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1 Introduction

- 1.1 This note is provided for Welsh Ministers as scheme manager of the Firefighters' Pension Schemes in Wales. This note relates to Club transfer values payable or receivable in accordance with Part 10, Chapters 2 and 3 of the 2015 Scheme Regulations. The sections of this document cover the methods for assessing:
- Section 2: Outgoing Club transfer values;
 - Section 3: The benefits to be provided in respect of incoming Club transfers; and
 - Section 4: The calculation of outgoing transfer values in relation to, and benefits to be provided in respect of, transfers between fire authorities.
- 1.2 Welsh Ministers, as responsible authority under Schedule 2 paragraph 6 of the Public Service Pension Act 2013 ('the responsible authority'), is required under the Firefighters' Pension Scheme (Wales) Regulations 2015 ('the 2015 Scheme Regulations') (SI 2015/622 (W. 50)), to issue actuarial guidance on the amount of club transfer values (regulation 146 of the 2015 Scheme Regulations).
- 1.3 The responsible authority is required under the 2015 Scheme Regulations to issue actuarial guidance on the amount of club transfer earned pension (regulation 153 and 154(2)(b) of the 2015 Scheme Regulations).
- 1.4 This guidance is intended to supersede any advice previously issued, for the purposes of Club transfer calculations, which rely on input from the Scheme Actuary. In particular, this guidance supersedes:

"The Firefighters' Pension Scheme 2015 (Wales): Club Transfers" dated 12 April 2016.

Implementation

- 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 in 1.1 above. 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 guidance has been written for pension administrators and assumes some knowledge of general pension terminology, and some familiarity with retirement calculations for the Firefighters' Pension Scheme (Wales) Any questions concerning the application of the guidance should, in the first instance, be referred to the Firefighters' Pensions team at the Welsh Government.
- 1.9 In line with best practice and in order to make sure that factors are being used as intended and the instructions are fit for purpose, we suggest that some example calculations are sent to GAD for review.



1.10 The factors contained in this guidance will be subject to review periodically. This will depend on external circumstances, for example whenever there is a change in the SCAPE basis; when changes in the actuarial assumptions adopted for other scheme factors take place; or following each future actuarial valuation where mortality and other relevant experience is reviewed or if other credible and material information comes to light.

Club transfers – general information

1.11 Club transfers are calculated by reference to the guidance and tables provided by the Government Actuary for this purpose. At the time of writing the Public Sector Transfer Club Memorandum (issued by the Cabinet Office in March 2019)¹ effective from 1 April 2019 contains the guidance currently in force.

1.12 The 2015 Scheme is a Career Average Revalued Earnings Scheme and so the “inner-Club” arrangements apply.

1.13 Except for the variations detailed in sections 2, 3, and 4, of this guidance note, Club transfers must comply with the Club Memorandum and any future changes to it. Scheme managers and administrators should ensure that they always refer to the latest version of the Club Memorandum and the latest factors in circulation.

Application of this guidance note

1.14 “Cross border” refers to the transfer of benefits between two UK Fire 2015 Schemes²

1.15 The formula used to calculate outgoing transfer values differs dependant on whether the member has requested a standard Club transfer or a cross border transfer. It would be best practice to determine which type of transfer the member wishes to consider before providing any calculation results, as this will ensure that the correct formula is used.

1.16 This guidance relates only to benefits accrued under the 2015 Scheme Regulations. Some firefighters may also have benefits under the Firefighters' Pension Scheme (1992) or the New Firefighters' Pension Scheme (2007) which should be dealt with separately in accordance with any relevant scheme guidance or the guidance set out in the Club Memorandum.

1.17 Furthermore, this guidance does not apply to transfer payments received from another Club scheme which relate to added pensions. Added pension is transferred on non-Club terms except in cross border cases (where it is transferred as per earned pension).

1.18 This document does not cover non-Club transfers or details relating to calculation and application of CETV's on divorce. Separate guidance notes contain details of these.

1.19 Some example calculations are set out in section 5.

1.20 Appendix A sets out some important limitations.

¹ <https://www.civilservicepensionscheme.org.uk/members/public-sector-transfer-club/>

² The UK Fire 2015 Schemes are the Firefighters' Pension Scheme (England) 2015, the Firefighters' Pension Scheme (Scotland) 2015, the Firefighters' Pension Scheme (Wales) 2015 and the Firefighters' Pension Scheme (Northern Ireland) 2015



Third party reliance

- 1.23 This guidance has been prepared for the use of Welsh Ministers and the scheme administrators for the purposes of demonstrating the application of the factors covered by this guidance only. This guidance may be published on Welsh Ministers and the scheme administrator's website but must not otherwise be reproduced, distributed or communicated in whole or in part to any other person without GAD's prior written permission.
- 1.24 Other than Welsh Ministers and the scheme administrators, no person or third party is entitled to place any reliance on the contents of this guidance, except to any extent explicitly stated herein. GAD has no liability to any person or third party for any action taken or for any failure to act, either in whole or in part, on the basis of this guidance, whether or not GAD has agreed to the disclosure of its advice to the third party.
- 1.24 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.

Third parties may wish to seek their own actuarial advice where appropriate.



2 Club Transfers out

- 2.1 Transfers out within the Public Sector Transfer Club (excluding cases where the receiving scheme is another UK Fire 2015 scheme) are covered by the "Club Memorandum" published by the Cabinet Office.
- 2.2 The Club Secretariat has confirmed that for cases covered by the Club Memorandum, transfers out should be calculated using factors corresponding to the deferred pension age of the 2015 scheme (State Pension age). Please consult the latest Club memorandum for the appropriate formula and factors.
- 2.3 For cases where the receiving scheme is another UK Fire 2015 Scheme, please refer to section 4.



3 Club Transfers in

Calculation of transferred pension credit

- 3.1 Incoming Club transfer earned pension should be applied in accordance with regulation 154 of the 2015 Scheme Regulations
- 3.2 This section covers the approach where the sending scheme is not another UK Fire 2015 Scheme. For cases where the sending scheme is another UK Fire 2015 Scheme, please refer to section 4.
- 3.3 The calculation of a Club transferred pension credit is based on the amount of pension accrued in the transferring scheme, rather than on the amount of the transfer payment received.

Adjustment to inner-Club transfer credits

- 3.4 Paragraph 7.4 of the Club Memorandum discusses schemes that incorporate a provision for early retirement on terms which are more generous than actuarially equivalent to the benefits otherwise payable.
- 3.5 Following advice from GAD, Welsh Government have confirmed that an adjustment should be applied to pension credits awarded in respect of standard inner-Club transfers into the 2015 scheme. The Club Secretariat have confirmed they are content with this adjustment approach.
- 3.6 The adjustment should only be applied to members who have not reached active NPA under the 2015 Scheme at the guarantee date³.

Members below their active NPA at the guarantee date

- 3.7 The following process should be used to determine the amount of Club transfer earned pension to be granted in the 2015 scheme for those members who are below their active NPA at the guarantee date:
 - Calculate the standard Club transfer pension credit in line with the Club Memorandum current at the time of the transfer (ie section 5 at time of issue of this guidance), using tables based on the active NPA (currently age 60).
 - Multiply the standard Club transfer pension credit calculated above by the adjustment factor of 0.972.
- 3.8 When providing a Club statement in accordance with regulation 153 of the Regulations, the amount of club transfer earned pension that should be specified is that calculated after making allowance for the adjustment set out in paragraph 3.7.

³ As defined in paragraph 4.5 of the Club Memorandum current at time of issue of this guidance



Members above their active NPA at the guarantee date

- 3.9 For those members who are above their active NPA at the guarantee date, their Club transfer earned pension should be calculated in line with the approach set out in the Club Memorandum current at the time of transfer (i.e. section 5 at time of issue of this guidance), using tables based on the active NPA (currently age 60). No further adjustment needs to be made.

Benefits provided

- 3.10 Club transfers received by the Scheme will be applied to provide an amount of transferred pension credit of the same form as earned pension, but revalued in accordance with the in-service revaluation of the sending scheme.
- 3.11 The transferred pension credit will be added to the active member's account in accordance with regulation 42 and regulation 154.
- 3.12 An example calculation (example 1) is provided in section 5.



4 Transfers to and from other fire authorities

- 4.1 Where a member takes up employment with a different fire authority within Wales, (but not one within England, Scotland or Northern Ireland) the 2015 Scheme Regulations provides, in certain circumstances and under certain conditions, for the member's pension account to be transferred between the relevant fire authorities. If a member's pension account is transferred in this way, there is no requirement to calculate a transfer value or to make a transfer payment. The calculation of a transferred pension credit by the receiving authority is not required.
- 4.2 The responsible authority has confirmed that transfers to or from another fire authority in England, Scotland or Northern Ireland should follow an agreed approach which is different from the standard inner-Club transfer approach detailed in sections 2 and 3 of this note.
- 4.3 The following approach, agreed by the Home Office, the Scottish Public Pensions Agency, the Welsh Government and the Department of Health Northern Ireland, following advice from GAD, should be taken. Payments will be made from the sending scheme to the receiving scheme in accordance with paragraphs 4.4 to 4.8. The pension credit in the receiving scheme will be calculated in accordance with paragraphs 4.10 to 4.14.

Cross border transfers out

- 4.4 To calculate the cross border transfer value payment for a member below their active NPA at the guarantee date, use the following formula:

$$[(MP \times Fp) + (CWP \times Fwid)] \times 1.028$$

Where:

<i>MP</i>	Member's pension in the sending scheme*
<i>CWP</i>	Pension payable on the death of the member to a surviving partner
<i>Fp</i>	'Club factor' for member's pension
<i>Fwid</i>	'Club factor' for widow, widower's, partner's or civil partner's pension

- 4.5 To calculate the cross border transfer value payment for a member above their active NPA at the guarantee date, use the following formula:

$$[(MP \times Fp) + (CWP \times Fwid)]$$

Where:

<i>MP</i>	Member's pension in the sending scheme*
<i>CWP</i>	Pension payable on the death of the member to a surviving partner
<i>Fp</i>	'Club factor' for member's pension
<i>Fwid</i>	'Club factor' for widow, widower's, partner's or civil partner's pension

*These benefits should be revalued in accordance with the in-service revaluation.



- 4.6 The factors used in paragraphs 4.4 and 4.5 should be taken from Club tables in force at the guarantee date corresponding to the scheme's active NPA (currently age 60), using the individual's age at the guarantee date.
- 4.7 Where necessary, pension benefits (i.e. MP and CWP) should be revalued in accordance with the deferred revaluation of the 2015 scheme up to the guarantee date for the transfer.
- 4.8 If the member already has a Club transferred in pension, please do not use the formulae in paragraphs 4.4 or 4.5 to calculate the cross border transfer value, and instead contact the Firefighters' Pension team at Welsh Government for onward transmission of the case to GAD.
- 4.9 An example calculation (example 2) is provided in section 5

Cross border transfers in

- 4.10 When a member is transferring into the 2015 scheme, pension credits should be based on the cross border transfer value received⁴.
- 4.11 To calculate the pension credit to be awarded for a member below active NPA at the guarantee date, use the following formula:

$$\left[\frac{\text{Cross border transfer value received}}{[Fp-rec + (sp-p-rec \times Fwid-rec)]} \right] \times 0.972$$

Where:

- Fp-rec* 'Club factor' for member's pension in the receiving scheme
Sp-p-rec surviving partner's pension proportion in the receiving scheme
Fwid-rec 'Club factor' for widow, widower's, partner's or civil partner's pension in the receiving scheme

- 4.12 To calculate the pension credit to be awarded for a member above active NPA at the guarantee date, use the following formula:

$$\text{Cross border transfer value received} / [Fp-rec + (sp-p-rec \times Fwid-rec)]$$

Where:

- Fp-rec* 'Club factor' for member's pension in the receiving scheme
Sp-p-rec surviving partner's pension proportion in the receiving scheme
Fwid-rec 'Club factor' for widow, widower's, partner's or civil partner's pension in the receiving scheme

- 4.13 The factors used in paragraphs 4.11 and 4.12 should be taken from Club tables in force at the guarantee date corresponding to the scheme's active NPA (currently age 60), using the individual's age at the guarantee date.

⁴ This differs from use of the pension in the sending scheme which is used under the standard Club transfer approach.



- 4.14 The transferred pension credit will be added to the active member's account in accordance with regulation 42 and regulation 154. An example calculation (example 3) is provided in section 5.



5 Example calculations

Example 1: Standard inner-Club transfer in (i.e. not cross border)

- Age (last birthday) at guarantee date 35
- Active NPA in 2015 scheme 60
- Inner-Club transfer credit* £2,000 pa
- Adjustment Factor 0.972

** Calculated in accordance with paragraph 3.7, i.e. using the guidance set out in section 5 of the current Club Memorandum, but with factors taken from tables corresponding to the scheme's active NPA (currently age 60).*

$$\begin{aligned}\text{Club transfer earned pension} &= \text{Inner-Club transfer credit} \times 0.972 \\ &= £2,000 \times 0.972 \\ &= £1,944.00 \text{ pa}\end{aligned}$$



Example 2: Cross border transfer out

• Member's date of birth	31/12/1979
• Guarantee date for calculation	15/04/2020
• Active NPA in 2015 scheme	60
• Age (last birthday) at guarantee date	40
• Member's Pension	£2,000
• Surviving partner's pension	£1,000
• Fp*	13.220
• Fwid*	1.420

**Factors have been taken from tables corresponding to the scheme's active NPA (currently age 60) provided in the Club Memorandum current at the time this guidance was issued.*

Member is below active NPA, so using the formula set out in paragraph 4.4 of this note, the cross border transfer value to be paid is:

$$\begin{aligned} & [(MP \times Fp) + (CWP \times Fwid)] \times 1.028 \\ & [(£2,000 \times 13.220) + (£1,000 \times 1.420)] \times 1.028 \\ & = (£26,440 + £1,420) \times 1.028 \\ & = \mathbf{£28,640.08} \end{aligned}$$



Example 3: Cross border transfer in

• Member's date of birth	16/01/1985
• Guarantee date for calculation	15/04/2020
• Active NPA in 2015 scheme	60
• Age (last birthday) at guarantee date	35
• Cross border transfer value received	£20,000
• Surviving partner's % (2015 scheme)	50%
• Fp-rec*	11.850
• Fwid-rec*	1.290
• Adjustment factor	0.972

**Factors have been taken from tables corresponding to the scheme's active NPA (currently age 60) provided in the Club Memorandum current at the time this guidance was issued*

Member is below active NPA, so using the formula set out in paragraph 4.11 of this note, the pension credit to be awarded is:

$$\begin{aligned} & \text{Cross border transfer value received} / [Fp\text{-rec} + (sp\text{-p-rec} \times Fwid\text{-rec})] \times 0.972 \\ & = [£20,000 / [11.850 + (0.5 \times 1.290)]] \times 0.972 \\ & = [£20,000 / 12.495] \times 0.972 \\ & = [£1,600.64] \times 0.972 \\ & = \mathbf{£1,555.82 \text{ pa}} \end{aligned}$$



Appendix A: Limitations

- A.1 This guidance should not be used for any purpose other than those set out in this guidance.
- A.2 The factors contained in this guidance 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 Advice provided by GAD must be taken in context and is intended to be considered in its entirety. Individual sections, if considered in isolation, may be misleading, and conclusions reached by a review of some sections on their own may be incorrect. GAD does not accept responsibility for advice that is altered or used selectively. Clarification should be sought if there is any doubt about the intention or scope of advice provided by GAD.
- A.4 This guidance only covers the actuarial principles around the calculation and application of Club transfer factors. Any legal advice in this area should be sought from an appropriately qualified person or source.
- A.5 Scheme managers and administrators should satisfy themselves that Club transfer calculations and benefit awards comply with all legislative requirements including, but not limited to, tax and contracting-out requirements.
- A.6 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 Welsh Government and GAD. Under no circumstances should this guidance take precedence over the Regulations. Administrators should ensure that they comply with all relevant Regulations.