



The New Firefighters' Pension Scheme (NFPS)

March 2014

The Scheme

This is a short description of the conditions of membership and main scheme benefits that apply if you pay into the New Firefighters' Pension Scheme (NFPS).

What kind of scheme is it?

The NFPS is a statutory, public service pension scheme made under section 34 of the Fire and Rescue Services Act 2004. The provisions of the New Firefighters' Pension Scheme (England) are set out in The Firefighters' Pension Scheme (England) Order 2006. The benefits under the scheme are based on the length of your pensionable service and your final salary. It is a tax approved scheme, registered under section 153 of the Finance Act 2004.

Who can join?

Membership of the NFPS is open to any person taking up employment with a fire and rescue authority as a firefighter on terms under which he or she is, or may be, required to engage in fire-fighting and whose role includes resolving operational incidents, or leading and supporting others in the resolution of such incidents.

How do I ensure that I have become a member of the NFPS?

If you are eligible to join the NFPS, you would be admitted automatically upon taking up your employment.

Can I opt-out of the NFPS and re-join the NFPS at a later date?

You can leave the NFPS at any time by giving notice in writing to Hertfordshire County Council. The notice would take effect from the next pay period.

You may wish to obtain independent financial advice before you make a decision to opt-out of the NFPS.

If you subsequently wish to re-join the Scheme, you may and in any event you will be re-enrolled at your employer's next automatic enrolment date or if you cross an age or pay related threshold for automatic enrolment.

What do I pay?

As a member of the NFPS, the amount that you will pay in contributions depends on your pensionable pay. Overleaf are the pay bands and the rates which apply from April 2014.

| Pensionable pay | Contribution rate from 1st April 2014 |
|---|---------------------------------------|
| Up to and including £15,000 | 8.5% of pensionable pay |
| More than £15,000 and up to and including £21,000 | 9.4% of pensionable pay |
| More than £21,000 and up to and including £30,000 | 10.4% of pensionable pay |
| More than £30,000 and up to and including £40,000 | 10.9% of pensionable pay |
| More than £40,000 and up to and including £50,000 | 11.2% of pensionable pay |
| More than £50,000 and up to and including £60,000 | 11.3% of pensionable pay |
| More than £60,000 and up to and including £100,000 | 11.7% of pensionable pay |
| More than £100,000 and up to and including £120,000 | 12.1% of pensionable pay |
| More than £120,000 | 12.5% of pensionable pay |

If you work part-time, your rate will be based on the whole-time pay rate for your job, although you will only pay contributions on the pay you actually earn.

As a member of the NFPS, your contributions will attract tax relief at the time they are deducted from your pay and you will be contracted out of the State Second Pension scheme (S2P). Whilst you are a member of the NFPS you will, prior to State Pension Age, pay reduced National Insurance contributions.

Does my employer contribute?

Your fire and rescue authority will pay a contribution equal to about 11% of your pensionable pay. Employers' contributions are determined by the Secretary of State on the advice of the Government Actuary who will have regard to the total cost of the Scheme benefits. They will be reviewed regularly. Valuation of the NFPS is expected to take place every four years.

Can I pay more to increase my benefits?

If you are an active member of the Scheme and will not be able to accrue 40 years pensionable service by age 60, you can purchase additional service by the payment of additional contributions or by lump sum.

To pay additional contributions, a written election to do so must be made at least 2 years before you reach age 60. If you wish to pay by lump sum you must make your decision to do so within 12 months of first becoming a member. Before you make a decision please contact Hertfordshire County Council for a cost quotation.

Can I transfer pension benefits into the NFPS?

Generally speaking, benefits that you have previously accrued in the NFPS (e.g. if you are transferring into the service of Hertfordshire Fire and Rescue) or in other pension arrangements can be transferred into the NFPS. An option to transfer must be made within twelve months of joining. However, you cannot make a transfer if the additional service purchased plus your potential service will bring your total service to more than 40 years at age 60. As the service purchased is not equal to the amount of time served please contact Hertfordshire County Council for further information. Hertfordshire Fire and Rescue may not accept a transfer value payment if it would fail to cover or would only cover any guaranteed minimum pension payable under contracting out requirements.

What if I'm already receiving an NFPS pension – will it be affected if I join again?

If you are re-employed as a firefighter with any fire and rescue authority, you must tell your former employing fire and rescue authority, who are paying you an NFPS pension, about your new position as they may withdraw the whole or part of the pension that is being paid to you.

Retirement

To be entitled to NFPS retirement benefits you must have at least three months pensionable service in the Scheme, or have transferred personal pension rights into the NFPS.

When can I retire?

Active members of the Scheme can retire and receive their NFPS benefits in full once they reach age 60; the Scheme's normal pension age. The Scheme also makes provisions for the early payment of your NFPS benefits.

What are my NFPS retirement benefits?

When you retire, you will receive a pension and have the option to take part of your pension as a tax-free lump sum.

Can I retire early?

You can elect to retire and receive your unreduced NFPS benefits from age 60 onwards. You can choose, once you have reached age 55, to retire and have your benefits put into payment immediately, however your benefits would be reduced to reflect the early payment.

Are there any penalties for retiring early and drawing immediate benefits?

If you retire before age 60 your NFPS benefits, initially calculated as set out in The Benefits section below, will be reduced to take account of their early payment and the fact that your pension will be payable for longer. The reduction factors are supplied by the Government Actuary and depend on your age at retirement.

What if my employer retires me in the interests of the management of the service?

If you are aged 55 or over you will be entitled to the immediate unreduced payment of your NFPS benefits. This is known as an “authority-initiated early retirement pension”.

What happens if I have to retire early due to ill health?

If you have to leave work at any age due to being permanently disabled for the performance of your duties, the scheme provides a tiered ill health retirement package. This could give you benefits, paid straight away, and which could be increased if you have at least five years service and were unable to undertake any other regular employment.

What if I carry on working after age 60?

If you carry on working after age 60 you will continue to pay into the scheme, building up further benefits. Hertfordshire Fire and Rescue (or any other fire and rescue service to which you have transferred your pension membership) will pay your pension when you retire.

The Benefits

How much will my pension be?

Your pension is based on your length of total membership in the scheme and the pensionable pay you received in respect of, normally, your final year of service. If you are part-time, your scheme membership will count at its part-time length when working out your pension and your final pay is increased to what you would have received had you been full-time. The basic formula is:

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

Any Additional Pensions Benefits (APBs) in respect of allowances would be calculated separately and included

Can I exchange part of my pension for a lump sum?

Under current legislation you can exchange part of your annual pension for a one off tax-free cash payment. You can take up to one-quarter of the value of your annual pension as a lump sum and you will receive £12 lump sum for each £1 of pension given up.

Example of pension and lump sum option calculation for pensionable service.

On retirement at age 60, a Scheme member has 40 years total pensionable service and has a final pay of £30,000.

Their **annual pension** is:
 $40 \times 1/60 \times £30,000 = \mathbf{£20,000}$

If they decide to give up £2,000 pension for a cash lump sum, then their **reduced annual pension** is:
 $£20,000 \text{ less } £2,000 = \mathbf{£18,000}$

And they will get a **tax free lump sum** of:
 $£2,000 \times 12 = \mathbf{£24,000}$

If the same employee had worked half-time (i.e. 40 years at half-time = 20):

Their **annual pension** would be:
 $20 \text{ years} \times 1/60 \times £30,000 = \mathbf{£10,000}$

If they decide to give up £1,000 pension for a cash lump sum, then their **reduced annual pension** is:
 $£10,000 \text{ less } £1,000 = \mathbf{£9,000}$

And they would get a **tax free lump sum** of:
 $£1,000 \times 12 = \mathbf{£12,000}$

What pay is used to calculate retirement benefits?

Your retirement benefits will normally be calculated on your final year's pensionable pay, excluding any element of pay in respect of which contributions have been paid towards Additional Pension Benefits. That is, the pensionable pay due in respect of the final year. If you're part-time, your final pay is increased to what you would have received had you been full-time. However, your benefits can be calculated on one of the two previous years pay if better.

Normally the "best-of the-last-three-years" principle will cater for any fluctuations in pay leading up to retirement. Sometimes, however, a firefighter may change roles or have a reduction in an element of pensionable pay earlier in their career. To protect pension rights, the firefighter could be awarded a "split pension". This would involve calculating the pension accrued up to the date of the pay reduction (using the pay before the reduction) and starting to accrue a new pension from the time of the reduction. When the firefighter retires, both pensions would be payable. If the firefighter's pensionable pay rises back above the pay used to calculate their first benefits [revalued to reflect increases in the cost of living], the firefighter can choose to have the benefit period merged so that all of their service will be used to calculate their final benefits on the higher pay.

Will my pension increase?

The NFPS provides statutory pension increases. This means that your pension will be increased in accordance with Orders made under the Pensions Increase Act 1971.

Protection for your Family

What benefits will be paid if I die?

If you die in service as a member of the NFPS the benefits shown below are payable.

- A spouse's, civil partner's or nominated co-habiting partner's pension equal to half of the higher tier level of benefits to which the firefighter would have been entitled had they retired on health grounds on the date of death;
- Pensions for eligible children
- A lump sum death grant of 3 years pay. If you are part-time, it's 3 years part-time pay.

If you die after retiring on pension, a widow's, widower's, civil partner's or a nominated co-habiting partner's pension and pensions for eligible children are payable. A widow's or widower's pension is equal to half of the deceased's pension (before any reductions made for early payment, but after commutation), although, for the first 13 weeks after death, this will be topped up to equal the deceased's pension. A death grant is payable if less than 5 years pension has been paid in which case the balance of 5 years of pension is paid as a lump sum (i.e 5 years worth of pension, less any benefits already paid).

To nominate a co-habiting partner your relationship has to meet certain conditions laid down by the NFPS. If you wish to make a nomination you can obtain a form from the Pensions Section. The NFPS also allows you to say who you would like any death grant to be paid to by completing a form. This form is also available from the Pensions Section. You can find out how to contact the Pensions Section at the end of this Guide

Leavers without an immediate entitlement to benefits

Refunds of Contributions

If you leave with less than three months pensionable service, have not brought a transfer into the NFPS from a personal pension and do not already have a deferred benefit in the NFPS, you may take a refund of your (but not your employer's) contributions, less a deduction for tax and the cost, if any, of buying you back into the State Second Pension scheme (S2P).

Deferred benefits

If you leave before the normal retirement age and you are not entitled to the immediate payment of benefits and your pensionable service is three months or more or you have transferred other personal pension rights into the NFPS or you already have a deferred benefit in the NFPS, you will be entitled to deferred benefits within the NFPS. Your deferred NFPS benefits will be calculated as described in The Benefits section using the length of your pensionable service up to the date that you left the Scheme.

Unless you decide to transfer your deferred benefits to another pension scheme, they will normally be paid at age 65, but:

- they may be put into payment earlier, and in full, in the event of permanent ill health if you are unable to undertake regular employment; or
- you may be able to elect to receive your deferred benefits from age 55, but only if your former fire and rescue authority agrees.
- you can, if you wish, elect not to draw your deferred benefits at age 65 and defer drawing them till some time later.

Benefits paid early, other than on the grounds of permanent ill health, will be reduced to take account of their early payment and the fact that your pension will be paid for longer. The current rates of reduction are determined by the Government Actuary's Department. Example; a member taking their deferred benefits on their 60th birthday would receive a 23.7% reduction to their pension.

If you die before your deferred benefits come into payment, there is no death grant payable.

A widow's, widower's, civil partner's or nominated co-habiting partner's pension and pensions for eligible children will, however, be payable. A widow's, widower's pension, civil partner's or nominated co-habiting partner's pension is equal to half of the deferred pension. To nominate a co-habiting partner your relationship has to meet certain conditions laid down by the NFPS. If you wish to make a nomination you can obtain a form from the Pensions Section.

You can find out how to contact the Pensions Section at the end of this Guide.

Transferring your benefits

If you leave the scheme prior to becoming entitled to immediate payment of your benefits and are entitled to a deferred pension, you may transfer the cash equivalent of your pension benefits into a new employer's scheme (if they are willing and able to accept it), into a personal or stakeholder pension scheme, or into a 'buy-out' insurance policy. The method of valuing the cash equivalent of your pension rights complies with the requirements of the Pension Schemes Act 1993 and any value quoted is guaranteed for three months.

You may leave employment with Hertfordshire Fire and Rescue to transfer to another authority where you remain a member of the NFPS. If the new employment is at a lower rate of pay, the split pension option would be available to you. Although your pension rights will normally transfer with you, payments of transfer values are not exchanged between English Fire and Rescue Authorities.

Help with Pension Problems

Who can help me if I have a query or complaint?

If you are in any doubt about your benefit entitlements, or have a problem or question about your NFPS membership or benefits, please contact the Pension Section at the address shown at the end of this short guide. They will seek to clarify or put right any misunderstandings or inaccuracies as quickly and efficiently as possible.

If you are still dissatisfied with any decision made in relation to the Scheme you have the right to have your complaint independently reviewed under the Internal Disputes Resolution Procedure and, as the scheme is well regulated, there are also a number of other regulatory bodies that may be able to assist you. The various procedures and bodies are detailed below.

Contact addresses

Ashleigh Calf
HR Services Manager
Postal Point CHO226
Hertfordshire County Council, County Hall,
Pegs Lane, Hertford,
SG13 8DN

- Internal Disputes Resolution Procedure

In the first instance you should write to the person nominated by the body who made the decision about which you wish to appeal. You must do this within six months of the date of the notification of the decision or act or omission about which you are complaining, or such longer period as the nominated person may allow. The nominated person will consider your complaint and notify you of his/her decision. If you are dissatisfied with that person's decision, (or their failure to make a decision), you may apply to the Scheme's administering authority to have it reconsidered.

- The Pensions Advisory Service (TPAS)

TPAS is available at any time to assist members and beneficiaries of the Scheme in connection with any pension query they may have or any difficulty which they cannot resolve with their scheme administrators. TPAS can be contacted at:

11 Belgrave Road
London
SW1V 1RB
Telephone: 0845 601 2923

- Pensions Ombudsman

In cases where a complaint or dispute cannot be resolved after the intervention of TPAS, an application can be made, within three years of the event, to the Pensions Ombudsman for adjudication. The Ombudsman can investigate and determine any complaint or dispute involving maladministration of the Scheme or matters of fact or law and his or her decision is final and binding (unless the case is taken to the appropriate Court on a point of law). Matters where legal proceedings have already started cannot be investigated. The Pensions Ombudsman can be contacted at:

11 Belgrave Road
London
SW1V 1RB
Telephone: 020 7630 2200

- The Pensions Regulator

This is the regulator of work based pension schemes. The Pensions Regulator has powers to protect members of work based pension schemes and a wide range of powers to

help put matters right, where needed. In extreme cases, the regulator is able to fine trustees or employers, and remove trustees from a scheme. You can contact the Pensions Regulator at:

Napier House
Trafalgar Place
Brighton
BN1 4DW
Telephone: 0845 600 0707

How can I trace my pension rights?

The Pension Tracing Service holds details of pension schemes, including the FPS, together with relevant contact addresses. It provides a tracing service for ex-members of schemes with pension entitlements (and their dependants), who have lost touch with previous schemes. All occupational and personal pension schemes have to register if the pension scheme has current members contributing into their scheme or people expecting benefits from the scheme. If you need to use this tracing service please write to:

The Pension Tracing Service
The Pension Service
Tyneview Park
Whitley Road
Newcastle upon Tyne
NE98 1BA
Telephone: 0845 6002 537

Also, don't forget to keep your pension providers up to date with any change in your home address.

Further information and disclaimer

This short guide cannot cover every personal circumstance and does not cover rights that apply to a limited number of employees e.g. those whose total pension benefits exceed the Lifetime Allowance (£1.5 million in 2013/14) or whose pension benefits increase in any tax year by more than the Annual Allowance (£50,000 in 2013/14), those to whom protected rights apply, or those whose rights are subject to a Pension Sharing Order following divorce or dissolution of a civil partnership. In the event of any dispute over your pension benefits the appropriate legislation will prevail. This short guide does not confer any contractual or statutory rights and is provided for information purposes only.

More detailed information about the scheme is available from:

<http://yourpension.org.uk/HCCFire/Home.aspx>