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## 1 Background

- 1.1 This note is provided for the Home Office (HO) as scheme manager of the Firefighters' Pension Schemes in England and for the Welsh Government as scheme manager of the Firefighters' Pension Schemes in Wales.
- 1.2 The purpose of this note is to provide tables of factors for calculation of CPD pensions in the Firefighters' Pension Schemes in English and Welsh Fire Authorities and guidance for their use. CPD factors are required under the following rules of the Firefighters' Pension Scheme (the 1992 scheme) and The New Firefighters' Pension Scheme (the 2006 scheme for England and the 2007 scheme for Wales):
- Rules B5C of FPS Order 1992 (SI 1992 No. 129)
  - Rule 7B of Part 3 of Schedule 1 of NFPS Order 2006 (SI 2006 No. 3432)
  - Rule 7B of Part 3 of Schedule 1 of NFPS (Wales) Order 2007 (SI 2007 No. 1072)
- 1.3 Certain firefighters are eligible to apply for Continual Professional Development (CPD) payments. In the Firefighters' Pension Scheme (FPS) and 2006 scheme (England) or 2007 scheme (Wales) CPD payments are pensionable via an additional pension benefit arrangement (whereas they are automatically pensionable, to the extent determined by the scheme manager, in the 2015 scheme). In brief:
- Employees and employers pay pension contributions on CPD payments in accordance with the rules of the FPS or the 2006 scheme (England) or 2007 scheme (Wales);
  - These contributions secure additional monetary benefits which come into payment at the same time as, and in addition to, FPS scheme or 2006 scheme (England)/2007 scheme (Wales) benefits.
- 1.4 The factors provided in this note have been prepared in light of our advice to the HO and Welsh Government dated 30 October 2018 and its instructions following that advice.
- 1.5 This guidance is intended to supersede any advice previously issued, for the purposes of Continual Professional Development (CPD) pension calculations, which rely on input from the Scheme Actuary. In particular, this guidance supersedes:

"The Firefighters' Pension Scheme 1992, the New Firefighters' Pension Scheme 2006 and the Firefighters' Pension Scheme (Wales) 2007: Continual Professional Development (CPD) – Additional Pension Benefit Factors" dated 27 June 2012.



and

“The Firefighters’ Pension Scheme 1992 and the New Firefighters’ Pension Scheme 2006: Continual Professional Development (CPD) – Additional Pension Benefit Factors” dated 1 July 2014.

and

“The Firefighters’ Pension Scheme 1992 and the Firefighters’ Pension Scheme (Wales) 2007: Continual Professional Development (CPD) – Additional Pension Benefit Factors” dated 1 July 2014.

- 1.6 HO and the Welsh Government may seek input from the scheme actuary on how to apply this guidance if necessary.
- 1.7 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
- 1.8 In the remainder of this note:
  - Section 2 describes the issues and set out the formulae
  - Section 3 contains an example
  - Appendix A sets out the principal assumptions underlying the factors shown in this guidance
  - Appendix B sets out the factor table
  - Appendix C sets out some important limitations

### **Exclusions and Scope**

- 1.8 This note should not be used for any purpose other than to determine the amount of pension that a member is entitled to as a result of a CPD payment.
- 1.9 In compiling these factors, and following consultation with HO and the Welsh Government we have assumed that CPD pensions increase in line with CPI while a member remains in service.
- 1.10 This note only covers the actuarial principles around the calculation and application of APB factors. Any legal advice in this area should be sought from an appropriately qualified person or source.



## Implementation and Review

- 1.11 This guidance will apply from with immediate effect.
- 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 Firefighters' Pension Scheme and the New Firefighters' Pension Schemes England and Wales. Any questions concerning the application of the guidance should, in the first instance, be referred to the Firefighters' Pensions team at HO or the Welsh Government as appropriate.
- 1.13 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.
- 1.14 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.

## Third party reliance

- 1.15 This guidance has been prepared for the use of the relevant authority and their scheme administrators for the purposes of demonstrating the application of the factors covered by this guidance only. This guidance may be published on the relevant authority and their 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.
- 1.16 Other than the relevant authority and their 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.
- 1.17 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 Administration

2.1 The amount of additional benefit secured for a given CPD year is found by dividing the relevant contributions by the capitalised present value of an additional benefit of £1 pa payable in accordance with the scheme rules. The formula is therefore as follows:

**CPD payment ÷ Factor**

2.2 **CPD Payment** is the amount of contributions paid in on CPD payments in a given year

2.3 **Factor** is the appropriate factor from Table 1 depending on the section of the scheme.

- **Column (2)** of the Table gives factors for the 1992 scheme.
- **Column (3)** of the Table gives factors for the 2006/2007 scheme (NOT special members).
- **Column (4)** of the Table gives factors for the 2006/2007 scheme (Special members).

2.4 The conversion of CPD contributions to additional benefit is carried out according to the member's age on the relevant date. The relevant date is 1 July immediately following the CPD year. The same applies when a member retires or leaves service during the year. In these and other cases where some of the contributions due for a CPD year are not in fact paid, the corresponding benefit for that CPD year is reduced pro-rata.

2.5 The tables in Appendix B of this Note give factors for the capitalised present value of an additional benefit of £1 pa, to be secured by contributions on CPD payments. There are separate factors for the benefits payable under the Firefighters' Pension Scheme (1992) and the New Firefighters' Pension Scheme (2006 for England and 2007 for Wales).

2.6 The factors given in this document are effective from 11 January 2019 in England and 15 January 2019 in Wales. They should be used for converting all relevant payments to additional pension benefit for the year to 30 June 2019, and for calculation of all future additional pension benefits under the Rules above, until such time as a further review of the factors occurs.



### 3 Example

**Member data:**

Date of birth	01/05/1964
Scheme:	1992 Scheme
Contributions paid	£150
CPD year	18/19
Relevant date	01/07/2019
Age at relevant date	55
Pension factor	23.2 (Column 2)

**CPD benefit = CPD payment ÷ Factor**  
**= £150.00 ÷ 23.2 = £6.46 per annum**



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## Appendix A: Assumptions underlying factors

### Financial assumptions

Nominal discount rate	4.448% pa
CPI	2.00% pa
RPI	3.15% pa
Real discount rate (in excess of CPI)	2.40% pa
Real discount rate (in excess of RPI)	1.25% pa

### Mortality assumptions

Base mortality tables and adjustments	As per 2016 valuation:  Males: 113% of S2NMA and Females: 113% of S2NFA  Dependant: 113% of S2NMA and 100% of S2NFA
Future mortality improvement	Based on ONS principal UK population projections 2016
Year of Use	2020

### Other assumptions

Proportion of male members for the purpose of unisexing factors	95% for members and 5% for dependants
Age difference between member and partner	Males assumed 3 years older than female partner and females assumed to be 3 years younger than partner
Proportions partnered	75% of members assumed married at retirement (80% assumed partnered)
Allowance for commutation	Nil



## Appendix B: Table of CPD Pension Factors

Table 801 in consolidated factors spreadsheet

	1992 Scheme	2006 Scheme (England) 2007 Scheme (Wales)	2006 Scheme England (Special Members) 2007 Scheme Wales (Special members)
Age last birthday on relevant date	Factor for additional pension benefit of £1 pa	Factor for additional pension benefit of £1 pa	Factors for additional pension benefit of £1 pa
(1)	(2)	(3)	(4)
49	20.6	16.8	20.7
50	21.1	17.1	21.1
51	21.5	17.5	21.6
52	22.0	17.8	22.1
53	22.6	18.2	22.7
54	23.1	18.6	23.2
55	23.2	19.0	23.3
56	22.7	19.4	22.8
57	22.2	19.9	22.3
58	21.7	20.4	21.9
59	21.3	20.9	21.4
60	20.8	20.9	20.9
61	20.3	20.4	20.4
62	19.7	19.9	19.9
63	19.2	19.4	19.4
64	18.7	18.9	18.9
65	-	18.3	-
66	-	17.8	-
67	-	17.3	-
68	-	16.7	-
69	-	16.2	-



## Appendix C: Limitations

- C.1 This guidance should not be used for any purpose other than those set out in this guidance.
- C.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.
- C.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.
- C.4 This guidance only covers the actuarial principles around the calculation and application of Continual Professional Development (CPD) pension factors. Any legal advice in this area should be sought from an appropriately qualified person or source.
- C.5 Scheme managers and administrators should satisfy themselves that Continual Professional Development (CPD) pension and benefit awards comply with all legislative requirements including, but not limited to, tax and contracting-out requirements.
- C.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 relevant authority and GAD. Under no circumstances should this guidance take precedence over the Regulations. Administrators should ensure that they comply with all relevant Regulations.