

**Firefighters' Pension Scheme 1992**  
**Firefighters' Pension Scheme (Northern Ireland) 2007**

**Calculation of Pension Credits on Divorce**

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:
- Pension credit calculations for the ex-spouse or ex-civil partner on divorce
- 1.1.2 The Actuarial Factors in this note come into force with immediate effect. This note supersedes previous guidance issued by the Government Actuary's Department.
- 1.1.3 This note contains the tables and guidance to be issued by the Government Actuary that is referred to in the following regulations:
- Rule IA1 of the Firefighters' Pension Scheme 1992 Order (SI 1992 No. 129) as it applies in England and Wales
  - Rule N18 of the Firefighters Pension Scheme 1992 Order (SI 1992 No 129) as it applies in Scotland
  - Part J, Article 74 of the Firefighters' Pension Scheme (Northern Ireland) Order 2007 (SI 2007/144)

### Caveats

- 1.1.4 This note should not be used for any purpose other than to determine the pension credit payable to the ex-spouse or ex-civil partner following the issue of a pension sharing order by the Court.
- 1.1.5 This note should be considered in its entirety as individual sections, if considered in isolation, may be misleading, and conclusions reached by a review of some sections on their own may be incorrect.
- 1.1.6 This note only covers the actuarial principles around the calculation and application of pension credits. Any legal advice in this area should be sought from an appropriately qualified person or source.

### Changes to the previous factors

- 1.1.8 The format of the revised factors 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 26 October 2011.
  - (ii) An adjustment for market conditions (AMC) is no longer required. However the table K has been retained in order to aid with administration. All these values have been set to 1.00.

## 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/corporate/contact>

- 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 Armed Forces Branch  
Welsh Government  
Merthyr Tydfil Office  
Rhydycar  
Merthyr Tydfil  
CF48 1UZ

Department for Health, Social Services and Public Safety  
Public Safety Unit  
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 should be used in conjunction with the guidance issued on the 30<sup>th</sup> June 2009 (*the 2009 guidance*). This note has been updated to allow for the changes listed in section 1.1.8.

### 3 Change to guidance

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3.1.1 Replacing the section 3.6 of the 2009 guidance with the following paragraphs:

#### 3.2 Calculation of the pension credit for the ex-spouse or ex-civil partner

3.2.1 This section sets out the method for calculating the pension credit payable to the ex-spouse or ex-civil partner following the issue of a pension sharing order by the Court. Table J sets out the factors needed to calculate the pension credit for the ex-spouse or ex-civil partner.

3.2.2 The factors should be based on the age and gender of the ex-spouse or ex-civil partner on the transfer date. Do not use the age and gender of the member.

#### 3.2.3 Calculation where the member is a current pensioner

If the member is a current pensioner, the pension credit as at the calculation date will be:

$$ESCE \div F_p$$

ESCE the ex-spouse or ex-civil partner's cash equivalent – see section 3.5.2 of the 2009 guidance

$F_p$  factor for ex-spouse or ex-civil partner pension – Table J

#### 3.2.4 Calculation where the member is an active member or a deferred pensioner

If the member is an active member or a deferred pensioner, the pension credit as at the calculation date will be:

$$ESCE \div F_p$$

ESCE the ex-spouse or ex-civil partner's cash equivalent – see section 3.5.2 of the 2009 guidance.

$F_p$  factor for ex-spouse or ex-civil partner pension – Table J

#### 3.2.5 Pension credit benefits

The pension credit will be paid when the ex-spouse or ex-civil partner reaches age 60, or from the transfer date if the ex-spouse or ex-civil partner is over age 60.

3.2.6 The ex-spouse or ex-civil partner's pension credit will be subject to pension increases with effect from the transfer date, under the provisions of the Pensions (Increase) Acts.

3.2.7 If the pension credit was calculated under 3.2.4, then the ex-spouse or ex-civil partner will have the option to commute part of the pension credit for a lump sum when they reach age 60, or immediately if they are already aged over 60. The ex-spouse or ex-civil partner can commute up to 2.25 times the annual rate of pension payable for the first year, on factors supplied by the actuary.

## 4 Example Calculations

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This section provides examples of the calculations of the pension credit for the ex-spouse or ex-civil partner.

For the purposes of these examples, we have assumed that no charges are applied to cover the cost of the work generated by the pension sharing order (as described in paragraph 3.5.2 of the 2009 guidance).

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 Pension sharing order for an active member

##### Calculation of cash equivalent

The Cash Equivalent Transfer Value should be calculated according to the guidance issued by GAD.

For this example the Cash Equivalent Transfer Value is £62,640

##### Calculation of the value of sharable rights

The following information is required from the pension sharing order:

- |  |     |
|--|-----|
| A. Proportion to which ex-spouse is entitled | 40% |
|--|-----|

From 3.5.2 of the 2009 guidance, the formula used to calculate the shareable rights is:

$$\text{ESCE} = (\text{CE} \times \text{appropriate percentage} \div 100) - \text{Charges}$$

There are no implied charges for this example. Therefore:

$$\begin{aligned} \text{ESCE} &= 62,640 \times (40 \div 100) \\ &= £25,056 \end{aligned}$$

##### Calculation of the pension credit

The following information is required:

- |                                      |             |
|--------------------------------------|-------------|
| B. Ex-spouse date of birth           | 9 July 1984 |
| C. Ex-spouse age at calculation date | 32          |
| D. Ex-spouse gender                  | Female      |

From paragraph 3.2.4, where the member is an active and the ex-spouse is aged under 60, the formula used to calculate the pension credit is as follows:

$$\text{ESCE} \div F_p$$

$$\text{ESCE} = £25,056 \text{ (as calculated above)}$$

$$F_p = 9.05 \text{ (from Table J "Females - Pension of £1 per annum" column)}$$

Therefore:

$$\begin{aligned} \text{Pension Credit} &= 25,056 \div 9.05 \\ &= £2,768.62 \end{aligned}$$

The pension credit will come in to payment when the ex-spouse reaches age 60. The ex-spouse will have the option to commute part of the pension for a lump sum payment at age 60.



## 4.2 Pension sharing order for a deferred member

### Calculation of cash equivalent

The Cash Equivalent Transfer Value should be calculated according to the guidance issued by GAD.

For this example the Cash Equivalent Transfer Value is £25,056

### Calculation of the value of sharable rights

In this case the pension sharing order was issued under Scottish law.

**E.** Monetary amount to which ex-spouse is entitled                      £6,000

### Calculation of the pension credit

The following information is required

<b>F.</b> Ex-spouse date of birth	15 February 1982
<b>G.</b> Ex-spouse age at calculation date	34
<b>H.</b> Ex-spouse gender	Female

From paragraph 3.2.4, where the member is a deferred member and the ex-spouse is aged under 60, the formula used to calculate the pension credit is as follows:

$$\text{ESCE} \div F_p$$

ESCE = £6,000 (as given above)

$F_p = 9.57$  (from Table J "Females – Pension of £1 per annum" column)

Therefore:

$$\begin{aligned} \text{Pension Credit} &= 6,000 \div 9.57 \\ &= \text{£}626.96 \end{aligned}$$

### 4.3 Pension sharing order for a current pensioner

The Cash Equivalent Transfer Value should be calculated according to the guidance issued by GAD.

For this example the Cash Equivalent Transfer Value is £40,060

#### Calculation of the value of sharable rights

The following information is required from the pension sharing order.

- |  |     |
|--|-----|
| I. Proportion to which ex-spouse is entitled | 40% |
|--|-----|

From 3.5.2 of the 2009 guidance, the formula used to calculate the shareable rights is:

#### (CE x appropriate percentage / 100) – Charges

There are no implied charges for this example. Therefore:

$$\begin{aligned} \text{ESCE} &= 40,060 \times (40 \div 100) \\ &= \text{£}16,024 \end{aligned}$$

#### Calculation of the pension credit

The following information is required:

- |                                      |               |
|--------------------------------------|---------------|
| J. Ex-spouse date of birth           | 15 March 1988 |
| K. Ex-spouse age at calculation date | 67            |
| L. Ex-spouse gender                  | Male          |

From paragraph 3.2.3, the formula used to calculate the pension credit for an ex-spouse, if the member is a current pensioner, is:

#### ESCE ÷ F<sub>p</sub>

$$\text{ESCE} = \text{£}16,024 \text{ (as given above)}$$

$$F_p = 15.43 \text{ (from Table J "Males - Pension of £1 per annum" column)}$$

Therefore:

$$\begin{aligned} \text{Pension Credit} &= 16,024 \div 15.43 \\ &= \text{£}1,038.50 \end{aligned}$$

The pension credit will come into payment immediately. The ex-spouse will **NOT** have the option to commute pension for a lump sum.

## **5 Tables of factors**

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**Table J: Factors for calculating the pension credit**

Age last birthday at relevant date <sup>1</sup>	Males <sup>2</sup>	Females <sup>3</sup>
	Pension of £1 per annum	Pension of £1 per annum
16	5.55	5.82
17	5.71	5.99
18	5.87	6.16
19	6.03	6.33
20	6.20	6.51
21	6.37	6.69
22	6.54	6.87
23	6.73	7.07
24	6.91	7.26
25	7.10	7.46
26	7.30	7.67
27	7.50	7.89
28	7.71	8.11
29	7.92	8.33
30	8.14	8.57
31	8.37	8.81
32	8.60	9.05
33	8.84	9.31
34	9.09	9.57
35	9.34	9.83
36	9.61	10.11
37	9.88	10.40
38	10.16	10.69
39	10.44	10.99
40	10.74	11.30
41	11.04	11.62
42	11.36	11.95
43	11.68	12.29
44	12.01	12.64
45	12.35	13.00
46	12.71	13.38
47	13.07	13.76
48	13.44	14.16
49	13.83	14.57
50	14.23	14.99
51	14.64	15.43
52	15.06	15.88
53	15.50	16.35
54	15.96	16.84

<sup>1</sup> Use the age of the ex-spouse or ex-civil partner, not the age of the member

<sup>2</sup> Use the gender of the ex spouse or ex-civil partner, not the gender of the member

<sup>3</sup> Use the gender of the ex spouse or ex-civil partner, not the gender of the member

**Table J: Factors for calculating the pension credit *continued***

Age last birthday at relevant date <sup>1</sup>	Males <sup>2</sup>	Females <sup>3</sup>
	Pension of £1 per annum	Pension of £1 per annum
55	16.43	17.35
56	16.93	17.87
57	17.44	18.42
58	17.97	18.99
59	18.53	19.58
60	18.56	19.64
61	18.14	19.24
62	17.71	18.83
63	17.27	18.41
64	16.83	17.98
65	16.37	17.54
66	15.90	17.09
67	15.43	16.63
68	14.94	16.16
69	14.44	15.68
70	13.94	15.19
71	13.45	14.70
72	12.95	14.20
73	12.45	13.69
74	11.95	13.18
75	11.45	12.67
76	10.95	12.15
77	10.44	11.62
78	9.93	11.09
79	9.42	10.55
80	8.90	10.00
81	8.39	9.46
82	7.89	8.92
83	7.40	8.39
84	6.93	7.89
85	6.49	7.40

<sup>1</sup> Use the age of the ex-spouse or ex-civil partner, not the age of the member

<sup>2</sup> Use the gender of the ex spouse or ex-civil partner, not the gender of the member

<sup>3</sup> Use the gender of the ex spouse or ex-civil partner, not the gender of the member

**Table K: Adjustment for market conditions for use with Table J**

**Males and Females**

Age Last Birthday at Relevant Date	Yield on Index Linked Stocks at Relevant Date				
	0.0%	1.0%	2.0%	3.0%	4.0%
16	1.00	1.00	1.00	1.00	1.00
17	1.00	1.00	1.00	1.00	1.00
18	1.00	1.00	1.00	1.00	1.00
19	1.00	1.00	1.00	1.00	1.00
20	1.00	1.00	1.00	1.00	1.00
21	1.00	1.00	1.00	1.00	1.00
22	1.00	1.00	1.00	1.00	1.00
23	1.00	1.00	1.00	1.00	1.00
24	1.00	1.00	1.00	1.00	1.00
25	1.00	1.00	1.00	1.00	1.00
26	1.00	1.00	1.00	1.00	1.00
27	1.00	1.00	1.00	1.00	1.00
28	1.00	1.00	1.00	1.00	1.00
29	1.00	1.00	1.00	1.00	1.00
30	1.00	1.00	1.00	1.00	1.00
31	1.00	1.00	1.00	1.00	1.00
32	1.00	1.00	1.00	1.00	1.00
33	1.00	1.00	1.00	1.00	1.00
34	1.00	1.00	1.00	1.00	1.00
35	1.00	1.00	1.00	1.00	1.00
36	1.00	1.00	1.00	1.00	1.00
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

The AMC table is not required but is included for ease of implementing the new factors.

**Table K: Adjustment for market conditions for use with Table J *continued***

**Males and Females**

Age Last Birthday at Relevant Date	Yield on Index Linked Stocks at Relevant Date				
	0.0%	1.0%	2.0%	3.0%	4.0%
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
65	1.00	1.00	1.00	1.00	1.00
66	1.00	1.00	1.00	1.00	1.00
67	1.00	1.00	1.00	1.00	1.00
68	1.00	1.00	1.00	1.00	1.00
69	1.00	1.00	1.00	1.00	1.00
70	1.00	1.00	1.00	1.00	1.00
71	1.00	1.00	1.00	1.00	1.00
72	1.00	1.00	1.00	1.00	1.00
73	1.00	1.00	1.00	1.00	1.00
74	1.00	1.00	1.00	1.00	1.00
75	1.00	1.00	1.00	1.00	1.00
76	1.00	1.00	1.00	1.00	1.00
77	1.00	1.00	1.00	1.00	1.00
78	1.00	1.00	1.00	1.00	1.00
79	1.00	1.00	1.00	1.00	1.00
80	1.00	1.00	1.00	1.00	1.00
81	1.00	1.00	1.00	1.00	1.00
82	1.00	1.00	1.00	1.00	1.00
83	1.00	1.00	1.00	1.00	1.00
84	1.00	1.00	1.00	1.00	1.00
85	1.00	1.00	1.00	1.00	1.00

The AMC table is not required but is included for ease of implementing the new factors.