

## **Firefighters' Pension Scheme 1992 Examples of Club Transfer Calculations**

Date: 27 July 2012

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## **1 Introduction**

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### **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 1 January 2012, in accordance with the letter issued by the Cabinet Office on 2 December 2012. 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 1 January 2012 is substantively the same as the factors that were previously used. There are, however, some changes as follows:
- (i) The factors have been calculated in line with the HMT guidance on calculating cash equivalent transfer values published on 26 October 2011.
  - (ii) AMCs are no longer required. A table with AMCs of 1.00 has been included as this may be easier for implementation.
  - (iii) the proportion of the factor that is applied to GMP accrued after 5<sup>th</sup> April 1988 has changed.

## 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

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- 2.1 This guidance note supersedes the guidance noted 30 September 2010 but should be used in conjunction with the guidance issued on the 30 June 2009 (previous guidance). This note has been updated to allow for the changes listed in section 1.1.5.

### 3 Revised calculations

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#### 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

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

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

CP	member's pension
APB <sub>pen</sub>	additional pension from CPD contributions or LSI
SUR	pension payable on the death of the member to their spouse or partner
APB <sub>sur</sub>	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 <sub>p</sub>	factor for member's pension – Table A1 or A2
F <sub>sur</sub>	factor for survivor's pension – Table A1 or A2
F <sub>ni</sub>	factor for NI modification – Table A1 or A2
F <sub>gmp</sub>	factor for GMP saving (column titled "Deduction for GMP of £1 pa") Table A1 or A2
G <sub>post88</sub>	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

## 4 Example Calculation

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This section provides an example of the calculations described by this note.

Figures in this example calculation 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 this calculation 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 this example.

#### 4.1 Club transfer out

The following information is needed for this calculation:

<b>A.</b> Member's date of birth	25 May 1971
<b>B.</b> Last date of service	10 Aug 2006
<b>C.</b> Guarantee date	11 Aug 2006
<b>D.</b> Member's age last birthday as at calculation date	35
<b>E.</b> Marital status	Not required
<b>F.</b> Gender	Male
<b>G.</b> Final Pensionable Pay	£22,000
<b>H.</b> Reckonable service for deferred pension	3 years 122 days
<b>I.</b> Pre-88 GMP	£100
<b>J.</b> Post-88 GMP	£300
<b>K.</b> Additional pension from CPD contributions or LSI	£0
<b>L.</b> NI modification	£0

#### Formula

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

$$(\text{CP} + \text{APB}_{\text{pen}}) \times F_p + (\text{SUR} + \text{APB}_{\text{sur}}) \times F_{\text{sur}} - \text{NI} \times F_{\text{ni}} - (\text{PRE GMP} + (\text{G}_{\text{post88}} \times \text{POST GMP})) \times F_{\text{gmp}}$$

#### Inputs

CP = Member's pension at age 55 x (pensionable service ÷ notional service to age 55)

Member's notional pension at age 55

$$= £22,000 \times [(20 \text{ years} + 2 \times (3 \text{ years} + 45 \text{ days})) \div 60] = £9,623.35$$

$$\text{CP} = £9,623.35 \times (3 \text{ years} + 122 \text{ days}) \div (23 \text{ years} + 45 \text{ days})$$

$$\text{CP} = £9,623.35 \times (3.33 \div 23.12)$$

$$\text{CP} = £1,386.06$$

$$\text{SUR} = 0.5 \times 1,386.06 = £693.03 \text{ pa}$$

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

$$\text{PRE GMP} = £100$$

$$\text{POST GMP} = £300$$

$$F_p = 9.34 \text{ (from Table A1 "Gross Pension of £1 pa" column)}$$

$$F_{\text{sur}} = 2.20 \text{ (from Table A1 "Surviving Partner's Pension of £1 pa" column)}$$

$$G_{\text{Post88}} = 15\% \text{ (from note 2 in table A1)}$$

$$F_{\text{GMP}} = 3.26 \text{ (from Table A1 "Deduction for GMP of £1 pa" column)}$$

#### Calculation

Substituting these values into the formula we get:

$$\text{TV} = (£1,386.06 \times 9.34) + (£693.03 \times 2.20) - (£100 + 0.15 \times £300) \times 3.26$$

$$= £12,945.80 + £1,524.67 - £472.70$$

$$= £13,997.77$$



Therefore the Transfer Value out is **£13,998**.

## 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	Gross Pension of £1 pa	Surviving Partner's Pension of £1 pa <sup>1</sup>	Deduction for GMP of £1 pa <sup>2</sup>	Deduction for NI Modification of £1 pa	GMP valuation factor <sup>3</sup>
18	5.87	1.36	3.10	4.56	10.58
19	6.03	1.40	3.11	4.69	10.64
20	6.20	1.44	3.11	4.81	10.71
21	6.37	1.49	3.12	4.94	10.77
22	6.54	1.53	3.13	5.08	10.83
23	6.73	1.58	3.14	5.22	10.89
24	6.91	1.63	3.15	5.36	10.96
25	7.10	1.67	3.16	5.50	11.02
26	7.30	1.72	3.17	5.65	11.08
27	7.50	1.77	3.18	5.80	11.14
28	7.71	1.82	3.19	5.96	11.21
29	7.92	1.88	3.20	6.12	11.27
30	8.14	1.93	3.21	6.29	11.34
31	8.37	1.98	3.22	6.46	11.40
32	8.60	2.04	3.23	6.64	11.47
33	8.84	2.09	3.24	6.82	11.53
34	9.09	2.15	3.25	7.00	11.60
35	9.34	2.20	3.26	7.19	11.67
36	9.61	2.26	3.27	7.39	11.74
37	9.88	2.31	3.28	7.59	11.80
38	10.16	2.37	3.29	7.80	11.87
39	10.44	2.42	3.30	8.02	11.94
40	10.74	2.48	3.31	8.24	12.01
41	11.04	2.54	3.32	8.47	12.08
42	11.36	2.60	3.33	8.70	12.15
43	11.68	2.66	3.35	8.94	12.22
44	12.01	2.72	3.36	9.19	12.29
45	12.35	2.79	3.37	9.45	12.37
46	12.71	2.85	3.38	9.71	12.44
47	13.07	2.92	3.39	9.98	12.51
48	13.44	2.99	3.41	10.26	12.59
49	13.83	3.06	3.42	10.55	12.66
50	14.23	3.13	3.43	10.84	12.74
51	14.64	3.20	3.44	11.15	12.81
52	15.06	3.27	3.46	11.46	12.89
53	15.50	3.34	3.47	11.79	12.97
54	15.96	3.40	3.49	12.13	13.05
55	16.43	3.47	3.50	12.48	13.13
56	16.93	3.53	3.52	12.84	13.21
57	17.44	3.60	3.54	13.22	13.30
58	17.97	3.65	3.56	13.62	13.39
59	18.53	3.71	3.58	14.03	13.48

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

<sup>2</sup> When calculating the deduction for GMP, the factor given should be applied to the sum of the GMP amount in respect of service up to 5 April 1988 and 15% of the GMP amount in respect to service after that date.

<sup>3</sup> When calculating the value of the protected rights for males, the factor given should be applied to the annual amount of the GMP accrued in respect of service up to 5 April 1988, plus 1.25 times the annual amount of the GMP accrued in respect of service after that date.

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

Age last birthday at relevant date	Gross Pension of £1 pa	Surviving Partner's Pension of £1 pa <sup>1</sup>	Deduction for GMP of £1 pa <sup>2</sup>	Deduction for NI Modification of £1 pa	GMP valuation factor <sup>3</sup>
18	6.16	0.70	2.60	4.84	11.19
19	6.33	0.72	2.61	4.98	11.25
20	6.51	0.74	2.61	5.11	11.32
21	6.69	0.76	2.62	5.25	11.39
22	6.87	0.78	2.63	5.40	11.46
23	7.07	0.81	2.64	5.54	11.52
24	7.26	0.83	2.64	5.70	11.59
25	7.46	0.85	2.65	5.85	11.66
26	7.67	0.88	2.66	6.01	11.73
27	7.89	0.90	2.67	6.18	11.80
28	8.11	0.93	2.67	6.35	11.87
29	8.33	0.95	2.68	6.52	11.94
30	8.57	0.98	2.69	6.70	12.02
31	8.81	1.01	2.70	6.88	12.09
32	9.05	1.03	2.70	7.07	12.16
33	9.31	1.06	2.71	7.26	12.24
34	9.57	1.09	2.72	7.46	12.31
35	9.83	1.11	2.73	7.67	12.39
36	10.11	1.14	2.74	7.88	12.46
37	10.40	1.17	2.74	8.10	12.54
38	10.69	1.19	2.75	8.32	12.62
39	10.99	1.22	2.76	8.55	12.70
40	11.30	1.24	2.77	8.79	12.78
41	11.62	1.27	2.78	9.03	12.86
42	11.95	1.30	2.79	9.29	12.95
43	12.29	1.32	2.79	9.54	13.03
44	12.64	1.35	2.80	9.81	13.12
45	13.00	1.37	2.81	10.09	13.20
46	13.38	1.40	2.82	10.37	13.29
47	13.76	1.42	2.83	10.66	13.38
48	14.16	1.44	2.84	10.96	13.48
49	14.57	1.46	2.85	11.27	13.57
50	14.99	1.49	2.86	11.59	13.67
51	15.43	1.50	2.87	11.92	13.77
52	15.88	1.52	2.88	12.27	13.87
53	16.35	1.54	2.90	12.62	13.98
54	16.84	1.55	2.91	12.99	14.09
55	17.35	1.56	2.92	13.37	14.20
56	17.87	1.57	2.94	13.77	14.32
57	18.42	1.58	2.95	14.18	14.44
58	18.99	1.58	2.97	14.61	14.57
59	19.58	1.58	3.05	15.05	15.02

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

<sup>2</sup> When calculating the deduction for GMP, the factor given should be applied to the sum of the GMP amount in respect of service up to 5 April 1988 and 15% of the GMP amount in respect to service after that date.

<sup>3</sup> When calculating the value of the protected rights for females, the factor given should be applied to the annual amount of the GMP accrued in respect of service up to 5 April 1988, plus 1.30 times the annual amount of the GMP accrued in respect of service after that date.

**Table D2: Adjustment for market conditions**

**Males and Females**

Age last birthday at relevant date	Yield on index-linked stocks at relevant date <sup>1</sup>				
	0%	1%	2%	3%	4%
16 – 25	1.00	1.00	1.00	1.00	1.00
26 – 28	1.00	1.00	1.00	1.00	1.00
29 – 31	1.00	1.00	1.00	1.00	1.00
32 – 33	1.00	1.00	1.00	1.00	1.00
34 – 35	1.00	1.00	1.00	1.00	1.00
36 – 37	1.00	1.00	1.00	1.00	1.00
38	1.00	1.00	1.00	1.00	1.00
39	1.00	1.00	1.00	1.00	1.00
40	1.00	1.00	1.00	1.00	1.00
41	1.00	1.00	1.00	1.00	1.00
42	1.00	1.00	1.00	1.00	1.00
43	1.00	1.00	1.00	1.00	1.00
44	1.00	1.00	1.00	1.00	1.00
45	1.00	1.00	1.00	1.00	1.00
46	1.00	1.00	1.00	1.00	1.00
47	1.00	1.00	1.00	1.00	1.00
48	1.00	1.00	1.00	1.00	1.00
49	1.00	1.00	1.00	1.00	1.00
50	1.00	1.00	1.00	1.00	1.00
51	1.00	1.00	1.00	1.00	1.00
52	1.00	1.00	1.00	1.00	1.00
53	1.00	1.00	1.00	1.00	1.00
54	1.00	1.00	1.00	1.00	1.00
55	1.00	1.00	1.00	1.00	1.00
56	1.00	1.00	1.00	1.00	1.00
57	1.00	1.00	1.00	1.00	1.00
58	1.00	1.00	1.00	1.00	1.00
59	1.00	1.00	1.00	1.00	1.00
60	1.00	1.00	1.00	1.00	1.00
61	1.00	1.00	1.00	1.00	1.00
62	1.00	1.00	1.00	1.00	1.00
63	1.00	1.00	1.00	1.00	1.00
64	1.00	1.00	1.00	1.00	1.00

<sup>1</sup>The AMC table is not required but is included for ease of implementing the new factors.