

Firefighters' Pension Scheme (Scotland) 2015

Jargon Buster

We work hard to avoid using jargon in all our communications with you but some terms are unavoidable. These are explained here. We've also included some terms which we try not to use but you will often see in communications about pensions in general. If there are any terms you don't understand but which aren't explained here, please let us know using the Contact us tab.

Accrual rate – This is the proportion of earnings which count for pension each year. In other words how much pension you earn in any one year. For example the accrual rate in the Firefighters' 2015 scheme is 1/61.6 of pensionable earnings each year.

Active member – You are an active member if you are paying into the scheme or on a period of authorised absence.

Actuarially reduced – This is a reduction in your pension if you take it before normal pension age to take account of the fact that it is paid for longer.

CARE – Career Average Revalued Earnings is a type of defined benefit pension scheme. A defined benefit scheme guarantees a certain level of benefit at retirement, according to a fixed formula. In this respect it is similar to the current final salary sections of the Firefighters' Pension Scheme.

In a CARE scheme your pension is based on your pensionable pay right across your career. The pension you earn each year is based on pensionable pay in that year and is increased by a set revaluation rate, linked to inflation, for each year up to retirement or leaving. The final pension is calculated by adding together the pension earned in each year of membership.

Commutation – This is an option to exchange some of your pension for a lump sum (which is currently tax free). You currently receive £12 of lump sum for every £1 of annual pension you give up. There is a maximum amount of tax free lump sum HMRC will allow you to take (subject to HMRC rules).

Consumer Prices Index (CPI) – CPI is a measure of inflation. Like the Retail Prices Index (RPI) it tracks the changing cost of a fixed basket of goods and services over time. However unlike the RPI it disregards some items, such as housing costs. The rate of CPI is currently used as a measure by which we increase pension for inflation.

Deferred member – You are a deferred member if you leave the scheme before retiring. Your benefits will be referred to as a deferred pension and revalued each year in line with increases in CPI until you retire.

If you return to the scheme within 5 years of leaving, we will revisit the pension we have revalued during your absence and re-calculate it using CPI. We will also continue to link any service you earned in the Fire 1992 or Fire 2006 scheme to your final pensionable salary.

If you return after more than 5 years, any service in these sections will be based on your pensionable pay at leaving. Your benefits in the Firefighters' 2015 scheme will continue to be revalued in line with increases in CPI.

Double accrual – After 20 years' pensionable service you earn Fire 1992 benefits at twice the standard rate - 2/60 for each year of service rather than 1/60 for each year. This continues for protected members who remain with the Fire 1992 scheme.

HMRC – HM Revenue & Customs

Normal pension age (NPA) – The age at which you can choose to retire from the scheme and have the full value of your pension paid. This is either age 55, or age 50 if you have at least 25 years' service.

Pensioner re-employment – If you return to work after accessing your pension you must inform SPPA, as this may have an effect on the benefits payable to you.

Protection – Protection is the arrangement whereby certain members will remain in their current scheme beyond 31st March 2015.

Full protection

Fire 1992 scheme members – If, on 1 April 2012, you were paying into the Fire 1992 scheme and you were:

- either at least 45 years old; or
- age 40 or over with at least 20 years' service

You will stay in the Fire 1992 scheme and not join the Fire 2015 scheme.

Fire 2006 scheme members – If you were an active member on 1 April 2012 and on that date you were age 50 or older, you will stay in the Fire 2006 scheme and not join the Fire 2015 scheme.

Tapered protection

Tapered protection means that you do not join the Fire 2015 scheme on 1 April 2015. Instead, you will continue to earn benefits in your current scheme before eventually joining the Fire 2015 scheme at a later date.

You qualify for tapered protection if you are within four years of qualifying for full protection.

Retirement factors – These factors are applied to your pension if you take it at a date other than your normal pension age. They will reduce your pension if you take it early and increase it if you take it late.

Yield – The overall level of your contributions as a percentage of payroll required by HM Treasury which when added to the employers contribution will meet the liabilities of the scheme.