

X FIRE AND RESCUE AUTHORITY

**THE NEW FIREFIGHTERS'
PENSION SCHEME
(ENGLAND)**

**The assessment of benefits for firefighters
who undertake retained duties**

To be read together with

**"THE NEW FIREFIGHTERS' PENSION SCHEME (ENGLAND)
A guide to benefits"**

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The assessment of benefits for firefighters who undertake retained duties

The New Firefighters' Pension Scheme (NFPS) is a final salary scheme. This means that pensions are based on a proportion of the pensionable pay of the Scheme member in his/her final year of service; the proportion depends upon the number of years of membership at the date of leaving. While this type of pension arrangement lends itself easily to the work patterns of regular firefighters who have set contractual hours and standard rates of pay, it is not so straightforward to accommodate the variable hours and pay of firefighters who undertake retained duties. Some fire and rescue authorities pay their retained duty system firefighters an annual salary. In these cases, provided that the method of arriving at an annual salary does not take into account elements of pay that should not be treated as pensionable, contributions can be deducted on that salary and the principles of benefit assessment can be those used for part-time regular firefighters.

The intent is that there should be equitable treatment of regular and retained firefighters within the benefit structure. These notes set out the way in which this can best be achieved. The principles outlined here for retained firefighters apply to those who are not paid on an annual salary basis and who are retained duty system firefighters, day-crewing firefighters who undertake retained duties, or volunteer firefighters.

This booklet looks at the various types of benefit payable under the NFPS and how such expressions as "pensionable pay", "final pensionable pay", and "pensionable service" should be interpreted when these benefits are calculated for a retained firefighter. You will find it helpful to have the Guide to the New Firefighters' Pension Scheme to hand.

To start, let's look at the most common benefit – an age retirement pension. This needs an interpretation of all the above three expressions.

Age retirement pension

An age retirement pension under the NFPS is calculated on the following formula –

$$\text{annual pension} = 1/60 \times \text{each year of pensionable service} \times \text{final pensionable pay}$$

This is a standard method of assessing a final salary pension. At retirement, for each year of pensionable service that can count (with odd days counting as 365ths of a year), a firefighter will receive one sixtieth of final pensionable pay.

So you can see that to work out an age retirement pension, account needs to be taken of two variables – service and pay. On the following pages we'll see how these variables are worked out for whole-time regular firefighters, for part-time regular firefighters, and for firefighters who undertake retained duties.

Whole-time regular firefighters: pensionable service and pensionable pay

Consider the case of a whole-time regular firefighter retiring after 40 years' pensionable service. Using the formula shown above, the firefighter would be entitled to 40/60ths of final pensionable pay. Final pensionable pay for a whole-time firefighter is pensionable pay averaged over the last 365 days of service. Pensionable pay is the nationally agreed rate of pay appropriate to the employee's role; it is the pay on which pension contributions are deducted.

If, for example, pensionable pay as a whole-time firefighter averaged out as £30,000 in the final year of service, the age retirement pension would be assessed as –

$$40/60 \times £30,000.00 = £20,000.00 \text{ a year}$$

In most cases a regular firefighter's pay will be at its highest level in his/her final year. This allows maximum advantage to be taken of the final salary scheme structure. But what if the firefighter, still working whole-time, has had a pay reduction?

The Scheme rules offer two forms of protection in these circumstances. There is a "best-of-the-last-three-years" principle which allows the pensionable pay averaged over one of the previous two years to be substituted for the final year's average pay if this would produce a higher figure. Or if the firefighter has had a reduction in role and/or or pay before the last three years there is also a special provision to "split" benefits so that the reduction in pay does not have an adverse effect on the pension.

Part-time regular firefighters: pensionable service and pensionable pay

How, then, is an age retirement pension assessed for a part-time regular firefighter? Care must be taken to ensure that there is an equitable outcome. There must not be an advantage to a firefighter who has worked part-time hours for most of his/her service and who then in the years leading up to retirement works whole-time; nor must there be a disadvantage for the firefighter who works whole-time for most of his/her service but reduces hours shortly before retirement. A part-time firefighter must not be more beneficially treated than a whole-time firefighter and vice versa.

To avoid these problems, the NFPS rules require that the pensionable service element of the formula should reflect the part-time hours worked over the firefighter's career and the final pensionable pay should always be the whole-time equivalent.

For example, a regular firefighter who has worked half-time hours for 40 years would be credited with 20 years' pensionable service. If a whole-time firefighter in a similar role, etc, would have benefits assessed on final pensionable pay of £30,000, the same figure will be used for this part-time firefighter. The pro rated service and whole-time pay used in the formula would give a pension of –

$$20/60 \times £30,000.00 = £10,000.00 \text{ a year}$$

This is an equitable outcome when compared with the pension of the whole-time firefighter in the previous example; the hours have been half-time, the pension is half of the whole-time pension. Pensionable service can be adjusted in line with any number of changes of contractual hours. Final pensionable pay will always be the whole-time equivalent.

As regards pension contributions – these will always be assessed on the pensionable pay actually received, whether whole-time or part-time. This, too, is fair. In the previous two examples, the part-time regular firefighter will have paid half the amount of contributions paid by the whole-time firefighter and will receive a pension equal to half of that paid to the whole-time firefighter.

How, then, should a pension be assessed for a retained firefighter? We can't use the same principles as used for part-time regular firefighters because of differences in pensionable pay and the absence of set contractual hours. Instead another solution has to be found to provide an equitable structure of benefits.

Retained firefighters: pensionable pay

What should, and should not, be treated as pensionable pay for retained duty system firefighters, volunteer firefighters and day-crewing firefighters who undertake retained duties, is set out on pages 8 and 9. It is not possible to achieve total consistency with regular firefighters' pensionable pay, but the main, "constant" elements of pay have been identified. And any items of pay which would not be treated as pensionable for regular firefighters are treated as non-pensionable for retained firefighters, too. It is on the elements of pensionable pay that pension contributions will be assessed.

Retained firefighters – final pensionable pay

For parity with part-time and whole-time regular firefighters, the final pensionable pay used in the pension formula 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.

Retained firefighters – 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 (1 April to 31 March) during the firefighter's service. It will indicate the proportion of pensionable service which will count in each financial year.

Suppose a retained firefighter has worked for 3 financial years – from 1 April 2007 to 31 March 2010. The pay of a whole-time regular firefighter in a similar role over the same 3 year period is –

1.4.2007 to 30.6.2007	£24,000
1.7.2007 to 30.6.2008	£26,000
1.7.2008 to 30.6.2009	£28,000
1.7.2009 to 30.6.2010	£30,000

We need to break this down to show how much was actually received by the whole-time firefighter within each of the three financial years –

Year 1:	1.4.2007 to 30.6.2007:	$91/365 \times £24,000 = £ 5,983.56$
	1.7.2007 to 31.3 2008:	$274/365 \times £26,000 = \underline{£19,517.81}$
		<u>£25,501.37</u>
Year 2:	1.4.2008 to 30.6.2008:	$91/365 \times £26,000 = £ 6,482.19$
	1.7.2008 to 31.3 2009:	$274/365 \times £28,000 = \underline{£21,019.18}$
		<u>£27,501.37</u>
Year 3:	1.4.2009 to 30.6.2009:	$91/365 \times £28,000 = £ 6,980.82$
	1.7.2009 to 31.3.2010:	$274/365 \times £30,000 = \underline{£22,520.55}$
		<u>£29,501.37</u>

Next the pensionable pay received by the retained firefighter has to be established. For this example, let's suppose pay records show that the pay received by the retained firefighter was –

Year 1: £6,429.12
Year 2: £4,132.56
Year 3: £8,528.21

To work out the service credit for each financial year, we divide the pensionable pay received by the retained firefighter by the pensionable pay received by the whole-time regular firefighter –

Year 1: £6,429.12/ £25,501.37 = 0.2521 of a year
Year 2: £4,132.56/ £27,501.37 = 0.1503 of a year
Year 3: £8,528.21/ £29,501.37 = 0.2891 of a year
Total: 0.6915 years' pensionable service

The total of the three years' service would be the pensionable service used in the pension calculation.

Retained firefighters – example of assessment of age retirement pension

Using the previous example of a retained firefighter who has served for three calendar years, the final pensionable pay used in the pension formula will be that received by the whole-time firefighter, i.e. £29,501.37 and pensionable service will be 0.6915 years –

$$1/60 \times 0.6915 \times £29,501.37 = £340.00 \text{ a year}$$

This is the basic principle of assessment that would be used for an age retirement pension. See the NFPS guide for an explanation of eligibility and conditions of payment.

Deferred pension

A deferred pension for a retained firefighter will be based on pensionable service and pensionable pay as illustrated above. See the NFPS guide for an explanation of eligibility and conditions of payment

Lower tier ill-health award

A lower tier ill-health award offers a lower-tier pension based on similar principles to the age and retirement pension with pensionable service and pensionable pay assessed as illustrated above. See the NFPS guide for an explanation of eligibility and conditions of payment.

Higher tier ill-health award

A higher tier ill-health award is paid if a firefighter is unable to undertake any regular employment and has at least 5 years' qualifying service. Qualifying service is the "calendar" length of Scheme membership. For example if a retained firefighter has been a member from 1 July 2006 to 30 June 2011, he/she will have sufficient service to qualify for a higher tier pension regardless of the length of pensionable service to be used in the pension formula.

The higher tier ill-health award is made up of a lower tier pension, which would be based on similar principles to those for an age retirement pension, plus a higher tier element which is an enhancement of service based on the formula –

$$2\% \times \text{pensionable service accrued to last day of service} \times \text{prospective service to age 60}$$

For a retained firefighter "pensionable service accrued to last day of service" will be the pensionable service assessed on similar principles to those illustrated above for an age retirement pension, i.e. by comparing the pensionable pay paid to a retained firefighter over a set period with the pay of a whole-time regular during the same period.

"Prospective service to age 60" for a whole-time regular firefighter will be the actual length. For example, if a whole-time regular firefighter has to retire on health grounds 12 years before age 60, "prospective service" will be 12 years. In the case of a part-time regular firefighter or a retained firefighter the prospective service is assessed having regard to total pensionable service as a proportion of total qualifying service. For example, if a retained firefighter has been a member of the Scheme for 16 years (16 years' qualifying service) and pensionable service accrued up to the date of leaving is 4 years, the "prospective service" will be 4/16 (i.e. one quarter) of the prospective service a whole-time regular firefighter can count. If, in this example, it would be 12 years, the higher tier ill-health enhancement for the retained firefighter would be based on –

$$2\% \times 4 \times (4/16 \times 12) = 0.24 \text{ years}$$

Suppose a whole-time regular firefighter in a similar role would have a pension based on final pensionable pay of £29,501.37, the retained firefighter would have the higher tier ill-health pension assessed as –

$$1/60 \times 0.24 \times £29,501.37 = £118.01 \text{ a year}$$

This would be added to the lower tier ill-health pension to form the upper tier ill-health award. See the NFPS guide for an explanation of eligibility and conditions of payment.

Authority-initiated and member-initiated early retirement pensions

The authority-initiated early retirement pension would be assessed on similar principles to those shown for an age retirement pension. The member-initiated early retirement pension would use similar principles as the first stage of assessment. The second stage would be to apply a reduction to reflect the fact that the pension is being paid early. The reduction is 5% for each year between the retirement date and the attainment of age 65. The years are counted as "calendar" years – there is no adjustment for the contractual or variable hours worked by the firefighter as at the last day of service. In this respect the reduction for a retained firefighter will be based on the same principles as would apply in the case of a whole-time regular firefighter. See the NFPS guide for an explanation of eligibility and conditions of payment.

Commutation of pension to provide a lump sum

Having assessed the pension with regard to how pensionable service and final pensionable pay are calculated for a retained firefighter, there are no additional special provisions relating to commutation. As in the case of a regular firefighter, up to one quarter of the pension can be commuted to provide a lump sum, using factors of £12 of lump sum for each £1 of pension commuted.

Death grant

If a whole-time regular firefighter dies in service, a death grant of 3 times pensionable pay is paid to his/her estate or nominated beneficiaries. In the case of a part-time regular firefighter the pensionable pay would be at the part-time rate.

For a retained firefighter the pensionable pay will be a proportion of that paid to a whole-time regular firefighter in a similar role. The proportion will be based on the total pensionable service credited to the retained firefighter at the date of death and his/her total qualifying service. For example, if a whole-time regular firefighter of equivalent rank would be on a rate of pay of £28,000 and the retained firefighter had 5 years 291 days of qualifying service (5.7973 years) of which 1.6915 years counted as pensionable, the death grant would be assessed as –

$$3 \times £28,000 \times 1.6915/5.7973 = £24,509.00$$

If a firefighter dies after retirement having received a pension for less than 5 years, there is a payment based on the difference between pension received and the sum that would have been payable over the 5 year period. Because all the adjustments for part-time or variable time service will have been made before the pension was put into payment, there are no special provisions here for a retained or part-time regular firefighter.

See the NFPS guide for an explanation of eligibility and conditions of payment.

Survivor pensions

The long-term pensions paid to a surviving spouse, civil partner or nominated partner and to a child are based on a proportion of the member's pension. The calculation will have regard to the principles for assessing pensionable service and pensionable pay for retained firefighters as shown on previous pages, but no other special terms apply.

In the case of death after retirement, for the first 13 weeks after death, a short term "top-up" brings the level of survivor's pension up to the weekly rate of pension being received by the retired firefighter at the date of death. There are no special conditions here for a former retained or part-time regular firefighter.

In the case of death in service, the top-up element for a regular firefighter (whole-time or part-time) is based on the firefighter's pensionable pay at the date of death. For a retained firefighter the pensionable pay will be a proportion of that paid to a whole-time regular firefighter in a similar role. The proportion is worked out on similar principles to those used for assessing a death grant (see above).

Assuming a whole-time firefighter of equivalent rank would be on a rate of pay of £28,000 and the retained firefighter had 5 years 291 days of qualifying service (5.7973 years) of which 1.6915 years counted as pensionable, the weekly rate of pension due to the survivor for the first 13 weeks following the firefighters' death would be –

$$£28,000/52.2 \times 1.6915/5.7973 = £156.51 \text{ a week.}$$

The NFPS Guide explains eligibility and conditions of payment.

Purchase of additional benefits

The NFPS allows firefighters to improve benefits by the payment of additional contributions. The firefighter would decide how many additional 60ths of pensionable pay he/she wishes to add to those that would accrue by service, and would then pay an additional percentage of pensionable pay up to the date of retirement. The percentage factors are supplied by the Government Actuary's Department and reflect the age of the firefighter at the birthday following the election to pay. (The closer to retirement, the higher the contribution rate.)

The use of these factors is straightforward for whole-time firefighters. For example, suppose a whole-time regular firefighter wants to "purchase" an additional 2/60ths and each 60th "costs" 2% of pensionable pay. He/she would be required to pay an additional 4% of pensionable pay, on top of the standard contributions of 8.5%, to normal retirement age.

If a part-time regular firefighter of the same age wishes to pay additional contributions, it must be accepted that if each additional 60th costs 2% for a whole-time firefighter, a higher contribution will be needed to purchase an additional 60th because the additional contributions are collected on a lower rate of pay. For example, if a whole-time firefighter would pay 2% to purchase a complete 60th, a half-time firefighter would have to pay 4% to purchase a complete 60th over the same period of service. If the regular firefighter moves between part-time and whole-time work, or the part-time hours change, the additional contribution rate and accrual of additional 60ths have to be varied accordingly.

In the case of a retained firefighter payment of additional contributions is not as straightforward. The pay is variable, consequently the rate at which "purchased" 60ths accrue will be variable, too. It will be necessary to discuss with the pensions administrator the best method of collection of contributions in an individual case. For example it may be possible to assess the amount of contribution that would be payable by a whole-time firefighter each year and to have this deducted as a set amount, rather than as a percentage of pay. But this would only be possible where the pensionable pay for each pay period is high enough to accommodate the fixed deduction. An alternative approach may be to deduct a set percentage of pensionable pay and, at the end of every financial year, to work out – based on pensionable pay received as a proportion of the pay of a whole-time firefighter – what proportion of a 60th has been purchased.

See the NFPS guide for an explanation of eligibility and conditions of payment, together with the actuarial factors used for deciding the additional contributions due.

Employment as a retained and as a regular firefighter: limit on pensionable service

If you are a retained firefighter and a regular firefighter there is a limit on the total pensionable service you can accrue in the NFPS under the two contracts. The limit is 45 years. It will apply regardless of whether the retained and regular employments are with the same or a different fire and rescue authority. The Department for Communities and Local Government will be keeping this limit under review to see whether it can be justified. If your combined pensionable service should exceed 45 years you would be entitled to a refund of excess contributions.

Retained duties

Elements of pay treated as pensionable or non-pensionable

RETAINED DUTY SYSTEM FIREFIGHTERS	
Pensionable pay	Grey Book reference
Annual retainer	Section 4, Part B, paragraphs 5 to 8
Disturbance payment	Section 4, Part B, paragraph 9
The pensionable element is "single" time if the payment is at double-time for Public Holiday.	Section 4, Part C, paragraph 25
Payment for work activity. This could include not only call-out to an emergency incident, but also such activities as station administration, attendance at medicals, attendance at meetings (including union meetings only when meeting with management), community fire safety activities and cleaning.	Section 4, Part B, paragraphs 10 to 12
The pensionable element is "single" time if the payment is at double-time for Public Holiday.	Section 4, Part C, paragraph 25
Attendance at training centres	Section 4, Part B, paragraph 14 but not 15
Overtime. This will count, exceptionally, where the firefighter works in excess of 42 hours in a seven-day period but the pensionable element is "single" time if the payment is at time and half or double time.	Section 4, Part B, paragraphs 23 and 24
Annual leave pay	Section 4, Part C, paragraphs 3 to 6
Maternity leave pay	Section 4, Part D, paragraph 34
Adoption leave pay	As maternity leave pay
Paternity (maternity support) leave pay	As maternity leave pay
Sick leave pay	Section 5, Part B, paragraph 16

Non-pensionable pay	Grey Book reference
Compensation for remuneration lost	Section 4, Part B, paragraphs 13 and 15
Sick leave/compensation	Section 5, Part B, paragraphs 17 and 18
Long service bounty payments	Appendix B, paragraph 7
Any element of pay treated as non-pensionable for regular firefighters.	See next page of these notes.

VOLUNTEER FIREFIGHTERS	
Pensionable pay	Grey Book reference
Basic hourly rate	Section 4, Part B, paragraph 18
The pensionable element is "single" time if the payment is at double-time for Public Holiday.	Section 4, Part C, paragraph 25
Attendance at training centres	Section 4, Part B, paragraphs 14 and 16
Non-pensionable pay	Grey Book reference
Sick leave/compensation	Section 5, Part B, paragraphs 17 and 18
Any element of pay treated as non-pensionable for regular firefighters.	See next page of these notes

DAY-CREWING FIREFIGHTERS: RETAINED DUTIES

Pensionable pay	Grey Book reference
Annual retainer	Section 4, Part B, paragraphs 7 and 17
Disturbance payment. The pensionable element is "single" time if the payment is at double-time for Public Holiday.	Section 4, Part B, paragraphs 9 and 17 Section 4, Part C, paragraph 25
Payment for work activity. This could include not only call-out to an emergency incident, but also such activities as station administration, attendance at medicals, attendance at meetings (including union meetings only when meeting with management), community fire safety activities and cleaning. The pensionable element is "single" time if the payment is at double-time for Public Holiday.	Section 4, Part B, paragraphs 10 to 12 and 17 Section 4, Part C, paragraph 25
Annual leave pay	Section 4, Part C, paragraphs 3 to 6
Maternity leave pay	Section 4, Part D, paragraph 34
Adoption leave pay	As maternity leave pay
Paternity (maternity support) leave pay	As maternity leave pay
Sick leave pay	Section 5, Part B, paragraph 16

Non-pensionable pay	Grey Book reference
Any element of pay treated as non-pensionable for regular firefighters.	See below.

NON-PENSIONABLE PAY: REGULAR FIREFIGHTERS

This list is for illustration purposes; it should not be taken as comprehensive

Payment/Benefit in kind	Grey Book reference
Reimbursement of expenditure	Section 4, Part E, paragraphs 1 and 2
Out of pocket allowance	Section 4, Part E, paragraph 3
Reimbursement of fines and costs	Section 4, Part E, paragraph 4
Driving licences	Section 4, Part E, paragraph 5
Car allowances	Section 4, Part E, paragraphs 6 to 11
Accommodation, rent, fuel and light allowances (including compensatory grant)	Section 4, Part E, paragraphs 12 to 14
Loss of, or damage to, private property	Section 4, Part E, paragraph 15
Mess manager's allowance	Section 4, Part E, paragraph 16
Provision of uniform and personal protection equipment	Section 5, Part A, paragraph 5
Supply/ reimbursement of cost of spectacles	Section 5, Part A, paragraph 6
Reimbursement of medical charges and expenditure	Section 5, Part B, paragraphs 5 and 6
Reimbursement of cost of doctor's statement	Section 5, Part B, paragraphs 22 and 23
Payments made in respect of a violent or criminal assault	Section 7, paragraphs 6 to 11
Pay for acting up. (Pay received for temporary promotion <u>will</u> count as pensionable pay.)	Section 4, Part B, paragraph 19
Additional responsibility allowance	Section 4, Part B, paragraphs 21 and 22
Payments in lieu of untaken leave	Section 4, Part C, paragraph 10
Payments in lieu of lieu days	Section 4, Part C, paragraph 24
Pay in lieu of notice	-

