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1 Introduction

1.1 This note is provided for:

- The Home Office (HO) as the scheme manager of the Firefighters' Pension Scheme 1992 in England,
- The Welsh Government as the scheme manager of the Firefighters' Pension Scheme 1992 in Wales and;
- Department of Health (Northern Ireland) as the scheme manager of the Firefighters' Pension Scheme 2007 in Northern Ireland

and sets out the general method for assessing:

- Public Sector Club transfer values and
- Statutory Cash Equivalent Transfer Values (i.e. non-Club transfer values)

1.2 This guidance relates only to benefits accrued under the 1992 Scheme Regulations for England and Wales and Firefighters' Pension Scheme 2007 section (Northern Ireland), hereafter referred to as "the 1992 scheme". Some firefighters may also have benefits under the 2015 Scheme or the NFPS which should be dealt with separately according to relevant scheme guidance.

1.3 The factors provided in this note have been prepared in light of our advice to the Home Office (HO), Welsh Government and Department of Health (NI) dated 30 October 2018 and their instructions following that advice.

1.4 This guidance is intended to supersede any factors or advice previously issued, for the purposes of Club transfer value calculations or statutory cash equivalent transfer value calculations, which rely on input from the Scheme Actuary. In particular, this guidance supersedes:

"Firefighters' Pension Scheme 1992: Transfer Values and Pension Sharing" dated 30 June 2009 and

"Firefighters' Pension Scheme: Statutory Cash Equivalent Transfer Values " dated 27 July 2012 and

Addendum to GAD guidance note "Firefighters' Pension scheme 1992: Statutory Cash Equivalent Transfer Values" dated 13 May 2016

1.5 The remainder of this introduction contains:

- Details of the implementation and future review of this guidance
- Statements about the use of this note and third party reliance

1.6 In the remainder of this note:



- Section 2 describes the issues and set out the formulae
- Section 3 contains examples
- Appendix A sets out the principal assumptions underlying the factors contained in this guidance note
- Appendix B sets out the factors to be used
- Appendix C sets out some important limitations.

Implementation and Review

- 1.7 In previous factors and guidance for Statutory CETVs (i.e. non-Club transfer values), an adjustment was applied to GMP to reflect the inflationary increases on the GMP, which were the responsibility of the State Scheme after GMP Payment Age. Following the requirement to equalise GMPs as set out in our letter "GMP Equalisation: Calculations involving actuarial factors" dated 9 August 2019, the GMP adjustment factor has been removed from the calculation methodology for all members reaching State Pension age after 6 April 2016 with effect from the date of receipt of this guidance note.
- 1.8 Our understanding of the usual transitional arrangements for Cash Equivalent Transfer Values is that quotes are made using factors effective at that time. Therefore, where calculations are carried out before the date of receipt of this guidance note we would expect the following to apply:
- If the member replies within the guarantee period and before the implementation date, the original quote is honoured including the adjustment applied to GMP.
 - If the member replies within the guarantee period but after implementation date, the approach most beneficial to member is used.
 - If the member replies outside of the guarantee period, the CETV is recalculated. No adjustment is made in respect of GMP.
- 1.9 Any current cases where a Statutory CETV quotation is required for a member with GMP reaching State Pension age before 6 April 2016 should be referred to GAD.
- 1.10 Club transfers calculated after 1 March 2017 no longer include any adjustment factors for GMP.
- 1.11 The statutory CETV factors contained in this guidance apply from 29 October 2018. The Club factors contained in this guidance apply from 1 April 2019. This guidance will apply with immediate effect.
- 1.12 This guidance has been written for pension administrators and assumes some knowledge of general pension terminology, and some familiarity with retirement calculations for the Firefighters' Pension Scheme (England) and (Wales) and the Firefighters' Pension Scheme (Northern Ireland) 2007.
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- 1.13 In line with best practice and in order to make sure that factors are being used as intended and the instructions are fit for purpose, we suggest that some example calculations are sent to GAD for review.
- 1.14 The factors contained in this guidance will be subject to review periodically. This will depend on external circumstances, for example whenever there is a change in the SCAPE basis; when changes in the actuarial assumptions adopted for other scheme factors take place; or following each future actuarial valuation where mortality and other relevant experience is reviewed or if other credible and material information comes to light.
- 1.15 Scheme managers and administrators should ensure that they use the latest factors in circulation.
- 1.16 If further information is required, concerning the application of the guidance, this should be referred to:
- For English authorities: the Firefighters' Pensions team at the Home Office
 - For Northern Ireland Authorities: the Firefighters' Pensions team at the Department of Health (Northern Ireland)
 - For Welsh Authorities: the Firefighters' Pensions team at the Welsh Government.

Third party reliance

- 1.17 This guidance has been prepared for the use of the relevant authority and the scheme administrators for the purposes of demonstrating the application of the factors covered by this guidance only. This guidance may be published on the relevant authority and scheme administrator's website but must not otherwise be reproduced, distributed or communicated in whole or in part to any other person without GAD's prior written permission.
- 1.18 Other than the relevant authority and the scheme administrators, no person or third party is entitled to place any reliance on the contents of this guidance, except to any extent explicitly stated herein. GAD has no liability to any person or third party for any action taken or for any failure to act, either in whole or in part, on the basis of this guidance, whether or not GAD has agreed to the disclosure of its advice to the third party.



2 Transfer values on transfers out of the FPS

Club transfers out

- 2.1 Members of the Firefighters' Pension Scheme (FPS) are generally entitled to take a transfer value to another pension arrangement. Where the new pension scheme is another scheme that participates in the Public Sector Transfer Club, the transfer will normally be effected on Club terms.
- 2.2 The Public Sector Transfer Club: Memorandum by the Cabinet Office¹ issued in April 2019 ('the Club Memorandum') sets out how pension credits and the Club transfer out payment should be calculated. This note should be used in combination with the approach set out in the Club Memorandum.
- 2.3 The Firefighters' Pension Scheme Regulations 1992 define the circumstances under which a member is entitled to take a transfer value. Members with over three months of qualifying service would generally be entitled to a transfer value. Members with less than three months of qualifying service would normally be entitled to a refund of contributions.

Guarantee Date

- 2.4 The relevant date for calculating a transfer value is the "guarantee date" as defined in The Occupational Pensions Schemes (Transfer Values) Regulations 1996, i.e. it must be within 3 months (or exceptionally 6 months) of the date of the member's application.

Calculation of pension benefits

- 2.5 The benefits to be valued for serving firefighters are those that would be payable if the member had left service on the date of the calculation.

The benefits to be valued for a deferred member should include revaluation to the guarantee date. The accrued pension benefits should be calculated at the last day of service, and then increased in line with Pensions Increase (Review) Orders.

Survivor's pension

- 2.6 The factor for the survivor's pension does not depend on whether or not the member has a partner who would qualify for a survivor's pension in the event of the member's death.

¹ <https://www.civilservicepensionscheme.org.uk/media/474506/club-memorandum-april-2019.pdf>



Calculation of the transfer value (Club transfers)

- 2.7 For deferred members and active members entitled to deferred benefits from age 60 the transfer value should be calculated using the following formula.

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

CP	member's pension
APB _{pen}	additional pension from CPD contributions or LSI
SUR	pension payable on the death of the member to their spouse or partner
APB _{sur}	additional pension payable on the death of the member to their spouse or partner from CPD contributions or LSI
F _p	factor for member's pension – From table 2 of the Club Memorandum
F _{sur}	factor for survivor's pension – From table 2 of the Club Memorandum

Previous Club Memoranda included a table of adjustment (AMC) factor to allow for changes in market conditions. AMC factors no longer apply to Club transfers from 1 January 2012; however, some schemes may find it easier to retain an AMC table but based on factors of 1.00 for all yields and ages. Similarly, Club transfers that were calculated before 1 March 2017 were adjusted to take account of GMPs and National Insurance modification. The tables of factors effective from that date no longer include any factors for GMP or National Insurance modification adjustments. As with the AMC factors, some schemes may find it easier to retain GMP and National Insurance modification factors, in which the factor will be 0.00 in all cases

Members with a pension debit

- 2.8 The transfer value should be calculated in two stages. First, a gross transfer value should be calculated ignoring the pension debit. Second, the value of the pension debit should be calculated (i.e. the transfer value of a deferred pension of the same amount as the debit). The results of both calculations should be passed to the receiving scheme. The transfer value paid is the net amount: the gross transfer value less the value of the pension debit.



Alerting members to the statutory CETV transfer route

- 2.9 In some circumstances a statutory CETV (non-Club) transfer may produce a higher service credit for the member in the receiving scheme than a Club transfer. On responding to a request for a Club transfer value, the fire pension administrator should suggest to the administrator of the receiving scheme that they alert the member to the possibility that the statutory CETV route could, in some circumstances, result in a higher service credit. It would then be for the member to consider acting on the information by requesting a statutory CETV quotation from FPS. Such cases are expected to be infrequent and are most likely to arise when an individual has taken a large drop in salary when moving.

Members entitled to a split pension

- 2.10 Under Rule B5A a member is entitled to a split pension if, on changing role, they have suffered a reduction in pay, or for those who stay in the same role but become entitled to a different rate of pay which impacts adversely on pensionable pay at the point of retirement. In accordance with this rule, two pension calculations should be carried out, the first allowing for a split award and the payment of two pensions and the second as a single award. The greater of the two pension values should be used in the calculation of the transfer value.

Statutory CETV Transfer Out

- 2.11 A statutory CETV (i.e. non-Club transfer value) should be calculated using the following formula. If the member has received a transfer in from another scheme, then an underpin applies to the statutory CETV, as described in 2.12 - 2.14.

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

CP	member's pension
APB _{pen}	additional pension from CPD contributions or LSI
SUR	pension payable on the death of the member to their spouse or partner
APB _{sur}	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
F _p	factor for member's pension – Table A1 or A2
F _{sur}	factor for survivor's pension – Table A1 or A2
F _{ni}	factor for NI modification – Table A1 or A2



Underpin in respect of previous transfer in

- 2.12 If the member has received a transfer in of benefits from another scheme, then an underpin applies to the CETV. The underpin is calculated using the following formula:

$$\text{Underpin} = \text{TV}_{\text{ActSer}} + \text{TV}_{\text{in}}$$

$\text{TV}_{\text{ActSer}}$ the transfer value based on actual service, calculated in accordance with 2.13 below

TV_{in} the value of the previous transfer in, calculated in accordance with 2.14 below

- 2.13 The transfer value based on actual service is calculated in accordance with section 2.11, but the value of the benefits is based on reckonable service in the FPS ignoring any service credit in respect of the previous transfer in. The member's pension (CP) and the pension payable on the death of the member to their spouse or partner (SUR) should be recalculated using the lower service figure.
- 2.14 The value of transferred in service TV_{in} is usually the total of previous transfer values received by the fire pension administrator but there are some exceptions. The value to use for different type of transfer in are as follows:
- where the transfer in was a statutory CETV (i.e. non-Club) transfer, TV_{in} is the transfer value that was received
 - where the transfer in was a Club transfer, TV_{in} is the transfer value that was received
 - where the transfer in was from a bulk transfer into the FPS, TV_{in} is the CETV that would have been available from the member's previous scheme at the date of transfer

If more than one transfer in has been received, TV_{in} should be the sum of the specified figures for all the transfers received.

If the underpin calculated in 2.12 is greater than the transfer value calculated in 2.11, then the transfer value should be increased so that it equals the underpin.



Value of GMP benefits

- 2.15 The previous version of this guidance note included calculation methodology to allow administrators to value the accrued GMP, typically for use in cases where the value of the GMP was to be quoted separately or liability for the GMP was to be retained within the FPS. The GMP valuation factor was provided for this purpose. We understand that there is no longer a requirement to provide the value of the GMP on transfer values and therefore we have not included the calculation methodology or factors in this guidance. Please contact GAD if a GMP value is required for a particular case.

Pension debit members

- 2.16 If a pension debit member requests a statutory CETV, the member's benefits should be calculated as at the guarantee date, initially ignoring the pension debit. The pension debit should be revalued to the guarantee date and deducted from the member's benefits. The transfer value quotation should be based on the benefits after subtraction of the debit.

Transfers to other fire authorities

- 2.17 For transfers between fire authorities in the same country i.e. transfers from one English authority to another, the member's service record should be transferred but there is no requirement to calculate a transfer value or to make a transfer payment. Transfers to fire authorities in another country i.e. from England to another authority in Scotland, Wales and Northern Ireland require the calculation and payment of a transfer value. The member's service should be transferred. The calculation of a service credit is not required.



3 Example calculations

- 3.1 This section provides examples of the calculations of club and statutory transfer values.
- 3.2 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.



3.3 Club transfer out

The following information is needed for this calculation:

A. Member date of birth	25 May 1966
B. Last date of service	10 Aug 2020
C. Guarantee date	11 Aug 2020
D. Member age as at calculation date	54
E. Marital status	Not required
F. Member's pension	£10,973.15 p.a.
G. Contingent spouse's pension	£5,486.58 p.a.
H. Have the figures in I & J been revalued?	N/A
I. Additional pension from CPD contributions or LSI	£0

Formula

From 2.7 the formula to calculate the Club transfer value is:

$$(\text{CP} + \text{APB}_{\text{pen}}) \times F_p + (\text{SUR} + \text{APB}_{\text{sur}}) \times F_{\text{sur}}$$

Inputs

CP = £10,973.15 pa

SUR = £5,486.58 pa

F_p = 18.100 (From table 2 of the Club Memorandum)

F_{sur} = 1.740 (From table 2 of the Club Memorandum)

Calculation

Substituting these values into the formula we get:

$$\begin{aligned} \text{TV} &= (£10,973.15 \times 18.100) + (£5,486.58 \times 1.740) \\ &= (£198,614.02 + £9,546.64) \\ &= £208,160.66 \end{aligned}$$

Therefore, the Transfer Value out is **£208,160.66**



3.4 Statutory CETV transfer out

The following information is needed for this calculation:

A. Member date of birth	14 Feb 1967
B. Last date of service	10 Sep 2020
C. Guarantee date	11 Sep 2020
D. Member age as at calculation date	53
E. Marital status	Not required
F. Gender	Male
G. Final Pensionable Pay	£36,000
H. Reckonable service for deferred pension	18 years, 150 days
of which:	
Current service for deferred pension in FPS	15 years 150 days
Service credit from CETV transfer value received	3 years
I. CETV received by Fire Authority	£67,300
J. Have the figures in J & K been revalued?	Yes
K. Additional pension from CPD contributions or LSI	£0
L. NI modification	£0

Formula

From 2.11, the formula to calculate the statutory transfer value is:

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

Inputs

$$\text{CP} = (1 \div 60) \times \text{£}36,000.00 \times (18 + (150 \div 365)) = \text{£}11,046.58 \text{ pa}$$

(Note this calculation is simplified since the member's notional service is less than 20 years)

$$\text{SUR} = 0.5 \times \text{£}11,046.58 = \text{£}5,523.29 \text{ pa}$$

$$F_p = 16.61 \text{ (from Table A1 "Pension of £1 pa" column)}$$

$$F_{\text{sur}} = 2.98 \text{ (from Table A1 "Survivor's pension of £1 pa" column)}$$

Calculation

Substituting these values into the formula we get:

$$\begin{aligned} \text{TV} &= (\text{£}11,046.58 \times 16.61) + (\text{£}5,523.29 \times 2.98) \\ &= (\text{£}183,483.69 + \text{£}16,459.40) \\ &= \text{£}199,943.09 \end{aligned}$$

Therefore the Transfer Value out is **£199,943.09** before checking the underpin



Underpin

For the underpin calculation, first a transfer value needs to be calculated for the current period of service in FPS

Underpin Calculation inputs

$$CP = (1 \div 60) \times \text{£}36,000.00 \times (15 + (150 \div 365)) = \text{£}9,246.58 \text{ pa}$$

$$SUR = 0.5 \times \text{£}9,246.58 = \text{£}4,623.29 \text{ pa}$$

F_p , and F_{sur} are unchanged.

Underpin Calculation

Substituting these values into the transfer value formula, we get:

$$\begin{aligned} TV_{ActSer} &= (\text{£}9,246.58 \times 16.61) + (\text{£}4,623.29 \times 2.98) \\ &= \text{£}153,585.69 + \text{£}13,777.40 \\ &= \text{£}167,363.09 \end{aligned}$$

Therefore the Transfer Value out for the 15 years 150 days' service is **£167,363.09**

Using paragraph 2.12, the underpin formula and value is:

$$\begin{aligned} \text{Underpin} &= TV_{ActSer} + TV_{in} \\ &= \text{£}167,363.09 + \text{£}67,300.00 \\ &= \text{£}234,663.09 \end{aligned}$$

The Underpin value is higher than the statutory CETV. Therefore the higher transfer value of **£234,663.09** should be issued (see paragraph 2.14).



Appendix A: Assumptions underlying the CETV factors

Financial assumptions

Nominal discount rate	4.448% pa
CPI	2.00% pa
Real discount rate (in excess of CPI)	2.40% pa

Mortality assumptions

Members in normal and ill health	113% of S2NMA (males) and 113% of S2NFA (females)
Dependants	113% of S2NMA (males) and 100% S2DFA (females)
Future mortality improvement	Based on ONS principal UK population projections 2016
Year of Use	2020

Other assumptions

Proportion of male members for unisex factors	95% for members and 5% for Dependants
Age difference between member and partner	Males assumed 3 years older than female partners
Family statistics	75% of members assumed married at retirement (80% assumed partnered)
Allowance for commutation	Nil
Expense loading	Nil
Salary scale for transfers-in	In line with long term assumptions proposed for the 2016 valuation
In-service decrements (where applicable)	In line with 2016 valuation proposals



Appendix B: Table of factors

Table A1 (Table 201 in the consolidated factors spreadsheet): CETV Transfer value factors for deferred benefits payable from 60

MALES

Age last birthday at relevant date	Gross Pension of £1 per annum	Surviving Partner's Pension of £1 pa	Deduction for NI Modification of £1 pa
18	7.78	1.40	4.56
19	7.95	1.47	4.69
20	8.12	1.51	4.81
21	8.29	1.55	4.94
22	8.47	1.59	5.08
23	8.65	1.62	5.22
24	8.84	1.66	5.36
25	9.03	1.70	5.50
26	9.22	1.75	5.65
27	9.42	1.79	5.80
28	9.62	1.83	5.96
29	9.83	1.87	6.12
30	10.04	1.91	6.29
31	10.26	1.96	6.46
32	10.48	2.00	6.64
33	10.71	2.05	6.82
34	10.94	2.09	7.00
35	11.18	2.14	7.19
36	11.42	2.19	7.39
37	11.67	2.23	7.59
38	11.92	2.28	7.80
39	12.18	2.32	8.02
40	12.45	2.37	8.24
41	12.73	2.42	8.47
42	13.01	2.46	8.70
43	13.29	2.51	8.94
44	13.59	2.55	9.19
45	13.89	2.60	9.45
46	14.20	2.65	9.71
47	14.52	2.69	9.98
48	14.85	2.74	10.26
49	15.18	2.79	10.55
50	15.52	2.84	10.84
51	15.88	2.88	11.15
52	16.24	2.93	11.46
53	16.61	2.98	11.79
54	17.00	3.02	12.13
55	17.40	3.06	12.48
56	17.81	3.11	12.84
57	18.24	3.15	13.22
58	18.68	3.18	13.62
59	19.15	3.21	14.03



Table A2 (Table 202 in the consolidated factors spreadsheet): CETV Transfer value factors for deferred benefits payable from 60

FEMALES

Age last birthday at relevant date	Gross Pension of £1 per annum	Surviving Partner's Pension of £1 pa	Deduction for NI Modification of £1 pa
18	7.78	1.40	4.84
19	7.95	1.47	4.98
20	8.12	1.51	5.11
21	8.29	1.55	5.25
22	8.47	1.59	5.40
23	8.65	1.62	5.54
24	8.84	1.66	5.70
25	9.03	1.70	5.85
26	9.22	1.75	6.01
27	9.42	1.79	6.18
28	9.62	1.83	6.35
29	9.83	1.87	6.52
30	10.04	1.91	6.70
31	10.26	1.96	6.88
32	10.48	2.00	7.07
33	10.71	2.05	7.26
34	10.94	2.09	7.46
35	11.18	2.14	7.67
36	11.42	2.19	7.88
37	11.67	2.23	8.10
38	11.92	2.28	8.32
39	12.18	2.32	8.55
40	12.45	2.37	8.79
41	12.73	2.42	9.03
42	13.01	2.46	9.29
43	13.29	2.51	9.54
44	13.59	2.55	9.81
45	13.89	2.60	10.09
46	14.20	2.65	10.37
47	14.52	2.69	10.66
48	14.85	2.74	10.96
49	15.18	2.79	11.27
50	15.52	2.84	11.59
51	15.88	2.88	11.92
52	16.24	2.93	12.27
53	16.61	2.98	12.62
54	17.00	3.02	12.99
55	17.40	3.06	13.37
56	17.81	3.11	13.77
57	18.24	3.15	14.18
58	18.68	3.18	14.61
59	19.15	3.21	15.05



Appendix C: Limitations

- C.1 This guidance should not be used for any purpose other than those set out in this guidance.
- C.2 The factors contained in this guidance are subject to regular review. Scheme managers and administrators need to ensure that they are using the latest factors, as relevant, when processing cases.
- C.3 Advice provided by GAD must be taken in context and is intended to be considered in its entirety. Individual sections, if considered in isolation, may be misleading, and conclusions reached by a review of some sections on their own may be incorrect. GAD does not accept responsibility for advice that is altered or used selectively. Clarification should be sought if there is any doubt about the intention or scope of advice provided by GAD.
- C.4 This guidance only covers the actuarial principles around the calculation and application of individual transfer factors. Any legal advice in this area should be sought from an appropriately qualified person or source.
- C.5 Scheme managers and administrators should satisfy themselves that individual transfer calculations and benefit awards comply with all legislative requirements including, but not limited to, tax and contracting-out requirements.
- C.6 This guidance is based on the Regulations in force at the time of writing. It is possible that future changes to the Regulations might create inconsistencies between this guidance and the Regulations. If users of this guidance believe there to be any such inconsistencies, they should bring this to the attention of the relevant authority and GAD. Under no circumstances should this guidance take precedence over the Regulations. Administrators should ensure that they comply with all relevant Regulations.