

Firefighters' Pension Scheme 1992
Firefighters' Pension Scheme (Northern Ireland) 2007
New Firefighters' Pension Scheme 2006
New Firefighters' Pension Scheme (Northern Ireland) 2007
Firefighters' Pension Scheme (Scotland) 2007
Firefighters' Pension Scheme (Wales) 2007

**Trivial Commutation and
Capitalisation for Death Gratuities**

Date: 3 January 2012
Author: Ian Boonin

Table of Contents

Introduction	1
1 Trivial Commutation	3
2 Capitalisation factors for death gratuities	5
3 Example Calculations	6
4 Factors	8

Introduction

The purpose of this note is to provide the tables and guidance used for trivial commutation of pensions under the following rules of The Firefighters' Pension Scheme (FPS) and The New Firefighters' Pension Scheme (NFPS):

- > Rules B8 and E5 of FPS Order 1992 (SI 1992 No. 129),
- > Articles 19 and 40 of FPS (Northern Ireland) Order 2007 (SI 2007 No. 144),
- > Rule 10 of Part 3 and rule 5 of Part 4 of Schedule 1 of NFPS Order 2006 (SI 2006 No. 3432)
- > Rule 10 of Part 3 and rule 5 of Part 4 of Schedule 1 of NFPS (Scotland) Order 2007 (SSI 2007 No. 199)
- > Rule 10 of Part 3 and rule 5 of Part 4 of Schedule 1 of NFPS (Wales) Order 2007 (SI 2007 No. 1072)
- > Articles 20 and 27 of NFPS (Northern Ireland) Order 2007 (SI 2007 No. 215)

This note also provides the guidance used in the calculation of the capitalised value of benefits for the purpose of determining death gratuities under rule E4 of The Firefighters' Pension Scheme Order 1992 and article 39 of the Firefighters Pension Scheme Order (Northern Ireland) 2007.

This guidance does not cover the capitalised value of children's pensions under rule E6 of FPS Order 1992, article 41 of FPS (Northern Ireland) Order 2007, rule 12 of Part 4 of NFPS Order 2006, NFPS (Scotland) Order 2007 and NFPS (Wales) Order 2007, or article 34 of NFPS (Northern Ireland) Order 2007. This guidance does not cover the capitalised value of pension credit benefits under rule IA2 Rule IA2 of FPS Order 1992, Article 75 of FPS (Northern Ireland) Order 2007, Rule 2 of Part 6 of Schedule 1 of NFPS Order 2006, NFPS (Scotland) Order 2007 or NFPS (Wales) Order 2007 or Article 38 of NFPS (Northern Ireland) Order 2007 (SI 2007 No. 215).

This guidance covers trivial commutation cases where any period during which a survivor's pension is paid at an increased rate (such as under rule E8 of the Firefighters' Pension Scheme Order 1992) has ended.

Cases that are not covered by this guidance should be referred to the Firefighters' Pension Team at the Department for Communities and Local Government (DCLG), the Scottish Public Pensions Agency (SPPA), the Welsh Government or the Northern Ireland Fire & Rescue Service, as applicable, for onward transmission to GAD. If this gives rise to issues that are of general applicability then the DCLG, the SPPA, the Welsh Assembly Government or the Northern Ireland Fire & Rescue Service may be prepared to cover GAD's fees. Otherwise, fire authorities would need to meet GAD's fees.

If administrators for English authorities have any questions about how to use this guidance they should in the first instance consult published information on the Firefighters' Pensions pages at:

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

If this does not help, administrators for English authorities may contact the Firefighters' Pension Team at DCLG.

Firefighters' Pension Schemes: Trivial Commutation and Capitalisation for Death Gratuities

Administrators for other authorities should contact the Scottish Public Pensions Authority, the Welsh Government or the Department of Health, Social Services and Public Safety (Northern Ireland) as applicable.

The Firefighters' Pension teams will seek input from the scheme actuary if necessary.

Period for which factors apply

These factors are effective immediately.

This guidance replaces the previous guidance dated 19 May 2008.

Limitations

This note should not be used for any purpose other than to determine the commutation factor that should be applied to the amount of pension commuted to provide a lump sum.

This note should be considered in its entirety, not as individual sections which if considered in isolation, may be misleading, and conclusions reached by a review of some sections on their own may be incorrect.

This note only covers the actuarial principles around the calculation and application of trivial commutation factors. Any legal or tax advice in this area should be sought from an appropriately qualified person or source.

This note does not provide advice on whether or not to trivially commute a pension.

Third parties should not rely on this guidance, but should separately seek their own actuarial advice where appropriate.

1 Trivial Commutation

Former firefighter

- 1.1 In the case of a small pension in payment to a former firefighter the lump sum payable in lieu of future pensions should be determined as follows:

$$\text{PEN} \times F_{\text{pen}} + \text{SPEN} \times F_{\text{spen}}$$

where

PEN annual pension in payment
SPEN annual survivor's pension payable upon member's death

F_{pen} factor for pension in payment – table 1
 F_{spen} factor for contingent survivor's pension – table 1

- 1.2 Example 1 on page 6 illustrates this calculation.
- 1.3 The survivor's pension used in the calculation is the pension that would actually be payable to the member's spouse or partner if the former firefighter died on the day of the calculation. No survivor's pension elements should be included when a former firefighter has no spouse or qualifying partner.

Surviving spouse or partner

- 1.4 In the case of a small pension in payment to the surviving spouse or partner of a former firefighter the lump sum payable in lieu of future pensions should be determined as follows:

$$\text{WPEN} \times F_{\text{wpen}}$$

where

WPEN annual pension in payment

F_{wpen} factor for pension– table 2

- 1.5 In all cases the factors should be applied to the member's or survivor's pension actually in payment (or which would actually be payable upon the member's death) from the scheme. This should include all pension increases up to the date of commutation including, for example, any increase needed to ensure that the GMP anti-franking requirements under Pension Schemes Act 1993 are satisfied.

2 Capitalisation factors for death gratuities

- 2.1 Firefighters' Pension Scheme Order 1992 rule E4 and article 39 of the Firefighters Pension Scheme Order (Northern Ireland) 2007 provide for a return of the firefighter's aggregate pension contributions on death, less any payments made or due to the firefighter on account of their pension and the capitalised value of any pension or allowance granted in respect of the firefighter's death. This guidance relates to the determination of the capitalised value of the long-term survivor's pension. Any short-term increase in the level of survivor's pension (such as under rule E8 of the Firefighters' Pension Scheme Order 1992 or its Northern Ireland equivalent) must be brought into account in addition to the capitalised value of the long-term pension.

There is no such death provision in the New Firefighters' Pension Scheme.

Adult survivor pensions

- 2.2 The capitalised value can be determined in cases where the surviving spouse or partner is not entitled to any GMP and will not be entitled in the future.
- 2.3 In those cases the capitalised value can be calculated as follows:

$$WPEN \times F_{wpen}$$

where

WPEN annual pension in payment.
F_{wpen} factor for pension – table 3

- 2.4 Example 2 on page 7 illustrates this calculation.
- 2.5 For other cases where the surviving spouse or partner is entitled to a GMP or could be entitled in the future, a simple rule of thumb can be used to determine whether or not more detailed consideration is required.
- 2.6 The rule of thumb is that, for individuals below age 75, the capitalised value of the pension will always exceed the pension in payment multiplied by 11.0. Therefore, where the surviving spouse or partner's pension in payment multiplied by 11.0 exceeds the member's aggregate pension contributions, it is safe to conclude that the capitalised value of the survivor's pension exceeds the member's aggregate contributions. Example 3 on page 7 illustrates this calculation.
- 2.7 If the rule of thumb in paragraph 2.6 is not satisfied, or if the member is over age 74, the case should be referred to the Firefighters' Pension Team at DCLG, the SPPA, the Welsh Government or the DHSSPSNI (as applicable) for onward transmission to GAD.
- 2.8 This rule of thumb factor is based on a factor for a non-increasing pension paid from age 74.

3 Example Calculations

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

Example 1 – trivial commutation: former firefighter

Male former firefighter

Date of birth: 15 May 1946

Calculation date: 9 August 2011

Total pension in payment: £700 pa

Married: wife entitled to receive half pension on death

Age on calculation date: 65

PEN	£700
SPEN	£350
F_{pen}	16.4
F_{spen}	4.1

lump sum payable:

$$\begin{aligned} &= PEN \times F_{pen} + SPEN \times F_{spen} \\ &= 700 \times 16.4 + 350 \times 4.1 \\ &= 11,480 + 1,435 \\ &= \mathbf{\pounds 12,915} \end{aligned}$$

Example 2 – capitalisation for death gratuity: calculation

Widower of former FPS firefighter who died in deferment

Date of birth: 20 January 1936

Calculation date: 15 May 2011

Total pension in payment: £3,000 pa

Payments already made to or in respect of firefighter: nil

Short-term increase to widower's pension: nil

Firefighter's aggregate pension contributions: £40,000

Age on calculation date: 75

WPEN	3,000
F_{wpen}	12.2

capitalised value	= WPEN × F_{wpen}
	= 3,000 × 12.2
	= £ 36,600

death gratuity	= aggregate pension contributions – capitalised value of widower pension
	= 40,000 – 36,600
	= £ 3,400

Example 3 – capitalisation for death gratuity: use of rule of thumb

Date former firefighter dies: 9 August 2011

Widow's date of birth: 3 December 1960

Long-term level of widow's pension: £2,000 pa

Firefighter's aggregate pension contributions: £18,000

Age of widow at calculation date = 50

Widow is entitled to a GMP so the factors in table 2 cannot be used, but the rule of thumb can be used.

rule of thumb calculation:	= 2,000 × 11.0
	= £ 22,000

The rule of thumb calculation gives a value higher than the total of officer contributions. It is therefore safe to conclude that the capitalised value of benefits exceeds the aggregate pension contributions paid by the firefighter and so no gratuity would be paid.

Firefighters' Pension Schemes: Trivial Commutation and Capitalisation for Death Gratuities

4 Factors

Table 1: Factors for commutation of small pension

Age in completed years	Factors for benefits in payment to former firefighter	Factors for spouse or partner pension
60	18.6	
61	18.2	
62	17.7	
63	17.3	
64	16.8	
65	16.4	
66	15.9	
67	15.4	4.1
68	15.0	
69	14.5	
70	14.0	
71	13.4	
72	12.9	
73	12.3	
74	11.8	

Firefighters' Pension Schemes: Trivial Commutation and Capitalisation for Death Gratuities

**Table 2: Factors for commutation of small pension
and for capitalisation of survivor pension for determination of death gratuity**
Widows, widowers and other former partners

Age in completed	Widow/ Widower
25	29.0
26	28.8
27	28.6
28	28.5
29	28.3
30	28.1
31	27.9
32	27.7
33	27.5
34	27.3
35	27.1
36	26.9
37	26.7
38	26.5
39	26.2
40	26.0
41	25.7
42	25.5
43	25.2
44	24.9
45	24.7
46	24.4
47	24.1
48	23.8
49	23.4
50	23.1
51	22.8
52	22.4
53	22.1
54	21.7
55	21.4
56	21.0
57	20.6
58	20.2
59	19.8
60	19.4
61	19.0
62	18.6
63	18.1

Firefighters' Pension Schemes: Trivial Commutation and Capitalisation for Death Gratuities

**Table 2: Factors for commutation of small pension
and for capitalisation of survivor pension for determination of death gratuity**
Widows, widowers and other former partners

Age in completed years	Widow/ Widower or other survivor
64	17.7
65	17.2
66	16.7
67	16.3
68	15.8
69	15.3
70	14.8
71	14.3
72	13.8
73	13.3
74	12.7
75	12.2
76	11.6
77	11.1
78	10.5
79	10.0
80	9.4
81	8.9
82	8.4
83	7.9
84	7.4
85	6.9
86	6.5
87	6.1
88	5.7
89	5.3
90	5.0
91	4.6
92	4.3
93	4.0
94	3.7
95	3.4
96	3.2
97	3.0
98	2.8
99	2.6