



Derbyshire
Fire & Rescue Service
Making Derbyshire Safer

Managers and Employees Guidance on Re-Employment and Pension Abatement

Purpose of this Guidance

This document is intended for managers' and employees' general guidance on the potential pension implications when DFRS employs or re-employs a person who has retired from any public sector organisation and is in receipt of an occupational pension from that previous employment. This document provides guidance on the requirement for a break in service and the rules around Pension Abatement.

The pension implications referred to in this document relate to the Firefighters' Pension Schemes (1992, 2006, 2015 and RDS Modified). For ease, they are all referred to in this document as N/FPS. There are similar facilities in relation to employees whose main role qualifies for membership of Local Government Pension Scheme (LGPS).

Pension regulations are very complex and this guide should be regarded as being for basic information, non-definitive and sign-posting purposes only. Employees wishing to seek specific advice on their individual circumstances should contact the relevant Pension Administrator and/or seek independent financial advice. The contact details for the Local Government Pension Schemes and the Firefighters' Pension Schemes are below:

For Local Government Pension Scheme please contact:

Derbyshire County Council
Pensions Section
County Hall
Matlock
Derbyshire
DE4 3AG

<https://derbyshirepensionfund.org.uk/>

Email: pensions@derbyshire.gov.uk

Phone: 01629 538900

For Firefighters' Pension Scheme please contact:

West Yorkshire Pension Fund
PO Box 67
Bradford
BD1 1UP

www.wypf.org.uk

Email: pensions@wypf.org.uk

Phone: 01274 434999

Pension Abatement Rules

In order for an individual already in receipt of an occupational public sector pension to be employed / re-employed by DFRS they will need to have a break in service for a minimum period of 4 complete weeks ending on a Saturday.

For employees who received their pension below age 55, a break in service of 6 months is usually required. This relates to a different form of pension breach known as Loss of Protected Pension Age, for which separate information is contained elsewhere on the FireView Pension pages.

On employment / re-employment, to ensure abatement rules aren't breached, the employee is only able to earn the same amount in their new role (plus pension) as they used to earn in their old role. Therefore, for all roles advertised DFRS identifies whether or not an individual is in receipt of an occupational public sector pension at the application form stage of the recruitment process. If the individual is in receipt of an occupational public sector pension and they are subsequently offered the post, the hours of work offered are adjusted accordingly.

The same rule applies if the employee's hours of work or grade are increased during the period of employment / re-employment. DFRS has set up a workflow triggered in Snowdrop (the DFRS HR System) to the HR Partners if there is a change in hours of work or grade for an employee already in receipt of a public sector pension. This allows the HR Partner to discuss the potential breach with the employee and their line manager accordingly.

If the individual's hours are not adjusted accordingly then DFRS has to deduct £1 from their pension for every £1 they earn over the limit. If these measures are not implemented and there is a pension breach, DFRS may need to formally report this breach to the Pensions Regulator. DFRS and the employee may also be liable to a tax charge and financial penalties being imposed in addition to the repayment of overpaid pension. For a breach of Loss of Protected Pension Age, the penalty alone is up to 70% of the commuted lump sum the employee received on retirement.

Guidance for calculating Earnings and Hours to ensure that Pension Abatement Rules are not breached

When calculating earnings in the old role, you should take into account any pay rise awarded in that role since retirement in order to arrive at the figure the employee is able to earn. If relevant, also take into account additional earnings such as 20% Flexible Duty System (FDS) allowance, Day Staffing retainer fee and evening call-outs etc. Don't include "expense" type allowances such as telephone, medical & dental etc.

Once you are able to compare the old earnings (plus pay rise as per the above paragraph) with the current role earnings (plus pension), you can avoid the abatement trigger by reducing the employee's hours in their current role until you

reach a point of equilibrium. If this isn't possible, then the employee and Finance need to be informed so that the pension can be abated to the appropriate level.

Working example:

John Jones retires from his Station Manager (FDS) role in August 2014 at age 56. He commences as a Fire Safety Inspecting Officer in October 2014. There has been a greater break in service than 4 weeks, so the first rule on abatement has been satisfied. He retired above age 55, so he doesn't need a 6 month break in service.

Following the selection process the manager has sought HR advice as to the maximum number of hours he can work to comply with abatement rules and allow the employee to continue to receive his full monthly pension. On this basis, John Jones is subsequently employed to work 22.5 hours per week in order to avoid abatement of his pension.

However, in 2016 the manager needs to increase capacity in the department and wants to know if he can offer John Jones any additional hours. The monthly pension John is in receipt of in 2016 is £2,000. The full time equivalent salary at John's pay scale point is £32,164.

The calculation in order to assess this is as follows (based on 2016 rates):

Station Manager (FDS)	£50,584.80
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Plus CPD	£754.47
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<u>Subtotal</u>	<u>£51,339.27</u>
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Minus:

Annual Pension (£2,000 x 12)	£24,000
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Plus Earning from current part-time role	£19,559.19
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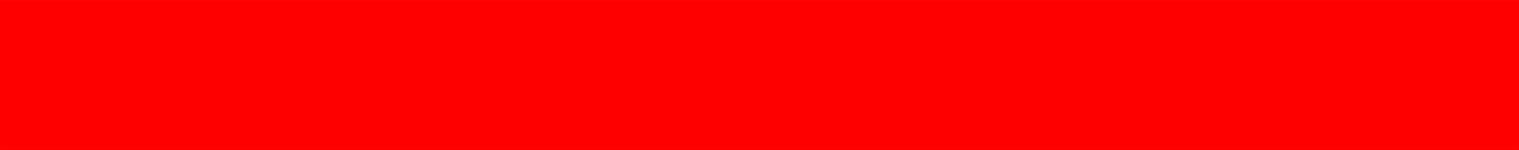
<u>Subtotal</u>	<u>£43,559.19</u>
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£51,339.27 minus £43,559.19 = £7,780.08

£7,780.08 / 52.143 = £149.20

Hourly rate for current part time role (£32,164 / 52.143 / 37) = £16.67 per hour

£149.20 / £16.67 = 8.5 hours



Using the above calculation the manager knows that John Jones can be offered an additional 8.5 hours per week, a total of 31 hours per week, without his pension being abated.

Further information and Guidance

If you have any queries regarding the contents of this guidance please contact Sean Connor, Senior HR Partner on extension 5434.