



# Firefighters' Pension Scheme Circular

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<b>Action:</b>	To note		
<b>Title:</b>	<i>FIREFIGHTERS' PENSION SCHEMES – GUIDANCE AND FACTORS FOR THE CALCULATION OF PENSION CREDITS ON DIVORCE</i>		
<b>Issued by:</b>	Andrew Cornelius Firefighters' Pension Team. Workforce, Pay and Pensions Division		

<b>Summary:</b>	This circular provides guidance and factors from the Government Actuary for the calculation of pension credits on divorce for both the FPS 1992 and the NFPS 2006
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<b>Addressed to:</b>	<b>Please Forward to:</b>
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The Chief Fire Officer	Members

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**Firefighters' Pension Scheme Website:** [www.communities.gov.uk/firepensions](http://www.communities.gov.uk/firepensions)

## **1. CALCULATION OF PENSION CREDITS ON DIVORCE**

Please find attached scheme specific guidance and TV factors relating to the calculation of pension credits on divorce for both the FPS and NFPS. This updates previous guidance issued by GAD in 2009.

**Andrew Cornelius**

**New Firefighters' Pension Scheme 2006  
Calculation of Pension Credits on Divorce**

Date: 7<sup>th</sup> December 2010



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## 1 Introduction

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### 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:
- Pension credit calculations for the ex-spouse or ex-civil partner on divorce.
- 1.1.2 The Actuarial Factors in this note come into force from 22 September 2010. This note supersedes 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' Pension Scheme (England) Order 2006 (SI 2006 No. 3432):
- Part 6 Rule 1 – pension credit member's entitlement to pension
- 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.

### Caveats

- 1.1.5 This note should not be used for any purpose other than to determine the pension credit payable to the ex-spouse or ex-civil partner following the issue of a pension sharing order by the Court.
- 1.1.6 This note should be considered in its entirety 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 pension credits. 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.

## 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/working/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.

## **2 Note on this guidance**

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- 2.1 This guidance note should be used in conjunction with the guidance issued on the 30th April 2009 (previous guidance). This note has been updated to allow for the changes listed in section 1.1.8.

### **3 Example Calculations**

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This section provides examples of the calculations of the pension credit for the ex-spouse or ex-civil partner.

For the purposes of these examples, we have assumed that no charges are applied to cover the cost of the work generated by the pension sharing order (as described in paragraph 3.5.2 of the previous guidance).

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.



### 3.1 Pension sharing order for an active member

#### Calculation of cash equivalent

The following information is needed for this calculation:

A. Member date of birth	14 Feb 1981
B. Calculation date	11 Sep 2016
C. Member age as at calculation date	35
D. Gender	Male
E. Final Pensionable Pay	£36,000
F. Reckonable service	10 years
G. Pre 6/4/88 GMP	nil
H. Post 6/4/88 GMP	nil
I. Yield used to determine the AMC factor	2.40% <sup>1</sup>
J. Additional Pension from CPD contributions or LSI	nil

From example 4.2 of the GAD guidance '*NFPS 2006 Statutory Cash Equivalent Transfer Values*' issued on the 22 September 2010, the cash equivalent transfer value was calculated to be **£31,040.64**.

#### Calculation of the value of sharable rights

The following information is required from the pension sharing order:

K. Proportion to which ex-spouse is entitled	40%
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From 4.5.2 of the NFPS Transfer and Divorce guidance issued on 30<sup>th</sup> April 2009, the formula used to calculate the shareable rights is:

$$\text{ESCE} = (\text{CE} \times \text{appropriate percentage} \div 100) - \text{Charges}$$

There are no implied charges for this example. Therefore:

$$\begin{aligned} \text{ESCE} &= £31,040.64 \times (40 \div 100) \\ &= £12,416.26 \end{aligned}$$

#### Calculation of the pension credit

The following information is required:

L. Ex-spouse date of birth	9 July 1984
M. Ex-spouse age at calculation date	32
N. Ex-spouse gender	Female

From 4.6.4 of the NFPS Transfer and Divorce guidance issued on 30<sup>th</sup> April 2009, where the member is an active and the ex-spouse is aged under 65, the formula used to calculate the pension credit is as follows:

$$(\text{ESCE} \div \text{AMC}) \div (\text{F}_p)$$

<sup>1</sup> This yield is an assumed figure for calculation example purposes only and is not the actual yield for September 2016.

ESCE = £12,416.26 (as calculated above)

AMC =  $(0.6 \times 1.12) + (0.4 \times 1.04) = 1.088$  (this is the interpolated value given a yield of 2.40% - see I. - with values from Table K "2%" and "3%" column)

$F_p = 3.99$  (from Table J "Females - Pension of £1 per annum" column)

Therefore:

$$\begin{aligned}\text{Pension Credit} &= (\text{£}12,416.26 \div 1.088) \div (3.99) \\ &= \text{£}11,412.00 \div 3.99 \\ &= \text{£}2,860.15\end{aligned}$$

The pension credit will come in to payment when the ex-spouse reaches age 65. The ex-spouse will have the option to commute part of the pension for a lump sum payment at age 65.

### 3.2 Pension sharing order for a deferred member

The following information is needed for this calculation:

<b>A.</b> Member date of birth	1 April 1981
<b>B.</b> Calculation date	17 April 2016
<b>C.</b> Member age as at calculation date	35
<b>D.</b> Gender	Male
<b>E.</b> Date of Exit	12 April 2011
<b>F.</b> Deferred benefits at exit	
Member pension	£2,000 pa
Survivor's pension	£1,000 pa
Pre 6/4/88 GMP	nil
Post 6/4/88 GMP	nil
<b>G.</b> Pension increase factor from exit to calculation date	1.2
<b>H.</b> Yield used to determine the AMC factor	2% <sup>1</sup>

From example 4.3 of the GAD guidance '*NFPS 2006 Statutory Cash Equivalent Transfer Values*' issued on the 22 September 2010, the cash equivalent transfer value was calculated to be **£12,781.44**.

#### Calculation of the value of sharable rights

In this case the pension sharing order was issued under Scottish law.

<b>I.</b> Monetary amount to which ex-spouse is entitled	£6,000
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#### Calculation of the pension credit

The following information is required

<b>J.</b> Ex-spouse date of birth	15 February 1982
<b>K.</b> Ex-spouse age at calculation date	34
<b>L.</b> Ex-spouse gender	Female

From 4.6.4 of the NFPS Transfer and Divorce guidance issued on 30<sup>th</sup> April 2009, where the member is a deferred member and the ex-spouse is aged under 65, the formula used to calculate the pension credit is as follows:

$$(ESCE \div AMC) \div [ F_p ]$$

ESCE = £6,000 (as given above)

AMC = 1.12 (from Table K "2%" column - see **H.** earlier)

F<sub>p</sub> = 4.33 (from Table J "Females – Pension of £1 per annum" column)

Therefore:

$$\begin{aligned} \text{Pension Credit} &= (6,000 \div 1.12) \div 4.33 \\ &= 5,357.14 \div 4.33 \\ &= \text{£1,237.22} \end{aligned}$$

<sup>1</sup> This yield is an assumed figure for calculation example purposes only and is not the actual yield for April 2016.

### 3.3 Pension sharing order for a current pensioner

The following information is needed for this calculation:

<b>A.</b> Member date of birth	1 April 1994
<b>B.</b> Calculation date	27 July 2055
<b>C.</b> Member age as at calculation date	61
<b>D.</b> Gender	Female
<b>E.</b> Current benefits	
Member pension	£2,000 pa
Survivor's pension	£1,000 pa
Pre 6/4/88 GMP	nil
Post 6/4/88 GMP	nil
<b>F.</b> Yield used to determine the AMC factor	2.00% <sup>1</sup>

From example 4.4 of GAD guidance, '*NFPS 2006 Statutory Cash Equivalent Transfer Values*' issued on the 22 September 2010, the cash equivalent transfer value was calculated to be **£36,795**

#### Calculation of the value of sharable rights

The following information is required from the pension sharing order.

<b>G.</b> Proportion to which ex-spouse is entitled	40%
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From 4.5.2 of the NFPS Transfer and Divorce guidance issued on 30<sup>th</sup> April 2009, the formula used to calculate the shareable rights is:

#### **(CE x appropriate percentage / 100) – Charges**

There are no implied charges for this example. Therefore:

$$\begin{aligned} \text{ESCE} &= 36,795 \times (40 \div 100) \\ &= \text{£}14,718 \end{aligned}$$

#### Calculation of the pension credit

The following information is required:

<b>H.</b> Ex-spouse date of birth	15 March 1988
<b>I.</b> Ex-spouse age at calculation date	67
<b>J.</b> Ex-spouse gender	Male

From 4.6.3 of the NFPS Transfer and Divorce guidance issued on 30<sup>th</sup> April 2009, the formula used to calculate the pension credit for an ex-spouse, if the member is a current pensioner, is:

#### **(ESCE ÷ AMC) ÷ F<sub>p</sub>**

ESCE = £14,718 (as given above)

AMC = 1.09 (from Table K "2%" column - see **F.**)

F<sub>p</sub> = 13.83 (from Table J "Males - Pension of £1 per annum" column)

<sup>1</sup> This yield is an assumed figure for calculation example purposes only and is not the actual yield for July 2055.

Therefore:

$$\begin{aligned}\text{Pension Credit} &= (14,718 \div 1.09) \div 13.83 \\ &= 13,502.75 \div 13.83 \\ &= \text{£}976.34\end{aligned}$$

The pension credit will come into payment immediately. The ex-spouse will **NOT** have the option to commute pension for a lump sum.

## **4 Tables of factors**

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**Table J: Factors for calculating the pension credit**

Age last birthday at relevant date <sup>1</sup>	Males <sup>2</sup>	Females <sup>3</sup>
	Pension of £1 per annum	Pension of £1 per annum
16	1.98	2.08
17	2.06	2.17
18	2.15	2.26
19	2.24	2.36
20	2.33	2.45
21	2.43	2.56
22	2.53	2.66
23	2.63	2.77
24	2.74	2.89
25	2.85	3.01
26	2.97	3.13
27	3.09	3.26
28	3.22	3.39
29	3.36	3.53
30	3.49	3.68
31	3.64	3.83
32	3.79	3.99
33	3.95	4.16
34	4.11	4.33
35	4.28	4.51
36	4.46	4.70
37	4.64	4.89
38	4.84	5.10
39	5.04	5.31
40	5.25	5.53
41	5.46	5.76
42	5.69	6.00
43	5.93	6.25
44	6.18	6.50
45	6.43	6.78
46	6.70	7.06
47	6.98	7.35
48	7.27	7.66
49	7.58	7.98
50	7.89	8.31
51	8.23	8.66
52	8.57	9.03
53	8.94	9.41
54	9.32	9.81

<sup>1</sup> Use the age of the ex-spouse or ex-civil partner, not the age of the member

<sup>2</sup> Use the gender of the ex spouse or ex-civil partner, not the gender of the member

<sup>3</sup> Use the gender of the ex spouse or ex-civil partner, not the gender of the member

**Table J: Factors for calculating the pension credit *continued***

Age last birthday at relevant date <sup>1</sup>	Males <sup>2</sup>	Females <sup>3</sup>
	Pension of £1 per annum	Pension of £1 per annum
55	9.72	10.23
56	10.14	10.66
57	10.57	11.12
58	11.03	11.60
59	11.51	12.10
60	12.03	12.63
61	12.58	13.20
62	13.16	13.79
63	13.78	14.42
64	14.44	15.08
65	14.47	15.14
66	14.15	14.83
67	13.83	14.50
68	13.49	14.17
69	13.14	13.83
70	12.78	13.48
71	12.42	13.13
72	12.04	12.76
73	11.66	12.39
74	11.27	12.01
75	10.88	11.62
76	10.49	11.23
77	10.09	10.84
78	9.70	10.45
79	9.31	10.05
80	8.92	9.65
81	8.54	9.26
82	8.17	8.86
83	7.80	8.47
84	7.43	8.07
85	7.07	7.67

<sup>1</sup> Use the age of the ex-spouse or the ex-civil partner, not the age of the member

<sup>2</sup> Use the gender of the ex-spouse or ex-civil partner, not the gender of the member

<sup>3</sup> Use the gender of the ex-spouse or ex-civil partner, not the gender of the member



**Table K: Adjustment for market conditions for use with Table J**

**Males and Females**

Age Last Birthday at Relevant Date <sup>1</sup>	Yield on Index Linked Stocks at Relevant Date <sup>2</sup>				
	0.0%	1.0%	2.0%	3.0%	4.0%
16	1.31	1.22	1.12	1.04	0.96
17	1.31	1.22	1.12	1.04	0.96
18	1.31	1.22	1.12	1.04	0.96
19	1.31	1.22	1.12	1.04	0.96
20	1.31	1.22	1.12	1.04	0.96
21	1.31	1.22	1.12	1.04	0.96
22	1.31	1.22	1.12	1.04	0.96
23	1.31	1.22	1.12	1.04	0.96
24	1.31	1.22	1.12	1.04	0.96
25	1.31	1.22	1.12	1.04	0.96
26	1.31	1.22	1.12	1.04	0.96
27	1.31	1.22	1.12	1.04	0.96
28	1.31	1.22	1.12	1.04	0.96
29	1.31	1.22	1.12	1.04	0.96
30	1.31	1.22	1.12	1.04	0.96
31	1.31	1.22	1.12	1.04	0.96
32	1.31	1.22	1.12	1.04	0.96
33	1.31	1.22	1.12	1.04	0.96
34	1.31	1.22	1.12	1.04	0.96
35	1.31	1.22	1.12	1.04	0.96
36	1.31	1.22	1.12	1.04	0.96
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	1.31	1.21	1.12	1.04	0.96
52	1.31	1.21	1.12	1.04	0.96
53	1.31	1.21	1.12	1.04	0.96
54	1.30	1.21	1.12	1.04	0.96

<sup>1</sup> Use the age of the ex-spouse or the ex-civil partner, not the age of the member

<sup>2</sup> 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.

*NB, the AMC table has not changed since the previous guidance.*

**Table K: Adjustment for market conditions for use with Table J *continued***

**Males and Females**

Age Last Birthday at Relevant Date <sup>1</sup>	Yield on Index Linked Stocks at Relevant Date <sup>2</sup>				
	0.0%	1.0%	2.0%	3.0%	4.0%
55	1.30	1.21	1.12	1.04	0.96
56	1.29	1.20	1.12	1.04	0.96
57	1.29	1.20	1.11	1.04	0.97
58	1.28	1.19	1.11	1.04	0.97
59	1.27	1.19	1.11	1.03	0.97
60	1.27	1.18	1.11	1.03	0.97
61	1.26	1.18	1.10	1.03	0.97
62	1.25	1.17	1.10	1.03	0.97
63	1.25	1.17	1.10	1.03	0.97
64	1.24	1.17	1.10	1.03	0.97
65	1.24	1.16	1.09	1.03	0.97
66	1.23	1.16	1.09	1.03	0.97
67	1.23	1.16	1.09	1.03	0.97
68	1.23	1.16	1.09	1.03	0.97
69	1.23	1.16	1.09	1.03	0.97
70	1.23	1.16	1.09	1.03	0.97
71	1.22	1.15	1.09	1.03	0.97
72	1.22	1.15	1.09	1.03	0.97
73	1.22	1.15	1.09	1.03	0.97
74	1.22	1.15	1.09	1.03	0.97
75	1.22	1.15	1.09	1.03	0.97
76	1.21	1.15	1.08	1.03	0.97
77	1.21	1.14	1.08	1.03	0.97
78	1.21	1.14	1.08	1.03	0.97
79	1.20	1.14	1.08	1.03	0.97
80	1.20	1.14	1.08	1.03	0.98
81	1.20	1.14	1.08	1.03	0.98
82	1.19	1.13	1.08	1.02	0.98
83	1.19	1.13	1.08	1.02	0.98
84	1.18	1.13	1.07	1.02	0.98
85	1.18	1.12	1.07	1.02	0.98

<sup>1</sup> Use the age of the ex-spouse or the ex-civil partner, not the age of the member

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**Firefighters' Pension Scheme 1992  
Calculation of Pension Credits on Divorce**

Date: 7<sup>th</sup> December 2010



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## **1 Introduction**

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### **1.1 Scope of this guidance note**

- 1.1.1 This note relates to the Firefighters' Pension Scheme introduced in 1992. It sets out the general method for assessing:
- Pension credit calculations for the ex-spouse or ex-civil partner on divorce
- 1.1.2 The Actuarial Factors in this note come into force from 22<sup>nd</sup> September 2010. This note supersedes 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' Pension Scheme 1992 Order (SI 1992 No. 129):
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- 1.1.4 References in this guidance to The Firefighters' Pension Scheme (England) may be taken to include their equivalents in Scotland, Wales and Northern Ireland.

### **Caveats**

- 1.1.5 This note should not be used for any purpose other than to determine the pension credit payable to the ex-spouse or ex-civil partner following the issue of a pension sharing order by the Court.
- 1.1.6 This note should be considered in its entirety 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 pension credits. 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.

## 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/working/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.

## 2 Note on this guidance

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- 2.1 This guidance note should be used in conjunction with the guidance issued on the 30<sup>th</sup> June 2009 (*previous guidance*). This note has been updated to allow for the changes listed in section 1.1.8.

### 3 Change to guidance

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- 3.1.1 Replacing the paragraph 3.6.9 of the previous guidance:
- 3.1.2 If the pension credit was calculated under paragraph 3.6.4 of the previous guidance, then the ex-spouse or ex-civil partner will have the option to commute part of the pension credit for a lump sum when they reach age 60, or immediately if they are already aged over 60. The ex-spouse or ex-civil partner can commute up to 2.25 times the annual rate of pension payable for the first year, on factors supplied by the actuary.



## **4 Example Calculations**

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This section provides examples of the calculations of the pension credit for the ex-spouse or ex-civil partner.

For the purposes of these examples, we have assumed that no charges are applied to cover the cost of the work generated by the pension sharing order (as described in paragraph 3.5.2 of the previous guidance).

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 Pension sharing order for an active member

##### Calculation of cash equivalent

The following information is needed for this calculation:

A. Member date of birth	14 Feb 1981
B. Calculation date	11 Sep 2016
C. Member age as at calculation date	35
D. Gender	Male
E. Final Pensionable Pay	£36,000
F. Reckonable service for deferred pension	10 years
G. Pre 6/4/88 GMP	nil
H. Post 6/4/88 GMP	nil
I. Yield used to determine the AMC factor	2.40% <sup>1</sup>
J. Additional pension from CPD contributions or LSI	£0
K. NI modification	£0

From example 4.2 of the GAD guidance '*Firefighters' Pension Scheme 1992 – Statutory Cash Equivalent Transfer Values*', issued on the 22 September 2010, the cash equivalent transfer value was calculated to be **£41,681.28**.

##### Calculation of the value of sharable rights

The following information is required from the pension sharing order:

L. Proportion to which ex-spouse is entitled	40%
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From 3.5.2 of the FPS Transfer and Divorce guidance issued on the 30<sup>th</sup> June 2009, the formula used to calculate the shareable rights is:

$$\text{ESCE} = (\text{CE} \times \text{appropriate percentage} \div 100) - \text{Charges}$$

There are no implied charges for this example. Therefore:

$$\begin{aligned} \text{ESCE} &= 41,681.28 \times (40 \div 100) \\ &= \text{£}16,672.51 \end{aligned}$$

##### Calculation of the pension credit

The following information is required:

M. Ex-spouse date of birth	9 July 1984
N. Ex-spouse age at calculation date	32
O. Ex-spouse gender	Female

From 3.6.4 of the FPS Transfer and Divorce guidance issued on 30<sup>th</sup> June 2009, where the member is an active and the ex-spouse is aged under 60, the formula used to calculate the pension credit is as follows:

$$(\text{ESCE} \div \text{AMC}) \div (\text{F}_p)$$

<sup>1</sup> This yield is an assumed figure for calculation example purposes only and is not the actual yield for September 2016.

ESCE = £16,672.51 (as calculated above)

AMC =  $(0.6 \times 1.12) + (0.4 \times 1.04) = 1.088$  (this is the interpolated value given a yield of 2.40% - see I - with values from Table K "2%" and "3%" column)

$F_p = 5.44$  (from Table J "Females - Pension of £1 per annum" column)

Therefore:

$$\begin{aligned} \text{Pension Credit} &= (16,672.51 \div 1.088) \div ( 5.44 ) \\ &= 15,324.00 \div 5.44 \\ &= \text{£}2,816.91 \end{aligned}$$

The pension credit will come in to payment when the ex-spouse reaches age 60. The ex-spouse will have the option to commute part of the pension for a lump sum payment at age 60.

## 4.2 Pension sharing order for a deferred member

### Calculation of cash equivalent

The following information is needed for this calculation:

<b>A.</b> Member date of birth	1 April 1981
<b>B.</b> Calculation date	17 April 2016
<b>C.</b> Member age as at calculation date	35
<b>D.</b> Gender	Male
<b>E.</b> Date of Exit	12 April 2011
<b>F.</b> Deferred benefits at exit	
Member pension	£2,000 pa
Survivor's pension	£1,000 pa
Additional pension payable	nil
NI modification	nil
Pre 6/4/88 GMP	nil
Post 6/4/88 GMP	nil
<b>G.</b> Pension increase factor from exit to calculation date	1.2
<b>H.</b> Yield used to determine the AMC factor	2% <sup>1</sup>

From example 4.3 of the GAD guidance '*Firefighters' Pension Scheme 1992 – Statutory Cash Equivalent Transfer Values*', issued on the 22 September 2010, the cash equivalent transfer value was calculated to be **£17,162.88**.

### Calculation of the value of sharable rights

In this case the pension sharing order was issued under Scottish law.

<b>I.</b> Monetary amount to which ex-spouse is entitled	£6,000
--	--------

### Calculation of the pension credit

The following information is required

<b>J.</b> Ex-spouse date of birth	15 February 1982
<b>K.</b> Ex-spouse age at calculation date	34
<b>L.</b> Ex-spouse gender	Female

From 3.6.4 of the FPS Transfer and Divorce guidance issued on 30<sup>th</sup> June 2009, where the member is a deferred member and the ex-spouse is aged under 60, the formula used to calculate the pension credit is as follows:

$$(ESCE \div AMC) \div [ F_p ]$$

ESCE = £6,000 (as given above)

AMC = 1.12 (from Table K "2%" column - see J. earlier)

F<sub>p</sub> = 5.90 (from Table J "Females – Pension of £1 per annum" column)

<sup>1</sup> This yield is an assumed figure for calculation example purposes only and is not the actual yield for April 2016.

Therefore:

$$\begin{aligned}\text{Pension Credit} &= (6,000 \div 1.12) \div [ 5.90 ] \\ &= 5,357.14 \div 5.90 \\ &= \text{£}907.99\end{aligned}$$

### 4.3 Pension sharing order for a current pensioner

The following information is needed for this calculation:

<b>A.</b> Member date of birth	1 April 1994
<b>B.</b> Calculation date	27 July 2055
<b>C.</b> Member age as at calculation date	61
<b>D.</b> Gender	Female
<b>E.</b> Current benefits	
Member pension	£2,000 pa
Member's accrued PI	nil
Survivor's pension	£1,000 pa
NI modification	nil
Pre 6/4/88 GMP	nil
Post 6/4/88 GMP	nil
<b>F.</b> Yield used to determine the AMC factor	2.00% <sup>1</sup>

From example 4.4 of the GAD guidance '*Firefighters' Pension Scheme 1992 – Statutory Cash Equivalent Transfer Values*', issued on the 22 September 2010, the cash equivalent transfer value was calculated to be **£36,795**.

#### Calculation of the value of sharable rights

The following information is required from the pension sharing order.

<b>G.</b> Proportion to which ex-spouse is entitled	40%
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From 3.5.2 of the FPS Transfer and Divorce guidance issued on 30<sup>th</sup> June 2009, the formula used to calculate the shareable rights is:

#### **(CE x appropriate percentage / 100) – Charges**

There are no implied charges for this example. Therefore:

$$\begin{aligned} \text{ESCE} &= 36,795 \times (40 \div 100) \\ &= \text{£}14,718 \end{aligned}$$

#### Calculation of the pension credit

The following information is required:

<b>H.</b> Ex-spouse date of birth	15 March 1988
<b>I.</b> Ex-spouse age at calculation date	67
<b>J.</b> Ex-spouse gender	Male

From 3.6.3 of the FPS Transfer and Divorce guidance issued on 30<sup>th</sup> June 2009, the formula used to calculate the pension credit for an ex-spouse, if the member is a current pensioner, is:

#### **(ESCE ÷ AMC) ÷ Fp**

<sup>1</sup> This yield is an assumed figure for calculation example purposes only and is not the actual yield for July 2055.

ESCE = £14,718 (as given above)

AMC = 1.09 (from Table K "2%" column - see F.)

$F_p = 13.83$  (from Table J "Males - Pension of £1 per annum" column)

Therefore:

$$\begin{aligned}\text{Pension Credit} &= (14,718 \div 1.09) \div 13.83 \\ &= 13,502.75 \div 13.83 \\ &= \text{£}976.34\end{aligned}$$

The pension credit will come into payment immediately. The ex-spouse will **NOT** have the option to commute pension for a lump sum.

## **5 Tables of factors**

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**Table J: Factors for calculating the pension credit**

Age last birthday at relevant date <sup>1</sup>	Males <sup>2</sup>	Females <sup>3</sup>
	Pension of £1 per annum	Pension of £1 per annum
16	2.73	2.83
17	2.84	2.95
18	2.96	3.08
19	3.09	3.21
20	3.22	3.35
21	3.35	3.48
22	3.49	3.63
23	3.63	3.78
24	3.78	3.93
25	3.94	4.10
26	4.10	4.27
27	4.27	4.44
28	4.45	4.63
29	4.63	4.82
30	4.82	5.02
31	5.02	5.22
32	5.23	5.44
33	5.45	5.67
34	5.67	5.90
35	5.91	6.15
36	6.15	6.40
37	6.41	6.67
38	6.68	6.95
39	6.95	7.23
40	7.24	7.54
41	7.54	7.85
42	7.86	8.17
43	8.18	8.51
44	8.52	8.87
45	8.88	9.24
46	9.25	9.62
47	9.63	10.02
48	10.04	10.44
49	10.46	10.88
50	10.90	11.33
51	11.36	11.81
52	11.84	12.31
53	12.34	12.83
54	12.86	13.37

<sup>1</sup> Use the age of the ex-spouse or ex-civil partner, not the age of the member

<sup>2</sup> Use the gender of the ex spouse or ex-civil partner, not the gender of the member

<sup>3</sup> Use the gender of the ex spouse or ex-civil partner, not the gender of the member

**Table J: Factors for calculating the pension credit *continued***

Age last birthday at relevant date <sup>1</sup>	Males <sup>2</sup>	Females <sup>3</sup>
	Pension of £1 per annum	Pension of £1 per annum
55	13.41	13.94
56	13.99	14.53
57	14.59	15.16
58	15.22	15.81
59	15.90	16.50
60	15.97	16.60
61	15.68	16.32
62	15.39	16.04
63	15.09	15.75
64	14.78	15.45
65	14.47	15.14
66	14.15	14.83
67	13.83	14.50
68	13.49	14.17
69	13.14	13.83
70	12.78	13.48
71	12.42	13.13
72	12.04	12.76
73	11.66	12.39
74	11.27	12.01
75	10.88	11.62
76	10.49	11.23
77	10.09	10.84
78	9.70	10.45
79	9.31	10.05
80	8.92	9.65
81	8.54	9.26
82	8.17	8.86
83	7.80	8.47
84	7.43	8.07
85	7.07	7.67

<sup>1</sup> Use the age of the ex-spouse or the ex-civil partner, not the age of the member

<sup>2</sup> Use the gender of the ex-spouse or ex-civil partner, not the gender of the member

<sup>3</sup> Use the gender of the ex-spouse or ex-civil partner, not the gender of the member

**Table K: Adjustment for market conditions for use with Table J**

**Males and Females**

Age Last Birthday at Relevant Date <sup>1</sup>	Yield on Index Linked Stocks at Relevant Date <sup>2</sup>				
	0.0%	1.0%	2.0%	3.0%	4.0%
16	1.31	1.22	1.12	1.04	0.96
17	1.31	1.22	1.12	1.04	0.96
18	1.31	1.22	1.12	1.04	0.96
19	1.31	1.22	1.12	1.04	0.96
20	1.31	1.22	1.12	1.04	0.96
21	1.31	1.22	1.12	1.04	0.96
22	1.31	1.22	1.12	1.04	0.96
23	1.31	1.22	1.12	1.04	0.96
24	1.31	1.22	1.12	1.04	0.96
25	1.31	1.22	1.12	1.04	0.96
26	1.31	1.22	1.12	1.04	0.96
27	1.31	1.22	1.12	1.04	0.96
28	1.31	1.22	1.12	1.04	0.96
29	1.31	1.22	1.12	1.04	0.96
30	1.31	1.22	1.12	1.04	0.96
31	1.31	1.22	1.12	1.04	0.96
32	1.31	1.22	1.12	1.04	0.96
33	1.31	1.22	1.12	1.04	0.96
34	1.31	1.22	1.12	1.04	0.96
35	1.31	1.22	1.12	1.04	0.96
36	1.31	1.22	1.12	1.04	0.96
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	1.31	1.21	1.12	1.04	0.96
52	1.31	1.21	1.12	1.04	0.96
53	1.31	1.21	1.12	1.04	0.96
54	1.30	1.21	1.12	1.04	0.96

<sup>1</sup> Use the age of the ex-spouse or the ex-civil partner, not the age of the member

<sup>2</sup> 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.

*NB: the AMC table has not changed since the previous guidance*

**Table K: Adjustment for market conditions for use with Table J *continued***

**Males and Females**

Age Last Birthday at Relevant Date <sup>1</sup>	Yield on Index Linked Stocks at Relevant Date <sup>2</sup>				
	0.0%	1.0%	2.0%	3.0%	4.0%
55	1.30	1.21	1.12	1.04	0.96
56	1.29	1.20	1.12	1.04	0.96
57	1.29	1.20	1.11	1.04	0.97
58	1.28	1.19	1.11	1.04	0.97
59	1.27	1.19	1.11	1.03	0.97
60	1.27	1.18	1.11	1.03	0.97
61	1.26	1.18	1.10	1.03	0.97
62	1.25	1.17	1.10	1.03	0.97
63	1.25	1.17	1.10	1.03	0.97
64	1.24	1.17	1.10	1.03	0.97
65	1.24	1.16	1.09	1.03	0.97
66	1.23	1.16	1.09	1.03	0.97
67	1.23	1.16	1.09	1.03	0.97
68	1.23	1.16	1.09	1.03	0.97
69	1.23	1.16	1.09	1.03	0.97
70	1.23	1.16	1.09	1.03	0.97
71	1.22	1.15	1.09	1.03	0.97
72	1.22	1.15	1.09	1.03	0.97
73	1.22	1.15	1.09	1.03	0.97
74	1.22	1.15	1.09	1.03	0.97
75	1.22	1.15	1.09	1.03	0.97
76	1.21	1.15	1.08	1.03	0.97
77	1.21	1.14	1.08	1.03	0.97
78	1.21	1.14	1.08	1.03	0.97
79	1.20	1.14	1.08	1.03	0.97
80	1.20	1.14	1.08	1.03	0.98
81	1.20	1.14	1.08	1.03	0.98
82	1.19	1.13	1.08	1.02	0.98
83	1.19	1.13	1.08	1.02	0.98
84	1.18	1.13	1.07	1.02	0.98
85	1.18	1.12	1.07	1.02	0.98

<sup>1</sup> Use the age of the ex-spouse or the ex-civil partner, not the age of the member

<sup>2</sup> 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.

*NB: the AMC table has not changed since the previous guidance*