- Calculated in the same way as for CPD

Commutation

- No earlier than 4 months before and no later than day before pension due
- Depends on circumstances of retirement
- Ill Health, Age retirement based on 30 years service, or after age 55 = Maximum $\frac{1}{4}$ of pension
- Between age 50-55 with 25<30 years service = L/s no greater than 2 $\frac{1}{4}$ times pension before commutation

Commutation

- Based on Factors provided by GAD but based on age completed in years and months
- Revised factors have just been issued effective from 18 March 2016. The previous ones were effective from May 2014.
- Have no warning of when they are changing
- Before age 56 and 9 months the factors are greater than 20 which means the maximum scheme lump sum is greater than the HMRC tax free maximum



Commutation cont....

- Can elect to take the maximum scheme lump sum and pay a tax charge
- Can choose to restrict the lump sum to the tax free maximum which will give an increased annual pension
- WYPF will supply all the options available on the statement so that an informed decision can be made.

Pension Calculation (1)

- 30 years service
- Age 50 years
- Maximum Commutation
- Pensionable Service = 30 years
- 60ths Accrual ($\frac{1}{60} \times 20 + \frac{2}{60} \times 5$) = $\frac{40}{60}$
- Average Pensionable Pay = £30,000.00
- Gross Annual Pension ($\frac{40}{60} \times £30,000$) = £20000.00
- Less Commutation (25%) = £ 5000.00
- Net Annual Pension = £15000.00
- Commuted Lumps Sum
- £5000 x £22.50 = £112500.00



Pension Calculation (1)

- $\text{£}15000 \times 20 = \text{£}300'000.00$ plus $\text{£}112'500.00 = \text{£}412'500.00 \times 25\% = \text{£}103'125.00$
- Scheme lump sum $\text{£}112'500.00$ is greater than HMRC maximum of $\text{£}103'125.00$
- Tax charge of 40% will be paid on the excess
- $\text{£}112'500.00$ minus $\text{£}103'125.00 = \text{£}9375.00 \times 40\% = \text{£}3750.00$ (tax charge)
- Lump sum due $\text{£}112'500.00$ minus $\text{£}3750.00 = \text{£}108'750.00$

Pension Calculation (1)

- Benefits if lump sum is restricted to the maximum tax free limit
- Gross Annual Pension ($40/60 \times £30000$) = £20000.00
- Less Commutation = £ 4571.14
- Net Annual Pension = £15428.57
- Commuted Lumps Sum
-
- $£4571.14 \times £22.50$ = £102'850.65
- HMRC maximum = $£15428.57 \times 20 = £308'571.40$ plus $£102'850.65 = £411'422.05 \times 25\% = £102'855.51$
- Scheme lump sum just within the HMRC limits

Pension Calculation (2)

- 29 years 350 days service
 - Age 50
 - Maximum Commutation
 - Pensionable Service = 29/350
 - 60ths Accrual ($\frac{1}{60} \times 20 + \frac{20}{60} \times 10$) = 39/335
 - Average Pensionable Pay = £30000.00
 - Gross Annual Pension ($\frac{39.9178}{60} \times £30000$) = £19958.90
 - Less Restricted Commutation ($£31723.88 \times \frac{100}{2240}$) = £ 1995.89
 - Net Annual Pension = £17963.01
 - Commuted Lump Sum
- $£1,995.89 \times £22.50 = £44'907.53$

Pension Calculation (2)

- HMRC maximum
- $£17'963.01 \times 20 = £359'260.20$ plus $£44'907.53 = £404'167.73 \times 25\% = £101'041.93$
- Because commutation is already restricted the lump sum payable is within HMRC limits (£44'907.53)

Lifetime Allowance

- Standard Lifetime Allowance from 2016/17 is now £1'000'000.00
- Example 1
Pension of £20,000 No commutation
 $£20,000 \times 20 = £400,000$
- Example 2
Pension of £15,000 Lump sum of £103'000.00
 $£15,000 \times 20 + £103,000 = £403,000.00$
- $£403'000.00 / £1m \times 100 = 40.30\%$ of LTA

Annual Allowance

- From April 2011 capital value of pension benefits can only increase by £50'000.00. This has reduced to £40'000.00 in April 2014
- Additional tax charges
- 3 year carry forward of unused allowance provides some protection
- Certain promotions may affect this (example calculations should be on internal website)
- Tapered Annual Allowance

Re-employment – Tax Charge

- Retire before age 55
- Re-employed by any Fire Authority in either a uniformed or civilian role
- HMRC tax charge if re-employment rules not followed. This is because conditions to allow a Protected Pension Age of 50 within FPS have been breached
- Break of at least one month & pension may be abated (FPS regulations allow for abatement)
- Also applies if has a retained role running concurrently and don't leave this at same time

Re-employment (con't)

- Your FRA should have a policy regarding this area
- Will need to approach them about leaving the retained role on the same date of retirement in the whole time role & getting agreement to be re-employed in the retained role after one month
- Need to speak to HR for more details

Re-employment - Abatement

- Amended regulations from 1 July 2013
- Re-employed with any FRA in any capacity
- Abatement of pension at discretion of FRA
- New salary plus pension cannot be greater than old salary
- If it is pension can/will be reduced
- Lump sum paid as normal

Divorce/Dissolution of Civil Partnership

- Court may order part or all of your entitlement to former spouse/civil partner in accordance with Earmarking or Pension Sharing order

Death in Service

- Death Grant of twice pensionable pay
- Short term Pension (for the first 13 weeks)
= your weekly pensionable pay
- Long term = $\frac{1}{2}$ Lower and Higher III Health Pension if retired on health grounds

Death on Pension

- Short term Pension (for the first 13 weeks) = pension in payment
- Pension = $\frac{1}{2}$ Firefighter's pension before commutation
- Payable only to a widow or civil partner
- No payment to 'partner'

Spouse's Pension

- Minimum of 2 year's pensionable service
- Ceases on remarriage (but not co-habitation)

Spouse's Pension

- Husband and wife living separately

Pens Service after $5.4.78 \times 1/160 \times \text{APP}$

Children's Pensions

- Minimum of 2 year's pensionable service
- Child's pension payable to eligible children
- Depends on number of children and whether there is a surviving parent

Payment of Pension

- Paid monthly in advance
- Payable abroad

Pensions Increase

- Due each April
- Based on CPI for previous September
- 2014 figure was 2.7%
- 2015 figure was 1.2%
- 2016 figure is NIL
- 2017 figure is 1%
- Aged 55 or ill health to qualify

Right of Appeal

- Internal Disputes Resolution Procedures (IDRP)
- Medical Appeal

Right of Appeal

- TPAS
- Pensions Ombudsman
- The Pensions Regulator

Before Retiring

- Get an estimate of your pension benefits payable
- Make your commutation decision BEFORE you retire

WYPF Contacts

- Helen Scargill 01274 433538
E-Mail – helen.scargill@wypf.org.uk



Questions?