

Your Guide

to the **Firefighters'** Pension Scheme (Scotland) 2015

CARE about your future



For members who joined before 1 April 2015

Firefighters' Pension Scheme (Scotland) 2015

This leaflet gives a brief overview of how the new pension scheme for firefighters' works and has information about the special arrangements that are in place if you are already approaching retirement. Please read this leaflet alongside the other resources available on our website.

Your pension scheme is changing

On 31 March 2015 the Firefighters' Pension Scheme Scotland – (1992 and 2006 sections) (Fire 1992 and Fire 2006) closed and on 1 April 2015 most firefighters automatically joined the new Firefighters' Pension Scheme (Scotland) 2015 (Fire 2015).

Why is the scheme changing?

It is recognised that public sector pension schemes should be affordable, sustainable and fair. The Fire 2015 scheme balances this need while still rewarding firefighters with a high quality pension scheme that offers benefits based on service and earnings.

What does this mean for you?

The benefits you have earned so far will remain in your current scheme and will be worked out using your final pensionable pay when you leave the fire service or retire. If you are a member of the Fire 1992 scheme, your rights you have to 'double accrual' in that scheme will be recognised.

When can you retire?

You will still be able to take your Fire 1992 or Fire 2006 benefits in full at your current normal pension age for those schemes, if you stay with the Scottish fire service until you retire.

This means that members of the Fire 1992 scheme, with a total of at least 25 years' service can take their 1992 benefits in full from age 50.

If you were in the Fire 2006 scheme you can take your benefits in full from both the Fire 2006 and Fire 2015 schemes from age 60. You can retire from age 55 but your Fire 2006 and 2015 pension benefits will both be reduced for early payment.

If you have a break in service of more than five years, the benefits you've earned up to 31 March 2015 will become a deferred pension.

A deferred pension is payable in full from age 60 in the Fire 1992 scheme and from age 65 if you were in the Fire 2006 scheme.

If you leave the Fire 2015 scheme before you retire your deferred benefits are payable in full from your State Pension age.

Are you approaching retirement?

Special arrangements are in place for firefighters approaching retirement. There are two types of protection: full protection and tapered protection. The arrangements are different depending on which scheme you originally joined.

1992 members

Normal pension age

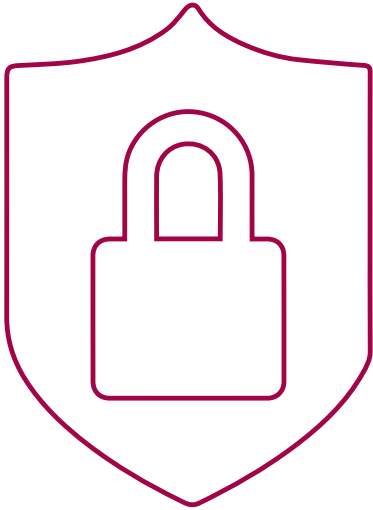
This is either:

- age 55; or
- age 50 if you have at least 25 years' service

Double accrual

After 20 years' pensionable service you earn Fire 1992 benefits at twice the standard rate – 2/60 for each year of service rather than 1/60 for each year.

Firefighters' Pension Scheme (Scotland) 2015



Full protection

Fire 1992 members

If you were an active member on 1 April 2012 and on that date were either:

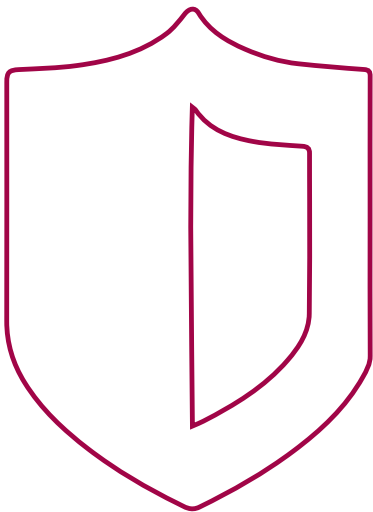
- at least 45 years old; or
- aged 40 or over with at least 20 years' service

you will stay in the Fire 1992 scheme and not join the Fire 2015 scheme. You will see no change in the way your benefits are worked out or when you can retire. To qualify you must remain an active member of the Fire 1992 scheme until you retire.

Fire 2006 members

If you were an active member on 1 April 2012 and on that date you were aged 50 or older, you will stay in the Fire 2006 scheme and not join the Fire 2015 scheme.

You will see no change in the way your benefits are worked out or when you can retire. To qualify you must remain an active member of the Fire 2006 scheme until you retire.



Tapered protection

The new arrangements introduce a degree of protection – known as tapered protection for firefighters who are close to, but don't quite qualify, for full protection.

You qualify for tapered protection if you are within four years of qualifying for full protection.

Tapered protection means that you did not join the Fire 2015 scheme on 1 April 2015. Instead, you will continue to earn benefits in your current scheme before eventually joining the Fire 2015 scheme at a later date. We will write to you to confirm the date you will join.

What is an active member?

You are an active member if you are paying into, and earning benefits, in the scheme.

What scheme are you in?

If you joined before 6 April 2006 you are in the Fire 1992 scheme. If you joined after that date you are in the Fire 2006 scheme.

The benefits you have earned so far will remain in your current scheme and will be worked out using your final pensionable pay when you leave the fire service or retire.

People like you

Here we look at two fictional firefighters in different situations to see how their benefits will be worked out in future. We explain how the Fire 2015 scheme works in more detail on page 5 and you can find more case studies on the website at www.2015.sppa.gov.uk

Mike

Mike qualifies for tapered protection. His date of birth is 1 July 1970 and his salary is £28,766 a year.

Mike joined the Fire 1992 scheme in 2000 when he was 30 years old and by 2015 has built up 15 years' service. He was 42 on 1 April 2012 and so doesn't qualify for full protection as he was more than 10 years from retirement but he does qualify for tapered protection.

Mike checks the website and sees that he will join the Fire 2015 scheme on 21 February 2017 by which time he will have 17 years' service in the Fire 1992 scheme.

Mike can retire from the Fire 1992 scheme at any time from age 55, when he will have 25 years' combined service in both the Fire 1992 and Fire 2015 schemes.

He has a number of options for retirement:

a. Retire at age 60 with a total pension of £16,900 a year

(Fire 1992 pension of £10,800 a year plus his Fire 2015 pension of £6,100 a year)

b. Retire at age 57 with a total pension of £14,600 a year

(Fire 1992 pension of £10,200 a year plus his Fire 2015 pension of £4,400 a year)

c. Retire at age 55 with a total pension of £13,100 a year

(Fire 1992 pension of £9,700 a year plus his Fire 2015 pension of £3,400 a year)



Freda

Freda doesn't qualify for protection. Her date of birth is 1 April 1980 and her salary is also £28,766.

Freda has built up 9 years' service in the Fire 2006 scheme and will be 35 in 2015. She doesn't qualify for full or tapered protection so she joined the Firefighters' 2015 scheme on 1 April 2015.

Freda's options at retirement are:

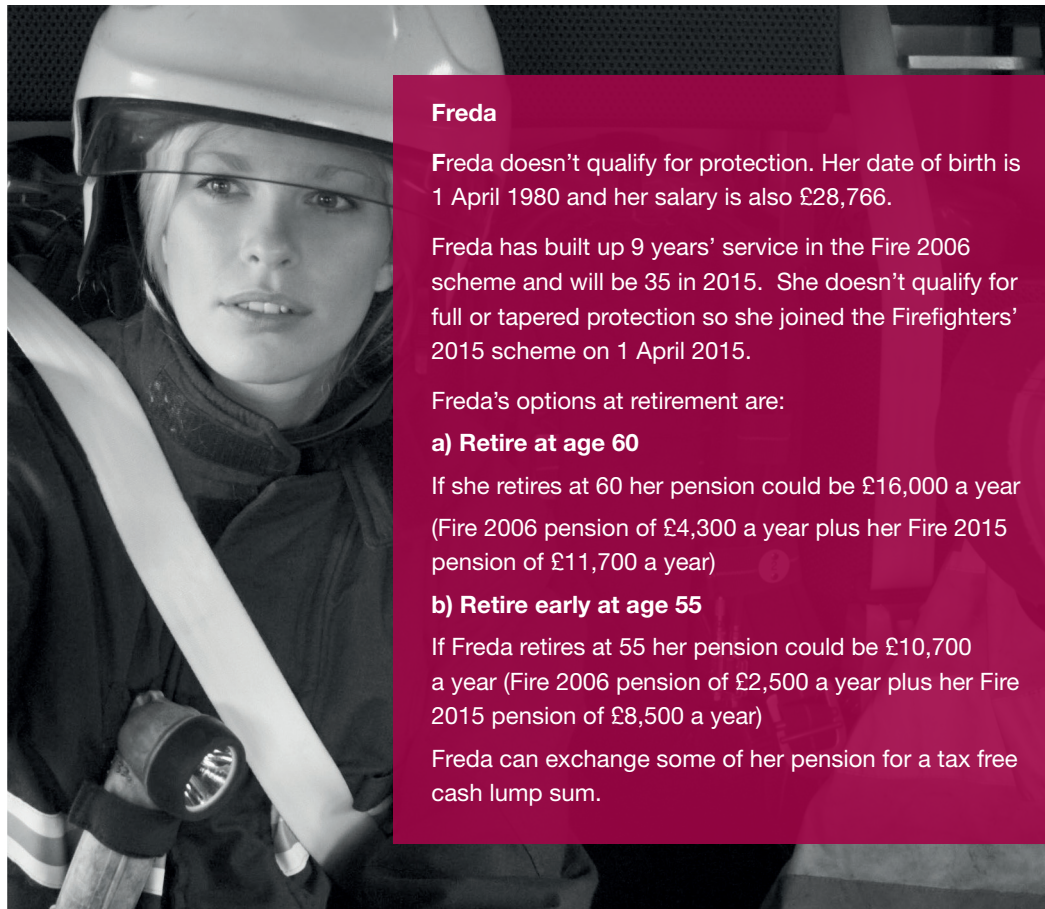
a) Retire at age 60

If she retires at 60 her pension could be £16,000 a year (Fire 2006 pension of £4,300 a year plus her Fire 2015 pension of £11,700 a year)

b) Retire early at age 55

If Freda retires at 55 her pension could be £10,700 a year (Fire 2006 pension of £2,500 a year plus her Fire 2015 pension of £8,500 a year)

Freda can exchange some of her pension for a tax free cash lump sum.



The assumptions we have used can be found on our website at www.2015.sppa.gov.uk. More information about how you earn benefits in the 2015 scheme is given in the member guide and our video on the website and in the table overleaf.

The Fire 2015 scheme

Membership of the Fire 2015 scheme offers you a guaranteed income for life in retirement as well as valuable protection for your family. It also offers financial support if you are unable to work due to ill-health. However, the way your future benefits are worked out is changing and your normal pension age will be age 60 (although you will be able to retire earlier if you wish).

Your benefits from 1 April 2015 will be worked out on a Career Average Revalued Earnings basis. This arrangement is often referred to as a CARE scheme. Remember, if you qualify for full protection you will not join the Fire 2015 scheme. If you qualify for tapered protection you will eventually be moved into the Fire 2015 scheme and we will write to you to confirm when you will join. The Consumer Prices Index (CPI) is a measure of inflation set by the UK Government.

	Fire 1992 scheme	Fire 2006 scheme	Fire 2015 scheme
Type of scheme	Final salary. Your pension is based on your final pensionable pay and the length of time you have been in the scheme	Final salary. Your pension is based on your final pensionable pay and the length of time you have been in the scheme	Career Average. You earn benefits based on your earnings each year. These benefits are revalued every year to keep pace with inflation
How your benefits build up	1/60 of average pensionable pay up to 20 years' service and then 2/60 of average pensionable pay	1/60 of pensionable pay for each year of service	1/61.6 of pensionable pay in each year
Maximum benefits	40/60 of final pensionable pay	45/60 of final pensionable pay	None
Revaluation (in-service)	None	None	National average earnings
Revaluation (members who leave before retiring)	In line with inflation (currently CPI)	In line with inflation (currently CPI)	In line with inflation (currently CPI)
Normal pension age (active members)	55 or age 50 with 25 years' service	60	60
Normal pension age (members leave before retiring)	60	65	State Pension age
Increases to pensions paid (from normal retirement age)	In line with inflation (currently CPI)	In line with inflation (currently CPI)	In line with inflation (currently CPI)
Member contributions	Tiered according to earnings	Tiered according to earnings	Tiered according to earnings
Tax-free cash* at retirement	An option to exchange up to one quarter of your pension for a lump sum. The amount depends on a table of commutation factors relevant at the time you retire. The current rates are available on our website www.sppa.gov.uk	Option to exchange pension for a lump sum. £12 of lump sum for every £1 pension given up	Option to exchange pension for a lump sum. £12 of lump sum for every £1 pension given up

* Subject by limits set by HM Revenue & Customs (currently 25% of your pension fund).

The Fire 2015 scheme

Let's look at how this works in more detail:

Fire 1992 members who move into the 2015 scheme

Dean

Dean has completed 30 years' service and is looking to retire. He has built up benefits in both the Fire 1992 and Fire 2015 schemes.

Option 1

Retire at 51 taking only his 1992 benefits and delay taking his benefits from the 2015 scheme until his State Pension age

Dean's benefits earned in the Fire 1992 scheme to 31 March 2015 will be based on his final salary at retirement. Once in payment his pension will increase in line with inflation (currently CPI).

In the meantime, the benefits Dean earned in the Fire 2015 scheme until age 51 will be revalued every year by inflation (currently CPI) until he is ready to claim them.

As Dean is delaying taking his Fire 2015 scheme benefits he will avoid an early payment reduction (this could be as much as 60% if he took them at age 51). He can change his mind and take these benefits earlier if he wishes – the impact of retiring early is less as he approaches State Pension age, by which time there will be no reduction at all to those benefits.

Option 2

Continue working

Dean can retire at any time between age 51 and 60. If he continues to receive pay awards, his Fire 1992 scheme benefits will increase as they will be based on his final pay at retirement.

He will continue to earn benefits in the 2015 scheme, and these will be revalued every year in line with National Average Earnings.

The reduction on his Fire 2015 scheme benefits will be less each year he delays taking these benefits until reaches age 60 when there will be no reduction at all.



The Fire 2015 scheme

Fire 2006 scheme members who move to the Fire 2015 scheme

The normal pension age for active Fire 2006 members is 60 although you can elect to retire from age 55. If you do, your pension is reduced between 4% and 5% for each year you take your pension early. This reflects the fact that it will be paid to you for longer.

Hiren

Hiren wishes to retire at age 56. He has benefits in both the Fire 2006 and the Fire 2015 schemes.

He can draw the benefits he has earned in the Fire 2006 scheme which will be based on his final salary but it will be reduced by 4% - 5% for each year from age 60.

The benefits Hiren has earned in the Fire 2015 scheme will also be reduced between 4% - 5% a year for each year until he reaches age 60.

Hiren will be able to exchange up to a quarter of his reduced pension in exchange for a tax free lump sum.

Ancillary benefits

Membership of a firefighters' pension scheme offers protection for your family and support if you need to retire early due to ill-health or if you wish to take partial retirement before you fully retire. Ancillary benefits available under the Fire 2015 scheme will be based on those currently available under the Fire 2006 scheme.

Increasing your pension at retirement

The scheme also offers flexibility to pay extra contributions and increase your pension by up to £6,500. More information about both these options is available on our website www.2015.sppa.gov.uk

Discussions are still taking place to agree how best to work out ill-health pensions, lump sum death in service and other ancillary benefits for members with tapered protection. More information will be uploaded onto the website as it becomes available. Remember to check back from time to time at www.2015.sppa.gov.uk

What about my tax free lump sum?

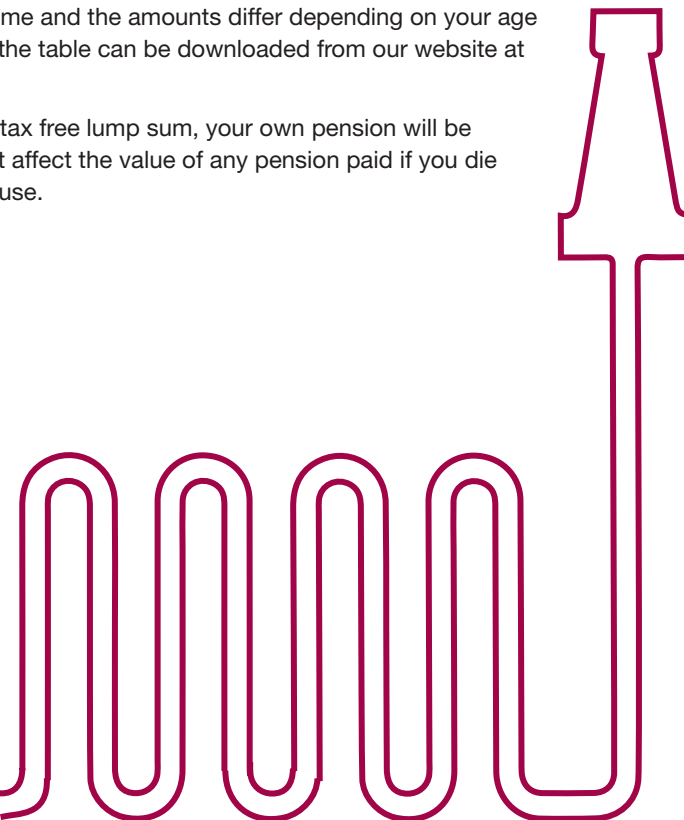
When you retire, the firefighters' pension schemes allow you to choose to exchange some of your pension for a tax free lump sum. This flexibility will also be in the Fire 2015 scheme.

The amount of cash you receive differs between schemes:

The Fire 2006 and Fire 2015 schemes will both give you £12 tax free cash for every £1 of pension you give up. This is known as the commutation factor.

The Fire 1992 scheme has a table of commutation factors which is updated from time to time and the amounts differ depending on your age and gender. A copy of the table can be downloaded from our website at www.sppa.gov.uk

If you decide to take a tax free lump sum, your own pension will be reduced but it does not affect the value of any pension paid if you die leaving a surviving spouse.



The Fire 2015 scheme

Mike

Mike was in the Fire 1992 scheme and so the amount of pension he must give up for a tax free lump sum depends on the factors that apply at the time. He can exchange £1 of pension in return for £12 tax free lump sum in the Fire 2015 scheme. Mike decides to retire at age 55 and take the maximum tax-free lump sum. His benefits will be in two parts:

1. **Fire 1992 scheme:** £7,275 a year plus a tax free lump sum of £42,228

plus

2. **Fire 2015 scheme:** £2,550 a year plus a tax free lump sum of £10,200

So Mike can choose a total annual pension from both schemes of £13,100 and leave a pension of £6,550 a year to his widow. Or he can take up to a total of £59,428 as a tax free lump sum and receive a pension of £9,825 a year and still leave a pension of £6,550 to his surviving partner.

It doesn't matter which scheme he takes his tax-free lump sum from as both schemes are treated separately.

How did we work out Mike's benefits?

Fire 1992

£9,700 a year ÷ 4 = £2,425 (maximum pension he can exchange)

£2,425 x 20.3* = **£49,228 tax free lump sum**

£9,700 - £2,425 = **£7,275 a year**

Fire 2015

£3,400 a year ÷ 4 = £850 (maximum pension he can exchange).

£850 x 12 = **£10,200 tax free lump sum**

£3,400 - £850 = **£2,550 a year**

*Rates applicable at July 2013. Commutation factors greater than 20 can have tax implications relating to HMRC "unauthorised payments".

Freda

Here we look at Freda's situation and assume retires when she's 55 she decides to exchange the maximum amount of income into tax free cash allowed – this is one quarter of her pension.

Her pension will be paid from both the Fire 2006 and Fire 2015 schemes and so her tax-free lump sum will be calculated in two parts:

1. **Fire 2006 pension;** £1,875 a year plus a tax free lump sum of £7,500

2. **Fire 2015 pension:** £6,375 a year plus a tax free lump sum of £25,500

So, Freda can choose a total annual pension from both schemes of £10,700 and leave a pension of £5,350 a year to her surviving partner.

Or she can take up to a total of £32,500 as a tax free lump sum and receive a pension of £8,250 a year and still leave a pension of £5,350 to her surviving partner.

She can take cash from one element and not the other – it's up to her as both sections are treated separately.

How did we work out Freda's benefits?

Fire 2006

£2,500 a year ÷ 4 = £625 (maximum pension she can exchange)

£2,500 - £625 = **£1,875 a year**

£625 x 12 = **£7,500 tax free lump sum**

Fire 2015

£8,500 a year ÷ 4 = £2,125 (maximum pension she can exchange). £8,500 - £2,125 = **£6,375 a year**

£2,125 x 12 = **£25,500 tax free lump sum**

The Fire 2015 scheme

How much will you pay?

Contributions are tiered according to earnings - the amounts you pay are shown in the table below. Remember, our contributions will attract tax relief and so the cost to you will be less.

Pensionable pay range for an employee	Contribution rate
Up to £27,000	10.0%
£27,001 to £50,000	12.2%
£50,001 to £142,500	13.5%
£142,501 or more	14.5%

Next steps

More information can be found on our website (www.2015.sppa.gov.uk) including an interactive tool to help you understand how you might be affected by these changes to the way you earn your benefits.

You can find more detailed information in the member guide and the various factsheets hosted on the website. You can also watch our short video which explains the changes in a simple and straightforward way.

Contact us

Scottish firefighter pension schemes are administered by the Scottish Public Pensions Agency (SPPA).

To contact the SPPA you can:

Use the Contact us link on the website: www.2015.sppa.gov.uk

Or you can write to us at:

Scottish Public Pensions Agency, 7 Tweedside Park, Tweedbank, Galashiels TD1 3TE

