

**FIREFIGHTERS' PENSION SCHEME
5/2015**

WHO SHOULD READ: Chief Fire Officer of the Scottish Fire and Rescue Service
ACTION: Information relating to new pension commutation guidance affecting members of the 1992 scheme.
SUBJECT: Firefighters' Pension Scheme 1992 Commutation factors

The purpose of this circular is to:

- Advise on the introduction of revised factors prepared by the Government Actuary for the purpose of calculating lump sums payable to retiring members under rule B7 of the Firefighters' Pension Scheme 1992. These factors should be applied to retiring members with immediate effect.

This circular advises stakeholders about the revised commutation factors prepared by the Government Actuary's Department (GAD) for the purpose of calculating the lump sum payable to individuals who commute part of their firefighters' pension under Rule B7 of the Firefighters' Pension Order 1992. The revised factors can be found in Annex A. These factors only apply to the FPS and not the 2006 scheme.

Background

GAD previously issued factors in April 2011 (updated in October 2012) which have been applied since that date for all commuted lump sums. The Public Service Pensions Act 2013 requires that schemes undertake a regular valuation. The valuation of the Firefighters schemes in Scotland based on data as at 31 March 2012 concluded recently. As part of the valuation process, GAD also undertakes a review of actuarial factors used by the schemes. Previous commutation factors have been based solely on data from the scheme in England as suitable Scottish-specific data has not been available. However, more detailed and robust Scottish data was available for the 2012 valuation. These data show heavier rates of mortality for normal health pensioners in the scheme in Scotland compared to the rates in England.

As a consequence, higher mortality rates will deliver lower factors and therefore lower lump sums for firefighters in the Firefighters' Pension Scheme (FPS) in Scotland when compared to England. Rule B7 requires that commuted lump sums must be the actuarial equivalent of the pension given up and this is provided by the GAD factors.

Scottish Ministers have considered the impact of recent reforms in the round and the principle of protection. They have decided that a form of protection should be provided to those members who are closest to retirement. Therefore an amendment will be made to the scheme rules that ensure that the higher of either the English or Scottish factors is applied to commuted lump sums up to and including 31 March 2022. For lump sums commuted for retirements after 31 March 2022, the Scottish factors will be applied regardless of whether they are lower than the counterpart factors in England. This protection will continue to meet the requirements of the scheme rules to provide a lump

sum which is the actuarial equivalent of the pension given up.

The next valuation of the scheme will be undertaken based on scheme data as at 31 March 2016 and the factors will be subject to regular review by GAD.

Action Required

The rates attached to this circular are those introduced in England and should be applied for commuted lump sums at retirement **with immediate effect**. This follows the same practice where revised factors have been introduced in the past. The key difference to the revised rates reflecting those introduced in England from May 2014 provide for lower lump sums at all ages.

The attached commutation factors were issued on 21 May 2014 and the Rules to reflect the above protection will have retrospective effect from that date. SPPA will review all lump sums paid from that date though the amount of lump sums already paid to retired firefighters will not be affected. Those retiring firefighters who have already received a lump sum quote but have not yet retired will receive a revised quote based on the new factors.

Claire McGow
Policy Manager
31 March 2015

Contact Information:

Should you have any enquiries about this circular, or require further information, please contact: Claire.McGow@scotland.gsi.gov.uk

Scottish Public Pensions Agency
7 Tweedside Park
Tweedbank
GALASHIELS
TD1 3TE

www.sppa.gov.uk
Telephone: 01896 893000
Fax: 01896 893214

ANNEX A

Table 1 – Factors for commutation of pension to lump sum

Males and Females

Years	Age in years and completed months on day pension commences											
	0	1	2	3	4	5	6	7	8	9	10	11
Below 50	21.90											
50	21.9	21.9	21.8	21.8	21.8	21.8	21.7	21.7	21.7	21.7	21.7	21.6
51	21.6	21.6	21.6	21.5	21.5	21.5	21.5	21.4	21.4	21.4	21.3	21.3
52	21.3	21.3	21.2	21.2	21.2	21.2	21.1	21.1	21.1	21.1	21.0	21.0
53	21.0	20.9	20.9	20.9	20.9	20.8	20.8	20.8	20.7	20.7	20.7	20.6
54	20.6	20.6	20.6	20.5	20.5	20.5	20.4	20.4	20.4	20.4	20.3	20.3
55	20.3	20.2	20.2	20.2	20.1	20.1	20.1	20.0	20.0	20.0	19.9	19.9
56	19.9	19.8	19.8	19.8	19.7	19.7	19.7	19.6	19.6	19.6	19.5	19.5
57	19.5	19.4	19.4	19.4	19.3	19.3	19.3	19.2	19.2	19.2	19.1	19.1
58	19.1	19.0	19.0	18.9	18.9	18.9	18.8	18.8	18.8	18.7	18.7	18.7
59	18.6	18.6	18.6	18.5	18.5	18.5	18.4	18.4	18.3	18.3	18.3	18.2
60	18.2	18.2	18.1	18.1	18.1	18.0	18.0	17.9	17.9	17.9	17.8	17.8
61	17.8	17.7	17.7	17.7	17.6	17.5	17.5	17.5	17.5	17.4	17.4	17.4
62	17.3	17.3	17.3	17.2	17.2	17.1	17.1	17.1	17.0	17.0	17.0	16.9
63	16.9	16.8	16.8	16.8	16.7	16.7	16.6	16.6	16.6	16.5	16.5	16.5
64	16.4	16.4	16.3	16.3	16.3	16.2	16.2	16.2	16.1	16.1	16.0	16.0
65	16.0											