

Employer Guide Fire Pension Scheme Increasing benefits

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Introduction

This guide covers the options available to firefighters should they wish to increase their benefits. Firefighters potentially have the option to increase their benefits no matter which scheme they are a member of.

Tax relief is given on all additional pension contributions, if the firefighter has elected to purchase additional benefits via a lump sum payment, they must contact HMRC to claim tax relief on this payment.

It should be noted that all existing contracts to purchase additional benefits will remain under the same arrangements according to the scheme they are being purchased within.

1992 Pension Scheme

Firefighters who will not be able to count 30 years pensionable service by age 55 could elect to purchase additional 60ths. **The Firefighter needs to have made a positive election before that last day they are in the 1992 scheme if they are moving into the 2015 Scheme.** By positive election they need to have entered into a formal contract for added years and the payroll instructed to take the contribution at the next available opportunity.

In this case, formal contract means that the member must have applied for and accepted a quote and have undertaken a medical to prove fit and healthy

The 60th benefits purchased would not be considered when assessing entitlement benefits: purchased 60ths could not be counted towards the 25 years pensionable service required to retire between age 50 – 55 nor would the additional 60ths be counted towards service used assessing entitlement for an ill-health pension. As well as this additional purchased 60ths would not count towards an injury pension.

The purchased 60th of average pensionable pay, will count in the calculation of benefits in the followings:

Personal benefits

- Ordinary pension
- Option to commute part of the additional pension to lump sum
- Short service pension
- Ill-health pension
- Deferred pension
- Transfer value

Widow's/er's benefits

- Widow's/er's ordinary pension
- Widow's/er's accrued pension (death on deferred pension)
- Widow's/er's pension following post retirement marriage

Children's benefits

- Child's ordinary pension
- Child's accrued allowance (death on deferred pension)

Increased benefits will not

- Alter or improve double reckoning towards normal benefits after 20 years' service.
- Enable a member to retire any earlier than they could otherwise have done.
- Allow a member to qualify for a benefit to which they would not otherwise be entitled.

Member will be entitled to count all extra 60ths if:

- All payments have been completed
- Retirement is on ill-health grounds before completing all payments.
- Member dies in service before completing all payments.

Member entitled to count a portion of the extra 60ths elected to buy, according to number of payments made if:

- Payments ceased due to hardship
- Member leaves the fire service before reaching retirement date applicable when election was made.

The Cost

The cost is determined by a GAD factor based on the member's age at the time of the election.

Tax relief is given on additional contributions, but if the firefighter leaves early for any reason other than ill health, the benefit gained will be a proportion of the benefits he/she set out to buy, according to how long is still to pay. The extra contributions will commence from the firefighters next birthday and continue until the retirement date for the rank the member held when the election was made.

Once an election is made to purchase additional service, it will normally be irrevocable, unless the fire authority uses its discretion to allow the payment to be suspended, if the firefighter would otherwise suffer financial hardship.

2006 Pension Scheme

Firefighters who will not be able to count 40 years pensionable service by age 60 could elect to purchase additional 60ths. **The Firefighter needs to have made a positive election before that last day they are in the 2006 scheme if they are moving into the 2015 Scheme.** By positive election they need to have entered into a formal contract for added years and the payroll instructed to take the contribution at the next available opportunity.

In this case, formal contract means that the member must have applied for and accepted a quote and have undertaken a medical to prove fit and healthy

The purchased 60th of average pensionable pay, will count in the calculation of benefits in the followings:

Personal benefits

- Ordinary pension
- Option to commute part of the additional pension to lump sum
- Short service pension
- Ill-health pension
- Deferred pension
- Transfer value

Widow's/er's benefits

- Widow's/er's ordinary pension
- Widow's/er's accrued pension (death on deferred pension)
- Widow's/er's pension following post retirement marriage

Children's benefits

- Child's ordinary pension
- Child's accrued allowance (death on deferred pension)

Any additional 60ths would not be counted towards service used assessing entitlement for an ill-health pension or injury pension.

The Cost

Firefighters have the option to pay additional contributions in the form of a lumpsum the election to do so must be made within the first 12 months of employment with the payment being received within 3 months of notifications of intention to purchase additional benefits. Alternatively, firefighters can make additional contributions via monthly payments deducted from their salary. Firefighters must make an election to pay additional contributions at least 2 years before normal pension age (60).

The cost is determined by using GAD guidance based on the Firefighters age when starting the contract and the number of years they will pay the additional contributions for.

Member will be entitled to count all extra 60ths if:

- All payments have been completed
- Retirement is on ill-health grounds before completing all payments.
- Member dies in service before completing all payments.

Member entitled to count a portion of the extra 60ths elected to buy, according to number of payments made if:

- Payments ceased due to hardship
- Member leaves the fire service before reaching retirement date applicable when election was made.

Tax relief is given on additional contributions, but if the firefighter leaves early for any reason other than ill health, the benefit gained will be a proportion of the benefits he/she set out to buy, according to how long is still to pay. The extra contributions will commence from the firefighters next birthday and continue until the retirement date (60).

Once an election is made to purchase additional service, it will normally be irrevocable, unless the fire authority uses its discretion to allow the payment to be suspended, if the firefighter would otherwise suffer financial hardship.

Part-time firefighter's

For a part-time regular firefighter, the additional contribution rate is adjusted because the contributions are collected on a lower rate of pay.

For example, if a whole-time firefighter would pay 2% to purchase 1/60th, a half time firefighter would have to pay 4% to purchase 1/60th over the same period of service.

Retained Firefighter's

For a retained firefighter, the payment of additional contributions is not as straightforward as the pay is variable and therefore the rate at which 60th accrue is also variable.

Therefore, we calculate the percentage payable by the retained firefighter based on their age and deduct this amount each month. At the end of the financial year we then determine how much additional pension has been purchased based on the contribution paid.

2015 Pension Scheme

Firefighters have the option to purchase additional pension up to a limit of £6565. This can be purchased by a lump sum payment within the first 12 months of employment or by monthly contributions.

The additional pension purchased each year will be added to the Added Pension account each year. This will then receive revaluation each year.

The additional pension increase retirement and death benefits.

The Cost

The cost will be determined in accordance with GAD guidance

Member will be entitled to count all extra CARE pension if:

- All payments have been completed
- Member dies in service before completing all payments.

Member entitled to count a portion of the extra CARE pension elected to buy, according to number of payments made if:

- Payments ceased due to hardship
- Member leaves the fire service before reaching retirement date applicable when election was made.

Tax relief is given on additional contributions, but if the firefighter leaves early for any reason other than ill health, the benefit gained will be a proportion of the benefits he/she set out to buy, according to how long is still to pay. The extra contributions will commence from the firefighters next birthday and continue until the retirement date.

Once an election is made to purchase additional service, it will normally be irrevocable, unless the fire authority uses its discretion to allow the payment to be suspended, if the firefighter would otherwise suffer financial hardship.