

Addendum to GAD Club Transfer Factor Guidance

Introduction

1. Following an amendment, the Club Memorandum¹ (paragraphs 7.24a and 7.26 – 7.28) clarifies that a club transfer should be calculated in two parts for a member who has both a final salary pension (linked to salary and service) and additional pension such that:
 - a. The final salary element is calculated on club terms; and
 - b. The Added Pension element is calculated on non-club terms.
2. The Long Service Increment (LSI) and Continual Professional Development (CPD) elements of the Firefighters' Pension Scheme are both classed as Added Pension in the context of the Club Memorandum as they provide benefits that are unrelated to the salary and service of the member.
3. This amendment to the Club Memorandum therefore requires us to provide an addendum to the following guidance notes.
 - a. "Firefighters' Pension Scheme 1992: Examples of Club Transfer Calculations" dated 27 July 2012
 - b. "New Firefighters' Pension Scheme 2006: Examples of Club Transfer Calculations" dated 30 December 2011
4. Similarly, incoming transfer values to the FPS from a club scheme may contain a club and non-club element (in respect of previous added pension); the service credit should therefore reflect club terms for the club element and non-club terms for the non-club element.

¹ <http://resources.civilservice.gov.uk/wp-content/uploads/2012/03/ClubMemoMar2012.pdf>

Addendum to GAD Transfer Factor Guidance
19 September 2012

Revised Formula (Firefighters' Pension Scheme 1992)

Replacing the formula provided in section 3.1 of the guidance note "Firefighters' Pension Scheme 1992: Examples of Club Transfer Calculations" dated 27 July 2012, the calculation of the transfer value is given by:

Club element

$$CP \times F_p + SUR \times F_{sur} - NI \times F_{ni} - (PRE\ GMP + G_{post88} \times POST\ GMP) \times F_{gmp}$$

CP	member's pension (excluding any additional pension benefit)
SUR	pension payable on the death of the member to their spouse or partner (excluding any additional pension benefit)
NI	annual amount that will be deducted at State pensionable age due to NI modification
PRE GMP	annual GMP accrued before 6.4.88
POST GMP	annual GMP accrued from 6.4.88
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
F_{gmp}	factor for GMP saving (column titled "Deduction for GMP of £1 pa") Table A1 or A2
G_{post88}	conversion factor applied to GMP deduction, for GMP amount in respect of service after 5 April 1988. Please see note in Table A1 or A2

Non-club element

$$APB_{pen} \times G_p + APB_{sur} \times G_{su}$$

APB_{pen}	additional pension from CPD contributions or LSI
APB_{sur}	additional pension payable on the death of the member to their spouse or partner from CPD contributions or LSI
G_p	non club factor for member's pension – Table A1 or A2 from 'Firefighters' Pension Scheme 1992: Statutory Cash Equivalent Transfer Values' dated 27 July 2012. This factor is currently equal to F_p
G_{sur}	non club factor for survivor's pension – Table A1 or A2 from 'Firefighters' Pension Scheme 1992: Statutory Cash Equivalent Transfer Values' dated 27 July 2012. This factor is currently equal to F_{sur}

Revised Formula (New Firefighters' Pension Scheme 2006)

Replacing the formula provided in section 3.1 of the guidance note "New Firefighters' Pension Scheme 2006: Examples of Club Transfer Calculations" dated 30 December 2011, the calculation of the transfer value is as follows:

Club element

Males

$$CP \times F_p + SUR \times F_{sur} - (PRE\ GMP + G_{post88} \times POST\ GMP) \times F_{gmp}$$

Females to age 60

$$CP \times F_p + SUR \times F_{sur} - (PRE\ GMP + G_{post88} \times POST\ GMP) \times F_{gmp}$$

Females ages 60 and above

$$CP \times F_p + SUR \times F_{sur} - (PRE\ GMP \times F_{Pre88GMP} + POST\ GMP \times F_{Post88GMP})$$

CP	member's pension (excluding any additional pension benefit)
SUR	pension payable on the death of the member to their spouse or Partner (excluding any additional pension benefit)
PRE GMP	annual GMP accrued before 6.4.88
POST GMP	annual GMP accrued from 6.4.88
F_p	factor for member's pension – Table A1, A2 or A3
F_{sur}	factor for survivor's pension – Table A1, A2 or A3
F_{gmp}	factor for GMP saving – Table A1 or A2
G_{post88}	conversion factor applied to GMP deduction, for GMP amount in respect of service after 5 April 1988. Please see note in Table A1 or A2.
$F_{Pre88GMP}$	factor for pre 88 GMP saving – Table A3
$F_{Post88GMP}$	factor for post 88 GMP saving – Table A3

Non-club element

$$APB_{pen} \times G_p + APB_{sur} \times G_{su}$$

APB_{pen}	additional pension from CPD contributions or LSI
APB_{sur}	additional pension payable on the death of the member to their spouse or partner from CPD contributions or LSI
G_p	non club factor for member's pension – Table A1 or A2 from 'New Firefighters' Pension Scheme 2006: Statutory Cash Equivalent Transfer Values' dated 14 February 2012. This is currently equal to F_p
G_{sur}	non club factor for survivor's pension – Table A1 or A2 from 'New Firefighters' Pension Scheme 2006: Statutory Cash Equivalent Transfer Values' dated 14 February 2012. This is currently equal to F_{sur}

Addendum to GAD Transfer Factor Guidance
19 September 2012

Example 1

Replacing the example provided in section 4.1 of the guidance note "Firefighters' Pension Scheme 1992: Examples of Club Transfer Calculations" dated 27 July 2012.

The following information is needed for this calculation:

A. Member's date of birth	25 May 1977
B. Last date of service	10 Aug 2012
C. Guarantee date	28 Aug 2012
D. Member's age last birthday as at calculation date	35
E. Marital status	Not required
F. Gender	Male
G. Final Pensionable Pay	£22,000
H. Reckonable service for deferred pension	9 years 122 days
I. Pre-88 GMP	£100
J. Post-88 GMP	£300
K. Additional pension from CPD contributions or LSI	£100
L. NI modification	£0

Formula

The formula to calculate the transfer value is as follows:

Club element

$$CP \times F_p + SUR \times F_{sur} - NI \times F_{ni} - (PRE\ GMP + G_{post88} \times POST\ GMP) \times F_{gmp}$$

CP = Deferred pension from age 60 calculated using the uniform accrual method = Member's pension assuming they remain in service to age 55 x (pensionable service ÷ notional service to age 55 (subject to a maximum of 30 years))

Member's notional pension at age 55

$$= £22,000 \times [(20\ \text{years} + 2 \times (9\ \text{years} + 45\ \text{days})) \div 60] = £14,023.74$$

$$CP = £14,023.74 \times (9\ \text{years} + 122\ \text{days}) \div (29\ \text{years} + 45\ \text{days})$$

$$CP = £14,023.74 \times (9.33 \div 29.12)$$

$$CP = £4,493.18\ \text{pa}^2$$

$$SUR = 0.5 \times £4,493.18\ \text{pa} = £2,246.59\ \text{pa}$$

NI = £0.00; so F_{ni} will not be required

$$PRE\ GMP = £100$$

$$POST\ GMP = £300$$

$$F_p = 9.34\ (\text{from Table A1 "Gross Pension of £1 pa" column})$$

$$F_{sur} = 2.20\ (\text{from Table A1 "Surviving Partner's Pension of £1 pa" column})$$

$$G_{Post88} = 15\%\ (\text{from note 2 in table A1})$$

$$F_{GMP} = 3.26\ (\text{from Table A1 "Deduction for GMP of £1 pa" column})$$

² It is assumed that £4,493.18 is less than 2/3 of the average pensionable salary; if not, 2/3 of the average pensionable salary must be taken here for CP.

Addendum to GAD Transfer Factor Guidance
19 September 2012

Substituting these values into the formula we get:

$$\begin{aligned} TV &= (£4,493.18 \times 9.34) + (£2,246.59 \times 2.20) - (£100 + 0.15 * £300) * 3.26 \\ &= £41,966.30 + £4,942.50 - £472.70 \\ &= £46,436.10 \end{aligned}$$

Therefore the Club element of the Transfer Value out is **£46,436**

Non-club element

$$APB_{pen} \times G_p + APB_{sur} \times G_{su}$$

$$APB = £100$$

$$APB_{sur} = 0.5 * £100 = £50$$

$G_p = 9.34$ (from Table A1 "Gross Pension of £1 pa" column from 'Statutory Cash Equivalent Transfer Values' dated 27 July 2012).

$G_{sur} = 2.20$ (from Table A1 "Gross Pension of £1 pa" column from 'Statutory Cash Equivalent Transfer Values' dated 27 July 2012)

Substituting these values into the formula we get:

$$\begin{aligned} TV &= (£100 \times 9.34) + (£50 \times 2.20) \\ &= £934.00 + £110.00 \\ &= £1,044.00 \end{aligned}$$

Therefore the Non-Club element of the Transfer Value out is **£1,044**

Summary

Club Element	£46,436
Non-club element	£ 1,044
Total transfer value	£47,480

Addendum to GAD Transfer Factor Guidance
19 September 2012

Example 2

Replacing the example provided in section 4.1 of the guidance note “New Firefighters’ Pension Scheme 2006: Examples of Club Transfer Calculations” dated 30 December 2011.

The following information is needed for this calculation:

A. Member date of birth	25 May 1977
B. Last date of service	10 Aug 2012
C. Guarantee date	21 Aug 2012
D. Member age as at calculation date	35
E. Marital status	Not required
F. Gender	Male
G. Final Pensionable Pay	£22,000
H. Reckonable service for deferred pension	4 years 122 days
I. Pre 6/4/88 GMP	£0
J. Post 6/4/88 GMP	£0
K. Have the figures in I & J been revalued?	N/A
L. Additional pension from CPD contributions or LSI	£30

Formula

From 3.1.1, the formula to calculate the Club transfer value is:

Club Element

$$CP \times F_p + SUR \times F_{sur} - (PRE\ GMP + G_{post88} \times POST\ GMP) \times F_{gmp}$$

$$CP = (1 \div 60) \times 22,000 \times (4 + (122 \div 365)) = \text{£}1,589.22\ \text{pa}$$

$$SUR = 0.5 \times \text{£}1,589.22\ \text{pa} = \text{£}794.61$$

Pre GMP & Post GMP = 0; so F_{gmp} will not be required

$$F_p = 7.19\ \text{(from table A1 "Gross pension of £1 pa" column)}$$

$$F_{sur} = 2.20\ \text{(from table A1 "Surviving partner's pension of £1 pa" column)}$$

Substituting these values into the formula we get:

$$\begin{aligned} TV &= (1,589.22 \times 7.19) + (794.61 \times 2.20) - 0 \\ &= 11,426.49 + 1,748.14 \\ &= 13,174.63 \end{aligned}$$

Therefore the Club element of the Transfer Value out is **£13,175**.

Addendum to GAD Transfer Factor Guidance

19 September 2012

Non-club element

$$APB_{pen} \times G_p + APB_{sur} \times G_{su}$$

$$APB = \text{£}30$$

$$APB_{sur} = 0.5 * \text{£}30 = \text{£}15$$

$G_p = 7.19$ (from Table A1 "Gross Pension of £1 pa" column from 'New Firefighters' Pension Scheme 2006: Statutory Cash Equivalent Transfer Values' dated 14 February 2012).

$G_{sur} = 2.20$ (from Table A1 "Gross Pension of £1 pa" column from 'New Firefighters' Pension Scheme 2006: Statutory Cash Equivalent Transfer Values' dated 14 February 2012)

Substituting these values into the formula we get:

$$TV = (\text{£}30 \times 7.19) + (\text{£}15 \times 2.20)$$

$$= \text{£}215.70 + \text{£}33.00$$

$$= \text{£}248.70$$

Therefore the Non-Club element of the Transfer Value out is **£249**

Summary

Club Element	£13,175
Non-club element	£ 249
Total transfer value	£13,424

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