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Dear Colleague

SCOTTISH FIRE AND RESCUE SERVICE CIRCULAR No 13/2008

NEW FIREFIGHTERS PENSION SCHEME (NFPS)

1. Purchase of Additional Service

- 1.1 This circular advises FRAs about the new guidance from the Scheme Actuary setting out the factors for the purchase of additional service under Chapter 2 of Part 11 of Schedule 1 of the New Firefighters' Pension Scheme. The guidance has been attached at Annex A.
- 1.2 The lump sum factors and periodic contribution factors are common for both male and female members.
- 1.3 A member can only purchase additional service to the point where the aggregate of the purchased additional service, accrued service (including transferred-in service) and prospective service to normal pension age does not exceed 40/60ths.
- 1.4 Although HM Revenue and Customs place no cap on the purchase of additional benefits, members are only able to receive tax relief on pension contributions of up to the amount of their relevant UK earnings that are chargeable to income tax for the tax year. Tax relief can only be claimed for a contribution in the tax year that the contribution is actually made.

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1.5 As the scheme regulations prescribe that periodical contributions need to be deducted from the member's pensionable pay, this effectively imposes a cap on the amount of additional service that a member can purchase by periodic contributions. Subject to paragraph 1.3, a member can only elect to purchase additional service up to the point where the monetary cost of the periodic contributions does not exceed their firefighter's pensionable pay.

2. Backdating elections to purchase of additional service

2.1 The factors will apply from 6th April 2006. As the factors were not available previously, in cases where a member of the NFPS had indicated that they wanted to elect to purchase additional service in the NFPS, the election can be accepted with the relevant factors at the date of the election. In accordance with the guidance which was given for the options exercise (annexed to SFSC 27/2006, issued on 20 December 2006), members would be expected to make full payment of any arrears of contributions within six months of the date of notice being given to them.

2.2 The tables have been prepared for DCLG but we have confirmed with GAD they can be used in Scotland. Please note that the reference on page 2 to the DCLG website should read as a reference to the SPPA website and that any further queries should be referred to SPPA (not DCLG).

Yours sincerely

Dorothy Hamilton

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Policy Officer

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**New Firefighters' Pension Scheme 2006
Purchase of Increased Benefits**

Date: 8 August 2008

Author: Ian Boonin



Introduction

Under Chapter 2 of Part 11 of Schedule 1 of The Firefighters' Pension Scheme (England) Order 2006, members of the New Firefighters' Pension Scheme (NFPS) can elect to purchase additional service under the scheme. The purpose of this note is to set out, for scheme administrators, the tables of factors referred to in paragraph 4 of Chapter 2.

If administrators have any questions about how to use this guidance they should in the first instance consult published information on the Firefighter Pensions pages at:

<http://www.communities.gov.uk/fire/working/firefighterpensions/>

If further information is required, administrators may contact the Firefighters' Pension Team at CLG. The Firefighters' Pension team will seek input from the Scheme Actuary if necessary.

Lump sum payments

Lump sum contributions can be made on application within 12 months of last becoming a regular firefighter.

The factors for calculating the lump sum payment are given in Table A. The lump sum payment required can be calculated using the following formula:

AYLS × N × PAY

AYLS	Added Years Lump Sum factor – Table A
N	Number of added years to be purchased, expressed in years
PAY	Member's pensionable pay in NFPS expressed as an annual rate (ie as would be used in the calculation of lump sum death grant) as at the date of payment

Payment by periodic contributions

An election to pay periodical contributions can be made at any time up to 2 years before normal retirement age. Contributions commence on the birthday following the election.

The periodic contributions will cease either on normal retirement age, or earlier if the firefighter retires, ceases to serve as a regular firefighter, opts out of the NFPS or otherwise discontinues payment in accordance with the Order. The contributions are deducted by the fire authority from the pay of the member concerned.

The factors for calculating the periodic contributions are given in Table B. The percentage to be deducted from the member's pensionable pay can be calculated using the following formula:

AYPC × N

AYPC	Added Years Periodic Contribution factor – Table B
N	Number of added years to be purchased, expressed in years



Ian Boonin
Fellow of the Institute of Actuaries
Government Actuary's Department

Example 1: Lump sum payment

Number of added years purchased	120 days
Date of birth	6 January 1977
Date of payment	29 August 2007
Pensionable pay at date of payment	£ 23,454 pa
Age last birthday on making payment	30

AYLS	36.7%
N	$120 \div 365$
PAY	23,454

$$\begin{aligned} \text{Lump sum payment required} &= 36.7\% \times (120 \div 365) \times 23,454 \\ &= \text{£ } 2,829.90 \end{aligned}$$

Example 2: Payment by periodic contributions

Number of added years purchased	2 years
Date of birth	6 January 1977
Date of election	29 November 2017
Age at which contributions commence	41

AYPC	1.62%
N	2

$$\begin{aligned} \text{Percentage deduction from pay} &= 1.62\% \times 2 \\ &= 3.24\% \end{aligned}$$

The contributions to be deducted are 3.24% of the member's pensionable pay at the time of the deduction.

**Table A: Cost of One Added Year: Lump Sum Payments
Males and Females**

Age last birthday on making payment	Lump sum payment (% of pensionable pay)
20	33.8%
21	34.1%
22	34.4%
23	34.8%
24	35.1%
25	35.4%
26	35.6%
27	35.9%
28	36.2%
29	36.5%
30	36.7%
31	37.0%
32	37.2%
33	37.5%
34	37.8%
35	38.1%
36	38.3%
37	38.5%
38	38.7%
39	38.8%
40	38.9%
41	38.9%
42	38.9%
43	38.9%
44	38.9%
45	38.9%
46	38.9%
47	38.9%
48	38.9%
49	38.9%
50	38.9%
51	38.9%
52	38.9%
53	38.9%
54	38.9%
55	38.9%
56	38.9%
57	38.9%
58	38.9%

**Table B: Cost of One Added Year: Payment by Periodical Contributions
Males and Females**

Exact age at starting contract *	Periodic payment (% of pensionable pay)
21	0.76%
22	0.78%
23	0.80%
24	0.83%
25	0.85%
26	0.88%
27	0.91%
28	0.94%
29	0.97%
30	1.00%
31	1.04%
32	1.08%
33	1.12%
34	1.17%
35	1.22%
36	1.27%
37	1.33%
38	1.39%
39	1.46%
40	1.54%
41	1.62%
42	1.71%
43	1.81%
44	1.93%
45	2.06%
46	2.20%
47	2.37%
48	2.56%
49	2.80%
50	3.07%
51	3.41%
52	3.83%
53	4.37%
54	5.09%
55	6.09%
56	7.60%
57	10.15%
58	15.27%

* Under Part 7(1) of Chapter 2 of Part 11 of Schedule 1 of the Order, contributions are payable from next birthday.