



# Government Actuary's Department

## **The Firefighters' Pension Scheme 2015 (Wales)**

### **Lifetime Allowance pension debit**

Date: 13 May 2015

Authors: James Pepler FIA  
Kevin Skinner FIA



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## 1 Introduction

- 1.1 The Welsh Ministers, as responsible authority under Schedule 2 paragraph 6 of the Public Service Pension Act 2013 ('the responsible authority') are required under the Firefighters' Pension Scheme (Wales) Regulations 2015 ('the 2015 Scheme Regulations') (SI 2015/622 (W. 50)), to issue actuarial guidance on the Lifetime Allowance pension debit that will be applied to a member's benefits (regulation 189 of the 2015 Scheme Regulations) if the member and scheme are jointly and severally liable to pay a Lifetime Allowance Charge but no payment has been made under Regulation 188 of the 2015 Scheme Regulations.
- 1.2 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
- 1.3 In the remainder of this note:
  - > Section 2 describes the issues and sets out the formulae
  - > Section 3 contains examples
  - > Section 4 sets out the factors to be used
  - > Appendix A sets out some important limitations
- 1.4 The Government Actuary's Department (GAD) seeks to achieve a high standard in all our work. Please go to our [website](#)<sup>1</sup> for details of the standards we apply.

### Implementation and Review

- 1.5 The responsible authority is required to consult the scheme actuary before issuing actuarial guidance under the 2015 Scheme Regulations.
- 1.6 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.
- 1.7 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.
- 1.8 This note relates to Lifetime Allowance pension debits that should be applied to a member's pension in accordance with Regulation 189 of the 2015 Scheme Regulations.
- 1.9 In order to assess whether the member is required to pay a Lifetime Allowance charge, the combined capital value of the member's accrued rights contained within the 2015 Scheme and any other relevant sources, should be calculated in accordance with the

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



requirements of the Finance Act 2004, associated regulations, and guidance from HM Revenue & Customs (HMRC).

- 1.10 This guidance does not consider the calculation of the capital value of the member's accrued rights, and associated Lifetime Allowance charge, if applicable. This guidance only applies to calculate the reduction to pension benefits where a Lifetime Allowance charge calculated in line with paragraph 1.9 is paid by the Scheme in accordance with Regulation 179 of the 2015 Scheme Regulations. It does not consider payment of a Lifetime Allowance charge under Regulation 178, a reduction to benefits other than pension benefits under Regulation 179, or the order in which member's choose to crystalize their benefits.
- 1.11 If required, further guidance could be provided to advise on situations in which a Lifetime Allowance charge may be due, and to calculate the size of the Lifetime Allowance charge in such circumstances.
- 1.12 This guidance has been written for pension administrators and assumes some knowledge of general pension terminology, and some familiarity with retirement calculations for the 2015 Scheme. Any questions concerning the application of the guidance should, in the first instance, be referred to the Firefighters' Pensions team at Welsh Government.
- 1.13 This note relates only to benefits accrued under the 2015 Scheme Regulations. Some firefighters may also have benefits under the 1992 Scheme or the NFPS Scheme which should be dealt with separately according to relevant guidance.
- 1.14 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 2015 Scheme.
- 1.15 Scheme managers and administrators should ensure that they use the latest factors in circulation.

### **Use of this note**

- 1.16 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.
- 1.17 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**

- 1.18 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 Lifetime Allowance – pension debit

- 2.1 Under regulation 189 of the 2015 Scheme Regulations benefits are reduced in respect of any Lifetime Allowance charges to be recovered.
- 2.2 If the reduction is to pension benefits, there will be a consequential adjustment ('Lifetime Allowance debit') made to the member's pension entitlement from the 2015 Scheme in respect of charges met by the 2015 Scheme

### Calculations

- 2.3 The Lifetime Allowance pension debit ('LTAPD') to apply to the member's pension entitlement at retirement is calculated as:

$$\text{LTAPD} = \text{LTATC} \div \text{RTF}$$

LTATC	Lifetime Allowance tax charge payable by the 2015 Scheme
RTF	pensioner cash equivalent factors for divorce purposes that are in force at retirement are used, these are provided in 'Firefighters' Pension Scheme 2015 (Wales) - Pension Sharing on Divorce' guidance. The most recent guidance was issued on 12 May 2015.

### Application of Lifetime Allowance debits

- 2.4 Lifetime Allowance debits will be applied to member pension only.
- 2.5 The Lifetime Allowance debit will not be applied to the benefits payable to a future surviving spouse, civil partner, nominated partner or children on the member's death, including any lump sum on death before retirement.

### Interactions between Annual Allowance debits and Lifetime Allowance

- 2.6 We understand that when calculating Lifetime Allowance charges the pension tested should be that which would come into payment after allowing for the impact of any Annual Allowance 'scheme pays' offsets. Any Lifetime Allowance pension debit should therefore be applied to the member pension after deduction for any Annual Allowance debit.



### 3 Example calculation

#### Example 1: Member retiring at age 65 on ordinary grounds, with Lifetime Allowance charge

The following information is needed for this calculation:

A. Member date of birth	1 January 1951
B. Retirement date	1 January 2016
C. Member age	65
D. Gender	Male
E. Lifetime allowance tax charge	£30,000

Under 2.3, the Lifetime Allowance pension debit is calculated as:

$$\text{LTAPD} = \text{LTATC} \div \text{RTF}$$

We have:

LTATC = £30,000 (from E.)

RTF = 16.37 (pensioner cash equivalent factors for divorce purposes are used. At the time of writing this guidance the current factor is given in **Table A** of this guidance).

Substituting these values into the formula we get:

$$\begin{aligned}\text{LTAPD} &= £30,000 \div 16.37 \\ &= £1,832.62 \text{ pa}\end{aligned}$$

The current pension will be reduced by **£1,832.62** per annum.



## 4 Tables of factors

**Table A – Factors for calculating Lifetime Allowance debit**

Age last birthday at relevant date	Male factor	Female factor
55	20.57	21.50
56	20.18	21.14
57	19.79	20.78
58	19.38	20.41
59	18.97	20.03
60	18.56	19.64
61	18.14	19.24
62	17.71	18.83
63	17.27	18.41
64	16.83	17.98
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

**Table B – Factors for calculating Lifetime Allowance debit (ill health retirement)**

Age last birthday at relevant date	Male factor	Female factor
20	28.83	29.22
21	28.67	29.07
22	28.50	28.91
23	28.33	28.75
24	28.15	28.59
25	27.97	28.42
26	27.78	28.24
27	27.59	28.06
28	27.39	27.87
29	27.19	27.68
30	26.98	27.49
31	26.76	27.28
32	26.55	27.07
33	26.32	26.86
34	26.09	26.64



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35	25.85	26.41
36	25.61	26.18
37	25.36	25.94
38	25.10	25.69
39	24.83	25.44
40	24.56	25.18
41	24.27	24.92
42	23.98	24.64
43	23.68	24.36
44	23.37	24.07
45	23.06	23.78
46	22.73	23.47
47	22.39	23.16
48	22.04	22.84
49	21.69	22.52
50	21.32	22.18
51	20.95	21.84
52	20.57	21.50
53	20.18	21.14
54	19.79	20.78
55	19.38	20.41
56	18.97	20.03
57	18.56	19.64
58	18.14	19.24
59	17.71	18.83
60	17.27	18.41
61	16.83	17.98
62	16.37	17.54
63	15.90	17.09
64	15.43	16.63
65	14.94	16.16
66	14.44	15.68
67	13.94	15.19





## 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 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.
- A.6 This guidance note is based on GAD's understanding of the Finance Act 2004. Nothing in this guidance can override any prevailing HM Revenue & Customs (HMRC) restrictions.
- A.7 Administrators should satisfy themselves that the pension offset resulting from a scheme pays election complies with all legislative requirements including, but not limited to, tax and contracting out requirements. Any legal advice in this area should be sought from an appropriately qualified person or source. Nothing in this guidance can override any prevailing HM Revenue & Customs (HMRC) restrictions.
- A.8 The factors contained in this document are provided for convenience and relate to the factors currently in force at time of issue. The factors are contained in the 'Firefighters' Pension Scheme 2015 (Wales) - Pension Sharing on Divorce' guidance. The most recent guidance was issued on 12 May 2015. These factors are subject to regular review and could change in the future. If any of the factors in the guidance listed above change then administrators should use those updated factors (if applicable), even if this guidance has not yet been updated. Scheme managers and administrators need to ensure that they are using the latest factors, as relevant, when processing cases.