

# Fire 2015 Opt Out Leaflet



April 2016

**CARE** about your future

## Fire 2015 Opt Out Leaflet

Are you thinking of leaving the scheme, not because you are leaving the fire service but because you no longer wish to be a scheme member?

Before you make a final decision, please read this leaflet so that you're sure you appreciate the benefits you will be giving up for you and your family.



Membership of pension schemes in Scotland isn't compulsory but choosing to voluntarily leave a public service pension scheme is a big decision that should not be taken without careful consideration of all the facts.

### I can't afford the contributions

Don't forget that your contributions currently attract tax relief at your highest rate of income tax. So the real cost to you may be much less than you think.

#### How does this work?

Here are two examples based on the 2015/16 tax year, the first is a basic rate taxpayer and the second falls into the 40% tax band. Both firefighters are in the 12.2% contribution pay band.

#### Example 1

If you earn £30,000 your contributions will be £305 a month.

HMRC pays £61 in the form of tax relief.

The cost to you is £244 a month.

#### Example 2

If you earn £50,000 your contributions will be £508 a month.

HMRC pays £203 in the form of tax relief.

The cost to you is £305 a month.

## I've been told my National Insurance contributions are going up

This is related to the State Pension scheme.

The UK Government is introducing a new 'single-tier' State Pension for people who reach State Pension age on or after 6 April 2016. Replacing the existing basic and Additional State Pension (you may know this as the State Earnings Related Pension Scheme (SERPS) and the State Second Pension) the changes are being introduced by the Department of Work & Pensions (DWP).

Public service pensions, including your firefighters' pension administered by the SPPA, are currently 'contracted out' of the Additional State Pension. This basically means three things:

1. You will not have earned any Additional State Pension for the period that you have been contracted out.
2. You will have paid a lower rate of National Insurance contributions while you have been contracted out.
3. The SPPA has to ensure that it pays you an amount at least equivalent to the amount of Additional State Pension that you would have earned if the scheme had not been contracted out (this is called the Guaranteed Minimum Pension or commonly referred to as GMP).

The introduction of a single-tier State Pension means that:

- from 6 April you will now pay a higher rate of National Insurance contributions on your earnings; and
- those earnings will count towards your entitlement to the new single-tier State Pension.

This will result in a 1.4% rise in your National Insurance contributions from 6th April 2016. National Insurance contributions are not paid on your full earnings - only part of them.

Further information can be found at [www.gov.uk/yourstatepension](http://www.gov.uk/yourstatepension)

## The scheme isn't as good as it used to be

All pension schemes offered to public service workers in Scotland continue to offer the guaranteed benefits that are almost unheard of in the private sector – as you would expect.

Fire 2015 works out your lump sum and pension using your earnings and membership record and remains a high quality pension scheme. It's very different to pension schemes now offered in the private sector (and to private pensions offered by insurance companies) which pay benefits based on investment performance and the amount of money paid in – with no guarantees.

## When I joined I thought I was paying into one scheme but now it's another

From 6 April 2015, you earn a pension based on a proportion of your pay in each year rather than just your final pay at retirement (or leaving if earlier).

The lump sum and pension you've built up in Fire 1992, Fire 2006 or the Modified Scheme are 'banked' and will be based on your final pensionable pay when you retire (or leave SFRS). There is no change to when you can take these benefits.

Active firefighters can retire from Fire 2015 on full unreduced benefits at age 60 (this is the same as Fire 2006).

While it's likely that this will give you lower benefits if you're on a career path and expecting significant pay awards during your working life, for others the new benefit structure may be better. For example, if you move to a post with less responsibility, or would like to work fewer hours as you approach retirement, you secure the benefits you earned while on higher pay.

And the benefits you earned while paying into the scheme before April 2015 are secure and there is no change to when you can take them.



## What happens to my benefits if I decide to leave the scheme?

If you leave the scheme, unless you rejoin within five years, your benefits will be treated in the following way:

**Fire 1992, Fire 2006 and Modified Scheme** – your lump sum and pension will be worked out using your pay when you left the scheme and not your final pay when you retire or leave the service.

**Fire 2015** – the benefits you have built up so far will be revalued every year by increases in the Consumer Prices Index. Remember, benefits for active members are revalued in line with increases in average weekly earnings.

Your normal pension age will rise from age 60 to your State Pension age.

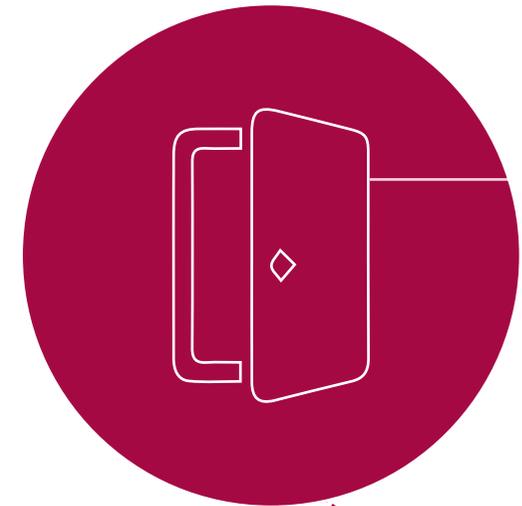
You can find out what your State Pension age is at [www.gov.uk](http://www.gov.uk).

## I used to know what I was going to get when I retired – the new scheme makes it much harder for me to plan for my retirement

We are developing combined benefit statements which will give you an estimate of your total retirement benefits and we're currently testing an online calculator to help in the meantime.

Remember, you can only estimate the benefits you may get from either Fire 1992, Fire 2006 or the modified scheme because they are based on your final pensionable pay. Your Fire 2015 pension is based on a percentage of your earnings throughout your career.

While we appreciate the lack of clarity at the moment, it shouldn't be a reason to give up valuable benefits in retirement altogether.



## What happens if you still want to leave the scheme?

Your notice takes effect from the start of the following pay period. If you opt out within three months of joining the scheme, you will normally receive a refund of the contributions you've paid less deductions.

If you opt out after three months', you'll have a choice of either:

- Transferring the benefits you've earned to another pension scheme\*; or
- Keeping your benefits in the scheme until you retire. You will not normally be able to take these in full until you reach your **State Pension age**.

\*It is not possible to transfer your benefits into a private sector defined contribution pension scheme.

## This is what you will give up

You will miss out on the following:

1. **The option to take a tax-free lump sum.**
2. **An inflation protected pension payable for the rest of your life.**
3. **Tax relief on your contributions currently awarded at your highest marginal rate of income tax.**
4. **A contribution from SFRS towards your retirement – they will not pay into any other arrangement.**

Your lump sum and pension will be based on your membership record before you leave the scheme but if you leave within three months' of joining, you will get nothing at all.

Of course, if you die as a result of an injury while working as a firefighter, your family will still be covered by the Compensation Scheme which is not part of the pension scheme.

But they won't receive the tax-free death grant sum from the pension scheme of three times your pensionable pay, or three times your actual pay if you're part time. Your surviving partner's pension will only be half of the pension you've earned before leaving the scheme and any payment to your children will be considerably less.

You will need to think about how you will provide for your retirement which you will have to fund yourself because SFRS will not pay towards any other arrangements. While other saving schemes are available, they may not have the tax efficiencies offered by public service pension.



**This leaflet is designed to give you an overview of the benefits of membership and is based on our understanding of the regulations and taxation at the time of publication. We are not able to offer you any advice on what you should do. For advice you should speak to your accountant or financial adviser. You can find a financial adviser in your area at [www.unbiased.co.uk](http://www.unbiased.co.uk) make sure you choose one who specialises in pensions.**