

New Firefighters' Pension Scheme 2006
New Firefighters' Pension Scheme (Northern Ireland) 2007
Firefighters' Pension Scheme (Scotland) 2007
Firefighters' Pension Scheme (Wales) 2007

Calculation of Pension Credits on Divorce

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Table of Contents

1	Introduction.....	3
1.1	Scope of this guidance note.....	3
1.2	Questions about this guidance	4
2	Note on this guidance	5
3	Changes to the guidance.....	6
4	Example calculations	7
4.1	Pension sharing order for an active member	8
4.2	Pension sharing order for a deferred member	10
4.3	Pension sharing order for a current pensioner	11
5	Tables of factors.....	12

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:
- 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 with immediate effect. 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:
- Part 6 Rule 1 of the Firefighters' Pension Scheme (England) Order 2006 (SI 2006 No. 3432)
 - Part 6, Article 37 of The New Firefighters' Pension Scheme Order 2007 (Northern Ireland) (SI 2007 No 215)
 - Part 6 Rule 1 of the Firefighters' Pension Scheme (Scotland) Order 2007 (SSI 2007 No 199)
 - Part 6 Rule 1 of the Firefighters' Pension Scheme (Wales) Order 2007 (SI 2007 No 1072)

Caveats

- 1.1.4 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.
- 1.1.5 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.
- 1.1.6 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) The factors have been calculated in line with the HMT guidance on calculating cash equivalent transfer values published 26 October 2011.
 - (ii) An adjustment for market conditions (AMC) is no longer required. However the table K has been retained in order to aid with administration. All these values have been set to 1.00.

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/corporate/contact>

- 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 Armed Forces Branch
Welsh Government
Merthyr Tydfil Office
Rhydycar
Merthyr Tydfil
CF48 1UZ

Department for Health, Social Services and Public Safety
Public Safety Unit
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

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

3 Changes to the guidance

3.1.1 Replacing the section 4.6 of the 2009 guidance:

3.2 Calculation of the pension credit for the ex-spouse or ex-civil partner

3.2.1 This section sets out the method for calculating the pension credit payable to the ex-spouse or ex-civil partner following the issue of a pension sharing order by the Court. Table J sets out the factors needed to calculate the pension credit for the ex-spouse or ex-civil partner.

3.2.2 The factors should be based on the age and gender of the ex-spouse or ex-civil partner on the transfer date. Do not use the age and gender of the member.

3.2.3 Calculation where the member is a current pensioner

If the member is a current pensioner, the pension credit as at the calculation date will be:

$$ESCE \div F_p$$

ESCE the ex-spouse or ex-civil partner's cash equivalent – see section 4.5.2 of the 2009 guidance

F_p factor for ex-spouse or ex-civil partner pension – Table J

3.2.4 Calculation where the member is an active member or a deferred pensioner

If the member is an active member or a deferred pensioner, the pension credit as at the calculation date will be:

$$ESCE \div F_p$$

ESCE the ex-spouse or ex-civil partner's cash equivalent – see section 4.5.2 of the 2009 guidance.

F_p factor for ex-spouse or ex-civil partner pension – Table J

3.2.5 Pension credit benefits

The pension credit will be paid when the ex-spouse or ex-civil partner reaches age 65, or from the transfer date if the ex-spouse or ex-civil partner is over age 65.

3.2.6 The ex-spouse or ex-civil partner's pension credit will be subject to pension increases with effect from the transfer date, under the provisions of the Pensions (Increase) Acts.

If the pension credit was calculated under 3.2.4, 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 65, or immediately if they are already aged over 65. Up to 25% of the pension credit can be commuted for a lump sum, with £12 of lump sum provided for each £1 of pension credit given up.

4 Example Calculations

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 4.5.2 of the 2009 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	10 years
G. Pre 6/4/88 GMP	nil
H. Post 6/4/88 GMP	nil
I. 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 14 February 2012, the cash equivalent transfer value was calculated to be **£49,740**.

Calculation of the value of sharable rights

The following information is required from the pension sharing order:

J. Proportion to which ex-spouse is entitled	40%
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From 4.5.2 of the 2009 guidance, 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:

$$\begin{aligned} \text{ESCE} &= £49,740 \times (40 \div 100) \\ &= £19,896 \end{aligned}$$

Calculation of the pension credit

The following information is required:

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

From paragraph 3.2.4, 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:

$$\text{ESCE} \div F_p$$

$$\text{ESCE} = £19,896 \text{ (as calculated above)}$$

$$F_p = 7.07 \text{ (from Table J "Females - Pension of £1 per annum" column)}$$

Therefore:

$$\begin{aligned} \text{Pension Credit} &= 19,896 \div 7.07 \\ &= \text{£}2,814.14 \end{aligned}$$

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.

4.2 Pension sharing order for a deferred member

The following information is needed for this calculation:

A. Member date of birth	1 April 1981
B. Calculation date	17 April 2016
C. Member age as at calculation date	35
D. Gender	Male
E. Date of Exit	12 April 2011
F. 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
G. Pension increase factor from exit to calculation date	1.2

From example 4.3 of the GAD guidance '*NFPS 2006 Statutory Cash Equivalent Transfer Values*' issued on the 14 February 2012, the cash equivalent transfer value was calculated to be **£19,896**.

Calculation of the value of sharable rights

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

H. Monetary amount to which ex-spouse is entitled	£6,000
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Calculation of the pension credit

The following information is required

I. Ex-spouse date of birth	15 February 1982
J. Ex-spouse age at calculation date	34
K. Ex-spouse gender	Female

From paragraph 3.2.4, 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:

$$\text{ESCE} \div F_p$$

ESCE = £6,000 (as given above)

$F_p = 7.46$ (from Table J "Females – Pension of £1 per annum" column)

Therefore:

$$\begin{aligned} \text{Pension Credit} &= 6,000 \div 7.46 \\ &= \text{£}804.29 \end{aligned}$$

4.3 Pension sharing order for a current pensioner

The following information is needed for this calculation:

A. Member date of birth	1 April 1994
B. Calculation date	27 July 2055
C. Member age as at calculation date	61
D. Gender	Female
E. 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

From example 4.4 of GAD guidance, '*NFPS 2006 Statutory Cash Equivalent Transfer Values*' issued on the 14 February 2012, the cash equivalent transfer value was calculated to be **£40,060**

Calculation of the value of sharable rights

The following information is required from the pension sharing order.

F. Proportion to which ex-spouse is entitled	40%
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From 4.5.2 of the 2009 guidance, the formula used to calculate the shareable rights is:

(CE x appropriate percentage / 100) – Charges

There are no implied charges for this example. Therefore:

$$\begin{aligned} \text{ESCE} &= 40,060 \times (40 \div 100) \\ &= \text{£}16,024 \end{aligned}$$

Calculation of the pension credit

The following information is required:

G. Ex-spouse date of birth	15 March 1988
H. Ex-spouse age at calculation date	67
I. Ex-spouse gender	Male

From paragraph 3.2.3, the formula used to calculate the pension credit for an ex-spouse, if the member is a current pensioner, is:

ESCE ÷ Fp

ESCE = £16,024 (as given above)

F_p = 15.43 (from Table J "Males - Pension of £1 per annum" column)

Therefore:

$$\begin{aligned} \text{Pension Credit} &= 16,024 \div 15.43 \\ &= \text{£}1,038.50 \end{aligned}$$

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

Table J: Factors for calculating the pension credit	13
Table K: Adjustment for market conditions for use with Table J.....	15

Table J: Factors for calculating the pension credit

Age last birthday at relevant date ¹	Males ²	Females ³
	Pension of £1 per annum	Pension of £1 per annum
16	4.32	4.59
17	4.44	4.72
18	4.56	4.84
19	4.69	4.98
20	4.81	5.11
21	4.94	5.25
22	5.08	5.40
23	5.22	5.54
24	5.36	5.70
25	5.50	5.85
26	5.65	6.01
27	5.80	6.18
28	5.96	6.35
29	6.12	6.52
30	6.29	6.70
31	6.46	6.88
32	6.64	7.07
33	6.82	7.26
34	7.00	7.46
35	7.19	7.67
36	7.39	7.88
37	7.59	8.10
38	7.80	8.32
39	8.02	8.55
40	8.24	8.79
41	8.47	9.03
42	8.70	9.29
43	8.94	9.54
44	9.19	9.81
45	9.45	10.09
46	9.71	10.37
47	9.98	10.66
48	10.26	10.96
49	10.55	11.27
50	10.84	11.59
51	11.15	11.92
52	11.46	12.27
53	11.79	12.62
54	12.13	12.99

¹ Use the age of the ex-spouse or ex-civil partner, not the age of the member

² Use the gender of the ex spouse or ex-civil partner, not the gender of the member

³ 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 ¹	Males ²	Females ³
	Pension of £1 per annum	Pension of £1 per annum
55	12.48	13.37
56	12.84	13.77
57	13.22	14.18
58	13.62	14.61
59	14.03	15.05
60	14.46	15.52
61	14.92	16.00
62	15.39	16.49
63	15.89	17.01
64	16.42	17.55
65	16.37	17.54
66	15.90	17.09
67	15.43	16.63
68	14.94	16.16
69	14.44	15.68
70	13.94	15.19
71	13.45	14.70
72	12.95	14.20
73	12.45	13.69
74	11.95	13.18
75	11.45	12.67
76	10.95	12.15
77	10.44	11.62
78	9.93	11.09
79	9.42	10.55
80	8.90	10.00
81	8.39	9.46
82	7.89	8.92
83	7.40	8.39
84	6.93	7.89
85	6.49	7.40

¹ Use the age of the ex-spouse or the ex-civil partner, not the age of the member

² Use the gender of the ex-spouse or ex-civil partner, not the gender of the member

³ 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	Yield on Index Linked Stocks at Relevant Date				
	0.0%	1.0%	2.0%	3.0%	4.0%
16	1.00	1.00	1.00	1.00	1.00
17	1.00	1.00	1.00	1.00	1.00
18	1.00	1.00	1.00	1.00	1.00
19	1.00	1.00	1.00	1.00	1.00
20	1.00	1.00	1.00	1.00	1.00
21	1.00	1.00	1.00	1.00	1.00
22	1.00	1.00	1.00	1.00	1.00
23	1.00	1.00	1.00	1.00	1.00
24	1.00	1.00	1.00	1.00	1.00
25	1.00	1.00	1.00	1.00	1.00
26	1.00	1.00	1.00	1.00	1.00
27	1.00	1.00	1.00	1.00	1.00
28	1.00	1.00	1.00	1.00	1.00
29	1.00	1.00	1.00	1.00	1.00
30	1.00	1.00	1.00	1.00	1.00
31	1.00	1.00	1.00	1.00	1.00
32	1.00	1.00	1.00	1.00	1.00
33	1.00	1.00	1.00	1.00	1.00
34	1.00	1.00	1.00	1.00	1.00
35	1.00	1.00	1.00	1.00	1.00
36	1.00	1.00	1.00	1.00	1.00
37	1.00	1.00	1.00	1.00	1.00
38	1.00	1.00	1.00	1.00	1.00
39	1.00	1.00	1.00	1.00	1.00
40	1.00	1.00	1.00	1.00	1.00
41	1.00	1.00	1.00	1.00	1.00
42	1.00	1.00	1.00	1.00	1.00
43	1.00	1.00	1.00	1.00	1.00
44	1.00	1.00	1.00	1.00	1.00
45	1.00	1.00	1.00	1.00	1.00
46	1.00	1.00	1.00	1.00	1.00
47	1.00	1.00	1.00	1.00	1.00
48	1.00	1.00	1.00	1.00	1.00
49	1.00	1.00	1.00	1.00	1.00
50	1.00	1.00	1.00	1.00	1.00
51	1.00	1.00	1.00	1.00	1.00
52	1.00	1.00	1.00	1.00	1.00
53	1.00	1.00	1.00	1.00	1.00
54	1.00	1.00	1.00	1.00	1.00

The AMC table is not required but is included for ease of implementing the new factors.

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

Males and Females

Age Last Birthday at Relevant Date	Yield on Index Linked Stocks at Relevant Date				
	0.0%	1.0%	2.0%	3.0%	4.0%
55	1.00	1.00	1.00	1.00	1.00
56	1.00	1.00	1.00	1.00	1.00
57	1.00	1.00	1.00	1.00	1.00
58	1.00	1.00	1.00	1.00	1.00
59	1.00	1.00	1.00	1.00	1.00
60	1.00	1.00	1.00	1.00	1.00
61	1.00	1.00	1.00	1.00	1.00
62	1.00	1.00	1.00	1.00	1.00
63	1.00	1.00	1.00	1.00	1.00
64	1.00	1.00	1.00	1.00	1.00
65	1.00	1.00	1.00	1.00	1.00
66	1.00	1.00	1.00	1.00	1.00
67	1.00	1.00	1.00	1.00	1.00
68	1.00	1.00	1.00	1.00	1.00
69	1.00	1.00	1.00	1.00	1.00
70	1.00	1.00	1.00	1.00	1.00
71	1.00	1.00	1.00	1.00	1.00
72	1.00	1.00	1.00	1.00	1.00
73	1.00	1.00	1.00	1.00	1.00
74	1.00	1.00	1.00	1.00	1.00
75	1.00	1.00	1.00	1.00	1.00
76	1.00	1.00	1.00	1.00	1.00
77	1.00	1.00	1.00	1.00	1.00
78	1.00	1.00	1.00	1.00	1.00
79	1.00	1.00	1.00	1.00	1.00
80	1.00	1.00	1.00	1.00	1.00
81	1.00	1.00	1.00	1.00	1.00
82	1.00	1.00	1.00	1.00	1.00
83	1.00	1.00	1.00	1.00	1.00
84	1.00	1.00	1.00	1.00	1.00
85	1.00	1.00	1.00	1.00	1.00

The AMC table is not required but is included for ease of implementing the new factors.