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Dear Colleague

**SCOTTISH FIRE AND RESCUE SERVICE CIRCULAR No 16 /2007  
FIREFIGHTERS PENSION SCHEME 1992(FPS)**

**NEW FIREFIGHTERS' PENSION SCHEME 2006 (NFPS)**

**This circular covers:**

Continual Professional Development (CPD)

Long Service Increment

Firefighters' Pension Scheme 1992 (FPS)

**This circular should be brought to the attention of your fire authority, pension managers, and active members of the FPS and NFPS**

**1. FIREFIGHTERS PENSION SCHEME 1992(FPS)**

**NEW FIREFIGHTERS' PENSION SCHEME 2006 (NFPS)**

**Continual Professional Development (CPD)**

1.1 The National Joint Council for Local Authority Fire and Rescue Services (NJC) has agreed, with effect from 1<sup>st</sup> July 2007, a scheme to recognise and reward experienced employees who are able to demonstrate continual professional development over and above that required at "competent" level at each of the national standards. These continual professional development payments (CPD) will be subject to annual review and therefore are temporary for the purposes of the FPS and NFPS and not pensionable.

1.2 In response to a request from the NJC that payments should be pensionable, it has been decided that the payments should be pensionable but under special Additional Pension Benefit (APB) arrangements.

- 1.3 Under these APB arrangements, contributions paid on the allowance by firefighter members under Rule G2(1) of the FPS, or Part 11 rule 3 of the NFPS which relate to these payments, will be used to purchase an increased pension, including increased benefits for dependants. The calculation of an APB relies on the total contribution made and the current method of funding Scottish firefighter pensions do not easily provide this figure. However, we have confirmed with the scheme's actuary that the figures to be used by fire and rescue authorities in England can also be applied to APB's in Scotland namely in the FPS 37.5% (11% payable by the firefighter) and NPPS 22.7% (8.5% payable by the firefighter).
- 1.4 The additional benefits will be in the form of benefits payable from normal pension age (i.e. age 55) or on retirement under Rule B1 in the FPS; or normal retirement age (i.e. age 60) in the NFPS. In the case of a firefighter member who has resigned or been dismissed; or who makes a contribution election; it will be deferred in accordance with Rule B5 or Part 3, rule 3. If a firefighter member leaves his employment by reason of permanent disablement under Rule A15 or Part 3 rule 2, the APB will come into payment. If the ordinary pension becomes payable under Part 3, rules 5 (pension on member-initiated early retirement) and 6 (pension on authority-initiated early retirement) any APB benefits will be paid at the same time, but with actuarial reduction.
- 1.5 Any election not to make pension contributions under Rule G3 or Part 2, rule 5, will apply also to payment of contributions on CPD payments. It will not be possible for a firefighter member to make an election in respect only of CPD payments.
- 1.6 Rule B7 or Part 3, rule 9 (commutation: general); Rule B8 or Part 3, rule 10 (commutation: small pensions); and other benefits eligible for commutation will also apply to the total of APB.
- 1.7 Any APB will be regarded as part of the member's pension for the purpose of determining survivors' pensions under Parts C, D and E of the FPS and Part 4 of the NFPS; and pension credit under Part N of the FPS or Part 6 of the NFPS.
- 1.8 The value of APB to which a member will be entitled will be determined annually on the anniversary of commencement of CPD payments in accordance with guidance and tables provided by the scheme actuary.
- 1.9 The amount of APB will be index linked to RPI in accordance with usual pension increase rules and those arrangements will apply exceptionally to the APB benefits relating to CPD that come into payment before age 55.
- 1.10 Where a firefighter in receipt of CPD retires before the end of a CPD year, the APB will be based on the value of contributions from the start of the CPD year up to retirement.
- 1.11 Where firefighters commenced receipt of CPD from 1<sup>st</sup> July 2007 and have subsequently retired before the amendments come into force, recalculation of awards will be necessary.
- 1.12 Examples of how the arrangements will work for CPD payments are set out in Annex 1.

## Long Service Increment

- 1.13 Firefighters with 15 years' continuous service have received an increment to their pay known as the Long Service Increment (LSI) and this has been pensionable. As part of the 2003 pay settlement, the NJC agreed that LSI should be phased out. It was frozen at £990 per annum from 7<sup>th</sup> November 2003, and was reduced to £495 from 1<sup>st</sup> October 2006 although transitional and interim payments were made between the latter date and 30<sup>th</sup> June 2007 when payments ceased. LSI is being replaced by CPD.
- 1.14 The phasing out of LSI means that firefighters who have been in receipt of the increment have paid contributions on an element of pay which will not form part of their final salary; or in the case of those who have retired since 1 October 2006, a smaller element than they had expected.
- 1.15 It is recognised that with the phasing out of LSI some firefighters will receive less pension than they had expected. It has been agreed that arrangements should be made so that a compensatory adjustment can be made.
- 1.16 It is proposed that arrangements should be made for firefighters who received LSI to be credited with Additional Pension Benefit. (Note that the method for determining this benefit will differ from Additional Pension Benefit derived from Continual Professional Development.)
- 1.17 The following amendments are being made to the schemes:
- (i) FPS: average pensionable pay (Rule G1) for any firefighter who was entitled to LSI and retires, or is entitled to a deferred pension, between 1 October 2006 and 30 September 2007; and  
NFPS: final pensionable pay (rule 2 of Part 11, chapter 1) for any firefighter member, who was entitled to LSI, and retires, or is entitled to a deferred pension under rule 3 of Part 3, between 1 October 2006 and 30 September 2007, should be calculated on the basis of LSI at a rate of £990 per annum, and the reduction in LSI should be disregarded
  - (ii) Any LSI payments received by a firefighter member retiring on or after 1 October 2007 should be disregarded for the purpose of calculating average pensionable pay (Rule G1 of the FPS); or final pensionable pay (rule 2 of Part 11, chapter 1 of the NFPS).
  - (iii) A firefighter member who retires on or after 1 October 2007 and had received LSI, or was receiving LSI on 1 October 2006, should be entitled to Additional Pension Benefit. The amount of the benefit will be:  
  
$$\frac{A + (B \times 2) \times \pounds 990}{60}$$
  
Where:  
A = number of years pensionable service up to 30<sup>th</sup> June 2007 that exceeds 15 but does not exceed 20 years; and  
B = number of years pensionable service up to 30<sup>th</sup> June 2007 that exceeds 20 years but does not exceed 30.

- 1.18 The additional benefit will be payable from normal pension age (i.e. age 55) in the FPS or normal retirement age (i.e. age 60) in NFPS. In the case of a firefighter member who has resigned or been dismissed; or who makes a contribution election, it will be deferred in accordance with Rule B5 of the FPS and payable at deferred pension age

(i.e. age 60) or Part 3, rule 3 of the NFPS and payable at normal benefit age (i.e. age 65). If a firefighter member leaves his employment by reason of permanent disablement under Rule A15 or Part 3 rule 2, the APB will come into payment. If the ordinary pension becomes payable under Part 3, rules 5 (pension on member-initiated early retirement) and 6 (pension on authority-initiated early retirement) of the NFPS any APB benefits will be paid at the same time, but with actuarial reduction.

- 1.19 Rule B7 and Part 3, rule 9 (commutation: general) and Rule B8 and Part 3, rule 10 (commutation: small pensions) will also apply to the total of APB and other benefits eligible for commutation.
- 1.20 Any APB will be regarded as part of the member's pension for the purpose of determining survivors' pensions under Parts C, D and E or Part 4; and pension credit under Part IA or Part 6.
- 1.21 The amount of APB relating to LSI will be index linked to the RPI in accordance with usual pension increase arrangements.
- 1.22 Awards to firefighters who were eligible for LSI and who have retired before the amendments come into force may need to be recalculated.

## **2. FIREFIGHTERS' PENSION SCHEME 1992 (FPS)**

- 2.1 The FPS is a final salary pension scheme which means that if a member changes role, or becomes entitled to a different rate of pay in his existing role, with a reduction in pay it may impact adversely on pensionable pay at the point of retirement. An obvious example of this would be the case of a member in receipt of a flexible duty allowance who moved to a post which did not attract the allowance.
- 2.2 The NFPS allows for any reduction in pensionable pay by providing, in Part 3, rule 7, for two pensions, or split awards, to be paid if this is more favourable to the member. Where a split pension is awarded the last day of service for the calculation of the first pension will be the last day on the higher rate of pay. The second pension is based on their pay and service after the reduction.
- 2.3 We propose to adopt the same approach in the FPS, with a modification because pension builds up in the Scheme at the rate of one 60<sup>th</sup> of average pensionable pay for the first 20 years of service, and at two 60<sup>th</sup> of APP thereafter. The modification would provide that where total pensionable service exceeds 20 years, the benefit of this double accrual is shared proportionately between the two pensions in a similar way to deferred pensions.
- 2.4 The alternatives would be for the member to either remain in the FPS with a pension based on the (lower) APP, or to take a deferred pension in the FPS and join either the NFPS or the Local Government Pension Scheme (LGPS), depending on the person's role, for future service.
- 2.5 An additional provision is planned for Part B (Personal Awards) to provide for the payment of two pensions to a firefighter member who
  - on taking up a different role within the authority; or
  - becoming entitled to a different rate of pay in his existing role

suffers a reduction in the amount of his pensionable pay such that the amount to be taken into account in the calculation of the pension to which he will be entitled at normal pension age is less than it would otherwise have been.

2.6 The pension will be calculated as follows:

Pension 1:  $A \times B/C \times D/60 = \text{First Pension}$

Pension 2:  $E \times F/C \times D/60 = \text{Second Pension}$

A = average pensionable pay for the year ending with the person's last day of service on the higher rate of pay;

B = the person's pensionable service up to the last day of service on the higher rate of pay;

C = is the person's total pensionable service;

D = the total number of 60<sup>th</sup> to which the person would be entitled in the calculation of a single award (see paragraph 2.7 below);

E = average pensionable pay for the year ending with the person's last day of service;

F = the person's pensionable service for the period commencing with the first day of service at the lower rate of pay and ending with the last day of service.

Examples are included in Annex 2.

2.7 A person who is entitled to two pensions under this provision will be able, by written notice to the employing authority, to instruct the authority to make a single award calculated in accordance with Rules B1, B3 and B5, as applicable.

2.8 If the person makes a contribution election under Rule G3, he will be entitled to a single pension calculated as if it were a deferred pension under Rule B5.

2.9 The pensions will become payable on the date on which a pension would have been payable to the member under Rules B1, B3 and B5.

### 3. CONCLUSION

3.1 We intend to prepare legislative amendments to both schemes later in the year

Yours sincerely



Jim Preston

## EXAMPLES OF CPD - ADDITIONAL PENSION BENEFIT

	Date of Birth	Date of Joining	Scheme	Retirement Date	Age	CPD (£) <sup>i</sup>	Contribution <sup>ii</sup> (£)	Cost <sup>iii</sup> of an Additional Pension of £1 pa	Additional Pension (£pa)
Firefighter <sup>iv</sup> (fe)male	20/06/1959	20/06/1979	FPS	20/06/2009	48	500	187.50	18.50	10.14
Firefighter (fe)male	20/06/1977	20/06/1999	FPS	20/06/2029	30	500	187.50	10.00	18.75
Firefighter (fe)male	20/06/1962	20/06/1982	FPS	20/06/2012	45	500	187.50	17.00	11.03
Firefighter (fe)male	20/06/1967	20/06/1987	FPS	20/06/2017	40	500	187.50	14.50	12.93
Firefighter (fe)male	20/06/1985	20/06/2006	FPS	20/06/2017	22	500	187.50	8.00	23.44
Firefighter (fe)male	20/06/1982	20/06/2004	FPS	20/06/2017	25	500	187.50	8.50	22.06
Firefighter (fe)male	20/06/1976	20/06/1996	FPS	20/06/2017	31	500	187.50	10.50	17.86
Firefighter (fe)male	20/06/1976	20/06/96 FPS 20/06/07 NFPS	NFPS	20/06/2017	31	500	113.50	8.00	14.19
Retained firefighter (fe)male	20/06/1976	20/06/96 FPS 20/06/07 NFPS	NFPS	20/06/2017	31	500	113.50	8.00	14.19

<sup>i</sup> a CPD payment of £500 is assumed

<sup>ii</sup> total pension contributions in FPS of 37.5% (11% payable by firefighter) and NFPS (8.5% payable by firefighter) are assumed

<sup>iii</sup> the cost of an APB of £1 pa depends on the age of the member at the time the contribution is paid; and the age at which APB is payable - the later the age, the greater the benefit.

<sup>iv</sup> gender neutral



**FIREFIGHTERS' PENSION SCHEME: SPLIT PENSIONS - EXAMPLES**

**Example 1**

**Firefighter:** Age 48. 14 years' service. APP<sup>i</sup> £28,000.00.

Re-deployed to a post paying £18,000.00 p.a. Serves a further 7 years and APP at retirement is £20,000.00.

$$\text{Split Pension: Split pension (1) } £28,000.00 \times \frac{14}{21} \times \frac{22}{60} = £6,844.44$$

$$\text{Split pension (2) } £20,000.00 \times \frac{7}{21} \times \frac{22}{60} = £2,444.44$$

$$\text{Total of Split Pension (1) + (2) } = £9,288.88$$

$$\text{Single Award: } £20,000.00 \times \left( \frac{20}{60} + 2 \times \frac{1}{60} \right) = £7,333.33$$

*[Applies double accrual as per the FPS]*

**Example 2**

**Firefighter:** Age 52. 14 years' service. APP £42,000.00 (includes 20% FDA<sup>ii</sup> of £7,000.00)

FDA terminates and pay reduces to £35,000.00. Serves a further 8 years and APP at retirement is £38,000.00.

$$\text{Split Pension: Split pension (1) } £42,000.00 \times \frac{14}{22} \times \frac{24}{60} = £10,690.91$$

$$\text{Split pension (2) } £38,000.00 \times \frac{8}{22} \times \frac{24}{60} = £5,527.27$$

$$\text{Total of Split Pension (1) + (2) } = £16,218.18$$

$$\text{Single Award: } £38,000.00 \times \left( \frac{20}{60} + 2 \times \frac{2}{60} \right) = £15,200.00$$

*[Applies double accrual as per the FPS]*



**Example 3**

**Firefighter:** Age 53. 15 years' service at APP £28,000.00. Re-deployed to a post paying £12,000.00 p.a. Serves a further 4 years and APP at retirement is £15,000.00.

**Split Pension:** Split pension (1)  $\text{£}28,000.00 \times \frac{15}{19} \times \frac{19}{60} = \text{£}6,999.99$

Split pension (2)  $\text{£}15,000.00 \times \frac{4}{19} \times \frac{19}{60} = \text{£}999.99$

Total of Split Pension (1) + (2) =  $\text{£}7,999.99$

**Single Award:**  $\text{£}15,000.00 \times \left(\frac{19}{60}\right) = \text{£}4,749.99$

*[No double accrual]*

**Example 4**

**Firefighter:** Age 49. 17 years's service. APP £30,000.00. Re-deployed to a post paying £15,000.00 p.a. Serves a further 6 years and APP at retirement is £18,000.00

**Split Pension:** Split pension (1)  $\text{£}30,000.00 \times \frac{17}{23} \times \frac{26}{60} = \text{£}9,608.70$

Split pension (2)  $\text{£}18,000.00 \times \frac{6}{23} \times \frac{26}{60} = \text{£}2,034.78$

Total of Split Pension (1) + (2) =  $\text{£}11,643.48$

**Single Award:**  $\text{£}18,000.00 \times \left(\frac{20}{60} + 2 \times \frac{3}{60}\right) = \text{£}7,799.99$

*[Applies double accrual as per the FPS]*



**Example 5**

**Firefighter:** Age 49. 25 years's service. APP £30,000.00.

Re-deployed to a post paying £15,000.00 p.a. Serves a further 8 years and APP at retirement is £18,000.00

**Split Pension:** Split pension (1)  $£30,000.00 \times \frac{25}{30} \times \frac{40}{60} = £16,666.66$

Split pension (2)  $£18,000.00 \times \frac{5}{30} \times \frac{40}{60} = £1,999.99$

Total of Split Pension (1) + (2) = £18,666.65

**Single Award:**  $£18,000.00 \times \left( \frac{20}{60} + 2 \times \frac{10}{60} \right) = £11,999.99$

*[Applies double accrual as per the FPS]*

**Example 6**

**Firefighter:** Age 49. 14 years' service. APP £38,000.00 Redeployed to a post paying £35,000. . Serves a further 8 years and APP at retirement is £42,000.00.

**Split Pension:** Split pension (1)  $£38,000.00 \times \frac{14}{22} \times \frac{24}{60} = £9,672.73$

Split pension (2)  $£42,000.00 \times \frac{8}{22} \times \frac{24}{60} = £6,109.09$

Total of Split Pension (1) + (2) = £15,781.82

**Single Award:**  $£42,000.00 \times \left( \frac{20}{60} + 2 \times \frac{2}{60} \right) = £16,800.00$

*[Applies double accrual as per the FPS]* NB: Firefighter would elect a single award.

i APP = Average Pensionable Pay  
ii FDA = Flexible Duty Allowance

