



New Firefighters' Pension Scheme 2006
New Firefighters' Pension Scheme (Northern Ireland) 2007
Firefighters' Pension Scheme (Scotland) 2007
Firefighters' Pension Scheme (Wales) 2007

**Factors and Example Calculations for
Service Credits for non-Club Incoming Transfers**

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1 Introduction

1.1 Scope of this guidance note

- 1.1.1 This note relates to the New Firefighters' Pension Scheme and it sets out the general method for assessing:
- service credits for non-Club incoming transfers
- 1.1.2 The Actuarial Factors in this note come into effect immediately. This note updates the previous guidance issued by the Government Actuary's Department.
- 1.1.3 This note contains the tables and guidance to be issued by the Scheme Actuary that is referred to in the following regulations:
- Part 12, Rule 10 and Rule 11 of the Firefighters' Pensions Scheme (England) Order 2006 (SI 2006 No. 3432)
 - Part 12 articles 80 and 81 of the New Firefighters' Pensions Scheme Order (Northern Ireland) 2007 (SR 2007 No. 215)
 - Part 12, Rule 10 and Rule 11 of the Firefighters' Pensions Scheme (Scotland) Order 2007 (SSI 2007 No. 199)
 - Part 12, Rule 10 and Rule 11 of the Firefighters' Pensions Scheme (Wales) Order 2007 (SI 2007 No. 1072)

Caveat

- 1.1.4 This note should not be used for any purpose other than to determine the service credit for an incoming non-club transfer.
- 1.1.5 This note should be considered in conjunction with previous guidance issued on 30th April 2009, 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 non-Club transfers in. Any legal advice in this area should be sought from an appropriately qualified person or source.

Changes to the previous factors

- 1.1.7 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 on 26 October 2011.
 - (ii) An adjustment for market conditions (AMC) is no longer required. However the table D2 has been retained in order to aid with administration. All these values have been set to 1.00.
 - (iii) The proportion of the factor that is applied to GMP accrued after 5 April 1988 has changed from 30% to 15% for all tables.
 - (iv) The factors for testing the GMP on a non-Club inwards transfer have been updated.

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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/firerescueservice/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 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.



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12 December 2012

2 Note on this guidance

- 2.1.1 This guidance note should be used in conjunction with the guidance issued on the 30th April 2009 ('the 2009 guidance'). This note includes the sections required updating to allow for the changes listed in section 1.1.7.

3 Revised Calculations

3.1 Statutory CETV transfers in

3.1.1 Replacing the factors provided in section 3.2.5 of the 2009 guidance, the factors used to check that the GMP liability will be covered are:

Age	Factor
29 or under	10
30 to 39	11
40 to 49	12
50 or over	12

3.1.2 Replacing the formula provided in section 3.2.11 of the 2009 guidance, the calculation of the service credit of the statutory CETV is given by

$$[TV + (PRE\ GMP + G \times POST\ GMP) \times F_{gmp}] \div 1yr$$

TV	the transfer value
PRE GMP	annual GMP accrued before 6.4.88 revalued up to the relevant date
POST GMP	annual GMP accrued after 6.4.88 revalued up to the relevant date
F_{gmp}	factor for GMP saving – Table C1 or C2
1yr	the cost of one year's accrual, as calculated in section 3.1.2 below
G	Conversion factor applied to GMP valuation factor, for GMP accrued in respect of service after 5 April 1988. Please see note in table C1 and C2.

3.1.3 Replacing the formula provided in section 3.2.12 of the 2009 guidance, the cost of one year's accrual is calculated as

$$[F_p + 0.5 \times F_{sur}] \times PAY \div 60$$

F_p	factor for member's pension – Table C1 or C2
F_{sur}	factor for survivor's pension – Table C1 or C2
PAY	member's pensionable pay in NFPS, see sections 3.2.8 and 3.2.9 of the 2009 guidance

3.1.4 Replacing the formula provided in section 3.2.13 of the 2009 guidance, the calculation of the service credit in respect of Section 9(2B) rights is given by

$$[TV_{post\ 97}] \div 1yr$$

$TV_{post\ 97}$	the portion of the transfer value identified as post 1997 contracted out rights
1yr	the cost of one year's accrual, as calculated in section 3.1.2 above

4 Example Calculations

This section provides examples of the calculations of service credit for statutory CETV (non club) transfers in to the NFPS.

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.

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4.1 Statutory CETV transfer in

The following information is assumed for this calculation:

A. Member date of birth	25 May 1967
B. Relevant date	2 Aug 2012
C. Member age	45
D. Marital status	Not required
E. Gender	Male
F. Annual rate of Pensionable Pay in NFPS	£40,000
G. Transfer Value in from previous scheme	£165,439.10
H. TV in respect of section 9(2B) rights	£62,743.22
I. Pre 6/4/88 GMP	£520 pa (£10 per week)
J. Post 6/4/88 GMP	£780 pa (£15 per week)
K. Have the figures in I & J been revalued?	Yes

Cost of 1 year's accrual

First we must calculate the cost of one year's accrual (of benefits) - see 3.1.2 above.

$$1\text{yr} = [F_p + 0.5 \times F_{\text{sur}}] \times \text{PAY} \div 60$$

$F_p = 22.74$ (from Table C1 "Pension of £1 pa" column)

$F_{\text{sur}} = 4.42$ (from Table C1 "Survivor's pension of £1 pa" column)

$\text{PAY} = £40,000$ (see **F.**)

(This is the member's pensionable pay in the NFPS expressed as an annual rate, ie as would be used in the calculation of a lump sum death grant.)

Substituting these values into the formula above we get:

$$\begin{aligned} 1\text{yr} &= [22.74 + (0.5 \times 4.42)] \times (40,000 \div 60) \\ &= [22.74 + 2.21] \times 666.67 \\ &= 24.95 \times 666.67 \\ &= 16.633.42 \end{aligned}$$

Therefore the cost of one year's accrual is **£16,633.42**

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Service credit

From 3.1.1 the formula used to calculate service credit is:

$$\text{Service Credit} = [\text{TV} + (\text{PRE GMP} + \text{G} \times \text{POST GMP}) \times \text{F}_{\text{gmp}}] \div 1\text{yr}$$

$$\text{TV} = \text{£}165,439.10 \text{ (see G.)}$$

$$\text{Pre GMP} = \text{£}520 \text{ (see I.)}$$

$$\text{Post GMP} = \text{£}780 \text{ (see J.)}$$

$$\text{G} = 0.15 \text{ (see note in Table C1)}$$

$$\text{F}_{\text{gmp}} = 3.37 \text{ (from Table C1 "Saving factor for GMP of £1 pa" column)}$$

$$1\text{yr} = \text{£}16,633.42 \text{ (as calculated earlier)}$$

Substituting these values into the formula above we get:

$$\begin{aligned} \text{Service Credit} &= (165,439.10 + [(520 + [0.15 \times 780]) \times 3.37]) \div 16,633.42 \\ &= (165,439.10 + [637 \times 3.37]) \div 16,633.42 \\ &= (165,439.10 + 2,146.69) \div 16,633.42 \\ &= 167,585.79 \div 16,633.42 \\ &= 10.075 \text{ years} \\ &= 10 \text{ years } 0.075 \times 365 \text{ days} \\ &= 10 \text{ years } 28 \text{ days (rounding up to nearest day)} \end{aligned}$$

Therefore the total service credit is **10 years 28 days**.

Service credit in respect of section 9(2B) rights (see 3.1.3 above)

$$\text{Service credit}_{\text{post97}} = [\text{TV}_{\text{post97}}] \div 1\text{yr}$$

$$\text{TV}_{\text{post97}} = \text{£}62,743.22 \text{ (see H.)}$$

$$1\text{yr} = \text{£}16,633.42 \text{ (as calculated above)}$$

Substituting these values into the formula above we get:

$$\begin{aligned} \text{TV}_{\text{post97}} &= 62,743.22 \div 16,633.42 \\ &= 3.772 \text{ years} \end{aligned}$$

Therefore the service credit in respect of section 9(2b) rights is **3 years 282 days**.

5 Table of factors

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Table C1: Statutory CETV incoming transfer service credit factors

Males

Age last birthday at relevant date	Pension of £1 per annum	Survivor's pension of £1 per annum		Deduction for GMP of £1 per annum ¹
		Married	Unmarried	
18	24.09	4.55	4.55	3.10
19	24.21	4.59	4.59	3.11
20	24.32	4.63	4.63	3.11
21	24.42	4.66	4.66	3.12
22	24.51	4.69	4.69	3.13
23	24.59	4.72	4.72	3.14
24	24.66	4.74	4.74	3.15
25	24.72	4.76	4.76	3.16
26	24.76	4.78	4.78	3.17
27	24.79	4.80	4.80	3.18
28	24.80	4.81	4.81	3.19
29	24.80	4.82	4.82	3.20
30	24.78	4.82	4.82	3.21
31	24.75	4.82	4.82	3.22
32	24.71	4.82	4.82	3.23
33	24.65	4.81	4.81	3.24
34	24.58	4.80	4.80	3.25
35	24.49	4.79	4.79	3.26
36	24.39	4.77	4.77	3.27
37	24.27	4.74	4.74	3.28
38	24.14	4.72	4.72	3.29
39	23.99	4.69	4.69	3.30
40	23.82	4.65	4.65	3.31
41	23.64	4.61	4.61	3.32
42	23.44	4.57	4.57	3.33
43	23.22	4.52	4.52	3.35
44	22.99	4.47	4.47	3.36
45	22.74	4.42	4.42	3.37
46	22.47	4.36	4.36	3.38
47	22.19	4.30	4.30	3.39
48	21.91	4.24	4.24	3.41
49	21.64	4.18	4.18	3.42
50	21.37	4.11	4.11	3.43
51	21.11	4.05	4.05	3.44
52	20.84	3.98	3.98	3.46
53	20.57	3.90	3.90	3.47
54	20.32	3.82	3.82	3.49
55	20.07	3.73	3.73	3.50
56	19.84	3.64	3.64	3.52
57	19.62	3.54	3.54	3.54
58	18.89	3.34	3.34	3.56
59	18.26	3.20	3.20	3.58

¹ 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 15% of the GMP amount in respect of service after that date.

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Table C2: Statutory CETV incoming transfer service credit factors

Females

Age last birthday at relevant date	Pension of £1 per annum	Survivor's pension of £1 per annum		Deduction for GMP of £1 per annum ¹
		Married	Unmarried	
18	25.14	2.29	2.29	2.60
19	25.27	2.31	2.31	2.61
20	25.40	2.32	2.32	2.61
21	25.51	2.34	2.34	2.62
22	25.61	2.35	2.35	2.63
23	25.70	2.36	2.36	2.64
24	25.77	2.37	2.37	2.64
25	25.84	2.38	2.38	2.65
26	25.88	2.39	2.39	2.66
27	25.92	2.39	2.39	2.67
28	25.93	2.40	2.40	2.67
29	25.94	2.40	2.40	2.68
30	25.92	2.40	2.40	2.69
31	25.90	2.40	2.40	2.70
32	25.85	2.39	2.39	2.70
33	25.79	2.39	2.39	2.71
34	25.72	2.38	2.38	2.72
35	25.62	2.37	2.37	2.73
36	25.52	2.36	2.36	2.74
37	25.39	2.34	2.34	2.74
38	25.25	2.32	2.32	2.75
39	25.09	2.31	2.31	2.76
40	24.92	2.28	2.28	2.77
41	24.73	2.26	2.26	2.78
42	24.52	2.23	2.23	2.79
43	24.29	2.20	2.20	2.79
44	24.05	2.17	2.17	2.80
45	23.79	2.14	2.14	2.81
46	23.51	2.10	2.10	2.82
47	23.22	2.06	2.06	2.83
48	22.94	2.02	2.02	2.84
49	22.66	1.98	1.98	2.85
50	22.39	1.93	1.93	2.86
51	22.12	1.89	1.89	2.87
52	21.85	1.84	1.84	2.88
53	21.58	1.78	1.78	2.90
54	21.32	1.73	1.73	2.91
55	21.07	1.67	1.67	2.92
56	20.83	1.60	1.60	2.94
57	20.60	1.54	1.54	2.95
58	19.83	1.43	1.43	2.97
59	19.17	1.36	1.36	3.05

¹ 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 15% of the GMP amount in respect of service after that date.

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Table D2: Adjustment for market conditions

Males and Females

Age last birthday at relevant date	Yield on index-linked stocks at relevant date				
	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

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