



Northern Ireland Fire & Rescue Service

McCloud/Sargeant - Pensions Remedy

Benefit illustrations

About this communication

This communication provides information regarding the 2015 Remedy and gives a range of benefit illustrations based on different scheme memberships, scenarios and salary profiles. The range of benefit illustrations should help explain the impact of the 2015 Remedy on members' benefits. This communication does not constitute advice for members but is intended to provide information on how benefits are calculated under the 2015 Remedy.

Before we get into the benefit illustrations, let's remind ourselves of the 2015 Remedy and its impact.

Reminder of the 2015 Remedy

The 2015 Remedy is the official term used to describe the upcoming changes within the Firefighters' Pension Schemes. The changes will remove the age discrimination that has been judged to have taken place since 2015.

The changes brought about by the 2015 Remedy will mean that:

- From 1 April 2022, all active members of the Firefighters' Pension Schemes will build up benefits in the FPS 2015 (sometimes referred to as the 2015 CARE scheme).
- If you are affected by the 2015 Remedy, any service built up in the FPS 2015 between 1 April 2015 and 31 March 2022 (the 'remedy period') will be converted to service in your former final salary scheme. Benefits in the FPS 2015 during the remedy period are called '**reformed benefits**' and benefits in the relevant final salary scheme are known as '**legacy benefits**'.
- As the contribution rates are different for each of the schemes, you may owe extra contributions when your service is converted, or money may be due to you for overpaid contributions.

- At retirement, you will need to make a decision about whether to take your legacy or reformed benefits for the remedy period. This is often referred to as the 'deferred choice underpin'.
- As part of this decision, you will need to take into account any readjustment of contributions needed.
- **Any change to your contributions will also include adjustments for tax relief and interest. For this reason, we have not included member contributions within the illustrations.**
- Members who were previously taper-protected and moved into the FPS 2015 after 1 April 2015 will have to make a choice for legacy or reformed benefits for the whole of the remedy period.

Introduction to the benefit illustrations

The differences between the legacy and reformed schemes mean the set of benefits that is best for you depends on your personal circumstances and preferences, including things you may not yet know, such as how your salary changes in the future and when you will retire.

To improve members' understanding, we have produced a selection of benefit illustrations using different scenarios and salary profiles for a set of example members in service across all the final salary schemes. This shows the total benefits these example members would be entitled to if they retired at key retirement milestones, comparing the position of the member should they choose legacy or reformed benefits for the remedy period at that time.

The benefit illustrations show the pension and maximum cash lump sum amounts at different retirement ages.

Please note these benefit illustrations are for information only. You do not need to take any immediate action. It's only at retirement that you will need to make a decision as to whether to take your legacy or reformed benefits.

Every year, you are sent an annual benefit statement from your FPS administrator. Once the pension regulations are in place and the administration systems have been updated, administrators can start work on updating these benefit statements to show your entitlement for both legacy and reformed benefits. This will help you to have a clearer understanding of the benefits available leading up to your retirement.

You'll also receive benefit illustrations for the legacy and reformed benefits at retirement. This will allow you to choose the most beneficial option at a time when you have the most certainty over what you are entitled to.

The benefit illustrations

We've produced benefit illustrations for five different member profiles:

1. FPS 2007 – member achieved less than 30 years' pensionable service before 1 April 2022
2. FPS 2007 – member achieved 30 years' pensionable service before 1 April 2022
3. NFPS 2007 – full-time member
4. NFPS 2007 – part-time/ retained member
5. NFPS 2007 for special members (RDS modified)

Each benefit illustration will show two salary profiles/ career progressions:

- A member who remains at firefighter level throughout their career.
- A member who progresses from firefighter to watch manager throughout their career.

We can't produce an illustration to match every member's personal circumstances. You should therefore read the illustration that is closest to your circumstances – you don't need to read every illustration if you don't want to.

How do I know which legacy scheme I belong to?

If you joined the Firefighters' Pension Scheme:

- Before 6 April 2006 you will be a member of the **FPS 2007**.
- On or after 6 April 2006 but before 1 April 2015, you will be a member of the **NFPS 2007**.
- If you are a retained firefighter with service between 1 July 2000 and 5 April 2006, you may be a **special member of the NFPS 2007**.

The information provided here has been prepared for the Northern Ireland Fire & Rescue Service (NIFRS) by Barnett Waddingham LLP. Barnett Waddingham LLP is authorised and regulated by the Financial Conduct Authority.

This communication complies with Technical Actuarial Standard 100: General Actuarial Standards (TAS 100).

1. FPS 2007 – member achieved less than 30 years' pensionable service before 1 April 2022

Example member profile details:

Member profile	
Date of birth	31 March 1977
Age at 31 March 2022	45 years
Previous final salary scheme	FPS 1992
Joined scheme at age	25 years
Pensionable service at 31 March 2022	20 years
Salary at 31 March 2015	£29,000
Salary at age 50	£34,161
Salary at age 55	£36,801
Salary at age 60	£39,645
Full or part time	Full time

How is pension in the FPS 2007 calculated?

The FPS 2007 is a final salary scheme, also known as a defined benefit scheme. Pensions are worked out based on scheme membership, pay and a formula contained in the scheme rules.

FPS 2007 pension is calculated as follows:

$$\begin{aligned} & \text{(Total pensionable service up to 20 years + total pensionable service over 20 years x 2) limited to 40 years} \quad / \quad 60 \\ & \times \quad \text{Pensionable service in the FPS 2007 scheme before transition to the FPS 2015 scheme} \quad / \quad \text{Total pensionable service in the FPS 2007 and FPS 2015 schemes subject to a maximum of 30 years} \\ & \times \quad \text{Average Pensionable Pay} \\ & = \quad \text{Annual pension} \end{aligned}$$

The formula above includes protection for those who were expected to earn double accrual if they had remained in the FPS 2007. An adjustment is included to pro rata the expected double accrual benefit if the member had stayed in the FPS 2007, by the service built up in the FPS 2007 before moving to the FPS 2015.

How is pension in the FPS 2015 calculated?

The FPS 2015 is a Career Average Revalued Earnings (CARE) scheme. Pensions are worked out based on a proportion of pay for each year of membership and added to your pension account.

The FPS 2015 pension builds up year on year with an amount added to your account calculated as follows:

$$\text{Pensionable pay} \quad / \quad 64.8 \quad = \quad \text{Pension added to your account for the year}$$

Then, on 1 April each year, the accumulated pension is revalued in line with average weekly earnings until retirement.

Example 1

The following example shows the annual pension and maximum cash lump sum entitlement for a member who remains at firefighter level throughout their career. It shows the benefits available from age 50 when the member is first able to take their FPS 2007 pension (age 50 with at least 25 years' pensionable service) and at age 55 (when the FPS 2015 pension can be taken).

The examples assume:

- The member chooses to exchange the maximum pension possible for cash at retirement.
- Salary increases for the member and the revaluation increase for the FPS 2015 pension are the same (1.5% p.a.).
- The accrual (build-up) rate for the FPS 2015 remains at 1/64.8.
- The commutation factors (rates used to exchange pension for cash) for the FPS 2007 are as at the date of publication of this communication.

Assumed retirement age	Scheme	Legacy benefits (FPS 2007 benefits up to 31 March 2022 and 2015 CARE benefits from 1 April 2022 to retirement)			Reformed benefits (FPS 2007 benefits up to 31 March 2015 and 2015 CARE benefits from 1 April 2015 to retirement)		
		Annual pension £	Cash lump sum £	Deferred pension £	Annual pension £	Cash lump sum £	Deferred pension £
50	FPS 2007	12,491	30,744	-	8,119	19,984	-
50	2015 CARE	-	-	2,636*	-	-	6,326*
50	Total	12,491	30,744	2,636*	8,119	19,984	6,326*
55	FPS 2007	12,267	96,499	-	7,973	62,725	-
55	2015 CARE	4,259	17,037	-	7,241	28,963	-
55	Total	16,526	113,537	-	15,214	91,688	-

*FPS 2015 benefits cannot be paid before age 55 so would be held as a deferred pension.

Annual pension amounts

- In the example above, the total pension amounts if the legacy benefits are chosen are greater than if the reformed benefits are chosen at both retirement ages shown. The reason for this is the legacy option pension amounts include a greater proportion of FPS 2007 benefits, which are based on double accrual for pensionable service greater than 20 years (subject to a maximum of 30 years), as protected by the double accrual guarantee.
- The FPS 2007 pension can be taken at age 50 with at least 25 years' pensionable service.
- The FPS 2015 pension cannot be taken before age 55. This means if the member chooses to retire before age 55, their FPS 2015 pension will be deferred until age 55 (or later if the member wishes).

Cash lump sum amounts

- In the example, the legacy option cash lump sums are also greater than the reformed cash lump sums at both retirement ages shown. There are two main reasons for this:
 1. There is more of the legacy pension to exchange for a cash lump sum; and
 2. The commutation factors for the FPS 2007 are higher, meaning that the member receives more cash lump sum per £1 of annual pension given up. For example, at age 55, the age-related commutation factor for the FPS 2007 is 23.6 while the FPS 2015 commutation factor is 12. This means that the member receives £23.60 cash for each £1 of FPS 2007 pension given up compared to £12 cash for each £1 of FPS 2015 pension given up

- There is a significant increase in the cash lump sum amount at age 55. There are two main reasons for this:
 1. In the case of this member, the limit on the maximum lump sum that can be taken for the FPS 2007 benefits increases significantly. Members who retire under the age of 55 and have less than 30 years' service receive a lump sum which is capped at 2.25 times their annual pension. This restriction is removed at age 55 or on completing 30 years' service (if sooner). Thereafter, a maximum of one quarter (25%) of FPS 2007 pension can be exchanged for a cash lump sum.
 2. The FPS 2015 pension comes into payment with the maximum one quarter (25%) assumed to be exchanged for a cash lump sum.
- Please note the age-related commutation factors for the FPS 2007 decrease as the member ages (to reflect the fact the pension is expected to be paid for a shorter period) but remain fixed at 12 for all ages in the FPS 2015.
- The illustrations do not take account of any tax charge that may be applied due to exceeding the HMRC limit on tax-free cash. The limit is most likely to be exceeded if the commutation factor is greater than 20.
- For more information please visit fpsmember.org/fps-2007/how-much-lump-sum-can-i-take

Employee contributions

On choosing the legacy or the reformed benefits there may be additional contributions payable by the member, or perhaps a refund, depending on the difference between the contributions already paid and those associated with the chosen benefits.

Individual circumstances

In most cases, the legacy option for former FPS 2007 members would provide higher benefits than the reformed option. However, it should be noted that your choice of whether to receive legacy or reformed benefits for the remedy period will depend on your individual circumstances.

For example, for simplicity we have kept average pensionable salary for the FPS 2007 and pensionable pay for the FPS 2015 the same for this benefit illustration, though it may be the case your pensionable pay in the FPS 2015 includes additional elements that contribute towards a higher pension.

Furthermore, FPS 2015 pension already earned is increased each year in line with average weekly earnings. If average weekly earnings are higher than salary increases over a period of time, this may lead to higher reformed benefits. For this to happen, a member would need to receive salary increases (including any promotional increases) below the national average by a significant amount over a prolonged period of time.

If a member is promoted over the course of the remedy period and to retirement, any increases to the member's salary will increase both the legacy and reformed benefits, however, it is likely any promotional increases will tend to increase legacy benefits more than reformed benefits. This is illustrated in example 2 below.

This is because the FPS 2007 benefits are based on final salary at retirement. As a final salary scheme, the FPS 2007 treats the member as though they earned the higher final salary in all years of service. However, the FPS 2015 takes account of salaries earned in any particular year and only future years are affected when there is a promotional salary increase.

You may also want to take account of other considerations at retirement such as death benefits payable under both the FPS 2007 and FPS 2015 schemes. For example, survivor benefits are only paid from the FPS 2007 to married or civil partners while the FPS 2015 provides a pension to unmarried partners. The FPS 2015 also provides a pension guarantee whereas the FPS 2007 does not.

You'll receive benefit illustrations for your legacy and reformed benefits at retirement. This will allow you to choose the most beneficial option at a time when you have the most certainty over what you are entitled to.

Example 2

This example is based on the same criteria as the previous example but assumes the member is promoted over the course of the remedy period and to retirement. This is to show the effect that promotional salary increases can have on the difference between the legacy and reformed benefits.

We have assumed that a firefighter (competent) at 1 April 2015 will receive the following promotions and additional increases to salary:

Position	Date of promotion	Age at promotion	Increase applied
Crew manager (development)	1 April 2019	42	6.3%
Crew manager (competent)	1 April 2021	44	4.3%
Watch manager (development)	1 April 2026	49	2.2%
Watch manager (competent A)	1 April 2028	51	2.8%
Watch manager (competent B)	1 April 2031	54	6.5%

Using the above promotional increases the recalculated benefit illustrations are given below:

Assumed retirement age	Scheme	Legacy benefits (FPS 2007 benefits up to 31 March 2022 and 2015 CARE benefits from 1 April 2022 to retirement)			Reformed benefits (FPS 2007 benefits up to 31 March 2015 and 2015 CARE benefits from 1 April 2015 to retirement)		
		Annual pension £	Cash lump sum £	Deferred pension £	Annual pension £	Cash lump sum £	Deferred pension £
50	FPS 2007	14,148	34,823	-	9,196	22,635	-
50	2015 CARE	-	-	2,935*	-	-	6,749*
50	Total	14,148	34,823	2,935*	9,196	22,635	6,749*
55	FPS 2007	15,208	119,634	-	9,885	77,762	-
55	2015 CARE	4,869	19,477	-	7,951	31,802	-
55	Total	20,077	139,110	-	17,835	109,564	-

*FPS 2015 benefits cannot be paid before age 55 so would be held as a deferred pension.

Annual pension amounts

As expected, both the legacy and reformed benefits are higher than in the first example with the additional promotional increases.

However, the total pension amounts if the legacy option is chosen have shown a greater increase in benefits than the reformed option. The reason for this is the FPS 2007 benefits are based on final salary at retirement and the promotional increases have increased these benefits faster than the FPS 2015 benefits.

As a final salary scheme, the FPS 2007 treats the member as though they earned the higher final salary in all years of service. However, the FPS 2015 takes account of salaries earned in any particular year and only future years are affected when there is a promotional salary increase.

Cash lump sum amounts

The legacy cash lump sums have increased faster than the reformed cash lump sums due to higher available pension amounts to exchange for cash and higher commutation factors.

Individual circumstances

The effect of promotional increases will depend on your own career path, both in terms of number of promotions and when they occur. It is more than likely that any promotional increases will tend to increase legacy benefits more than reformed benefits due to the reasons given above.

2. FPS 2007 – member achieved 30 years' pensionable service before 1 April 2022

Example member profile details:

Member profile	
Date of birth	31 March 1972
Age at 31 March 2022	50 years
Previous final salary scheme	FPS 1992
Joined scheme at age	20 years
Pensionable service at 31 March 2022	30 years
Salary at 31 March 2015	£29,000
Salary at age 50	£31,710
Salary at age 55	£34,161
Salary at age 60	£36,801
Full or part time	Full time

How is pension in the FPS 2007 calculated?

The FPS 2007 is a final salary scheme, also known as a defined benefit scheme. Pensions are worked out based on scheme membership, pay and a formula contained in the scheme rules.

FPS 2007 pension is calculated as follows:

$$\begin{aligned} & \text{(Total pensionable service up to 20 years + total pensionable service over 20 years x 2) limited to 40 years} & / & 60 \\ & \times \text{ Pensionable service in the FPS 2007 scheme before transition to the FPS 2015 scheme} & / & \text{Total pensionable service in the FPS 2007 and FPS 2015 schemes subject to a maximum of 30 years} \\ & \times \text{ Average Pensionable Pay} \\ & = \text{ Annual pension} \end{aligned}$$

The formula above includes protection for those who were expected to earn double accrual if they had remained in the FPS 2007. An adjustment is included to pro rata the expected double accrual benefit if the member had stayed in the FPS 2007, by the service built up in the FPS 2007 before moving to the FPS 2015.

For the legacy benefits, this example member has reached the maximum possible pensionable service of 30 years in the FPS 2007 and so the double accrual guarantee no longer applies.

For the reformed benefits, the double accrual guarantee continues to apply when taking into account FPS 2007 as the member is assumed to move into the FPS 2015 on 1 April 2015.

How is pension in the FPS 2015 calculated?

The FPS 2015 is a Career Average Revalued Earnings (CARE) scheme. Pensions are worked out based on a proportion of pay for each year of membership and added to your pension account.

The FPS 2015 pension builds up year on year with an amount added to your account calculated as follows:

$$\text{Pensionable pay} & / & 64.8 & = & \text{Pension added to your account for the year}$$

Then, on 1 April each year, the accumulated pension is revalued in line with average weekly earnings until retirement.

Example 1

The following example shows the annual pension and maximum cash lump sum entitlement for a member who remains at firefighter level throughout their career. It shows the benefits available from age 50 when the member is first able to take their FPS 2007 pension (age 50 with at least 25 years' pensionable service) and at age 55 (when the FPS 2015 pension can be taken).

The examples assume:

- The member chooses to exchange the maximum pension possible for cash at retirement.
- Salary increases for the member and the revaluation increase for the FPS 2015 pension are the same (1.5% p.a.).
- The accrual (build-up) rate for the FPS 2015 remains at 1/64.8.
- The commutation factors (rates used to exchange pension for cash) for the FPS 2007 are as at the date of publication of this communication.

Assumed retirement age	Scheme	Legacy benefits (FPS 2007 benefits up to 31 March 2022 and 2015 CARE benefits from 1 April 2022 to retirement)			Reformed benefits (FPS 2007 benefits up to 31 March 2015 and 2015 CARE benefits from 1 April 2015 to retirement)		
		Annual pension £	Cash lump sum £	Deferred pension £	Annual pension £	Cash lump sum £	Deferred pension £
50	FPS 2007	15,855	138,466	-	12,155	106,158	-
50	2015 CARE	-	-	-	-	-	3,425*
50	Total	15,855	138,466	-	12,155	106,158	3,425*
55	FPS 2007	17,080	134,365	-	13,095	103,013	-
55	2015 CARE	1,977	7,908	-	4,745	18,978	-
55	Total	19,057	142,272	-	17,839	121,991	-

*FPS 2015 benefits cannot be paid before age 55 so would be held as a deferred pension.

Annual pension amounts

- In the example above, the total pension amounts if the legacy benefits are chosen are greater than if the reformed benefits are chosen at both retirement ages. The reason for this is the legacy option pension amounts include a greater proportion of FPS 2007 benefits, which are based on double accrual for pensionable service greater than 20 years (subject to a maximum of 30 years), as protected by the double accrual guarantee.
- The FPS 2015 pension cannot be taken before age 55. This means if the member chooses to retire before age 55, their FPS 2015 pension will be deferred until age 55 (or later if the member wishes).

Cash lump sum amounts

- In the example, the legacy option cash lump sums are also greater than the reformed cash lump sums at all retirement ages shown. There are two main reasons for this:
 1. There is more of the legacy pension to exchange for a cash lump sum; and
 2. The commutation factors for the FPS 2007 are higher meaning that the member receives more cash lump sum per £1 of annual pension given up. For example, at age 55, the age-related commutation factor for the FPS 2007 is 23.6 while the FPS 2015 commutation factor is 12. This means that the member receives £23.60 cash for each £1 of FPS 2007 pension given up compared to £12 cash for each £1 of FPS 2015 pension given up.

- Please note that the age-related commutation factors for the FPS 2007 decrease as the member ages (to reflect the fact that the pension is expected to be paid for a shorter period) but remain fixed at 12 for all ages in the FPS 2015.
- The illustrations do not take account of any tax charge that may be applied due to exceeding the HMRC limit on tax-free cash. The limit is most likely to be exceeded if the commutation factor is greater than 20.
- For more information please visit fpsmember.org/fps-2007/how-much-lump-sum-can-i-take

Employee contributions

On choosing the legacy or the reformed benefits there may be additional contributions payable by the member, or perhaps a refund, depending on the difference between the contributions already paid and those associated with the chosen benefits.

Individual circumstances

In most cases, the legacy option for former FPS 2007 members would provide higher benefits than the reformed option. However, it should be noted that your choice of whether to receive legacy or reformed benefits for the remedy period will depend on your individual circumstances.

For example, for simplicity we have kept average pensionable salary for the FPS 2007 and pensionable pay for the FPS 2015 the same for this benefit illustration though it may be the case your pensionable pay in the FPS 2015 includes additional elements that contribute towards a higher pension.

Furthermore, FPS 2015 pension already earned is increased each year in line with average weekly earnings. If average weekly earnings are higher than salary increases over a period of time, this may lead to higher reformed benefits. For this to happen, a member would need to receive salary increases (including any promotional increases) below the national average by a significant amount over a prolonged period of time.

If the member is promoted over the course of the remedy period and to retirement, any increases to the member's salary will increase both the legacy and reformed benefits, however, it is likely that any promotional increases will tend to increase legacy benefits more than reformed benefits. This is illustrated in example 2 below.

This is because the FPS 2007 benefits are based on final salary at retirement. As a final salary scheme, the FPS 2007 treats the member as though they earned the higher final salary in all years of service. However, the FPS 2015 takes account of salaries earned in any particular year and only future years are affected when there is a promotional salary increase.

You may also want to take account of other considerations at retirement such as death benefits payable under both the FPS 2007 and FPS 2015 schemes. For example, survivor benefits are only paid from the FPS 2007 to married or civil partner while the FPS 2015 provides a pension to unmarried partners. The FPS 2015 also provides a pension guarantee whereas the FPS 2007 does not.

You'll receive benefit illustrations for your legacy and reformed benefits at retirement. This will allow you to choose the most beneficial option at a time when you have the most certainty over what you are entitled to.

Example 2

This example is based on the same criteria as the previous example but assumes the member is promoted over the course of the remedy period and to retirement. This is to show the effect that promotional salary increases can have on the difference between the legacy and reformed benefits.

We have assumed that a Firefighter (competent) at 1 April 2015 will receive the following promotions and additional increases to salary:

Position	Date of promotion	Age at promotion	Increase applied
Crew manager (development)	1 April 2019	47	6.3%
Crew manager (competent)	1 April 2021	49	4.3%
Watch manager (development)	1 April 2026	54	2.2%
Watch manager (competent A)	1 April 2028	56	2.8%
Watch manager (competent B)	1 April 2031	59	6.5%

Using the above promotional increases the recalculated benefit illustrations are given below:

Assumed retirement age	Scheme	Legacy benefits (FPS 2007 benefits up to 31 March 2022 and 2015 CARE benefits from 1 April 2022 to retirement)			Reformed benefits (FPS 2007 benefits up to 31 March 2015 and 2015 CARE benefits from 1 April 2015 to retirement)		
		Annual pension £	Cash lump sum £	Deferred pension £	Annual pension £	Cash lump sum £	Deferred pension £
50	FPS 2007	17,577	153,509	-	13,476	117,691	-
50	2015 CARE	-	-	-	-	-	3,540*
50	Total	17,577	153,509	-	13,476	117,691	3,540*
55	FPS 2007	19,346	152,187	-	14,832	116,677	-
55	2015 CARE	2,201	8,805	-	5,061	20,246	-
55	Total	21,547	160,992	-	19,893	136,923	-

*FPS 2015 benefits cannot be paid before age 55 so would be held as a deferred pension.

Annual pension amounts

As expected, both the legacy and reformed benefits are higher than in the previous example with the additional promotional increases.

However, the total pension amounts if the legacy option is chosen have shown a greater increase in benefits than the reformed option. The reason for this is that the FPS 2007 benefits are based on final salary at retirement and the promotional increases have increased these benefits faster than the FPS 2015 benefits.

As a final salary scheme, the FPS 2007 treats the member as though they earned the higher final salary in all years of service. However, the FPS 2015 takes account of salaries earned in any particular year and only future years are affected when there is a promotional salary increase.

Cash lump sum amounts

The legacy cash lump sums have increased faster than the reformed cash lump sums due to higher available pension amounts to exchange for cash and higher commutation factors.

Individual circumstances

The effect of promotional increases will depend on your own career path, both in terms of number of promotions and when they occur. It is more than likely that any promotional increases will tend to increase legacy benefits more than reformed benefits due to the reasons given above.

3. NFPS 2007 – full time member

Example member profile details:

Member profile	
Date of birth	31 March 1982
Age at 31 March 2022	40 years
Previous final salary scheme	FPS 2007
Joined scheme at age	25 years
Pensionable service at 31 March 2022	15 years
Salary at 31 March 2015	£29,000
Salary at age 55	£39,645
Salary at age 60	£42,709
Full or part time	Full time

How is pension in the NFPS 2007 calculated?

The NFPS 2007 is a final salary scheme. Pensions are worked out based on scheme membership, pay and a formula contained in the scheme rules.

NFPS 2007 pension is calculated as follows:

$$\text{Pensionable service} \times \text{Average Pensionable Pay} / 60 = \text{Annual pension}$$

How is pension in the FPS 2015 calculated?

The FPS 2015 is a Career Average Revalued Earnings (CARE) scheme. Pensions are worked out based on a proportion of pay for each year of membership and added to your pension account.

The FPS 2015 pension build ups year on year with an amount added to your account calculated as follows:

$$\text{Pensionable service} / 64.8 = \text{Pension added to your account for the year}$$

Then, on 1 April each year, the accumulated pension is revalued in line with average weekly earnings until retirement.

Example 1

The following example shows the annual pension and maximum cash lump sum entitlement for a member who remains at firefighter level throughout their career. It shows the benefits available from age 55 (when the member is first able to take their NFPS 2007 and FPS 2015 benefits) and at age 60 (when the NFPS 2007 benefits can be taken unreduced).

The examples assume that:

- The member chooses to exchange the maximum pension possible for cash at retirement.
- Salary increases for the member and the revaluation increase for the FPS 2015 pension are the same (1.5% p.a.).
- The accrual (build-up) rate for the FPS 2015 remains at 1/64.8.
- The early retirement factors in the NFPS 2007 are as at the date of publication of this communication.

Assumed retirement age	Scheme	Legacy benefits (NFPS 2007 benefits up to 31 March 2022 and 2015 CARE benefits from 1 April 2022 to retirement)		Reformed benefits (NFPS 2007 benefits up to 31 March 2015 and 2015 CARE benefits from 1 April 2015 to retirement)	
		Annual pension £	Cash lump sum £	Annual pension £	Cash lump sum £
55	NFPS 2007	4,609	18,435	2,458	9,832
55	2015 CARE	6,883	27,531	10,095	40,379
55	Total	11,491	45,966	12,553	50,211
60	NFPS 2007	8,008	32,031	4,271	17,083
60	2015 CARE	9,886	39,545	13,346	53,386
60	Total	17,894	71,576	17,617	70,469

Annual pension amounts

- For active members, the normal retirement age for the NFPS 2007 scheme is 60, so if the member retires before then their pension will be reduced to reflect the fact that it will be paid for longer than expected.
- For active members, the normal retirement age for the 2015 CARE scheme is 55 and so benefits can be taken on an unreduced basis at this age.
- At age 55, the total pension amount if the reformed benefits are chosen is more than if legacy benefits are chosen. The main reason for this is that the legacy option includes a greater proportion of NFPS 2007 benefits which are subject to early retirement reduction.
- However, at age 60, no early reductions are applied, and the legacy benefits are slightly higher due to the NFPS 2007 having a slightly faster rate of building up benefits (1/60 v 1/64.8).

Cash lump sum amounts

- In the example, the cash lump sums follow the same pattern as the pension amounts. This is because under both options the same amount of lump sum is received for each £1 of pension exchanged.
- The commutation factor for both the NFPS 2007 and FPS 2015 is 12. This means for every £1 of annual pension given up the member will receive £12 as a cash lump sum.

Employee contributions

On choosing the legacy or the reformed benefits there may be additional contributions payable by the member, or perhaps a refund, depending on the difference between the contributions already paid and those associated with the chosen benefits.

Individual circumstances

The choice between legacy or reformed benefits for former NFPS 2007 members is not clear cut. It should be noted that your choice of whether to receive legacy or reformed benefits for the remedy period will very much depend on your individual circumstances.

FPS 2015 pension earned is increased each year in line with average weekly earnings. How the member's salary increases compared to average weekly earnings may determine which option provides the higher benefits. For example, for simplicity we have kept average pensionable salary for the NFPS 2007 and pensionable pay for the FPS 2015 the same for this benefit illustration. However, if average weekly earnings are such that they are greater than salary increases for the same period, then the reformed option may provide more benefits than the

legacy option at all retirement ages. Alternatively, if salary increases were greater than average weekly earnings then the legacy option may provide higher benefits. This is illustrated in example 2 below.

It's worth noting, however, the timing of the increases is important. A few large percentage increases to the FPS 2015 pension when it is relatively small may not offset the increase in NFPS 2007 due to a large increase to salary. For example, a large promotional increase close to retirement could lead to a large increase to the final salary NFPS 2007 pension and in turn, the legacy benefits option may be more attractive.

You'll receive benefit illustrations for your legacy and reformed benefits at retirement. This will allow you to choose the most beneficial option at a time when you have the most certainty over what you are entitled to.

Example 2

This example is based on the same criteria as the previous example but assumes that the member is promoted over the course of the remedy period and to retirement. This is to show the effect that promotional salary increases can have on the difference between the legacy and reformed benefits.

We have assumed a Firefighter (competent) at 1 April 2015 will receive the following promotions and additional increases to salary:

Position	Date of promotion	Age at promotion	Increase applied
Crew manager (development)	1 April 2019	37	6.3%
Crew manager (competent)	1 April 2021	39	4.3%
Watch manager (development)	1 April 2026	44	2.2%
Watch manager (competent A)	1 April 2028	46	2.8%
Watch manager (competent B)	1 April 2031	49	6.5%

Using the above promotional increases the recalculated benefit illustrations are given below:

Assumed retirement age	Scheme	Legacy benefits (NFPS 2007 benefits up to 31 March 2022 and 2015 CARE benefits from 1 April 2022 to retirement)		Reformed benefits (NFPS 2007 benefits up to 31 March 2015 and 2015 CARE benefits from 1 April 2015 to retirement)	
		Annual pension £	Cash lump sum £	Annual pension £	Cash lump sum £
55	NFPS 2007	5,714	22,854	3,047	12,189
55	2015 CARE	8,090	32,359	11,409	45,637
55	Total	13,803	55,213	14,456	57,826
60	NFPS 2007	9,928	39,710	5,295	21,179
60	2015 CARE	11,779	47,116	15,355	61,420
60	Total	21,707	86,827	20,650	82,599

Annual pension amounts

As expected, both the legacy and reformed benefits are higher than in the previous example with the additional promotional increases.

- The reformed benefits are still greater at age 55 as the promotional salary increases are not enough to offset the early retirement reductions in the NFPS 2007.
- The legacy benefits are now distinctly greater than the reformed benefits at age 60. The reason for this is that the NFPS 2007 benefits are based on final salary at retirement and the promotional increases have increased these benefits faster than the FPS 2015 benefits.

As a final salary scheme, the NFPS 2007 treats the member as though they earned the higher final salary in all years of service. However, the FPS 2015 takes account of salaries earned in any particular year and only future years are affected when there is a promotional salary increase.

Cash lump sum amounts

The cash lump sums under both options have increased as expected due to the higher available pension amount to exchange for cash.

Individual circumstances

The choice between legacy or reformed benefits for former NFPS 2007 members is not clear cut and will very much depend on your individual career path and how salary increases compare to FPS 2015 revaluation increases (which are in line with average weekly earnings).

As we can see in the examples above, the reformed benefits may provide a higher annual pension and cash lump sum for those who choose to retire before the age of 60, while the legacy benefits may be more attractive if retiring at age 60 or the member experiences high salary increases, especially later in their career.

You'll receive benefit illustrations for the legacy and reformed benefits at retirement. This will allow you to choose the most beneficial option at a time when you have the most certainty over what you are entitled to.

4. NFPS 2007 – part-time/retained member

Example member profile details:

Member profile	
Date of birth	31 March 1982
Age at 31 March 2022	40 years
Previous final salary scheme	FPS 2007
Joined scheme at age	25 years
Pensionable service at 31 March 2022	4.5 years
Salary at 31 March 2015	£29,000
Salary at age 55	£39,645
Salary at age 60	£42,709
Full or part time	Part time
Part-time hours	30%

How is pension in the NFPS 2007 calculated?

The NFPS 2007 is a final salary scheme, also known as a defined benefit scheme. Pensions are worked out based on scheme membership, pay and a formula contained in the scheme rules.

NFPS 2007 pension is calculated as follows:

Pensionable service	X	Average Pensionable Pay	/	60	=	Annual pension
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For part-time members, the part-time element is captured in the pensionable service and the full-time equivalent salary is used as average pensionable pay. For example, if a member works 30% over 10 years then they will earn 3 years' pensionable service.

How is pension in the FPS 2015 calculated?

The FPS 2015 is a Career Average Revalued Earnings (CARE) scheme. Pensions are worked out based on a proportion of pay for each year of membership and added to your pension account.

The FPS 2015 pension builds up year on year with an amount added to your account calculated as follows:

Pensionable Pay	/	64.8	=	Pension added to your account for the year
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Then, on 1 April each year, the accumulated pension is revalued in line with average weekly earnings until retirement.

In the FPS 2015, pensionable pay already includes the adjustment for part timers. For example, if a member's salary is £29,000 and they work 30% of the time then the pension earned for that year is $£29,000 \times 0.30 / 64.8 = £134.26$.

Example 1

The following example shows the annual pension and maximum cash lump sum entitlement for a part-time member who remains at firefighter level throughout their career. It shows the annual pension and cash lump sum entitlement from age 55 (when the member is first able to take their NFPS 2007 and FPS 2015 benefits) and at age 60 (when the NFPS 2007 benefits can be taken unreduced).

The examples assume:

- The member's part-time hours remain at 30% throughout.
- The member chooses to exchange the maximum pension possible for cash at retirement.
- Salary increases for the member and the revaluation increase for the FPS 2015 pension are the same (1.5% p.a.).
- The accrual (build-up) rate for the FPS 2015 remains at 1/64.8.
- The early retirement factors in the NFPS 2007 scheme are as at the date of publication of this communication.

Assumed retirement age	Scheme	Legacy benefits (NFPS 2007 benefits up to 31 March 2022 and 2015 CARE benefits from 1 April 2022 to retirement)		Reformed benefits (NFPS 2007 benefits up to 31 March 2015 and 2015 CARE benefits from 1 April 2015 to retirement)	
		Annual pension £	Cash lump sum £	Annual pension £	Cash lump sum £
55	NFPS 2007	1,383	5,530	737	2,950
55	2015 CARE	2,065	8,259	3,028	12,114
55	Total	3,447	13,790	3,766	15,063
60	NFPS 2007	2,402	9,609	1,281	5,125
60	2015 CARE	2,966	11,863	4,004	16,016
60	Total	5,368	21,473	5,285	21,141

Annual pension amounts

- For active members, the normal retirement age for the NFPS 2007 scheme is 60, so if the member retires before then their pension will be reduced to reflect the fact that it will be paid for longer than expected.
- For active members, the normal retirement age for the 2015 CARE scheme is 55 and so benefits can be taken on an unreduced basis at this age.
- At age 55, the total pension amount if the reformed benefits are chosen is more than if legacy benefits are chosen. The main reason for this is that the legacy option includes a greater proportion of NFPS 2007 benefits which are subject to early retirement reduction.
- However, at age 60, no early reductions are applied, and the legacy benefits are slightly higher due to the NFPS 2007 having a slightly faster rate of building up benefits (1/60 v 1/64.8).
- The commutation factor for both the NFPS 2007 and FPS 2015 is 12. This means for every £1 of annual pension given up the member will receive £12 as a cash lump sum.

Employee contributions

On choosing the legacy or the reformed benefits there may be additional contributions payable by the member, or perhaps a refund, depending on the difference between the contributions already paid and those associated with the chosen benefits.

Individual circumstances

The choice between legacy or reformed benefits for former NFPS 2007 members is not clear cut. It should be noted that your choice of whether to receive legacy or reformed

Cash lump sum amounts

- In the example, the cash lump sums follow the same pattern as the pension amounts. This is because under both options the same amount of lump sum is received for each £1 of pension exchanged.

benefits for the remedy period will very much depend on your individual circumstances.

FPS 2015 pension earned is increased each year in line with average weekly earnings. How the member's salary increases compared to average weekly earnings may determine which option provides the higher benefits.

For example, for simplicity we have kept average pensionable salary for the FPS 2007 and pensionable pay for the FPS 2015 the same for this benefit illustration. However, if average weekly earnings are such that they are greater than salary increases for the same period, then the reformed option may provide more benefits than the legacy option at all retirement ages. Alternatively, if salary increases were greater than average weekly earnings then the legacy option may provide higher benefits.

This is illustrated in example 2 below.

Example 2

This example is based on the same criteria as the previous example but assumes the member is promoted over the course of the remedy period and to retirement. This is to show the effect that promotional salary increases can have on the difference between the legacy and reformed benefits.

We have assumed that a firefighter (competent) at 1 April 2015 will receive the following promotions and additional increases to salary:

Position	Date of promotion	Age at promotion	Increase applied
Crew manager (development)	1 April 2019	37	6.3%
Crew manager (competent)	1 April 2021	39	4.3%
Watch manager (development)	1 April 2026	44	2.2%
Watch manager (competent A)	1 April 2028	46	2.8%
Watch manager (competent B)	1 April 2031	49	6.5%

Using the above promotional increases the recalculated benefit illustrations are given below:

Assumed retirement age	Scheme	Legacy benefits (NFPS 2007 benefits up to 31 March 2022 and 2015 CARE benefits from 1 April 2022 to retirement)		Reformed benefits (NFPS 2007 benefits up to 31 March 2015 and 2015 CARE benefits from 1 April 2015 to retirement)	
		Annual pension £	Cash lump sum £	Annual pension £	Cash lump sum £
55	NFPS 2007	1,714	6,856	914	3,657
55	2015 CARE	2,427	9,708	3,423	13,691
55	Total	4,141	16,564	4,337	17,348
60	NFPS 2007	2,978	11,913	1,588	6,354
60	2015 CARE	3,534	14,135	4,607	18,426
60	Total	6,512	26,048	6,195	24,780

It's worth noting however, the timing of the increases is important. A few large percentage increases to the FPS 2015 pension when it is relatively small may not offset the increase in NFPS 2007 due to a large increase to salary. For example, a large promotional increase close to retirement could lead to a large increase to the final salary NFPS 2007 pension and in turn, the legacy benefits option may be more attractive.

You'll receive benefit illustrations for the legacy and reformed benefits at retirement. This will allow you to choose the most beneficial option at a time when you have the most certainty over what you are entitled to.

Annual pension amounts

As expected, both the legacy and reformed benefits are higher than in the previous example with the additional promotional increases.

- The reformed benefits are still greater at age 55 as the promotional salary increases are not enough to offset the early retirement reductions in the NFPS 2007.
- The legacy benefits are now distinctly greater than the reformed benefits at age 60. The reason for this is that the NFPS 2007 benefits are based on final salary at retirement and the promotional increases have increased these benefits faster than the FPS 2015 benefits.

As a final salary scheme, the NFPS 2007 treats the member as though they earned the higher final salary in all years of service. However, the FPS 2015 takes account of salaries earned in any particular year and only future years are affected when there is a promotional salary increase.

Cash lump sum amounts

The cash lump sums under both options have increased as expected due to the higher available pension amount to exchange for cash.

Individual circumstances

The choice between legacy or reformed benefits for former NFPS 2007 members is not clear cut and will very much depend on your individual career path and how salary increases compare to FPS 2015 revaluation increases (which are in line with average weekly earnings).

As we can see in the examples above, the reformed benefits may provide a higher annual pension and cash lump sum for those who choose to retire before the age of 60, while the legacy benefits may be more attractive if retiring at age 60 or the member experiences high salary increases, especially later in their career.

You'll receive benefit illustrations for the legacy and reformed benefits at retirement. This will allow you to choose the most beneficial option at a time when you have the most certainty over what you are entitled to.

5. NFPS 2007 for special members (RDS modified)

Example member profile details:

Member profile	
Date of birth	31 March 1977
Age at 31 March 2022	45 years
Previous final salary scheme	Special members in the FPS 2007
Joined scheme at age	25 years
Pensionable service at 31 March 2022	6 years
Salary at 31 March 2015	£29,000
Salary at age 55	£36,801
Salary at age 60	£39,645
Full or part time	Part time
Part-time hours	30%

How is pension for special members in the NFPS 2007 calculated?

The scheme for special members in the NFPS 2007 is a final salary scheme. Pensions are worked out based on scheme membership, pay and a formula contained in the scheme rules.

The NFPS 2007 pension for special members is calculated as follows:

$$\text{Pensionable service} \times \text{Average Pensionable Pay} / 45 = \text{Annual pension}$$

For part-time members, the part-time element is captured in the pensionable service and the full-time equivalent salary is used as average pensionable pay. For example, if a member works 30% over 10 years then they will earn 3 years' pensionable service.

How is pension in the FPS 2015 calculated?

The FPS 2015 is a Career Average Revalued Earnings (CARE) scheme. Pensions are worked out based on a proportion of pay for each year of membership and added to your pension account.

The FPS 2015 pension builds up year on year with an amount added to your account calculated as follows:

$$\text{Pensionable Pay} / 64.8 = \text{Pension added to your account for the year}$$

Then, on 1 April each year, the accumulated pension is revalued in line with average weekly earnings until retirement.

In the FPS 2015, pensionable pay already includes the adjustment for part timers. For example, if a member's salary is £29,000 and they work 30% of the time then the pension earned for that year is $\text{£}29,000 \times 0.3 / 64.8 = \text{£}134.26$.

Example 1

The following example shows the annual pension and maximum cash lump sum entitlement for a special member who remains at firefighter level throughout their career. It shows the annual pension and cash lump sum entitlement at age 55 (when the special member is first able to take their NFPS 2007 and FPS 2015 benefits on an unreduced basis).

The examples assume:

- The member's part-time hours remain at 30% throughout.
- The special member chooses to exchange the maximum pension possible for cash at retirement.
- Salary increases for the member and the revaluation increase for the FPS 2015 pension are the same (1.5% p.a.).
- The accrual (build-up) rate for the FPS 2015 remains at 1/64.8.

Assumed retirement age	Scheme	Legacy benefits (NFPS 2007* benefits up to 31 March 2022 and 2015 CARE benefits from 1 April 2022 to retirement)		Reformed benefits (NFPS 2007* benefits up to 31 March 2015 and 2015 CARE benefits from 1 April 2015 to retirement)	
		Annual pension £	Cash lump sum £	Annual pension £	Cash lump sum £
55	NFPS 2007*	3,680	24,902	2,392	16,186
55	2015 CARE	1,278	5,111	2,172	8,689
55	Total	4,958	30,013	4,564	24,875

*For special members

Annual pension amounts

- In the example above, the total pension amount if the legacy benefits are chosen is greater than if the reformed benefits are chosen. The reason for this is that the legacy option pension amounts include a greater proportion of NFPS 2007 special members' benefits, which are based on a better rate of accrual, meaning more pension benefits are built up for each year of pensionable service.

Cash lump sum amounts

- In the example above, the legacy option cash lump sum is also greater than the reformed option cash lump sum. There are two main reasons for this:

1. There is more of the legacy pension to exchange for a cash lump sum; and

2. The commutation factors for NFPS 2007 special members are higher, meaning that the member receives more cash lump sum per £1 of annual pension given up. For example, at age 55, the age-related commutation factor for NFPS 2007 special members is 20.3 while the FPS 2015 commutation factor is 12. This means that the member receives £20.30 cash for each £1 of NFPS 2007 special members' pension given up compared to £12 cash for each £1 of FPS 2015 pension given up.

- Please note that the age-related commutation factors for special members of the NFPS 2007 decrease as the member ages (to reflect the fact that the pension is expected to be paid for a shorter period) but remain fixed at 12 for all ages in the FPS 2015.
- The illustrations do not take account of any tax charge that may be applied due to exceeding the HMRC limit on tax-free cash. The limit is most likely to be exceeded if the commutation factor is greater than 20.
- For more information please visit fpsmember.org/fps-2006-special-members/how-much-lump-sum-can-i-take

Employee contributions

On choosing the legacy or the reformed benefits there may be additional contributions payable by the member, or perhaps a refund, depending on the difference between the contributions already paid and those associated with the chosen benefits.

Individual circumstances

In most cases, the legacy option for former special members of NFPS 2007 would provide higher benefits than the reformed option. However, it should be noted your choice of whether to receive legacy or reformed benefits for the remedy period will depend on your individual circumstances.

For example, for simplicity we have kept average pensionable salary for special members of the NFPS 2007 and pensionable pay for the FPS 2015 the same for this benefit illustration, though it may be the case that your pensionable pay in the FPS 2015 includes additional elements that contribute towards a higher pension.

Furthermore, FPS 2015 pension already earned is increased each year in line with average weekly earnings.

If average weekly earnings are higher than salary increases over a period of time, this may lead to higher reformed benefits. For this to happen, a member would need to receive salary increases (including any promotional increases) below the national average by a significant amount over a prolonged period of time.

If a member is promoted over the course of the remedy period and to retirement, any increases to the member's salary will increase both the legacy and reformed benefits, however, it is likely that any promotional increases will tend to increase legacy benefits more than reformed benefits. This is illustrated in example 2 below.

This is because the NFPS 2007 special member benefits are based on final salary at retirement. As a final salary scheme, the NFPS 2007 treats the member as though they earned the higher final salary in all years of service. However, the FPS 2015 scheme takes account of salaries earned in any particular year and only future years are affected when there is a promotional salary increase.

You'll receive benefit illustrations for your legacy and reformed benefits at retirement. This will allow you to choose the most beneficial option at a time when you have the most certainty over what you are entitled to.

Example 2

This example is based on the same criteria as the previous example but assumes that the example member is promoted over the course of the remedy period and to retirement. This is to show the effect that promotional salary increases can have on the difference between the legacy and reformed benefits.

We have assumed that a firefighter (competent) at 1 April 2015 will receive the following promotions and additional increases to salary:

Position	Date of promotion	Age at promotion	Increase applied
Crew manager (development)	1 April 2019	37	6.3%
Crew manager (competent)	1 April 2021	39	4.3%
Watch manager (development)	1 April 2026	44	2.2%
Watch manager (competent A)	1 April 2028	46	2.8%
Watch manager (competent B)	1 April 2031	49	6.5%

Using the above promotional increases the recalculated benefit illustrations are given below:

Assumed retirement age	Scheme	Legacy benefits (NFPS 2007* benefits up to 31 March 2022 and 2015 CARE benefits from 1 April 2022 to retirement)		Reformed benefits (NFPS 2007* benefits up to 31 March 2015 and 2015 CARE benefits from 1 April 2015 to retirement)	
		Annual pension £	Cash lump sum £	Annual pension £	Cash lump sum £
55	NFPS 2007*	4,562	30,872	2,965	20,066
55	2015 CARE	1,461	5,843	2,385	9,541
55	Total	6,023	36,715	5,351	29,607

*For special members

Annual pension amounts

As expected, both the legacy and reformed benefits are higher than in the previous example with the additional promotional increases.

However, the total pension amount if the legacy option is chosen has shown a greater increase in benefits than the reformed option. The reason for this is that the NFPS 2007 special scheme benefits are based on final salary at retirement and the promotional increases have increased these benefits faster than the FPS 2015 benefits.

As a final salary scheme, the NFPS 2007 special members scheme treats the member as though they earned the higher final salary in all years of service. However, the FPS 2015 takes account of salaries earned in any particular year and only future years are affected when there is a promotional salary increase.

Cash lump sum amounts

The legacy cash lump sum has increased faster than the reformed cash lump sum due to higher available pension amounts to exchange for cash and higher commutation factors.

Individual circumstances

The effect of promotional increases will depend on your own career path, both in terms of number of promotions and when they occur. It is more than likely that any promotional increases will tend to increase legacy benefits more than reformed benefits due to the reasons given above.
