

OnCall

Firefighters' Pension Scheme Update



➤ End of Contracting-Out from 5 April 2016



The Government is introducing a new 'single-tier' State Pension for people who reach State Pension age on or after 6 April 2016. This will replace the existing basic and additional State Pension.

What does this mean for members of a Firefighters' Pension Scheme?

As a member of a Firefighters' Pension Scheme you are currently 'Contracted-Out' of the additional State Pension and you receive a rebate on the National Insurance contributions you pay on any earnings between £5,824 and £40,040 per year.

This means that whilst you are a member of the Firefighters' Pension Scheme you are not building up additional State Pension; this is because you are building up pension benefits in the Firefighters' Pension Scheme instead.

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➤ **Cover story continued...**

From 6 April 2016 the new single tier State Pension replaces the basic and additional State Pension for those who reach State Pension age after 5 April 2016. The 'Contracted-Out' status for all Firefighter Pension Schemes will no longer exist. This will mean that you will no longer receive the National Insurance rebate and therefore will pay a higher amount of National Insurance from April 2016.

Why will I have to pay more National Insurance contributions?

The current State Pension is made up of two parts: the basic State Pension and the additional State Pension (the additional State Pension is sometimes called State Second Pension or SERPS). The Firefighter Pension Schemes are Contracted-Out of the additional State Pension. This means that during your membership you have been receiving a rebate on your National Insurance contributions which will cease from April 2016.

How much more in National Insurance contributions will I have to pay?

The current National Insurance rebate is 1.4% of pay between certain thresholds. From 6 April 2016 you will no longer receive this rebate and will pay the standard rate of National Insurance.

Will I qualify for the full amount of the new State Pension?

The new State Pension will be based on your National Insurance contributions record and a new minimum qualifying period will be introduced.

If you have paid into the Firefighters' Pension Scheme between 6 April 1978 and 5 April 2016 and reach State Pension age after 5 April 2016, the amount of new State Pension you receive will be reduced, in respect of this period. This is to reflect the fact that you and the Fire Authority have paid a lower rate of National Insurance (due to the Firefighters' Pension Schemes being Contracted-Out of the additional State Pension). If this applies to you, you are unlikely to receive the full amount of the new State Pension but this will depend on your individual National Insurance record and how many qualifying years you have after April 2016.

In most cases, the pension you get from the Firefighters' Pension Scheme will be much greater than that you would have received from the State Pension had you not been Contracted-Out. The Government refers to this as the Contracted Out Pension Equivalent (COPE) amount and this amount will be shown on your State Pension statement.

As COPE forms part of your State Pension your fire authority and fire pension scheme administering authority will not be able to provide information about COPE.

Where can I get more information?

For information about the new State Pension please visit: www.gov.uk/yourstatepension

You can also watch a video about the new State Pension which can be viewed here: www.youtube.com/user/PensionTube

➤ **Are your nomination details up to date?**

Any transitional members who were members of the 1992 Pension Scheme and have moved into the 2015 Scheme can now nominate who they wish any lump sum death grant to be paid to upon death.

The advantage of making an expression of wish for a beneficiary to receive any death grant is that payments can usually be made without waiting months for your Estate to be settled and normally without any liability to Inheritance Tax.

The same members can now also nominate a dependent partner to receive benefits payable upon death. Once nominated the survivors benefits that can be paid to a dependent partner in the event of death, are similar to those for a surviving spouse or civil partner, providing certain conditions are met.

For more information and to make your nomination you must complete the relevant forms, both available from your Pensions Team.

➤ Contributions holiday – an update



In December 2015, an agreement was reached between the Department for Communities and Local Government (DCLG) and the Fire Brigades Union (FBU) on the issue of pension contributions paid by members of the 1992 Firefighters' Pension Scheme after reaching 30 years' service.

DCLG have confirmed that the Secretary of State will now allow members, who joined the service before age 20 and will accrue 30 years' service before reaching the minimum retirement age of 50 to take a contributions holiday from the time they attain 30 years' reckonable service until they reach age 50.

The exact details of agreement are, to date, unknown until the legislation is put into place although our understanding of what we know so far is as follows:

Who could be affected?

- Serving protected members of the 1992 Firefighters' Pension Scheme and retired members of the 1992 Scheme, who retired on or after 1st December 2006.

Who is not affected?

- 1992 Scheme members who have a taper date and will or have moved into the 2015 scheme. This is because the 2015 Scheme no longer has a cap on service.

Please remember until the final legislation has been confirmed we are unable to provide further information regarding refunds of contributions. If you are affected by the issue you will be contacted once the legislative details are known.

➤ **Annual Benefit Statements - first year of CARE**

In a Final Salary Scheme the pay used for benefits would normally be the pay (on which you paid pension contributions) received in the last 365 days; this is used along with service to calculate your benefits.

In a Career Average Revalued Earnings (CARE) Scheme benefits are calculated using the actual pay you receive each year (on which you paid pension contributions). However service is not used in this calculation. In a CARE Scheme year you build up a 'pot' of CARE pension each year. On retirement the 'pots' are added together to form your total CARE pension.

Annual Benefit Statements for 2016

If you were an active member of the Firefighters' Pension Scheme on the 31 March 2016, you will be issued with an Annual Benefit Statement. Pension Services aims to issue these statements by 31 August.

If you have transferred into the 2015 Scheme you will notice your statement will look different from previous years. This is because it is the first since the introduction of the CARE Scheme.

Transitional members who have benefits in either the 1992/2006 Scheme or 2015 Scheme will have two pay figures on their Statement which may not be the same. This is because the definition of pay for each scheme is different.

Retirement planning

An Annual Benefit Statement is a snapshot of the value of your benefits as at the 31 March and is issued for your information only. It is not a statement of entitlement and you may have a number of retirement options available. These will not be reflected in the Annual Benefit Statement which will only reflect the estimated value of benefits at Normal Pension Age.

➤ **Automatic Enrolment**

Automatic Enrolment gives a responsibility for employers to enrol eligible workers into a pension scheme.

If you are not paying contributions in an employment and are eligible to join, you may be automatically enrolled into a pension scheme in respect of that employment.

You should receive correspondence from your Fire Authority when this happens. You will have chance to opt out if you wish but every three years you will be automatically enrolled again depending on your employers staging date.

➤ **This newsletter is issued for information only. It is not a statement of entitlement and does not confer any rights other than those provided by the relevant Regulations. Benefits will be paid in accordance with those regulations and all overriding pension legislation.**



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