

UNCLASSIFIED



New Firefighters' Pension Scheme 2006
New Firefighters' Pension Scheme (Scotland) 2007
New Firefighters' Pension Scheme (Wales) 2007
New Firefighters' Pension Scheme (Northern Ireland)
2007
Purchase of Increased Benefits

Date: 8 March 2013

Author: Ian Boonin

Introduction

Members of the New Firefighters' Pension Scheme (NFPS) can elect to purchase additional service under the scheme. The purpose of this note is to set out, for scheme administrators, the tables of factors referred to in the following rules:

- Rule 5 of Part 11 of Schedule 1 to the Firefighters' Pension Scheme (England) Order 2006 (SI 2006 No. 3432)
- Rule 5 of Part 11 of Schedule 1 to the Firefighters' Pension Scheme (Scotland) Order 2007 (SSI 2007 No. 199)
- Rule 5 of Part 11 of Schedule 1 to the Firefighters' Pension Scheme (Wales) Order 2007 (SI 2007 No. 1072/ W110)
- Article 65 of the Annex to the New Firefighters' Pension Scheme (Northern Ireland) Order 2007 (SR 2007 No. 215)

If administrators for English authorities have any questions about how to use this guidance they should contact the Firefighters' Pension Team at DCLG. Administrators for other authorities should contact the Scottish Public Pensions Authority, the Welsh Government or the Department of Health, Social Services and Public Safety (Northern Ireland) as applicable.

The Firefighters' Pension teams will seek input from the Scheme Actuary if necessary.

In compiling this guidance GAD has consulted with the Department for Communities and Local Government (DCLG).

I understand that the part of each set of regulations that covers the purchase of added years by part-time regular firefighters might be read in a way that may not reflect the policy intention. In the case of the English Scheme, DCLG have confirmed that the policy intention is that part-time regular firefighters are treated consistently with full-time regular firefighters and retained firefighters and have requested that this guidance reflect that policy intention. I have prepared this guidance in line with that intention.

Period for which factors apply

These factors are effective immediately.

This guidance replaces the previous guidance dated 23 November 2012.

Limitations

This note should not be used for any purpose other than to determine the factor that should be used to calculate the cost of purchasing additional service in the NFPS.

This note should be considered in its entirety, not as individual sections which if considered in isolation, may be misleading, and conclusions reached by a review of some sections on their own may be incorrect.

This note only covers the actuarial principles around the calculation and application of added years factors. Any legal or tax advice in this area should be sought from an appropriately qualified person or source.

This note does not provide advice on whether or not to purchase additional service.

Third parties should not rely on this guidance, but should separately seek their own actuarial advice where appropriate.

Lump sum payments

Lump sum contributions can be made on application within 12 months of last becoming a firefighter. The rules specify other requirements for a member to be eligible to purchase additional service.

The factors for calculating the lump sum payment are given in Table A. The lump sum payment required can be calculated using the following formula:

AYLS × N × PAY

AYLS	Added Years Lump Sum factor – Table A
N	Number of added years to be purchased, expressed in years
PAY	For full-time regular firefighters, member's pensionable pay in NFPS expressed as an annual rate (i.e. as would be used in the calculation of lump sum death grant) as at the date of payment; For part-time regular firefighters, member's full-time equivalent pensionable pay as an annual rate as at the date of payment is used; For retained firefighters, member's reference pay at the date of payment is used.

Payment by periodic contributions

An election to pay periodical contributions can be made at any time up to 2 years before normal retirement age (i.e. age 60). The rules specify other requirements for a member to be eligible to purchase additional service. Contributions commence on the birthday following the election.

The periodic contributions will cease either on normal retirement age, or earlier if the firefighter retires, ceases to serve as a firefighter, opts out of the NFPS or otherwise discontinues payment in accordance with the Order. The contributions are deducted by the fire authority from the pay of the member concerned.

GAD's understanding is that when a firefighter leaves service, retires on normal or ill health grounds or dies in service while making periodic contributions to purchase added years of service, the resulting benefits arising from the added years contract will be calculated by pro-rating the amount of service being purchased based on the period of time contributions were actually made and the period of time that they would have been made.

The factors for calculating the periodic contributions are given in Table B.

The percentage to be deducted from the member's pay can be calculated using the following formula:

AYPC × N

AYPC	Added Years Periodic Contribution factor – Table B
N	Number of added years to be purchased, expressed in years

For a full-time regular firefighter, the percentage should be applied to the member's pensionable pay;

New Firefighters' Pension Scheme: Purchase of Increased Benefits

UNCLASSIFIED

For a part-time regular firefighter, the percentage should be applied to the member's full-time equivalent pensionable pay over the contribution period – see example 2;

For a retained firefighter, the percentage should be applied to the member's reference pay over the contribution period – see example 2.

Example 1: Lump sum payment

Number of added years purchased	120 days
Date of birth	6 January 1982
Date of payment	29 August 2012
Pay at date of payment *	£ 23,454 pa
Age last birthday on making payment	30

AYLS	58.2%
N	$120 \div 365$
PAY	23,454

$$\begin{aligned} \text{Lump sum payment required} &= 58.2\% \times (120 \div 365) \times 23,454 \\ &= \text{£ } 4,487.75 \end{aligned}$$

* For a full-time regular firefighter, the member's pensionable pay should be used;

For a part-time regular firefighter, the member's full-time equivalent pensionable pay should be used;

For a retained firefighter, the member's reference pay should be used.

Example 2: Payment by periodic contributions

Number of added years purchased	2 years
Date of birth	6 January 1977
Date of election	29 November 2017
Age at which contributions commence	41

AYPC 1.97%

N 2

Percentage deduction from pay = $1.97\% \times 2$
 = 3.94%

For a full-time regular firefighter, the contributions to be deducted are 3.94% of the member's pensionable pay at the time of the deduction. For example if a member is paying monthly contributions and their pensionable pay is currently £36,000 a year (£3,000 a month) they would currently be paying periodic added years contributions of $\text{£}3,000 \times 3.94\% = \text{£}118.20$ a month.

For a part-time regular firefighter, the contributions to be deducted are 3.94% of the member's full-time equivalent pensionable pay over the contribution period at the time of the deduction. For example if a member is paying monthly contributions and their full-time equivalent pensionable pay is currently £36,000 a year (£3,000 a month) they would currently be paying periodic added years contributions of $\text{£}3,000 \times 3.94\% = \text{£}118.20$ a month.

For a retained firefighter, the contributions are to be deducted are 3.94% of the member's reference pay at the time of the deduction. For example if a member is paying monthly contributions and their reference pay is currently £36,000 a year (£3,000 a month) they would currently be paying periodic added years contributions of $\text{£}3,000 \times 3.94\% = \text{£}118.20$ a month.



Ian Boonin
Fellow of the Institute and Faculty of Actuaries
Government Actuary's Department

New Firefighters' Pension Scheme: Purchase of Increased Benefits
UNCLASSIFIED

**Table A: Cost of One Added Year: Lump Sum Payments
 Males and Females**

Age last birthday on making payment	Lump sum payment (% of pay ¹)
20	60.9%
21	60.8%
22	60.5%
23	60.2%
24	60.0%
25	59.7%
26	59.4%
27	59.1%
28	58.8%
29	58.5%
30	58.2%
31	57.9%
32	57.5%
33	57.3%
34	57.1%
35	56.8%
36	56.5%
37	56.1%
38	55.8%
39	55.4%
40	54.9%
41	54.2%
42	53.5%
43	52.9%
44	52.3%
45	51.7%
46	51.1%
47	50.5%
48	50.0%
49	49.4%
50	48.9%
51	48.3%
52	47.8%
53	47.2%
54	46.6%
55	45.6%
56	44.5%
57	43.6%
58	42.6%
59	41.7%

¹ For full-time regular firefighters, factors are as a percentage of pensionable pay;
 For part-time regular firefighters, factors are as a percentage of full-time equivalent pensionable pay;
 For retained firefighters, factors are as a percentage of reference pay.

New Firefighters' Pension Scheme: Purchase of Increased Benefits
UNCLASSIFIED

**Table B: Cost of One Added Year: Payment by Periodical Contributions
Males and Females**

Exact age at starting contract ²	Periodic payment (% of pay ³)
21	1.01%
22	1.03%
23	1.06%
24	1.08%
25	1.11%
26	1.14%
27	1.17%
28	1.21%
29	1.24%
30	1.28%
31	1.32%
32	1.36%
33	1.41%
34	1.47%
35	1.52%
36	1.58%
37	1.65%
38	1.72%
39	1.79%
40	1.88%
41	1.97%
42	2.08%
43	2.19%
44	2.32%
45	2.47%
46	2.64%
47	2.83%
48	3.06%
49	3.33%
50	3.65%
51	4.05%
52	4.56%
53	5.21%
54	6.08%
55	7.33%
56	9.10%
57	11.86%
58	17.34%

² Under Rule 7(1) of Part 11 of Schedule 1 of the England, Scotland and Wales Orders and Article 67 of the Annex to the NI Order contributions are payable from next birthday.

³ For full-time regular firefighters, factors are as a percentage of pensionable pay;
For part-time regular firefighters, factors are as a percentage of full-time equivalent pensionable pay;
For retained firefighters, factors are as a percentage of reference pay.