

# Procedures

## Fire Pension Scheme

### Pensionable Pay

**Contents**

Introduction.....	3
1992 Pension Scheme - Average Pensionable Pay.....	3
Additional Pension Benefits for CPD and other allowances .....	5
Long Service Increment Payment (LSI) .....	6
Split Pension .....	6
Pensionable Service.....	6
2006 Pension Scheme - Final Pensionable Pay .....	7
Additional Pension Benefits for CPD and other allowances .....	8
Pensionable Service.....	9
Retained Firefighters .....	10
2015 Pension Scheme - Pensionable Pay.....	11
Calculating earned pension .....	11
Assumed Pensionable Pay.....	12

## Introduction

This guide covers the theory surrounding calculating Pensionable Pay under 1992, 2006 & 2015 Fire-fighters pension scheme regulations. As well as how pensionable service is accrued. This guide also covers how benefits are calculated for retained firefighters.

### 1992 Pension Scheme - Average Pensionable Pay

Average pensionable pay is used to calculate a member's benefits. The regulations determine which elements are pensionable and subject to deductions.

#### G1.— Pensionable pay and average pensionable pay

(1) [Subject to paragraphs (2) and (9)], the pensionable pay of a regular firefighter is the aggregate of —

(a) the amount determined in relation to the performance of the duties of his role (whether as a whole-time or [part-time employee) other than those amounts payable to him in respect of the benefits within [rule B5C(5)]] ; and

(b) the amount (if any) of any benefits which are pensionable under rule B5C(1).

(2) For the purposes of paragraph (1), in the case of a person by whom pension contributions became payable after 31st May 1989 either—

(a) for the first time, or

(b) following any period in respect of which they were not payable, except where regulation 4 of the Retirement Benefit Schemes (Tax Relief on Contributions) (Disapplication of Earnings Cap) Regulations 1990 applies his pay shall be taken not to include any excess, in any tax year, over the figure which is the permitted maximum for that year for the purposes of section 594(2) and (3) of the Income and Corporation Taxes Act 1988 2 (that is to say, the figure specified for the year by an order made by the Treasury under section 590C(6) of that Act).

(2A) For the purposes of rule G2, the pensionable pay of a regular firefighter during a period of maternity, paternity or adoption leave shall be deemed to be the pay to which the person is entitled for that period including any statutory maternity, paternity or adoption pay under the Social Security Contributions and Benefits Act 1992.

(3) The average pensionable pay of a regular firefighter is, subject to [paragraphs (5) to (7C)] , the aggregate of his pensionable pay for the year ending with the relevant date.

(4) The relevant date—

(a) for the purposes of rule C7 (spouse's or civil partner's award where no other award payable), and the Compensation Scheme, is the date of the person's last day of service as a regular firefighter, and

(b) for all other purposes of this Scheme, is the date of the person's last day of service in a period during which contributions were payable under rule G2.

(5) Subject to paragraphs (6) and (7), if he was in receipt of pensionable pay for part only of the year ending with the relevant date, his average pensionable pay is the aggregate of his pensionable pay for that part multiplied by the reciprocal of the fraction of the year which that part represents.

(6) For the purposes of paragraphs (3) and (5), any reduction of pensionable pay as a result of any—

- (a) sick leave;
- (b) stoppage of pay by way of punishment;
- (c) ordinary maternity, ordinary adoption or paternity leave;
- (d) paid additional maternity or additional adoption leave; or
- (e) unpaid additional maternity or additional adoption leave where contributions have been paid under rule G2A, shall be disregarded.

(7) If the amount determined in accordance with paragraphs (3) to (6) is less than it would have been if the relevant date had been the corresponding date in whichever of the two preceding years yields the highest amount, that corresponding date shall be taken to be the relevant date.

(8) A regular firefighter's average pensionable pay for a week is his average pensionable pay divided by 52 1/6th.

(9) Where before 1st July 2013 and after that date, any allowance or supplement is being paid to a firefighter which a fire and rescue authority treats as pensionable, but is not—

- (a) pensionable pay within the meaning of paragraph (1)(a);
- (b) additional pension benefit under rule B5B (long service increment); or
- (c) a payment in respect of a firefighter's continual professional development under rule B5C, that allowance or supplement shall continue to be treated as pensionable for so long as the firefighter receives it without any break in payment.

For calculating benefits under the 1992 Fire-fighters' Pension Scheme the average pensionable pay is the aggregate of pensionable pay received in respect of the 365 days ending with the relevant date, excluding Continual Professional Development if received.

### **Best of the last 3 years**

Where a member has carried out acting up duties in either of the preceding two years, ending on the corresponding date of the termination, this may provide a higher final pensionable pay figure. That corresponding day in whichever year shall be treated as the relevant date for the average pensionable pay.

### **Less than 365 days membership**

Where the member has less than 365 days membership at date of termination the average pensionable pay received is multiplied by 365 and divided by the number of days in the scheme.

### **Reduction to pensionable pay**

Any reduction of pensionable pay as a result of the following should be disregarded.

- Sick leave
- Stoppage by way of punishment
- Ordinary maternity/paternity or adoption leave
- Paid additional maternity or adoptive leave
- Unpaid periods in which the member has paid pension contributions
- Unpaid additional maternity of adoption leave in which the member has paid pension contributions

**Part-time fire-fighter**

The average pensionable pay for a part-time fire-fighter is the pay that would have been received had the fire-fighter been full time.

**Additional Pension Benefits for CPD and other allowances**

Continual Professional Development may be paid to a fire fighter to recognise and reward experienced employees who are able to demonstrate continual professional development over and above that required at 'competent' level at each of the national standards. The payments are pensionable and subject to annual review. Successful applicants receive payment with effect from 1 July each year.

The pension benefits accrued for CPD are under special Additional Pension Benefits (APB) arrangements.

In addition, the regulations allow Fire & Rescue Authorities to decide whether a payment falling into one or more of the following descriptions can be pensionable and if so the payment doesn't count towards the average pensionable pay but purchases an APB instead.

- Allowance or supplement to reward additional skills and responsibilities that are applied and maintained outside the requirements of the firefighter's duties under the contract of employment but are within the wider function of the job;
- the difference between the firefighter's basic pay in their day to day role and any pay received whilst on temporary promotion or where the temporarily required to undertake the duties of a higher role; or
- any performance related payment which is not consolidated into his standard salary.

If the payment was being made prior to and after 1 July 2013 and was treated as pensionable and counting towards the average pensionable pay, this can continue to be treated as such for as long as the payment is received without a break.

The value of the APB will be determined annually on the anniversary of commencement of CPD payments in accordance with guidance and tables provided by the scheme actuary.

If the firefighter leaves pensionable service before the end of the CPD year, the APB for that year will be based on the value of contributions from the start of the CPD year up to, and including, the last day of pensionable service.

Note that if the Firefighter is paid 20% flexi-duty on the CPD then it is used in the APB calculation.

- The APB will be payable from normal pension age at the same time as other normal retirement benefits
- Benefits are not enhanced for ill health retirement.
- If the member resigns or is dismissed, or elects not to contribute into the FPS, it will be deferred and payable at age 60.
- The benefit is added to other leaving-service benefits for transfer purposes.
- If the fire fighter leaves employment by reason of permanent disablement under Rule A15 the APB will come into payment.
- Normal commutation rules apply.
- Survivor benefits are payable on the APB.
- The APB is increased in line with the retail price index up to date of leaving under rule B5B of the regulations.
- The APB is index linked in line with RPI from age 55

Other pensionable elements that accrue and APB are

### **Long Service Increment Payment (LSI)**

Long Service Increments were paid to firefighters with 15 years continuous service.

The payments ceased on 30 June 2007 and LSI no longer included in the final pay used to calculate retirement benefits.

A fire fighter in the Fire Pension Scheme who retires on or after 1 October 2007 and had received Long Service Increment (LSI), or was receiving LSI on 1 October 2006, should be entitled to Additional Pension Benefit (APB).

### **Split Pension**

A firefighter may change roles or have a reduction to an element of pensionable pay, for instance transferring to a post without a pensionable allowance for flexible duty or by moving and losing the London Weighting allowance. To protect the pension rights the fire-fighter could be awarded a split pension.

The pension benefits accrued to the date of reduction would be calculated and accessed as if a deferred pension and a second pension would start to accrue from the following day.

When the fire-fighter eventually leaves where the second pension becomes payable, the first pension would be payable too. Alternatively, the fire-fighter could choose to add the service upon which the first pension would be based to the service which the second pension would be based and have a single pension based on the second period's final pensionable pay. This could be the best option if the pensionable pay in the second period now exceeds pensionable pay in the first (allowing for inflation). The pensions can be commuted to provide a lump sum in the normal way.

## **Pensionable Service**

### **Qualifying service**

For the purpose of the pension scheme the following periods are qualifying service

- Period during which the person is a member of the scheme for which he/she receives pensionable pay.
- Any period during which the person is on unpaid leave other than an unauthorised absence.
- A period credited on acceptance of a transfer value
- Where the person was a member of the FPS 1992, the period of service used for determining eligibility for an award under that scheme.
- Period of service that may be credited to the member resulting from maternity, paternity or adoptive leave.

### **Reckoning of pensionable service**

For the purpose of the scheme a person's pensionable service accrues as pension contributions are paid and consist of

- Any period in respect of which he/she has paid pensions contributions of this scheme.

- Any period which he/she is entitled to reckon as pensionable service under Part 10, Rule 4 (unpaid period of absence) or rule 5 (reckoning of maternity, paternity and adoption leave etc).
- Any period of service credited to the scheme as pensionable service on acceptance of a transfer payment.
- If he/she re-joins the scheme on again taking up employment, any period of service as a former member of the scheme, in respect of which no pension has been paid, no refund of pension contributions has been made and no transfer payment has been made.

### **Restriction on service**

Pensionable service cannot exceed 30 years.

### **Types of service**

A full-time regular firefighter works 42 hours a week.

For a part-time regular firefighter, the service accrued is pro-rated to the whole-time equivalent hours.

### **2006 Pension Scheme - Final Pensionable Pay**

Final pensionable pay

2.—(1) For the purpose of calculating pensions under this Scheme, the final pensionable pay of a firefighter member is the aggregate of pensionable pay received in respect of the 365 pensionable pay days ending with the relevant date, but this is subject to the following paragraphs of this rule.

(2) Subject to paragraph (3), “the relevant date” for the purposes of paragraph (1)—

(a) in relation to a firefighter member who is entitled to two pensions under rule 7 of Part 3,

means—

(i) as regards the first pension, the date on which he was last paid at the higher rate (before changing roles and accepting a reduction in pensionable pay);

(ii) as regards the second pension, the last day of his membership of the Scheme(a) or, if he dies in service, the date of his death;

(b) in any other case, means the date of the firefighter member’s last day of pensionable service or, if he dies in service, the date of his death;

(3) Where a firefighter member’s final pensionable pay would have been more than the amount calculated in accordance with paragraph (1) if the relevant date had occurred on the corresponding day in either of the two periods of 365 pensionable pay days preceding the first day of the period of 365 pensionable pay days ending with the relevant date (as defined in paragraph (2) without reference to this paragraph), that corresponding day in whichever of those periods produces the higher amount shall be treated as the relevant date for the purposes of paragraph (1).

(4) Subject to paragraph (6), where a firefighter member is entitled to count only part of a year as a period of membership of the Scheme (“the membership period”), his final pensionable

pay is the amount of pensionable pay received in the membership period multiplied by 365 and divided by the number of days in the membership period.

(5) For the purposes of paragraph (1), any reduction of pensionable pay as a result of—

- (a) sick leave;
- (b) stoppage of pay by way of punishment;
- (c) ordinary maternity leave, ordinary adoption leave or paternity leave;
- (d) paid additional maternity leave or additional adoption leave;
- (e) unpaid periods in respect of which the firefighter member has paid pension contributions; or
- (f) unpaid additional maternity leave or additional adoption leave in respect of which pension contributions have been paid, shall be disregarded.

(6) The final reference pay of a retained or volunteer firefighter shall be determined by reference to the equivalent whole-time rate of pay for a regular firefighter of similar service, role and experience.

(a) See rule 4 of Part 2. 39

(7) A firefighter member's final pensionable pay in any tax year shall be taken not to include any amount in excess of the figure which is the permitted maximum for that year.

### **Additional Pension Benefits for CPD and other allowances**

Continual Professional Development may be paid to a fire fighter to recognise and reward experienced employees who are able to demonstrate continual professional development over and above that required at 'competent' level at each of the national standards. The payments are pensionable and subject to annual review. Successful applicants receive payment with effect from 1 July each year.

The pension benefits accrued for CPD are under special Additional Pension Benefits (APB) arrangements.

In addition, the regulations allow Fire & Rescue Authorities to decide whether a payment falling into one or more of the following descriptions can be pensionable and if so the payment doesn't count towards the average pensionable pay but purchases an APB instead.

- Allowance or supplement to reward additional skills and responsibilities that are applied and maintained outside the requirements of the firefighter's duties under the contract of employment but are within the wider function of the job;
- the difference between the firefighter's basic pay in their day to day role and any pay received whilst on temporary promotion or where the temporarily required to undertake the duties of a higher role; or
- any performance related payment which is not consolidated into his standard salary.

If the payment was being made prior to and after 1 July 2013 and was treated as pensionable and counting towards the average pensionable pay, this can continue to be treated as such for as long as the payment is received without a break.

The value of the APB will be determined annually on the anniversary of commencement of CPD payments in accordance with guidance and tables provided by the scheme actuary.



If the firefighter leaves pensionable service before the end of the CPD year, the APB for that year will be based on the value of contributions from the start of the CPD year up to, and including, the last day of pensionable service.

Note that if the Firefighter is paid 20% flexi-duty on the CPD then it is used in the APB calculation.

- The APB will be payable from normal pension age at the same time as other normal retirement benefits
- Benefits are not enhanced for ill health retirement.
- If the member resigns or is dismissed, or elects not to contribute into the NFPS, it will be deferred and payable at age 65.
- The benefit is added to other leaving-service benefits for transfer purposes.
- Normal commutation rules apply.
- Survivor benefits are payable on the APB.
- The APB is increased in line with the retail price index up to date of leaving.
- The APB is index linked in line with RPI from age 55

## **Pensionable Service**

### **Qualifying service**

For the purpose of the pension scheme the following periods are qualifying service

- Period during which the person is a member of the scheme for which he/she receives pensionable pay.
- Any period during which the person is on unpaid leave other than an unauthorised absence.
- A period credited on acceptance of a transfer value
- Period of service that may be credited to the member resulting from maternity, paternity or adoptive leave.

### **Reckoning of pensionable service**

For the purpose of the scheme a person's pensionable service accrues as pension contributions are paid and consist of

- Any period in respect of which he/she has paid pensions contributions of this scheme.
- any period which he is entitled to reckon as pensionable service under rule 4 (reckoning of unpaid period of absence) or rule 5 (reckoning of maternity, paternity and adoption leave,
- Any period of service credited to the scheme as pensionable service on acceptance of a transfer payment.
- If he/she re-joins the scheme on again taking up employment, any period of service as a former member of the scheme, in respect of which no pension has been paid, no refund of pension contributions has been made and no transfer payment has been made.

**Restriction on service**

Pensionable service cannot exceed 45 years.

A transfer cannot be accepted into the scheme if that service plus prospective service to normal retirement age, and any service in the scheme would exceed 40 years by normal retirement age.

**Types of service**

A full-time regular fire-fighter works 42 hours a week.

For a part-time regular firefighter, the service accrued is pro-rated to the whole-time equivalent hours

A retained duty fire-fighter has no fixed hours to work each week.

**Retained Firefighters**

**Final Pay**

For parity with part-time and whole-time regular firefighters, the final pensionable pay used in the calculation to determine pension benefits for a retained firefighter will be the final pensionable pay that would have been used for a regular whole-time firefighter in a similar role. If the retained firefighter has had a reduction in role which affects the level of pensionable pay, the best-of-the-last-three-years principle or the split pension option should apply as for a regular firefighter.

**Pensionable service**

To work out the length of pensionable service for a retained firefighter, instead of comparing the hours worked by him/her as a proportion of those worked by a whole-time regular firefighter, as would be the case for a part-time regular firefighter, a totally different approach is used – based on pay.

The pensionable pay received by the firefighter is compared with the pay that would have been received by a whole-time firefighter over the same period. This comparison will normally be made over each financial year (1April to 31 March) during the firefighter's service. It will indicate the proportion of pensionable service which will count in each financial year.

For example:

Whole time Firefighter	Retained Firefighter
Year 1 £25501.37	£6429.12
Year 2 £27501.37	£4132.56
Year 3 £29501.37	£8528.21

To determine the service credit for each financial year the following calculation is carried out:

Year 1 $£6429.12/£25501.37 = 0.2521$ of a year	}	0.6915 years (to be used in the calculation)
Year 2 $£4132.56/£27501.37 = 0.1503$ of a year		
Year 3 $£8528.21/£29501.37 = 0.2891$ or a year		

## 2015 Pension Scheme - Pensionable Pay

Pensionable pay is used to calculate a member's benefits. The regulations determine which elements are pensionable and therefore subject to deduction of pension contributions.

### Regulation 17

For the purpose of calculating a member's pension or other benefits under the 2015 fire scheme, the member's pensionable pay is -

- a) The member's pay received for the performance of the duties of the member's role except any allowance or emoluments paid to that member on a temporary basis;
- b) The member's permanent emoluments (including, in the case of a retained FF, any retaining allowance);
- c) The amount foregone (where the member has agreed to surrender the right to receive any part of that member's pensionable pay in exchange for the provision by the employer of any non-cash benefit).
- d) The amount paid to the member for continued professional development which the scheme manager determines is pensionable.

The following elements are not pensionable:

- a) Any allowance paid to the member on a temporary basis;
- b) Any emoluments paid to the member on a temporary basis; and
- c) If the member is on reserve forces service leave, any payments made by the employer whilst on that leave.

### Calculating earned pension

For each scheme year an amount of earned pension will be calculated using pensionable pay.

Instead of calculating a member's pension when they leave or retire, the members pension is calculated at the end of each scheme year using pensionable pay or assumed pensionable pay paid in that year.

The scheme year runs from 1 April to 31 March

For members who leave during the year the pension will be calculated before the account is closed for the period from 1 April to the date of leaving

The pension amount calculated is credited to the members pension account.

Each year the pension account is inflation proofed on 1 April to maintain its value.

Pensionable pay in the 2015 scheme no longer relates to the year it was earned and is credited to the year in which it is paid.

The formula for calculating a member's pension is:

Pensionable Pay x 1/59.7th

If the FF is part-time or retained no adjustment is made to the amount of pensionable pay used.

### Assumed Pensionable Pay

In some circumstances active members are treated as receiving 'Assumed Pensionable Pay'. This is equal to the pensionable pay that the member would have received if the circumstances had not applied.

The circumstances are as follows

1. the member is on sick leave or injury leave on reduced pay.
2. the member is on sick leave or injury leave on no pay and has paid additional contributions for the period of no pay. Reg 111 (2)
3. the member is receiving pay or statutory pay whilst on adoption leave, additional adoption leave, additional maternity leave, parental leave or additional paternity leave.
4. the member is on ordinary adoption leave, ordinary maternity leave or paternity leave.
5. the member is not receiving pay or statutory pay during all or part of the period of additional adoption leave, additional maternity leave or additional paternity leave and has paid additional contributions for the period of no pay. Reg 111(4)the member is absent on reserve forces service leave
6. the member is absent due to a trade dispute and has paid the contributions required. Reg 111 (3)
7. is on unpaid leave for the period of not more than 5 years, in circumstances that the scheme manager has agreed can count and has paid the contributions required. Reg 111 (4)
8. On secondment to a different employer under an arrangement

### Regular firefighters

For a regular firefighter, APP is equal to the pensionable pay that the member would have received had the member not been on leave (i.e. notional pay).

### Retained or volunteer firefighters

Where –

- a) The member was employed as a retained or volunteer firefighter immediately before the leave began; and
- b) at that date, the member's pensionable service was 365 days or more

the member's APP is –

Pensionable pay received during the 365 day period x ending with the day immediately before the leave began	<u>number of days on leave</u> 365
--	---------------------------------------

If the member's pensionable service was less than 365 days

the member's APP is–

Pensionable pay received during the period ending x with the day immediately before the leave began	<u>number of days that service</u> number of days on leave
--	---

The reason why 'notional pay' is not used for retained or volunteer firefighters is because it would be difficult to decide the number of times they might have been called out during the absence.

## **Examples**

### Example 1

Member A was on reduced pay sick leave for the period beginning with 1 April 2016 and ending with 24 April 2016.

Member A was employed as a retained firefighter on 31 March 2016 and had pensionable service at that point of more than 365 days.

Pensionable pay received during the period beginning with 2 April 2015 and ending with 31 March 2016 (i.e. last 365 days – note that 2016 is a leap year) = £8,000

Number of days on leave: 24 days

For the leave period, Member A is treated as receiving APP of £526.03 (i.e. £8,000 / 365 x 24).

### Example 2

Member B is a regular firefighter and was absent on 17 April 2015 due to a trade dispute. Member B has paid the required contributions.

The member received no pensionable pay for that day; however, had the member not been on strike he would have received £100 for that day.

For 17 April 2015, Member B is treated as receiving APP of £100.

## **Secondment**

The member is on a secondment to a different employer.

For APP to apply during the secondment, the arrangement under which the secondment is taking place must also provide for the member to continue to be an active member of the 2015 Fire scheme during the secondment.

For a regular firefighter, during the period of the secondment the member is treated as receiving pensionable pay (i.e. APP) equal to the pensionable pay that the member would have received if the member had not been on the secondment.

For a retained or volunteer firefighter immediately before the secondment began, the rate of the APP is based upon the pay received in the period leading up to the secondment beginning.