> **Rule B2 sets out the terms of eligibility for a short service award.**
> **Schedule 2 Part II explains how a short service pension should be calculated.**
> **Schedule 2 Part VIA explains adjustments for part-time service**

Eligibility for a short service pension

Rule B2 explains that in order to be entitled to immediate payment of a short service pension you must –

- be a regular firefighter, and
- retire on or after normal pension age (age 55 – see the explanation of Rule A13) without being entitled to any other award under Part B and
- be entitled to reckon at least 2 years' pensionable service or, if less, have had a transfer of pension rights from a personal pension scheme into the FPS.

Eligibility for a short service lump sum

If you satisfy all the above conditions except for the required length of service (i.e. if you have less than 2 years' pensionable service or have not had a transfer of personal pension rights into the Scheme) then instead of being entitled to a pension you will be eligible for a short service lump sum equal to your aggregate pension contributions.

Exclusions

Rule B2(1) prevents payment of a short service award if you have elected to opt out of the Scheme and that election still has effect.

Method of calculation of short service pension

Rule B2(2)(a) tells you to calculate a short service pension by using the method given in Schedule 2 Part II.

Schedule 2 Part II gives the basic formula for a short service pension –

$$\frac{A \times B}{60} + \frac{2 \times A \times C}{60}$$

where

A is your average pensionable pay,

B is the period in years (and days) of your pensionable service up to 20 years,

C is the period in years (and days) by which pensionable service exceeds 20 years.

This formula can be simplified to –

- 1/60 of average pensionable pay for the first 20 years of pensionable service, plus
- 2/60 of average pensionable pay for pensionable service in excess of 20 years.

Each day in excess of a completed year counts as 1/365 of a year, even in a leap year (see the explanation of Rule A7).

This Rule does not refer to the upper limit of 30 years in the assessment because a short service pension will not be paid where more than 25 years of service have been completed (in which case your entitlement to a pension would be under Rule B1).

Rule B2 (continued)

Effect of part-time service on calculation of short service pension

To assess entitlement to, and the amount of, a short service pension for a regular firefighter who has had a period of part-time service, you must take account of Rule A7(4) (the reckoning of service for the purposes of awards) and to Rule B13 which directs you to look at Part VIA of Schedule 2.

Rule A7(4) says that any period of part-time service should be treated as whole-time service for the purposes of assessing pensionable service.

This principle would be applied when determining if you have the 2 years' pensionable service needed to qualify for a short service pension. For example if you had served for 2 years as a part-time firefighter (working half-time), Rule A7(4) allows you to count 2 years of pensionable service. So you would meet the service requirement for this type of award.

The same principle of counting all service as whole-time is used at the first stage of calculating your short-term pension.   Schedule 2 Part VIA also requires that, at the first stage of the assessment, the average pensionable pay should be the average pensionable pay you would have received had you been a whole-time member of a brigade. To all intents and purposes, therefore, the first stage of the pension calculation treats you as if you had been a whole-time regular firefighter throughout your service.   "Method of calculation" above tells you how this is done.

The second stage of the calculation applies a "pro rata" principle to the ordinary pension calculated at the first stage. This is set out in detail in the explanation of Rule B13 (and Schedule 2 Part VIA). Basically, the whole-time pension is multiplied by the total of your whole-time and part-time service (treated pro rata) divided by the whole-time equivalent. This gives an equitable portion of the whole-time pension.

Adjustments to short service pension

The pension derived from the basic formula taking account of any adjustment under Schedule 2 Part VIA may be subject to the following adjustments –

- a reduction for commutation (see the explanation of Rule B7)

- a reduction for allocation (see the explanation of Rule B9)

- a reduction for an election to uprate widow's and children's benefits – generally firefighters with service before 1 April 1972 and so not likely to affect anyone currently serving (see pages B Gen 1)

- a reduction for National Insurance modification – generally firefighters with service before 1 April 1980 (see pages B Gen 2)

- an addition for Pensions Increase (see Annexe 10)

- a reduction in respect of a pension sharing order issued on divorce, dissolution of civil partnership, or annulment (see Rule B12 and Annexe 14).

Rule B2 (continued)

Method of calculation of short service lump sum

The short service lump sum is, in effect, a repayment of your aggregate contributions as explained in Rule B6. It is treated as a short service refund lump sum for tax purposes. Rule B11 allows the fire and rescue authority to deduct the tax charge from the payment.

"Aggregate pension contributions" is explained in Rule A8.

Tax

Benefits payable under a pension scheme have to be tested against the "Standard Lifetime Allowance" ("SLA") under tax rules introduced by HM Revenue and Customs ("HMRC") on 6 April 2006. It is the total value of your pension savings, not just those accrued as a member of the FPS, that must be tested against the SLA. The SLA for the tax year 2006/07 is £1,500,000. Your pensions administrator can advise you of the SLA level in the tax year in which your benefits become payable.

If you were to retire during 2006/07, therefore, your pensions administrator would ask you to declare any other pension benefits in payment and would compare these, plus the benefits due under the FPS, with the SLA of £1,500,000. If the value of benefits exceeds this amount you would still be eligible to receive the excess but it would be taxed. The tax is called a "lifetime allowance tax charge". There are two different rates of lifetime allowance tax charge. The charge on the excess value taken as a lump sum is 55% and 25% is the charge on any excess value taken as a pension (in addition to any standard Pay As You Earn tax deductions made from instalments of pension). The lifetime allowance tax charge is paid to HMRC by the pension scheme administrator and recovered from the scheme member by a reduction applied to the benefits (as allowed by Rule B11).

To value your FPS benefits the annual pension is multiplied by 20 and then the lump sum by commutation is added. For example, if you are entitled to a pension of £20,000 and choose not to commute,

$$£20,000 \times 20 = £400,000.00$$

If you commute a quarter to provide a pension of, say £15,000 and lump sum of £75,000, your FPS benefits would be valued as –

$$(£15,000 \times 20) + £75,000 = £375,000.00$$

As you can see this is considerably less than the SLA and so, unless you had a considerable amount of benefits in pension arrangements other than the FPS, your benefits would not be subject to the lifetime allowance tax charge.

Rule B2 (continued)

Tax (continued) | If you were a higher earner who claimed Primary Protection or Enhanced Protection when the new tax rules were introduced you should give to your pensions administrator at the time benefits become due a copy of any certification supplied by HMRC which confirms the protection.

Payment | Payment of the pension will normally commence from the day you retire. It will be made in accordance with Rules L3 and L5.

Payment of the short service lump sum will be made as soon as possible after you retire.

Example | Examples of the calculation of a short service pension are given on page B2-Example 1.

Examples of the calculation of a short service lump sum (i.e. a repayment of aggregate contributions) are given on pages B6-Example 1.

Archived pages | The short service lump sum was introduced to comply with a new tax regime which came into effect on 6 April 2006. It replaced a lump sum gratuity payable where a firefighter had less than 2 years' pensionable service at retirement at normal pension age. In case reference has to be made to these earlier provisions, the previous explanation of Rule B2 follows these pages as "archived" material.

Useful reference source |
- FSC 30/2004: introduction of pension provisions for part-time regular firefighters
- FPSC 9/2006: amendment of Rule B2 – consequential to the new tax regime.

Points To Note

1. Because eligibility for a short service lump sum relies on a firefighter having less than 2 years' pensionable service at normal pension age, it is a benefit very rarely encountered.

2. If an "earmarking" order has been issued by a court on divorce, dissolution of civil partnership, annulment, or judicial separation (see Annexe 14) the net pension or lump sum by commutation (see Rule B7) may need to be reduced in accordance with the order.

3. Pension provisions for part-time regular firefighters were introduced on 13 September 2004.

4. The reference to a transfer of pension rights from a personal pension scheme giving entitlement to a short service award was added to the Scheme with effect from 6 April 2006 by the Firefighters' Pension Scheme (Amendment) (No.2) (England) Order 2006. It mirrors the requirements of Section 71(1)(b) of the Pension Schemes Act 1993.

Example of assessment of short service pension

Example A

A firefighter retires at age 56 after 10 years 123 days of service. His average pensionable pay (APP) is £19,450.

Formula: $\dfrac{\text{service to 20 years}}{60} + \dfrac{2 \times \text{ service in excess of 20 years}}{60} \times \text{APP}$

Firefighter's short service pension will be:

$$\frac{10\ 123/365}{60} + \frac{2\ \times\ 0}{60} \times £19,450.00 = \frac{10.3370}{60} \times £19,450.00$$

= £3,350.91 a year

Example B

A firefighter retires at age 55 after 21 years 188 days of service. Her average pensionable pay (APP) is £25,250.

Formula: $\dfrac{\text{service to 20 years}}{60} + \dfrac{2 \times \text{ service in excess of 20 years}}{60} \times \text{APP}$

Firefighter's short service pension will be:

$$\frac{20}{60} + \frac{2\ \times\ 1\ 188/365}{60} \times £25,250.00 = \frac{23\ 11/365}{60} \times £25,250.00 = \frac{23.0301}{60} \times £25,250.00$$

= £9,691.83 a year

Note: Pensions as calculated above may be subject to reductions for –
- Commutation – see Rule B7 (see Examples C and D on pages B7-Example 2 in respect of above)
- Allocation – see Rule B9
- Widow's pension uprating (where service before 1.4.1972) – see pages B Gen 1
- National Insurance modification (where service before 1.4.1980) – see pages B Gen 2
- Pension sharing orders on divorce/dissolution of civil partnership: see Rule B12 and Annexe 14

Another example follows . . .

Example of assessment of short service pension (continued)

Example C

Assume the firefighter in Example B has worked part-time (half-time) throughout her service. Rule A7(4) allows the 21 years 188 days to count in full at the first stage of the assessment. Schedule 2 Part VIA allows the use of the whole-time average pensionable pay. Therefore the first stage of the assessment would produce the same ordinary pension as in Example B, i.e. £9,691.83 a year.

Assessment following formula given in Schedule 2 Part VIA

Formula: $\dfrac{A \times (B + C)}{D}$

where   A = £9,691.83
           B = 0
           C = 1/2 x 21 years 188 days = 10 years 276.5 days
           D = 21 years 188 days

Firefighter's short service pension will be:

$$\frac{£9,691.83 \times (0 + 10.7575)}{21.5150}$$

=   £4,845.91 a year

Note: Pensions as calculated above may be subject to reductions for –
- Commutation – see Rule B7
- Allocation – see Rule B9
- Widow's pension uprating (where service before 1.4.1972) – see pages B Gen 1
- National Insurance modification (where service before 1.4.1980) – see pages B Gen 2
- Pension sharing orders on divorce/dissolution of civil partnership: see Rule B12 and Annexe 14

> **Rule B2 sets out the terms of eligibility for a short service award.**
> **Schedule 2 Part II explains how a short service pension should be calculated.**
> **Schedule 2 Part IV explains how a short service gratuity should be calculated.**
> **Schedule 2 Part VIA explains adjustments for part-time service**

Eligibility for a short service pension

Rule B2 explains that in order to be entitled to immediate payment of a short service pension you must –

- be a regular firefighter, and
- be entitled to reckon at least 2 years' pensionable service, and
- retire at compulsory retirement age (see the explanation of Rule A13) without being entitled to an ordinary pension under Rule B1, or
- retire at age 65 or over without being entitled to any other pension or gratuity under Part B of the FPS.

Eligibility for a short service gratuity

If you satisfy all the above conditions except for the required length of service (i.e. if you have less than 2 years' pensionable service) then instead of a pension you will be eligible for a short service gratuity (i.e. a lump sum payment).

Exclusions

Even if you satisfy the above conditions for either a pension or a gratuity, Rule B2(1) prevents payment of a short service award if you have elected to opt out of the Scheme and that election still has effect.

Method of calculation of short service pension

Rule B2(2)(a) tells you to calculate a short service pension by using the method given in Schedule 2 Part II.

Schedule 2 Part II gives the basic formula for a short service pension –

$$\frac{A \times B}{60} + \frac{2 \times A \times C}{60}$$

where

A is your average pensionable pay,

B is the period in years (and days) of your pensionable service up to 20 years,

C is the period in years (and days) by which pensionable service exceeds 20 years.

This formula can be simplified to –

- 1/60 of average pensionable pay for the first 20 years of pensionable service, plus
- 2/60 of average pensionable pay for pensionable service in excess of 20 years.

Each day in excess of a completed year counts as 1/365 of a year, even in a leap year (see the explanation of Rule A7).

This Rule does not refer to the upper limit of 30 years in the assessment because a short service pension will not be paid where more than 25 years of service have been completed (otherwise your entitlement to a pension would be under Rule B1).

Rule B2 (continued)

Effect of part-time service on calculation of short service pension

To assess entitlement to, and the amount of, a short service pension for a regular firefighter who has had a period of part-time service, you must take account of Rule A7(4) (the reckoning of service for the purposes of awards) and to Rule B13 which directs you to look at Part VIA of Schedule 2.

Rule A7(4) says that any period of part-time service should be treated as whole-time service for the purposes of assessing pensionable service.

This principle would be applied when determining if you have the 2 years' pensionable service needed to qualify for a short service pension. For example if you had served for 2 years as a part-time firefighter (working half-time), Rule A7(4) allows you to count 2 years of pensionable service. So you would meet the service requirement for this type of award.

The same principle of counting all service as whole-time is used at the first stage of calculating your short-term pension. Schedule 2 Part VIA also requires that, at the first stage of the assessment, the average pensionable pay should be the average pensionable pay you would have received had you been a whole-time member of a brigade. To all intents and purposes, therefore, the first stage of the pension calculation treats you as if you had been a whole-time regular firefighter throughout your service. "Method of calculation" above tells you how this is done.

The second stage of the calculation applies a "pro rata" principle to the ordinary pension calculated at the first stage. This is set out in detail in the explanation of Rule B13 (and Schedule 2 Part VIA). Basically, the whole-time pension is multiplied by the total of your whole-time and part-time service (treated pro rata) divided by the whole-time equivalent. This gives an equitable portion of the whole-time pension.

Adjustments to short service pension

The pension derived from the basic formula taking account of any adjustment under Schedule 2 Part VIA may be subject to the following adjustments –

- a reduction for commutation (see the explanation of Rule B7)

- a reduction for allocation (see the explanation of Rule B9)

- a reduction for an election to uprate widow's and children's benefits – generally firefighters with service before 1 April 1972 and so not likely to affect anyone currently serving (see pages B Gen 1)

- a reduction for National Insurance modification – generally firefighters with service before 1 April 1980 (see pages B Gen 2)

- an addition for Pensions Increase (see Annexe 10)

- a reduction in respect of a pension sharing order issued on divorce or annulment of marriage (see Rule B12 and Annexe 14).

Rule B2 (continued)

Method of calculation of short service gratuity

Rule B2(2)(b) tells you to calculate a short service gratuity by using the method given in Schedule 2 Part IV.

Schedule 2 Part IV gives the amount of gratuity payable as –

- if you have less than one year of pensionable service:
  - a sum equal to your aggregate pension contributions
- if you have one year or more of pensionable service:
  - a sum equal to your aggregate pension contributions, or
  - 1/12 x average pensionable pay x pensionable service (in years and days)

  whichever is the greater.

"Aggregate pension contributions" are explained in Rule A8.

Effect of part-time service on calculation of short service gratuity

Rule A7(4) allows part-time service to count as whole-time service when deciding total pensionable service. Consequently, 2 years of service as a regular firefighter, regardless of hours worked, would qualify you for a short service pension. Only if you have less than 2 years assessed on this principle (and taking account of any transferred-in service) would you expect to receive a short service gratuity rather than a pension. The same principle is used to decide if the gratuity would be a sum equal to your aggregate pension contributions (where you have less than one year of pensionable service) or a proportion of pensionable pay, if greater (where you have one year or more of pensionable service).

To assess the amount of a short service gratuity where pensionable service is less than one year, the principle is the same as for a whole-time firefighter (shown above), i.e. working out aggregate pension contributions.

To assess the amount of a short service gratuity where pensionable service is one year or more, although pensionable service will count as if whole-time throughout, the average pensionable pay will be the actual average pensionable pay, i.e. based on part-time pay if part-time service falls within the averaging period. Short service gratuities are not covered by Schedule 2 Part VIA. If greater, the gratuity would be a sum equal to aggregate pension contributions.

Adjustments to short service gratuity

Paragraph 3 of Schedule 2 Part IV states that a firefighter who retires after the beginning of the tax year in which he or she attains State pensionable age must have the gratuity reduced by the capitalised value (as calculated by the Government Actuary) of his or her Guaranteed Minimum Pension (GMP).

State pensionable age is 65 for men, 60 to 65 for women (see Annexe 8).

Rule B2 (continued)

Adjustments to short service gratuity (continued)	A GMP is a sum assured under rules allowing pension schemes to contract out of the State pension scheme. This is explained in more detail in Annexe 8. GMPs ceased to accrue after 6 April 1997. A firefighter who today does not have enough service to qualify for anything other than a short service gratuity will not have any GMP entitlement to deduct. Consequently this requirement will apply to old cases only.
Payment	Payment will normally commence from the day you retire. It will be made in accordance with Rules L3 and L5.
Example	Examples of the calculation of a short service gratuity are given on page B2-Example 1. Examples of the calculation of a short service pension are given on page B2-Example 2.
Useful reference source	• FSC 30/2004: introduction of pension provisions for part-time regular firefighters

Points To Note

1. Because eligibility for a short service gratuity relies on a firefighter having less than 2 years' pensionable service at normal pension age, it is a benefit very rarely encountered.

2. If an "earmarking" order has been issued by a court on divorce, dissolution of civil partnership, judicial separation or annulment (see Annexe 14) the net pension or lump sum by commutation (see Rule B7) may need to be reduced in accordance with the order.

3. Pension provisions for part-time regular firefighters were introduced on 13 September 2004.

Example of assessment of short service gratuity

Example A

A firefighter retires at age 55 after 330 days of service. He has paid £1,642.79 in contributions. With less than 2 years' service he is not eligible for a pension. He is eligible for a short service gratuity.

Formula: With less than one year of service, a short service gratuity will be equal to the firefighter's aggregate pension contributions

Firefighter's short service gratuity will be:

　　　　　£1,642.79

Example B

A firefighter retires at age 55 after 1 year 348 days of service. His average pensionable pay (APP) is £19,560. He has paid £4,202.57 in contributions. With less than 2 years' service he is not eligible for a pension. He is eligible for a short service gratuity.

Formula: With more than one year of service, a short service gratuity will be the greater of:

　　　　　1/12 x APP x years and days of pensionable service

　　　　　or

　　　　　a sum equal to aggregate pension contributions

Firefighter's short service gratuity will be the greater of:

　　　　　1/12 x £19,560.00 x 1 348/365 = 1/12 x £19,560.00 x 1.9534 = £3,184.04

　　　　　or

　　　　　£4,202.57

　　　　　therefore gratuity will be £4,202.57

Example C

Assume the firefighter in Example B has served as a part-time (half-time) regular firefighter throughout his 1 year 348 days of service. His APP is £9,780. He has paid £2,101.28 in contributions. The 1 year 348 days is counted as whole-time in accordance with Rule A7(4). But with less than 2 years' pensionable service he is not eligible for a pension.

Formula: With more than one year of service, a short service gratuity will be the greater of:

　　　　　1/12 x APP x years and days of pensionable service

　　　　　or

　　　　　a sum equal to aggregate pension contributions

Firefighter's short service gratuity will be the greater of:

　　　　　1/12 x £9,780.00 x 1 348/365 = 1/12 x £9,780.00 x 1.9534 = £1,592.02

　　　　　or

　　　　　£2,101.28

　　　　　therefore gratuity will be £2,101.28

Example of assessment of short service pension

Example A

A firefighter retires at age 57 after 10 years 123 days of service. His average pensionable pay (APP) is £19,450. His compulsory retirement age was 55 but the fire authority granted 2 one-year extensions of service.

Formula: $\dfrac{\text{service to 20 years}}{60} + \dfrac{2 \times \text{service in excess of 20 years}}{60} \times \text{APP}$

Firefighter's short service pension will be:

$$\frac{10\ 123/365}{60} + \frac{2 \times 0}{60} \times £19,450.00 = \frac{10.3370}{60} \times £19,450.00$$

$$= £3,350.91 \text{ a year}$$

Example B

A firefighter (Sub-Officer) retires at age 55 after 21 years 188 days of service. Her average pensionable pay (APP) is £25,250.

Formula: $\dfrac{\text{service to 20 years}}{60} + \dfrac{2 \times \text{service in excess of 20 years}}{60} \times \text{APP}$

Firefighter's short service pension will be:

$$\frac{20}{60} + \frac{2 \times 1\ 188/365}{60} \times £25,250.00 = \frac{23\ 11/365}{60} \times £25,250.00 = \frac{23.0301}{60} \times £25,250.00$$

$$= £9,691.83 \text{ a year}$$

Example C

Assume the firefighter in Example B has worked part-time (half-time) throughout her service. Rule A7(4) allows the 21 years 188 days to count in full at the first stage of the assessment. Schedule 2 Part VIA allows the use of the whole-time average pensionable pay. Therefore the first stage of the assessment would produce the same ordinary pension as in Example B, i.e. £9,691.83 a year.

Assessment following formula given in Schedule 2 Part VIA

Formula: $\dfrac{A \times (B + C)}{D}$

where   A = £9,691.83
       B = 0
       C = 1/2 x 21 years 188 days = 10 years 276.5 days
       D = 21 years 188 days

Firefighter's short service pension will be:

$$\frac{£9,691.83 \times (0 + 10.7575)}{21.5150}$$

$$= £4,845.91 \text{ a year}$$