

Firefighters' Pension Scheme 1992 Examples of Club Transfer Calculations

Date: 30th September 2010



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1 Introduction

1.1 Scope of this guidance note

- 1.1.1 This note relates to the Firefighters' Pension Scheme introduced in 1992. It sets out the general method for assessing:
- Public Sector Transfer Club transfer values
- 1.1.2 The Actuarial Factors in this note come into effect from the 1st October 2010, in accordance with the letter issued by the Cabinet Office on 1 September 2010. This note supersedes previous guidance issued by the Government Actuary's Department.
- 1.1.3 The letter from the Cabinet Office describes the transitional arrangements for the new factors.
- 1.1.4 References in this guidance to The Firefighters' Pension Scheme (England) may be taken to include their equivalents in Scotland, Wales and Northern Ireland.

Changes to the previous factors

- 1.1.5 The format of the factors applying from the 1st October 2010 is substantively the same as the factors that were previously used. There are, however, some changes as follows:
- (i) In the Budget on 22 June 2010, the Chancellor announced that future public service pension indexation would be in line with CPI rather than RPI from April 2011. HMT subsequently withdrew its guidance note for determining the discount rate in CETV calculations for public service pension schemes (issued in September 2008). HMT issued new guidance on the discount rate to be used for CETVs on 6 August 2010. The factors in this guidance are calculated consistently with the new HMT guidance.
 - (ii) the proportion of the factor that is applied to GMP accrued after 5th April 1988 has changed from 25% to 30% for all tables.

1.2 Questions about this guidance

1.2.1 If you have any questions about how to use this guidance, in the first instance administrators should consult published information or the Firefighter Pensions pages at:

<http://www.communities.gov.uk/fire/working/firefighterpensions/>

1.2.2 If this does not help, administrators may contact the relevant Fire Pensions Team, by e-mail or writing to:

Firefighters' Pensions Team
WPP Division
Department for Communities and Local Government
Zone 5/F6
Eland House
Bressenden Place
London SW1E 5DU

Scottish Public Pensions Agency
7 Tweedside Park
Tweedbank
Galashiels TD1 3TE

Fire and Rescue Services Branch
Welsh Assembly Government
Merthyr Tydfil Office
Rhydycar
Merthyr Tydfil
CF48 1UZ

Department for Health, Social Services and Public Safety
Fire Division
Castle Buildings
Stormont
Belfast BT4 3SS

1.2.3 The Fire Pensions Teams will seek input from the Scheme Actuary if necessary.

2 Note on this guidance

- 2.1 This guidance note should be used in conjunction with the guidance issued on the 30th June 2009 (previous guidance). This note has been updated to allow for the changes listed in section 1.1.5.

3 Revised calculations

3.1 Club transfers out

3.1.1 Replacing the formula provided in section 2.1.12 of the previous guidance, the calculation of the Club transfer value is given by

$$[(CP + APB_{pen}) \times F_p + (SUR + APB_{sur}) \times F_{sur} - NI \times F_{ni} -$$

$$(PRE\ GMP + G_{post88} \times POST\ GMP) \times F_{gmp}] \times AMC$$

CP	member's pension
APB _{pen}	additional pension from CPD contributions or LSI
SUR	pension payable on the death of the member to their spouse or partner
APB _{sur}	additional pension payable on the death of the member to their spouse or partner from CPD contributions or LSI
NI	annual amount that will be deducted at State pensionable age due to NI modification
PRE GMP	annual GMP accrued before 6.4.88
POST GMP	annual GMP accrued from 6.4.88
F _p	factor for member's pension – Table A1 or A2
F _{sur}	factor for survivor's pension – Table A1 or A2
F _{ni}	factor for NI modification – Table A1 or A2
F _{gmp}	factor for GMP saving – Table A1 or A2
G _{post88}	conversion factor applied to GMP deduction, for GMP amount in respect of service after 5 April 1988. Please see note in Table A1 or A2
AMC	adjustment for market conditions – Table D2

4 Example Calculations

This section provides examples of the calculations described by this note.

Figures in these example calculations are rounded to a suitable level of accuracy. Where a figure is shown as an intermediate step in the calculation, subsequent steps will use this rounded figure as written on the page. It is also perfectly acceptable to perform these calculations on a computer spreadsheet, such as MS Excel. In this case the figures calculated in the intermediate steps will usually not be rounded, so the final answer may be slightly different to that shown in these examples. The difference will not be significant and both methods are valid. However, when performing calculations for paper based calculations, the figures calculated as intermediate steps should not be rounded to a lower level of accuracy than used in these examples.

4.1 Club transfer out

The following information is needed for this calculation:

A. Member date of birth	25 May 1971
B. Last date of service	10 Aug 2006
C. Guarantee date	11 Aug 2006
D. Member age as at calculation date	35
E. Marital status	Not required
F. Gender	Male
G. Final Pensionable Pay	£22,000
H. Reckonable service for deferred pension	3 years 122 days
I. Pre 6/4/88 GMP	£0
J. Post 6/4/88 GMP	£0
K. Have the figures in I & J been revalued?	N/A
L. Yield used to determine the AMC factor	1.00%
M. Additional pension from CPD contributions or LSI	£0
N. NI modification	£0

Formula

From 3.1.1, the formula to calculate the Club transfer value is:

$$[(CP + APB_{pen}) \times F_p + (SUR + APB_{sur}) \times F_{sur} - NI \times F_{ni} - (PRE\ GMP + G_{post88} \times POST\ GMP) \times F_{gmp}] \times AMC$$

Inputs

CP = $(1 \div 60) \times 22,000 \times (3 + (122 \div 365)) = £1,222.56$ pa

SUR = $0.5 \times 1,222.56 = £611.28$ pa

NI = £0.00; so F_{ni} will not be required

Pre GMP & Post GMP = 0; so F_{gmp} will not be required

$F_p = 5.91$ (from Table A1 "Pension of £1 pa" column)

$F_{sur} = 0.95$ (from Table A1 "Survivor's pension of £1 pa" column)

AMC = 1.22 (from table D2 – take the yield from the 1% column)

Calculation

Substituting these values into the formula we get:

$$\begin{aligned} TV &= [(1,222.56 \times 5.91) + (611.28 \times 0.95) - 0] \times 1.22 \\ &= [7,225.33 + 580.72] \times 1.22 \\ &= [7,806.05] \times 1.22 \\ &= 9,523.38 \end{aligned}$$

Therefore the Transfer Value out is **£9,523,38**.

5 Tables of factors

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Table A1: Transfer value factors for deferred benefits payable from 60 - Males

Age last birthday at relevant date	Pension of £1 pa	Survivor's pension of £1 pa ¹	Saving factor for GMP of £1 pa ²	Deduction for NI Modification of £1 pa	GMP valuation factor ³
18	2.96	0.45	1.00	2.15	5.19
19	3.09	0.47	1.02	2.24	5.29
20	3.22	0.49	1.04	2.33	5.39
21	3.35	0.52	1.06	2.43	5.50
22	3.49	0.54	1.08	2.53	5.60
23	3.63	0.56	1.10	2.63	5.71
24	3.78	0.59	1.13	2.74	5.82
25	3.94	0.62	1.15	2.85	5.93
26	4.10	0.65	1.17	2.97	6.05
27	4.27	0.68	1.19	3.09	6.16
28	4.45	0.71	1.22	3.22	6.28
29	4.63	0.74	1.24	3.36	6.40
30	4.82	0.77	1.26	3.49	6.52
31	5.02	0.80	1.29	3.64	6.65
32	5.23	0.84	1.31	3.79	6.78
33	5.45	0.87	1.34	3.95	6.91
34	5.67	0.91	1.37	4.11	7.04
35	5.91	0.95	1.39	4.28	7.17
36	6.15	0.99	1.42	4.46	7.31
37	6.41	1.03	1.45	4.64	7.45
38	6.68	1.07	1.48	4.84	7.60
39	6.95	1.11	1.51	5.04	7.74
40	7.24	1.16	1.54	5.25	7.89
41	7.54	1.20	1.57	5.46	8.04
42	7.86	1.25	1.60	5.69	8.19
43	8.18	1.30	1.63	5.93	8.35
44	8.52	1.35	1.66	6.18	8.51
45	8.88	1.40	1.69	6.43	8.67
46	9.25	1.45	1.73	6.70	8.84
47	9.63	1.51	1.76	6.98	9.01
48	10.04	1.56	1.80	7.27	9.18
49	10.46	1.62	1.83	7.58	9.35
50	10.90	1.68	1.87	7.89	9.53
51	11.36	1.73	1.91	8.23	9.72
52	11.84	1.79	1.95	8.57	9.90
53	12.34	1.85	1.99	8.94	10.09
54	12.86	1.91	2.03	9.32	10.29
55	13.41	1.97	2.07	9.72	10.49
56	13.99	2.03	2.11	10.14	10.70
57	14.59	2.09	2.16	10.57	10.91
58	15.22	2.15	2.21	11.03	11.12
59	15.90	2.21	2.25	11.51	11.34

¹ The factor for survivor's pension is the same for married and unmarried members.

² When calculating the saving for GMP, the factor given should be applied to the sum of the GMP amount in respect of service up to 5.4.1988 and 30% of the GMP amount in respect of service after that date.

³ When calculating the value of GMP rights, the factor given should be applied to the annual amount of the GMP accrued in respect of service up to 5.4.1988, plus 1.15 times the annual amount of GMP accrued in respect of service after that date.

NB: Table A1 above is the same as Table A1 in the GAD guidance 'Firefighters' Pension Scheme 1992 Statutory Cash Equivalent Transfer Values' issued on 22nd September 2010

Table A2: Transfer value factors for deferred benefits payable from 60 - females

Age last birthday at relevant date	Pension of £1 pa	Survivor's pension of £1 pa ¹	Saving factor for GMP of £1 pa ²	Deduction for NI Modification of £1 pa	GMP valuation factor ³
18	3.08	0.22	0.87	2.26	6.01
19	3.21	0.23	0.89	2.36	6.13
20	3.35	0.24	0.91	2.45	6.25
21	3.48	0.25	0.92	2.56	6.37
22	3.63	0.26	0.94	2.66	6.49
23	3.78	0.27	0.96	2.77	6.61
24	3.93	0.28	0.98	2.89	6.74
25	4.10	0.29	1.00	3.01	6.87
26	4.27	0.31	1.01	3.13	7.00
27	4.44	0.32	1.03	3.26	7.13
28	4.63	0.33	1.05	3.39	7.26
29	4.82	0.35	1.07	3.53	7.40
30	5.02	0.36	1.09	3.68	7.54
31	5.22	0.37	1.11	3.83	7.68
32	5.44	0.39	1.13	3.99	7.83
33	5.67	0.40	1.16	4.16	7.98
34	5.90	0.42	1.18	4.33	8.13
35	6.15	0.43	1.20	4.51	8.28
36	6.40	0.45	1.22	4.70	8.44
37	6.67	0.46	1.25	4.89	8.60
38	6.95	0.48	1.27	5.10	8.77
39	7.23	0.49	1.29	5.31	8.93
40	7.54	0.51	1.32	5.53	9.10
41	7.85	0.52	1.34	5.76	9.28
42	8.17	0.54	1.37	6.00	9.45
43	8.51	0.56	1.40	6.25	9.63
44	8.87	0.58	1.42	6.50	9.82
45	9.24	0.60	1.45	6.78	10.00
46	9.62	0.61	1.48	7.06	10.20
47	10.02	0.63	1.51	7.35	10.39
48	10.44	0.65	1.54	7.66	10.59
49	10.88	0.67	1.56	7.98	10.80
50	11.33	0.68	1.60	8.31	11.01
51	11.81	0.70	1.63	8.66	11.22
52	12.31	0.71	1.66	9.03	11.44
53	12.83	0.73	1.69	9.41	11.67
54	13.37	0.74	1.73	9.81	11.90
55	13.94	0.75	1.76	10.23	12.14
56	14.53	0.77	1.80	10.66	12.39
57	15.16	0.78	1.83	11.12	12.64
58	15.81	0.79	1.87	11.60	12.89
59	16.50	0.80	1.95	12.10	13.42

¹ The factor for survivor's pension is the same for married and unmarried members.

² When calculating the saving for GMP, the factor given should be applied to the sum of the GMP amount in respect of service up to 5.4.1988 and 30% of the GMP amount in respect of service after that date.

³ When calculating the value of GMP rights, the factor given should be applied to the annual amount of the GMP accrued in respect of service up to 5.4.1988, plus 1.20 times the annual amount of GMP accrued in respect of service after that date.

NB: Table A2 above is the same as Table A2 in the GAD guidance 'Firefighters' Pension Scheme 1992 Statutory Cash Equivalent Transfer Values' issued on 22nd September 2010

Table D2: Adjustment for market conditions

Males and Females

Age last birthday at relevant date	Yield on index-linked stocks at relevant date ¹				
	0%	1%	2%	3%	4%
16 – 25	1.31	1.22	1.12	1.04	0.96
26 – 28	1.31	1.22	1.12	1.04	0.96
29 – 31	1.31	1.22	1.12	1.04	0.96
32 – 33	1.31	1.22	1.12	1.04	0.96
34 – 35	1.31	1.22	1.12	1.04	0.96
36 – 37	1.31	1.22	1.12	1.04	0.96
38	1.31	1.22	1.12	1.04	0.96
39	1.31	1.22	1.12	1.04	0.96
40	1.31	1.22	1.12	1.04	0.96
41	1.31	1.22	1.12	1.04	0.96
42	1.31	1.22	1.12	1.04	0.96
43	1.31	1.22	1.12	1.04	0.96
44	1.31	1.22	1.12	1.04	0.96
45	1.31	1.22	1.12	1.04	0.96
46	1.31	1.21	1.12	1.04	0.96
47	1.31	1.21	1.12	1.04	0.96
48	1.31	1.21	1.12	1.04	0.96
49	1.31	1.21	1.12	1.04	0.96
50	1.31	1.21	1.12	1.04	0.96
51	1.30	1.21	1.12	1.04	0.96
52	1.30	1.20	1.12	1.04	0.96
53	1.29	1.20	1.12	1.04	0.96
54	1.29	1.20	1.11	1.04	0.97
55	1.28	1.19	1.11	1.04	0.97
56	1.27	1.18	1.11	1.03	0.97
57	1.26	1.18	1.10	1.03	0.97
58	1.25	1.17	1.10	1.03	0.97
59	1.23	1.16	1.09	1.03	0.97
60	1.22	1.15	1.09	1.03	0.97
61	1.22	1.15	1.09	1.03	0.97
62	1.21	1.14	1.08	1.03	0.97
63	1.20	1.14	1.08	1.03	0.98
64	1.19	1.13	1.08	1.02	0.98

The market level adjustment is obtained from the table above by interpolation between the columns.

¹ Adjustment to be made to total transfer value calculated to allow for current yield on the FT-Actuaries index of index-linked government bonds with duration of 15 years or more averaged between the 0% and 5% inflation assumptions.

NB: the AMC table has not changed since the guidance issued on 30th June 2009