The Fire Brigades Union

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TO: ALL MEMBERS

Dear Brother/Sister

IMPORTANT INFORMATION – PURCHASING ADDED YEARS OF PENSION SCHEME MEMBERSHIP

The FBU has issued various circulars, bulletins, films and presentations designed to ensure that members have as much information as possible to enable them to make an informed decision in relation to their pension.

FBU officials have stressed that employers and Government should have made sure that their employees have all the information that they require to make the right choices and are aware of all the options that are available as the pension changes are introduced. If they do not supply this information, members may make a decision that they later regret or miss out on an option that could have mitigated the impact of the changes. We have been warning Government that if members are not made aware of all the options they may make a decision which has a severe detrimental impact on their future pension provisions.

The 2015 scheme is being imposed without our agreement and without addressing our key concerns. It is being imposed without information that should have been made readily available by Government and employers, who are responsible for implementing and managing these changes.

This week we have been made aware that Government and employers have not explained how a specific group of members can buy additional 1/60ths in their current scheme. Government and employers should have clearly explained this option to firefighters but it seems they haven't in many areas. Again it has been left to the FBU to try and rescue this situation at this late stage and provide clarity when others with this responsibility have not.

The following notes give information on how this works. Members of the Firefighters Pension Scheme (FPS) and members of the New Firefighters Pension Scheme (NFPS) have the facility of purchasing additional pension in whichever scheme they have joined. The right to do so ceases when the member concerned ceases to be a contributing member.

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<u>You will cease to be a contributing member as soon as you join the new 2015 Scheme, so if you are being transferred into the 2015 scheme on the 1 April 2015 and are interested in purchasing additional pension you need to act immediately.</u>

Members who are covered by tapered protection will also have to make this request before the date that they are transferred into the 2015 scheme.

Does this affect me?

The ability to purchase added years is not new. It is covered in rule G5, G6, G7 and G8 of the FPS. Rule G5 outlines who is eligible to purchase increased benefits in this way. It says:

> ***G5***.*—(1) For the purpose of securing increased benefits as provided in rule G8, additional sixtieths of average pensionable pay may be purchased in accordance with rules G6 and G7 by eligible persons.*
>
> *(2) An eligible person is a regular firefighter—*
> *(a) who is paying pension contributions under rule G2,*
> *(b) to whom Part IV of Schedule 11 does not apply,*
> *(c) whose normal pension age is at least 9 years after the date on which he last became a regular firefighter, and*
> ***(d) who at his normal pension age would be entitled to reckon less than 30 years' pensionable service. (our emphasis)***

Fire Authorities are aware of this as DCLG previously issued a guide to the Firefighters' Pension Scheme 1992 which was rebadged and issued by many Fire Authorities. This guidance had a section specifically relating to buying additional pension in this way:

> *'Can I make voluntary contributions to increase my benefits?'*
>
> *If you are an active member of the Scheme, and will not be able to count 30 years' pensionable service by normal pension age (55) you can elect to "buy" additional 60ths. The additional 60ths would count not only in the assessment of your own pension, but in the assessment of widow(er)'s, civil partner's and children's benefits. They would not be taken into account for assessing entitlement to benefits, e.g. you cannot count them towards the 25 years' pensionable service needed for retirement at age 50 and before 55, or towards service used for assessing entitlement to an ill-health pension.*
>
> *To buy the additional 60ths you would pay additional contributions. The amount of additional contributions will depend upon your age at the birthday following your election to make the payments, and how many additional 60ths you wish to purchase. The Government Actuary provides factors from which your fire and rescue authority will determine the cost. (Your authority's pensions administrator can give you a quotation and further details if you are interested in this option.)*
>
> *An election to pay additional contributions must be made at least 2 years before normal pension age (55) and may only be made by a person who had not attained age 46 when last becoming a firefighter and who is not under notice to retire on health or efficiency grounds. The additional contributions would be deducted with effect from your first birthday following your election, along with your basic contributions. (Like your basic contributions they would be assessed on your pensionable pay). If you leave or cease paying contributions for any other reason before reaching age 55, you would be credited with the appropriate portion of service "purchased" to date.*

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What does purchasing additional 1/60ths mean?

You pay additional voluntary contributions, and as a consequence your pension will be increased. Your pension is calculated as 1/60th of your final pay for each year of membership (2/60ths if you are a member of the FPS and have more than 20 years' membership). Paying for additional 1/60ths has the effect of treating your pensionable service as longer than it actually is.

The amount it costs will depend on your age and the length of additional membership you want to purchase. You will need to contact your pension's manager to get a quotation.

You can pay by instalments. You can also pay a lump sum to buy an additional period of membership, but only if you make the payment within 12 months of joining the scheme. Once you have elected to pay additional contributions, your election is irrevocable unless your Fire and Rescue Authority agrees that it is causing you financial hardship to carry on.

You cannot buy additional membership to the extent that it would increase your membership beyond 30 years (for members of the FPS) or 40 years (for members of the NFPS).

You should note that purchasing added membership does not mean that your age will be treated as higher than it actually is. It will not affect the question whether you are a protected member or taper-protected member of your current scheme.

Is there an equivalent arrangement in the 2015 pension scheme?

The 2015 pension scheme contains a facility that will allow you to purchase an additional amount of pension. Instead of buying additional 1/60ths of final pensionable pay, your additional voluntary contributions will be used to award you an additional pension measured in pounds per annum, not additional deemed years of membership. The most that you can buy is an additional pension of £6,500 per annum (although this maximum will go up each year, in line with inflation).

Again, the cost will depend on the amount of pension you decide to purchase and your age. If you would like to know how much it will cost, you should contact your pension's manager to get a quotation.

What's the difference between buying additional membership and buying additional pension?

The main difference is that if you buy additional 1/60ths, the addition to your pension will be a percentage of your final pay as at the date you leave the Scheme. If you buy added pension, the amount you buy is not linked to your salary.

Is it a good idea?

You will appreciate that the FBU is not able to give you financial advice. Only a person who is authorised by the Financial Conduct Authority is entitled to do that. Whether or not purchasing additional 1/60ths or additional pension is a good idea for you will depend on your personal circumstances. If you are in doubt you should speak to an independent financial adviser.

What should I do now?

Some Fire Authorities may have already explained this option to their employees and you may have already considered it. However in cases where a Fire Authority hasn't explained it you may need to act very quickly.

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If you have any questions about this or are interested in buying added years of pensionable service you should contact your pension's manager without delay and ask for a quotation. **If you decide to go ahead and you are being transferred into the 2015 scheme on 1 April 2015, you will have to submit your application before this date.**

Yours in Unity.

Best wishes.

Yours fraternally

SEAN STARBUCK
NATIONAL OFFICER

SS/sll