



Government Actuary's Department

The Firefighters' Pension Scheme 2015 (England) **Commutation of Small Pensions**

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1 Introduction

- 1.1 The Secretary of State, as responsible authority under Schedule 2 paragraph 6 of the Public Service Pensions Act 2013 ('the responsible authority') is required under the Firefighters' Pension Scheme (England) Regulations 2014 ('the 2015 Scheme Regulations') (SI 2014/2848), to issue actuarial guidance on the commutation of small pensions (Regulation 167(3) of the 2015 Scheme Regulations).
- 1.2 The scheme managers may commute small pensions under Regulation 167(3).
- 1.3 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
- 1.4 In the remainder of this note:
 - > Section 2 provides guidance on commutation of small pensions
 - > Appendix A sets out some important limitations
- 1.5 The Government Actuary's Department (GAD) seeks to achieve a high standard in all our work. Please go to our [website](#)¹ for details of the standards we apply.

Implementation and Review

- 1.6 The responsible authority is required to consult the scheme actuary before issuing actuarial guidance under the 2015 Scheme Regulations.
- 1.7 As part of this consultation the responsible authority has asked GAD, as scheme actuary, to recommend actuarial guidance in respect of the regulations detailed below. This document forms GAD's recommendation for the actuarial guidance required by these regulations.
- 1.8 This note has effect only when this guidance is issued by the responsible authority to scheme managers as defined in Regulation 4 of the 2015 Scheme Regulations, and is subject to the implementation instructions provided at that time.
- 1.9 This note relates to commutation of small pensions in accordance with Regulation 167 of the 2015 Scheme Regulations. It sets out the general method for calculating the cash value of such small pensions.
- 1.10 This guidance relates only to benefits accrued under the 2015 Scheme Regulations. Some firefighters may also have benefits under the 1992 Scheme or the NFPS which should be dealt with separately according to relevant scheme guidance.
- 1.11 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 2015 (England). Any questions concerning the application of the guidance should, in the first instance, be referred to the Firefighters' Pensions teams at DCLG.

¹ <https://www.gov.uk/government/organisations/government-actuaries-department/about/terms-of-reference>



- 1.12 The factors contained in this note will be reviewed periodically. This will depend on external circumstances, for example when changes in the actuarial assumptions adopted for other scheme factors take place; or following each cycle of future valuations of the Firefighters' Pension Scheme 2015 (England).
- 1.13 Scheme managers and administrators should ensure that they use the latest factors in circulation.

Use of this note

- 1.14 This note has been prepared for the responsible authority and can be relied upon by them. We are content for this note to be released to third parties, provided that:
- > it is released in full;
 - > the advice is not quoted selectively or partially; and
 - > GAD is identified as the source of the note.
- 1.15 Third parties may wish to seek their own actuarial advice where appropriate. GAD has no liability to any person or third party for any act or omission taken, either in whole or in part, on the basis of this note.

Third party reliance

- 1.16 When issued by the responsible authority in accordance with paragraph 1.7 above, this note should be used as the actuarial guidance required under the regulations cited. Other than for this purpose, no person or third party is entitled to place any reliance on the contents of this note, except to any extent explicitly stated herein.



2 Guidance on Commutation of Small Pensions

Former firefighter

- 2.1 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:

$$\text{PEN} \times \text{Fpen} + \text{SPEN} \times \text{Fspen}$$

where

PEN annual pension in payment

SPEN annual survivor's pension payable upon member's death

Fpen factor for pension in payment - Table 1

Fspen factor for contingent survivor's pension – Table 1

- 2.2 Example 1:

Male former firefighter
Date of birth: 01/09/1950
Calculation date: 01/12/2015
Total pension in payment: £700 pa
Married: wife entitled to receive half pension on death

Age in completed years on calculation date: 65

PEN £700 pa
SPEN £350 pa
Fpen 15.849
Fspen 3.400

Lump sum payable:

$$\begin{aligned} &= \text{PEN} \times \text{Fpen} + \text{SPEN} \times \text{Fspen} \\ &= 700 \times 15.849 + 350 \times 3.400 \\ &= 11,094.30 + 1,190.00 \\ &= 12,284.30 \end{aligned}$$

- 2.3 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.
- 2.4 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.



Table 1: Trivial commutation Factors for former firefighters

Age in completed years	Unisex Factor for benefits in payment (Fpen)	Unisex Factor for spouse or partner's pension (Fspen)
55	20.114	
56	19.717	
57	19.312	2.90
58	18.898	
59	18.478	
60	18.069	
61	17.637	
62	17.198	
63	16.755	
64	16.306	
65	15.849	
66	15.386	3.40
67	14.916	
68	14.439	
69	13.955	
70	13.466	
71	12.975	
72	12.484	
73	11.995	
74	11.348	

Surviving spouse or partner

2.5 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:

$$WPEN \times Fwpen$$

where

WPEN annual pension in payment

Fwpen factor for pension - Table 2

2.6 Example 2:

Spouse of former firefighter

Date of birth: 01/08/1976

Calculation date: 01/02/2016

Total pension in payment: £250 pa

Age in completed years on calculation date: 39

PEN £700 pa

Fwpen 25.729



Lump sum payable:

$$\begin{aligned} &= \text{PEN} \times \text{Fwpen} \\ &= 250 \times 25.729 \\ &= \text{£}6,432.25 \end{aligned}$$

Eligible children and pension credit members

- 2.7 The scheme manager may also pay an eligible child or pension credit member a lump sum in accordance with Regulation 167 of the 2015 Scheme Regulations. The responsible authority should refer any such requests to GAD.



Table 2: Trivial commutation for surviving spouse or partner

Age in completed years	Surviving spouse or partner unisex (Fwpen)
25	28.476
26	28.307
27	28.134
28	27.958
29	27.778
30	27.594
31	27.406
32	27.214
33	27.016
34	26.814
35	26.608
36	26.396
37	26.179
38	25.957
39	25.729
40	25.494
41	25.252
42	25.002
43	24.744
44	24.476
45	24.200
46	23.914
47	23.619
48	23.316
49	23.005
50	22.685
51	22.357
52	22.022
53	21.679
54	21.328
55	20.969
56	20.602
57	20.226
58	19.844
59	19.455
60	19.058
61	18.655
62	18.244
63	17.826



Table 2 (cont): Trivial commutation for surviving spouse or partner

Age in completed years	Widow/Widower or other survivor (Fwpen)
64	17.401
65	16.968
66	16.527
67	16.077
68	15.618
69	15.151
70	14.675
71	14.193
72	13.703
73	13.208
74	12.710
75	12.211
76	11.712
77	11.213
78	10.712
79	10.206
80	9.693
81	9.177
82	8.659
83	8.142
84	7.631
85	7.130
86	6.644
87	6.176
88	5.731
89	5.311
90	4.917
91	4.546
92	4.200
93	3.877
94	3.574
95	3.292
96	3.034
97	2.803
98	2.594
99	2.403



Appendix A – Limitations

- A.1 This note should not be used for any purpose other than as the actuarial guidance required under the regulations cited.
- A.2 The factors contained in this note are subject to regular review. Scheme managers and administrators need to ensure that they are using the latest factors, as relevant, when processing cases.
- A.3 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.
- A.4 This note only covers the actuarial principles of calculations required under the regulations cited. Any legal advice in this area should be sought from an appropriately qualified person or source.
- A.5 Scheme managers and administrators should satisfy themselves that calculations and benefit awards comply with all legislative requirements including, but not limited to, tax and contracting out requirements.
- A.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 responsible authority. In no circumstances should this guidance take precedence over the Regulations. Scheme managers and administrators should ensure that they comply with all relevant Regulations.