Firefighters' Pension Scheme
Circular

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Action:	To note		
Title:	*FIREFIGHTERS' PENSION SCHEMES – GUIDANCE AND FACTORS FOR NON- CLUB TRANSFERS INTO NFPS*		
Issued by:	Andrew Cornelius Firefighters' Pension Team. Workforce, Pay and Pensions Division		

Summary:	This circular provides guidance and factors from the Government Actuary for the calculation of service credits for non-Club (statutory) transfers into the NFPS 2006

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1. NON-CLUB (STATUTORY) TRANSFERS GUIDANCE AND REVISED FACTORS

Please find attached scheme specific guidance and TV factors relating to the calculation of service credits for non-club (statutory) transfers into the NFPS 2006. This updates previous guidance issued by GAD in 2009.
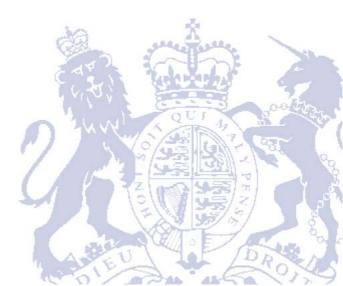
Andrew Cornelius

New Firefighters' Pension Scheme 2006
Factors and Example Calculations for
Service Credits for non-Club Incoming Transfers

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Date: 17th January 2011

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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 introduced in April 2006. 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 on the 22nd September 2010. 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 of The Firefighters' Pensions Regulations 2006 (SI 2006 No. 3432):

- Part 12 Rule 10 – acceptance of transfer value payments
- Part 12 Rule 11 – calculation of transferred-in pensionable service

1.1.4   References in this guidance to The New Firefighters' Pension Scheme (England) may be taken to include their equivalents in Scotland, Wales and Northern Ireland.

Caveat

1.1.5   This note should not be used for any purpose other than to determine the service credit for an incoming non-club transfer.

1.1.6   This note should be considered in conjunction with the 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.

1.1.7   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

1.1.8   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) In the Budget on 22 June 2010, the Chancellor announced that future public service pension indexation would be in line with CPI rather than RPI from April 2011. HMT subsequently withdrew its guidance note for determining the discount rate in CETV calculations for public service pension schemes (issued in September 2008). HMT issued new guidance on the discount rate to be used for CETVs on 6 August 2010. The factors in this guidance are calculated consistently with the new HMT guidance.

(ii) The proportion of the factor that is applied to GMP accrued after 5th April 1988 has changed from 25% to 30% for all tables.

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 Rescue Services Branch
> Welsh Assembly Government
> Merthyr Tydfil Office
> Rhydycar
> Merthyr Tydfil
> CF48 1UZ

> Department for Health, Social Services and Public Safety
> Fire Division
> Castle Buildings
> Stormont
> Belfast BT4 3SS

1.2.3 The Fire Pensions Teams will seek input from the Scheme Actuary if necessary.

Ian Boonin
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17 January 2011

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 (previous guidance). This note includes the sections required updating to allow for the changes listed in section 1.18.

3 Revised Calculations

3.1 Statutory CETV transfers in

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

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

TV	the transfer value
AMC	adjustment for market conditions – Table D2
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 3.2.12 of the previous guidance
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.

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

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

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 previous guidance

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.

4.1 Statutory CETV transfer in

The following information is assumed for this calculation:

A.	Member date of birth	25 May 1961
B.	Relevant date	2 Aug 2006
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
L.	Yield used to determine the AMC factor	2.46%[1]

Cost of 1 year's accrual

First we must calculate the cost of one year's accrual (of benefits) see 3.2.12 of the previous guidance issued on the 30th April 2009.

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

F_p = 17.03 (from Table C1 "Pension of £1 pa" column)

F_{sur} = 2.30 (from Table C1 "Survivor's pension of £1 pa" column)

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:

1yr = [17.03 + (0.5 x 2.30)] x (40,000 ÷ 60)

    = [17.03 + 1.15] x 666.67

    = 18.18 x 666.67

    = 12,120.06

Therefore the cost of one year's accrual is **£12,120.06**

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[1] This yield is an assumed figure for calculation example purposes only and is not the actual yield on 1 Aug 2006

Service credit

From 3.1.1 the formula used to calculate service credit is:

Service Credit = [TV ÷ AMC + (PRE GMP + G × POST GMP) × F$_{gmp}$] ÷ 1yr

TV = £165,439.10 (see **G.**)

AMC = (0.54 x 1.12) + (0.46 x 1.04) = 1.0832 (this is the interpolated value given a yield of 2.46% - see **L.** - with values from Table D2 "2%" and "3%" column)

Pre GMP = £520 (see **I.**)

Post GMP = £780 (see **J.**)

G = 0.3 (see note in Table C1)

F$_{gmp}$ = 1.69 (from Table C1 "Saving factor for GMP of £1 pa" column)

1yr = £12,120.06 (as calculated earlier)

Substituting these values into the formula above we get:

Service Credit = ([165,439.10 ÷ 1.0832] + [(520 + [0.3 x 780]) x 1.69]) ÷ 12,120.06

$\qquad$ = (152,731.81 + [(520 + 234) x 1.69]) ÷ 12,120.06

$\qquad$ = (152,731.81 + [754 x 1.69]) ÷ 12,120.06

$\qquad$ = (152,731.81 + 1,274.26) ÷ 12,120.06

$\qquad$ = 154,006.07 ÷ 12,120.06

$\qquad$ = 12.707 years

$\qquad$ = 12 years 0.707 x 365 days

$\qquad$ = 12 years 258 days (rounding up to nearest day)

Therefore the total service credit is **12 years 258 days**.

Service credit in respect of section 9(2B) rights (see 3.2.13 of the previous guidance)

Service credit $_{post97}$ = [TV$_{post97}$ ÷ AMC] ÷ 1yr

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

AMC = 1.0832 (from above)

1yr = £12,120.06 (as calculated above)

Substituting these values into the formula above we get:

TV$_{post97}$= (62,743.22 ÷ 1.0832) ÷ 12,120.06

$\qquad$ = 57,923.95 ÷ 12,120.06

$\qquad$ = 4.779 years

Therefore the service credit in respect of section 9(2b) rights is **4 years 284 days**.

5   Table of factors

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	13.44	1.56	1.56	1.00
19	13.63	1.58	1.58	1.02
20	13.82	1.61	1.61	1.04
21	14.02	1.64	1.64	1.06
22	14.24	1.68	1.68	1.08
23	14.46	1.71	1.71	1.10
24	14.67	1.75	1.75	1.13
25	14.88	1.78	1.78	1.15
26	15.08	1.82	1.82	1.17
27	15.27	1.86	1.86	1.19
28	15.46	1.89	1.89	1.22
29	15.64	1.92	1.92	1.24
30	15.82	1.96	1.96	1.26
31	15.98	1.99	1.99	1.29
32	16.14	2.02	2.02	1.31
33	16.28	2.05	2.05	1.34
34	16.40	2.08	2.08	1.37
35	16.51	2.11	2.11	1.39
36	16.63	2.13	2.13	1.42
37	16.73	2.16	2.16	1.45
38	16.82	2.18	2.18	1.48
39	16.89	2.21	2.21	1.51
40	16.95	2.23	2.23	1.54
41	17.00	2.25	2.25	1.57
42	17.03	2.26	2.26	1.60
43	17.05	2.28	2.28	1.63
44	17.05	2.29	2.29	1.66
45	17.03	2.30	2.30	1.69
46	17.00	2.30	2.30	1.73
47	16.95	2.31	2.31	1.76
48	16.89	2.31	2.31	1.80
49	16.84	2.30	2.30	1.83
50	16.78	2.30	2.30	1.87
51	16.71	2.29	2.29	1.91
52	16.65	2.27	2.27	1.95
53	16.58	2.25	2.25	1.99
54	16.53	2.22	2.22	2.03
55	16.49	2.19	2.19	2.07
56	16.50	2.15	2.15	2.11
57	16.56	2.11	2.11	2.16
58	16.65	2.06	2.06	2.21
59	16.69	2.04	2.04	2.25

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[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 30% of the GMP amount in respect of service after that date.

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	13.74	0.78	0.78	0.87
19	13.94	0.80	0.80	0.89
20	14.13	0.81	0.81	0.91
21	14.34	0.82	0.82	0.92
22	14.57	0.84	0.84	0.94
23	14.79	0.85	0.85	0.96
24	15.01	0.87	0.87	0.98
25	15.23	0.88	0.88	1.00
26	15.44	0.90	0.90	1.01
27	15.64	0.92	0.92	1.03
28	15.84	0.93	0.93	1.05
29	16.03	0.94	0.94	1.07
30	16.21	0.96	0.96	1.09
31	16.39	0.97	0.97	1.11
32	16.55	0.98	0.98	1.13
33	16.70	0.99	0.99	1.16
34	16.83	1.00	1.00	1.18
35	16.95	1.01	1.01	1.20
36	17.07	1.02	1.02	1.22
37	17.18	1.02	1.02	1.25
38	17.27	1.03	1.03	1.27
39	17.35	1.04	1.04	1.29
40	17.42	1.04	1.04	1.32
41	17.48	1.04	1.04	1.34
42	17.51	1.04	1.04	1.37
43	17.54	1.04	1.04	1.40
44	17.54	1.04	1.04	1.42
45	17.53	1.04	1.04	1.45
46	17.50	1.03	1.03	1.48
47	17.46	1.02	1.02	1.51
48	17.41	1.01	1.01	1.54
49	17.35	1.00	1.00	1.56
50	17.30	0.99	0.99	1.60
51	17.24	0.97	0.97	1.63
52	17.18	0.95	0.95	1.66
53	17.11	0.93	0.93	1.69
54	17.06	0.90	0.90	1.73
55	17.03	0.87	0.87	1.76
56	17.04	0.84	0.84	1.80
57	17.10	0.81	0.81	1.83
58	17.20	0.77	0.77	1.87
59	17.24	0.75	0.75	1.95

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[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 30% of the GMP amount in respect of service after that date.

Table D2: Adjustment for market conditions

Males and Females

Age last birthday at relevant date	Yield on index-linked stocks at relevant date[1]				
	0%	**1%**	**2%**	**3%**	**4%**
16 – 25	1.31	1.22	1.12	1.04	0.96
26 – 28	1.31	1.22	1.12	1.04	0.96
29 – 31	1.31	1.22	1.12	1.04	0.96
32 – 33	1.31	1.22	1.12	1.04	0.96
34 – 35	1.31	1.22	1.12	1.04	0.96
36 – 37	1.31	1.22	1.12	1.04	0.96
38	1.31	1.22	1.12	1.04	0.96
39	1.31	1.22	1.12	1.04	0.96
40	1.31	1.22	1.12	1.04	0.96
41	1.31	1.22	1.12	1.04	0.96
42	1.31	1.22	1.12	1.04	0.96
43	1.31	1.22	1.12	1.04	0.96
44	1.31	1.22	1.12	1.04	0.96
45	1.31	1.22	1.12	1.04	0.96
46	1.31	1.21	1.12	1.04	0.96
47	1.31	1.21	1.12	1.04	0.96
48	1.31	1.21	1.12	1.04	0.96
49	1.31	1.21	1.12	1.04	0.96
50	1.31	1.21	1.12	1.04	0.96
51	1.30	1.21	1.12	1.04	0.96
52	1.30	1.20	1.12	1.04	0.96
53	1.29	1.20	1.12	1.04	0.96
54	1.29	1.20	1.11	1.04	0.97
55	1.28	1.19	1.11	1.04	0.97
56	1.27	1.18	1.11	1.03	0.97
57	1.26	1.18	1.10	1.03	0.97
58	1.25	1.17	1.10	1.03	0.97
59	1.23	1.16	1.09	1.03	0.97
60	1.22	1.15	1.09	1.03	0.97
61	1.22	1.15	1.09	1.03	0.97
62	1.21	1.14	1.08	1.03	0.97
63	1.20	1.14	1.08	1.03	0.98
64	1.19	1.13	1.08	1.02	0.98

The market level adjustment is obtained from the table above by interpolation between the columns.

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[1] Adjustment to be made to total transfer value calculated to allow for current yield on the FT-Actuaries index of index-linked government bonds with duration of 15 years or more averaged between the 0% and 5% inflation assumptions.