

**FIREFIGHTERS' PENSION SCHEME
02/2011**

WHO SHOULD READ: The Chief Executives, Fife Council and Dumfries and Galloway Council
Chief Fire Officers
Clerks to Joint Boards

ACTION: For information

SUBJECT: **SCAPE DISCOUNT RATE AND ACTUARIAL FACTORS**

The purpose of this circular is to:

- Advise FRAs on impact of the SCAPE discount on scheme actuarial factors.

1. Cash Equivalent Transfer Factors (CETVs)

1.1 CETVs are calculated based on guidance issued by HM Treasury.

1.2 In the Budget on the 23rd March 2011, the Chancellor announced a new SCAPE discount rate of 3% pa in excess of CPI indexation for the purpose of setting contribution rates in public sector pension schemes. Following this announcement, HM Treasury has stated that they are in the process of reviewing its discount rate guidance for CETV calculations and the guidance may change. HM Treasury has asked schemes to ensure that members are aware of this.

1.3 If the guidance is subsequently withdrawn or changed following the review, FRAs may wish to consider suspending CETV and divorce calculations until any new or revised guidance is issued.

1.4 If, however, FRAs continue to pay CETVs after any guidance has been withdrawn or changed, this may carry certain risks and administrative implications if, for example, there is a need to apply any new CETV factors from a retrospective date.

1.5 If HM treasury introduces new guidance, the Scheme Actuary (GAD) will have to determine the impact of this decision and in due course will review the appropriate suite of CETV factors. SPPA will keep FRAs updated.

1.6 Please also note that the revised CETV guidance and factors that was issued last October already reflects the UK Government's decision to uprate public service pensions by CPI rather than RPI.

2.0 Pension Scheme Factors (other than CETV factors)

2.1 Also, as a consequence of the Chancellor's announcement of the new SCAPE discount rate, GAD has informed us that they are no longer able to confirm that the actuarial factors currently in use for both the FPS and NFPS are appropriate and consistent with legislation



and scheme regulations. GAD has confirmed that they will conduct an urgent review of the current scheme factors.

2.2 FRAs should note that the continued application of current factors may also carry risks and administrative implications with the possibility that calculations carried out during this interim period may need to be revisited. Again, SPPA will keep FRAs updated.

Jenny Coltman

Policy manager
12 April 2011

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