

Uplift of Commutation

Introduction

This factsheet has been prepared to give guidance to FRAs on the discretion to uplift commutation for certain members of the Firefighters' Pension Scheme 1992 (FPS1992).

What is it?

The discretion to uplift commutation for a person who is entitled to reckon less than 30 years' pensionable service, and retires before normal pension age¹ was introduced in the 2013 amendment² order to the FPS1992 regulations.

How does it work?

Under the FPS1992, rule B7 paragraph 5³ restricts the lump sum to two and a quarter times the full amount of pension for firefighters who have reckoned less than 30 years' service and retired before normal pension age. However paragraph 5A added by the 2013 amendment order allows an authority to uplift the lump sum to be paid at a quarter of the full amount of pension multiplied by the appropriate commutation factor⁴.

If an employer determines that an enhanced commutation payment is due, that employer has to pay the difference between the restricted and enhanced commutation lump sum into the FPS notional pension fund.

Example

Retirement at 52 years 3 months, with 28 years pensionable service

Salary	£35,104
Length of service in 1992 scheme	28 years
Commutation factor at 52 years 3 months	23.1 ⁵

¹ Normal Pension Age for FPS 1992 is age 55

² Part B, Rule B7, Paragraph 5A <http://www.legislation.gov.uk/ukxi/2013/1392/schedule/paragraph/2/made>

³ <http://www.legislation.gov.uk/ukxi/1992/129/schedule/2/made> amended by [SI 2004/1912](#) and [SI 2005/2980](#)

⁴ <http://www.fpsregs.org/index.php/gad-guidance/commutation>

⁵ Using GAD Guidance dated 31 October 2018 -

<http://www.fpsregs.org/images/GAD/Commutation/1992factors311018.pdf>

	Commutation under the regulations	Uplifted lump sum
Pension before commutation	$36 \div 60 * £35,104 = £21,062.40$	$36 \div 60 * £35,104 = £21,062.40$
Lump Sum	$2.25 \times £21,062.40 = £47,390.40$	$£21,062.40 * 0.25 * 23.10 = £121,635.40$
Pension after commutation	$£21,062.40 - (£47,390.40 \div 23.10) = £19,010.87$	$£21,062.40 * 0.75 = £15,796.80$
Cost to Authority = £74,244.96 ($£121,635.40 - £47,390.40$)		

How much does it cost?

Under Rule LA2 (10)⁶ the authority is required to pay the difference between the restricted commutation and enhanced commutation from its operating account into the FPS notional pension fund.

This factsheet has been prepared by LGA to give some guidance on the rules of the pension scheme using the regulations as they stand at April 2019, however they should be used only as an informal view of the interpretation of the firefighters' pension scheme as only a court can provide a definitive interpretation of legislation. This factsheet should not be interpreted as legal advice

Please address any queries on the content of this factsheet to bluelight.pensions@local.gov.uk

April 2019

⁶ <http://www.legislation.gov.uk/ukxi/2013/1392/schedule/paragraph/14/made>