



The New Firefighters' Pension Scheme (England) 2006

The New Firefighters' Pension Scheme (Wales) 2007

The New Firefighters' Pension Scheme (Northern Ireland) 2007

Early retirement in normal health

Factors and guidance

Date: 22 November 2019





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1 Introduction

1.1 This note is provided for:

- The Home Office (HO) as the scheme manager of the Firefighters' Pension Schemes in England,
- The Welsh Government as the scheme manager of the Firefighters' Pension Schemes in Wales and;
- Department of Health (Northern Ireland) as the scheme manager of the Firefighters' Pension Schemes in Northern Ireland

and sets out how to determine the appropriate reduction to be applied to a member's benefits when retiring early in normal health in:

- the New Firefighters' Pension Scheme (England) 2006 (2006 Scheme)
- the New Firefighters' Pension Scheme (Wales) 2007 (2007 Scheme)
- the New Firefighters' Pension Scheme (Northern Ireland) 2007 (NFPS 2007)

and these three schemes shall be referred to collectively as "the 2006 Schemes".

1.2 The Scheme Actuary is required to issue guidance to determine the appropriate amounts by which a member's retirement pension and additional pension benefits should be reduced in respect of early payment.

1.3 This note contains the tables and guidance on the appropriate actuarial reduction factor to be issued by the Scheme Actuary referred to in the following regulations:

- For the New Firefighters' Pension Scheme (England) 2006: Rule 5 and Rule 7C(5) of Part 3 of the Firefighters' Pension Scheme (England) Order 2006 (SI 2006/3432).
- For the New Firefighters' Pension Scheme (Wales) 2007: Rule 5 and Rule 7C(5) of Part 3 of the Firefighters' Pension Scheme (Wales) Order 2007 (SI 2007/1072).
- For the New Firefighters' Pension Scheme (Northern Ireland) 2007: Rule 15 and Rule 17 C(5) of Part 3 of the Firefighters' Pension Scheme (Northern Ireland) Order 2007 (SI 2007/215).

1.4 This guidance relates only to benefits accrued under the 2006 Scheme Regulations. Some firefighters may also have benefits under the 1992 Scheme or the 2015 scheme which should be dealt with separately according to relevant scheme guidance.

1.5 The factors provided in this note have been prepared in light of our advice to the HO, Welsh Government and Department of Health (NI) dated 30 October 2018 and its instructions following that advice.



1.6 The remainder of this introduction contains:

- Details of the implementation and future review of this guidance
- Statements about third party reliance

1.7 In the remainder of this note:

- Section 2 provides guidance on early retirement calculations
- Section 3 sets out a worked example
- Appendix A sets out the factor tables
- Appendix B sets out the principal assumptions underlying the factors contained in this guidance note.
- Appendix C sets out the limitations of the factors and this guidance

Implementation and review

1.8 The factors contained in this guidance will apply from

	Implementation date
Fire England	6 December 2018
Fire Northern Ireland	25 January 2019
Fire Wales	24 January 2019

1.9 This guidance will apply with immediate effect upon receipt of the respective guidance.

1.10 This guidance replaces the previous guidance dated 4 July 2011 and subsequent factor tables dated 2 December 2014. Factors have been updated but the calculation methodology remains unchanged.

1.11 This guidance has been written for pension administrators and assumes some knowledge of general pension terminology, and some familiarity with retirement calculations for the 2006 Schemes.

1.12 In line with best practice and in order to make sure that factors are being used as intended and the instructions are fit for purpose, we suggest that some example calculations are sent to GAD for review.



- 1.13 The factors contained in this guidance will be subject to review periodically. This will depend on external circumstances, for example whenever there is a change in the SCAPE basis; when changes in the actuarial assumptions adopted for other scheme factors take place; or following each future actuarial valuation where mortality and other relevant experience is reviewed or if other credible and material information comes to light.
- 1.14 Scheme managers and administrators should ensure that they use the latest factors in circulation.
- 1.15 If further information is required, concerning the application of the guidance, this should be referred to:
- For English authorities: the Firefighters' Pensions team at the Home Office.
 - For Northern Ireland Authorities: the Firefighters' Pensions teams at the Department of Health (Northern Ireland)
 - For Welsh Authorities: the Firefighters' Pensions teams at the Welsh Government.

Third party reliance

- 1.16 This guidance has been prepared for the use of the relevant authority and the scheme administrators for the purposes of demonstrating the application of the factors covered by this guidance only. This guidance may be published on the relevant authority and scheme administrator's website but must not otherwise be reproduced, distributed or communicated in whole or in part to any other person without GAD's prior written permission.
- 1.17 Other than the relevant authority and the scheme administrators, no person or third party is entitled to place any reliance on the contents of this guidance, except to any extent explicitly stated herein. GAD has no liability to any person or third party for any action taken or for any failure to act, either in whole or in part, on the basis of this guidance, whether or not GAD has agreed to the disclosure of its advice to the third party.



2 Guidance on early retirement with actuarial reduction

Introduction

- 2.1 Firefighters in the New Firefighters' Pension Scheme (2006 Schemes) who leave service without entitlement to immediate benefits, but with deferred benefits payable from age 65, may opt to take early payment of pension and additional pension benefits from age 55 with an actuarial reduction.
- 2.2 Factors are provided to reduce the benefits of members who wish to retire before their normal benefit age. The factors are provided in years and months, and the appropriate factor should be selected based on age in complete years and months at the date of early retirement.
- 2.3 This section refers only to benefits payable in accordance with:
- For England: Regulations SI 2006/3432 – Schedule 1, Part 3, 5 and 7C(5)
 - For Wales: Regulations SI 2007/1072 – Schedule 1, Part 3, 5 and 7C(5)
 - For Northern Ireland: Regulations SR 2007/215 – Schedule 1, Part 3, 15 and 17C(5)

That is those Regulations relating to early payment of main scheme benefits and additional pension.

- 2.4 The benefits payable on early retirement are determined by applying the appropriate reduction factor to the accrued benefit entitlement(s) at the date of retirement using the formula below and factors in Appendix A.
- 2.5 A worked example is provided in section 3.
- 2.6 The early retirement pension should be calculated using the following formula:

Early retirement pension =

Scheme pension x Factor_{ERF}

where:

Scheme pension includes any transferred-in, additional pension benefit and added years'. The pension should be increased from the date of leaving the scheme until the date of early retirement in line with the Pension Increase Act, before applying the factor.

Factor_{ERF} is the early retirement factor from Table A (table 401 in the consolidated factor spreadsheet) in Appendix A. The early retirement factor is chosen by reference to the member's age in years and complete months at the point of retirement.



- 2.7 Pensions payable to a member's spouse, partner or dependant should not be reduced.
- 2.8 Reduced benefits to be calculated before any lump sum commutation option is exercised. The resultant lump sum after any commutation option is exercised is then not subject to further reduction.
- 2.9 See example 1 in section 3 for an example of the calculation of an early retirement pension.



3 Worked example

Example 1: Early retirement calculation for a member who leaves service without entitlement to immediate benefits, but with deferred benefits payable from age 65

Member Details

Date of birth	1 April 1970
Date of retirement	1 June 2025
Date of leaving scheme	1 September 2010
Age at early retirement (years and complete months)	55 years and 2 months
Pension at leaving	£2,500 pa

Factors

Early retirement factor (55 years 2 months)	0.606 (Factor _{ERF} Table A)
Pension increases - date of leaving to retirement (PI)	1.35 (illustrative)

Actuarially reduced pension

$$\begin{aligned}\text{Reduced scheme pension} &= \text{accrued scheme pension} \times \text{PI} \times \text{Factor}_{\text{ERF}} \\ &= £2,500 \times 1.35 \times 0.606 \\ &= £2,045.25 \text{ pa}\end{aligned}$$

$$\text{Total reduced pension} = £2,045.25$$

One quarter of this pension (£511.31) could be commuted to give up a lump sum of £511.31 x 12 = £6,135.72



Appendix A: Factor tables

Table A: Early retirement factors for members retiring without entitlement to immediate benefits but with deferred benefits payable from 65 – NFPS England, Wales and Northern Ireland (2006 Schemes)

Age of the member in years and complete months when benefits come into payment												
Months	0	1	2	3	4	5	6	7	8	9	10	11
55	0.601	0.603	0.606	0.608	0.610	0.613	0.615	0.617	0.620	0.622	0.624	0.626
56	0.629	0.631	0.634	0.636	0.639	0.641	0.643	0.646	0.648	0.651	0.653	0.656
57	0.658	0.661	0.663	0.666	0.669	0.671	0.674	0.677	0.679	0.682	0.685	0.687
58	0.690	0.693	0.696	0.698	0.701	0.704	0.707	0.710	0.713	0.716	0.718	0.721
59	0.724	0.727	0.730	0.733	0.736	0.740	0.743	0.746	0.749	0.752	0.755	0.758
60	0.761	0.764	0.768	0.771	0.774	0.778	0.781	0.784	0.788	0.791	0.794	0.798
61	0.801	0.805	0.808	0.812	0.816	0.819	0.823	0.826	0.830	0.834	0.837	0.841
62	0.845	0.848	0.852	0.856	0.860	0.864	0.868	0.872	0.876	0.880	0.884	0.888
63	0.892	0.896	0.900	0.905	0.909	0.913	0.918	0.922	0.926	0.931	0.935	0.939
64	0.943	0.948	0.953	0.958	0.962	0.967	0.972	0.976	0.981	0.986	0.991	0.995
65	1.000											



Appendix B: Principal assumptions underlying factors

Financial assumptions

Nominal discount rate	4.448%
CPI	2.00%
Real discount rate (in excess of CPI)	2.40%

Mortality assumptions

Base mortality tables and adjustments	113% of S2NMA (M) 113% of S2NFA (F)
Future mortality improvement	Based on ONS principal UK population projections 2016
Year of use	2020

Other assumptions

Proportion of male members for the unisex factors	95%
Allowance for commutation	Nil



Appendix C: Limitations

- C.1 This guidance should not be used for any purpose other than those set out in this guidance.
- C.2 The factors contained in this guidance are subject to regular review. Scheme managers and administrators need to ensure that they are using the latest factors, as relevant, when processing cases.
- C.3 Advice provided by GAD must be taken in context and is intended to be considered in its entirety. Individual sections, if considered in isolation, may be misleading, and conclusions reached by a review of some sections on their own may be incorrect. GAD does not accept responsibility for advice that is altered or used selectively. Clarification should be sought if there is any doubt about the intention or scope of advice provided by GAD.
- C.4 This guidance only covers the actuarial principles around the calculation and application of early retirement factors. Any legal advice in this area should be sought from an appropriately qualified person or source.
- C.5 Scheme managers and administrators should satisfy themselves that early retirement calculations and benefit awards comply with all legislative requirements including, but not limited to, tax and contracting-out requirements.
- C.6 This guidance is based on the Regulations in force at the time of writing. It is possible that future changes to the Regulations might create inconsistencies between this guidance and the Regulations. If users of this guidance believe there to be any such inconsistencies, they should bring this to the attention of the relevant authority and GAD. Under no circumstances should this guidance take precedence over the Regulations. Administrators should ensure that they comply with all relevant Regulations.