



Government Actuary's Department

Firefighters' Pension Scheme (England): 1992 Scheme

**Additional payments in respect of past commutations:
Administration pro-forma**

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1 Overview of additional payments process

- 1.1 This pro-forma has been produced by the Government Actuary's Department (GAD) for the Department for Communities and Local Government (DCLG) to assist scheme administrators in calculating additional lump sum or pension payments to be made in respect of certain fire pension scheme members, following consideration of the Pensions Ombudsman's determination¹ dated 13 May 2015 on the complaint brought by Mr W Milne.
- 1.2 If there is any doubt as to whether schemes are able to make these additional payments, we recommend that specific legal advice is sought.
- 1.3 This pro-forma should be read in conjunction with any policy instructions and guidance provided by DCLG and with the limitations set out in Appendix G.
- 1.4 In particular, we understand that guidance will require that discharges should be obtained from members before making lump sum or pension payments, to the effect that the payments are in full and final settlement of any actual or potential claims arising from or connected to the commutation of their pension, and that they agree to withdraw any cases already brought to the Ombudsman. The discharge should cover the scheme, GAD and DCLG. We recommend that legal advice is sought on the form of discharge.
- 1.5 Section 2 sets out the calculations required, broken down into the following parts:
 - A. Identify the affected members
 - B. Collect required membership data
 - C. Notional commutation calculation at point when the pension commenced, using reconstructed commutation factors specified by GAD
 - D. [Not essential but recommended:] Reconciliation checks on original and notional commutation calculations
 - E. Additional lump sum or pension as at date pension commenced
 - F. Lump sum accumulated with interest to payment date
 - G. Pension accumulated with interest to payment date – surviving members
 - H. Pension accumulated with interest to payment date – deceased members
 - I. Lump sum redress from pension arrears
 - J. Additional pension redress from payment date
 - K. Summary of redress options

¹ Reference: PO-1327

<https://www.pensions-ombudsman.org.uk/determinations/2015/po-1327/firefighters-pension-scheme/>



- 1.6 Unless instructed otherwise by guidance provided by DCLG, this pro-forma should be followed in full, with the possible exception of stage D. Please note that this pro-forma does not cover all possible members. Please read paragraph 1.20 for further detail on the form of cases which should instead be sent to GAD for manual calculation.
- 1.7 For some members, a maximum commutation amount of 2.25 times annual pension would have applied under the Firefighters' Pension Scheme Order 1992². We understand that this would have applied broadly to those:
- > retiring with an ordinary pension at age 50 or over; and
 - > with 25 or more years of pensionable service but less than 30; and
 - > before age 55, or before age 60 in the case of Additional Divisional Office and ranks above retiring before 21 November 2005.
- or
- > Pension credit members.
- 1.8 The calculations specified in this pro-forma are dependent on whether the maximum amount in paragraph 1.7 applied, and so it is important that administrators correctly ascertain this with reference to Rules B7 and IA2. If administrators are unable to do so in any particular cases, please refer to GAD.

² Firefighters' Pension Scheme Order 1992 (SI 1992 No. 129)



1.9 The form of additional payments to be provided is as follows:

Type of member	Form of additional payment
Not subject to maximum commutation amount of 2.25 times annual pension	Lump sum
Subject to maximum commutation amount of 2.25 times annual pension, original lump sum equal to 2.25 times annual pension	Additional pension, with backdated arrears of pension paid as a lump sum
Subject to maximum commutation amount of 2.25 times annual pension, original lump sum less than 2.25 times annual pension	Member's option of either: a) Lump sum ³ Or: b) Additional pension, with backdated arrears of pension paid as a lump sum

- 1.10 Section 3 sets out two illustrative example calculations for hypothetical members.
- 1.11 The required tables of original and reconstructed commutation factors are set out in Appendices A and B. The interest calculation for additional lump sums is specified in Appendix C. The accumulation factors for past additional pension are specified in Appendix D.
- 1.12 At the time of issuing this pro-forma, the reference bank rate (Bank of England base interest rate) was 0.5% pa.⁴ If this rate changes before all payments have been made, this will affect the interest calculations and we recommend you seek assistance from GAD.
- 1.13 The taxation approach for these additional payments has been verified by HMRC and is set out in Appendix E. If schemes have any queries about tax issues these should be directed to HMRC in the first instance. HMRC contact details are given in Appendix E.
- 1.14 Some sample wording which could be used for communications to affected members is provided in Appendix F. We recommend that legal advice is sought before such communication material is finalised, in particular on the form of discharge.

³ If the total lump sum would then exceed the 2.25 times annual pension, then redress will be lump sum up to that limit plus a partial additional pension with backdated arrears of pension paid as a lump sum.

⁴ See <http://www.bankofengland.co.uk/boeapps/iadb/Repo.asp?Travel=NixIRx>



- 1.15 Payments should be made to the relevant members if still living. Where a member is deceased, payments should be made to the member's estate. If the estate has been wound up, legal advice should be sought.
- 1.16 We suggest that for each case a practicable payment date (in the future) should be decided in advance by administrators and used in the pro-forma, allowing time for members to provide signed discharges. In cases where additional pension forms part of the redress it may be convenient to choose a payment date which coincides with a pension payroll date so that the same implementation date would apply for the lump sum and additional pension elements. This is subject to any guidance provided by DCLG on the timing of payments.
- 1.17 The reconciliation checks in part D of Section 2 are recommended to ensure that the original commutation calculations can be reproduced and thus give added comfort on the accuracy of the additional payment calculations. If these cannot be carried out we suggest you speak to DCLG or GAD.
- 1.18 In cases where the additional payment is a lump sum only, the size of that additional payment will depend on the date of retirement and the member's age. The following table shows the range of possible sizes of the additional payment (including interest) as a percentage of the original actual commutation lump sum paid.

Type of member		Additional payment (including interest) as a percentage of actual commutation lump sum paid
Gender	Retirement date	
Male	1 Dec 2001 – 30 Nov 2004	8% - 19%
Male	1 Dec 2004 – 21 Aug 2006	24% - 36%
Female	1 Dec 2004 – 21 Aug 2006	5% - 15%

- 1.19 GAD will also be happy to carry out spot checks on the additional amounts calculated or to provide any other clarification or assistance as needed. If there are any queries regarding this pro-forma, please speak to DCLG or GAD.



Members not covered by this pro-forma

- 1.20 This pro-forma cannot be used to produce results for:
- 1) Members where the maximum commutation amount described in paragraph 1.7 applied (even if the member chose to commute less than this maximum) and any of the following apply:
 - a. date of leaving is more than one day before the date that their pension commenced;
 - b. Average Pensionable Pay was based on pay before the member's last year of service under Rule G1(7) of the 1992 scheme regulations.
 - 2) Pension credit members
- 1.21 To progress these cases, administrators should provide the details requested in stage B of Section 2 of this pro-forma to GAD. Administrators should also include details of the date on which the pension is deemed to begin for the purpose of the Pension Increase Act and any pension increase accrued by the member prior to the date that the pension commenced. GAD will calculate the additional payments that should be awarded to these members and provide results back to the administrators.



2 Specification of calculations to be carried out

A. Identify the affected members

The affected members are the following:

Males

- > Those who retired in receipt of a pension from the 1992 Scheme between 1 December 2001 and 21 August 2006 inclusive

and

- > Opted to commute part of their retirement pension for a lump sum

Females

- > Those who retired in receipt of a pension from the 1992 Scheme between 1 December 2004 and 21 August 2006 inclusive

and

- > Opted to commute part of their retirement pension for a lump sum

For the avoidance of doubt this includes:

- > active members who retired and received an immediate ordinary, short service, or ill health pension during the relevant period,
- > deferred members whose deferred pension came into payment during this period, and
- > pension credit members whose pension came into payment during this period.

B. Collect required membership data

- (1) Unique identifier
- (2) Sex
- (3) Date of birth
- (4) Date pension commenced
- (5) Date of leaving
- (6) Actual commutation amount paid

If the original notice of commutation was made after the date of retirement, then do not include any reduction made in order to allow for pension payments between the date of retirement and the notice of commutation.



- (7) Was the member subject to a maximum commutation amount of 2.25 times pension at retirement?
Answer yes if the member was subject to this maximum, even if they chose to commute less than this maximum.
- (8) Age next birthday at date pension commenced
Note can be calculated from (3) and (4), but subject to the provisos in Appendix A, paragraph A.3.
- (9) Age in years and complete months at date pension commenced
Note can be calculated from (3) and (4)
- (10) Actual commutation factor used in original calculation
- (11) Full initial rate of pension at date pension commenced before commutation
- (12) Actual residual pension at date pension commenced after commutation
- (13) If member is deceased, date of death

C. Notional commutation calculation at point when the pension commenced, using reconstructed commutation factors specified by GAD

- (14) Reconstructed commutation factor. Choose table B1 or B2 from Appendix B, depending on date pension commenced in (4). Determine factor from table based on age in (9) in years and complete months.
- (15) Notional commutation amount at date pension commenced using reconstructed factor (assuming no change in residual pension)
 $= (6) \times \{(14) / (10)\}$

D. [Not essential but recommended:] Reconciliation checks on original and notional commutation calculations

- (16) Check of commutation factor for original calculation. Look up from table in Appendix A based on sex in (2) and age next birthday in (8)
- (17) Percentage discrepancy in original commutation factor used
 $= \{(10) - (16)\} / (16) \times 100\%$
- (18) Check of residual pension at date pension commenced
 $= (11) - \{(6) / (16)\}$
- (19) Percentage discrepancy in original residual pension calculation
 $= \{(12) - (18)\} / (18) \times 100\%$
- (20) Cross-check on residual pension from notional commutation calculation
 $= (11) - \{(15) / (14)\}$
- (21) Percentage discrepancy in residual pension from notional commutation calculation
 $= \{(20) - (12)\} / (12) \times 100\%$

If items (17), (19) or (21) are significant (in excess of 2%) please seek guidance from DCLG or GAD.



E. Additional benefits as at date pension commenced

(22) Lump sum amount =

- If (7) = No
= (15) – (6)
- If (7) = Yes
= Minimum {2.25 x (11) – (6), (15) – (6)}, subject to floor of zero

(23) Pension amount =

- If (7) = No
= Zero
- If (7) = Yes
= {(15) – (6)} / (14)

(24) Partial pension amount =

- If (7) = No **OR** (22) = 0
= Zero
- If (7) = Yes **AND** (22) > 0
= {(15) – [(6) + (22)]} / (14), subject to floor of zero

F. Lump sum accumulated with interest to payment date if (22) > 0

(25) Total interest percentage between date pension commenced in (4) and payment date, calculated as specified in Appendix C

(26) Redress payment from lump sum including interest
= (22) x [100% + (25)]

(27) Unauthorised payment tax amount relating to redress payment
= (26) x [2 / 3]⁵

G. Pension accumulated with interest to payment date – surviving members if (7) = Yes

(28) Pension increase multiplier from date pension commenced in (4) to 6 April 2015⁶

(29) Additional pension that would have been in payment at 6 April 2015
= (23) x (28)

⁵ This assumes that the unauthorised payments surcharge is not payable (see paragraph E.2). If it is, this fraction should be [11 / 9] instead of [2 / 3]

⁶ See multiplier table at this link:

<https://www.gov.uk/government/publications/public-service-pensions-increase-2015>



- (30) Pension accumulation factor based on month and year of date pension commenced in (4), from Appendix D, Table D1
- (31) Interest accumulation factor based on month and year of date pension commenced in (4), from Appendix D, Table D2
- (32) Number of days from 6 April 2015 to payment date
- (33) Accumulation of pension due up to 6 April 2015 (excluding interest)
= (29) x (30)
- (34) Accumulation of pension due after 6 April 2015 (excluding interest)
= (29) x {(32) / 365}
- (35) Accumulation of interest on pension due up to 6 April 2015
= (29) x (31) + (29) x (30) x {bank rate x (32) / 365}
- (36) Accumulation of interest on pension due after 6 April 2015
= (34) x {bank rate x (32) x 0.5 / 365}

Note the calculations for (35) and (36) will need to be updated if the bank rate changes from its current value of 0.5% pa.

**H. Pension accumulated with interest to payment date – deceased members
if (7) = Yes**

First perform the calculations specified in section G above, as if the member was still alive.

- (37) Notional accumulation if member had survived to 6 April 2015 = (33) + (35)

If date of death in (13) is on or before 6 April 2015:

- (38) Pension accumulation factor based on month and year of date of death in (13), from Appendix D, Table D1
- (39) Interest accumulation factor based on month and year of date of death in (13), from Appendix D, Table D2
- (40) Notional accumulation of pension due from date of death to 6 April 2015 including interest
= (29) x {(38) x {1 + bank rate x (32)/365} + (39)}



If date of death in (13) is after 6 April 2015:

(41) Number of days from 6 April 2015 to date of death

(42) Accumulation of pension due from 6 April 2015 to date of death including interest to date of payment
$$= (29) \times \{(41) / 365\} \times \{1 + \text{bank rate} \times (41) \times 0.5 / 365$$
$$+ \text{bank rate} \times \{(32) - (41)\} / 365\}$$

(43) Accumulation of pension due up to date of death with interest
$$= (37) - (40), \text{ if date of death in (13) is on or before 6 April 2015}$$
$$= (37) + (42), \text{ if date of death in (13) is after 6 April 2015}$$

I. Lump sum redress from pension arrears if (7) = Yes

(44) For surviving members, redress excluding interest = (33) + (34)

(45) For surviving members, interest = (35) + (36)

(46) For surviving members **if (22) > 0**, redress from partial pension excluding interest
$$= (44) \times (24) / (23)$$

(47) For surviving members **if (22) > 0**, interest from partial pension
$$= (45) \times (24) / (23)$$

(48) For deceased members, (43)

J. Additional pension redress from payment date if (7) = Yes

Note this only applies for surviving members.

(49) Additional pension from pension payment date = (29)

(50) **If (22) > 0**, partial additional pension from pension payment date
$$= (29) \times (24) / (23)$$



K. Summary of redress options

Surviving members

If (7) = No, lump sum = (26)

For accounting purposes, unauthorised payment tax amount = (27)

If (7) = Yes **AND** (22) = 0:

- > Lump sum redress from pension arrears before tax = (44), *to be paid with tax deducted through PAYE*
+ Lump sum redress from interest on pension arrears 80% x (45), *after deducting tax at 20%.*
Tax deducted = 20% x (45)

PLUS

- > Additional pension from pension payment date = (49), *to be paid with tax deducted through PAYE*

If (7) = Yes **AND** (22) > 0, member's choice of:

Method a

- > Lump sum = (26)
For accounting purposes, unauthorised payment tax amount = (27)

PLUS⁷

- > Lump sum redress from pension arrears before tax = (46), *to be paid with tax deducted through PAYE*
+ Lump sum redress from interest on pension arrears 80% x (47), *after deducting tax at 20%*
Tax deducted = 20% x (47)

PLUS

- > Additional pension from pension payment date = (50), *to be paid with tax deducted through PAYE*

⁷ If the lump sum remains below 2.25 times annual pension, then the following items will be zero



OR

Method b

Lump sum redress from pension arrears before tax
= (44) *to be paid with tax deducted through PAYE*
+ Lump sum redress from interest on pension arrears
80% x (45), *after deducting tax at 20%*
Tax deducted = 20% x (45)

PLUS

- > Additional pension from pension payment date = (49), *to be paid with tax deducted through PAYE*

Deceased members

If (7) = No, lump sum = (26)

For accounting purposes, unauthorised payment tax amount = (27)

If (7) = Yes, lump sum = higher of:

- > (43)

OR

- > $\{(43) \times (24) / (23)\} + (26)$

For accounting purposes, unauthorised payment tax amount = (27)

If (7) = Yes and the member died after 13 May 2015, the amount relating to pension arrears including interest should be treated for tax as described in Appendix E paragraph E.13. The relevant amount is (43) if the first bullet above is higher, or $\{(43) \times (24) / (23)\}$ if the second bullet above is higher.



3 Worked examples

This section works through the calculations required for two hypothetical example cases.

Example i: Male retirement between 1 December 2001 and 30 November 2004 (inclusive). 2.25 x pension maximum commutation amount did not apply.

B. Collect required membership data

- (1) Unique identifier: **Example i**
- (2) Sex: **Male**
- (3) Date of birth: **19 January 1952**
- (4) Date pension commenced: **1 April 2004**
- (5) Date of leaving: **31 March 2004**
- (6) Actual commutation amount paid: **£30,000**
If the original notice of commutation was made after the date of retirement, then do not include any reduction made in order to allow for pension payments between the date of retirement and the notice of commutation.
- (7) Was the member subject to a maximum commutation amount of 2.25 times pension at retirement? Answer yes if the member was subject to this maximum, even if they chose to commute less than this maximum: **No**
- (8) Age next birthday at date pension commenced: can be calculated from (3) and (4), but subject to the provisos in Appendix A, paragraph A.3:
= 53
- (9) Age in years and complete months at date pension commenced: can be calculated from (3) and (4) **= 52 yrs 2 months**
- (10) Actual commutation factor used in original calculation: **14.80**
- (11) Full initial rate of pension at date pension commenced before commutation:
£10,000 pa
- (12) Actual residual pension at date pension commenced after commutation:
£7,972.97 pa
- (13) If member is deceased, date of death: **n/a**



C. Notional commutation calculation at point when the pension commenced, using reconstructed commutation factors specified by GAD

(14) Reconstructed commutation factor. Choose table B1 or B2 from Appendix B, depending on date pension commenced in (4). Determine factor from table based on age in (9) in years and complete months. **Choose table B1 as pension commenced before 1 December 2004. Factor from table B1 at 52 yrs 2 months is 16.57.**

(15) Notional commutation amount at date pension commenced using reconstructed factor (assuming no change in residual pension)
 $= (6) \times \{(14) / (10)\}$
 $30,000 \times 16.57 / 14.80 = \text{£}33,587.84$

D. [Not essential but recommended:] Reconciliation checks on original and notional commutation calculations

(16) Check of commutation factor for original calculation. Look up from table in Appendix A based on sex in (2) and age next birthday in (8)
Factor from table A1 for male age next birthday 53 is 14.80

(17) Percentage discrepancy in original commutation factor used
 $= \{(10) - (16)\} / (16) \times 100\%$
 $(14.80 - 14.80) / 14.80 \times 100\% = 0\%$

(18) Check of residual pension at date pension commenced
 $= (11) - \{(6) / (16)\}$
 $10,000 - 30,000 / 14.80 = \text{£}7,972.97 \text{ pa}$

(19) Percentage discrepancy in original residual pension calculation
 $= \{(12) - (18)\} / (18) \times 100\%$
 $(7,972.97 - 7,972.97) / 7,972.97 \times 100\% = 0\%$

(20) Cross-check on residual pension from notional commutation calculation
 $= (11) - \{(15) / (14)\}$
 $10,000 - 33,587.84 / 16.57 = \text{£}7,972.97 \text{ pa}$

(21) Percentage discrepancy in residual pension from notional commutation calculation
 $= \{(20) - (12)\} / (12) \times 100\%$
 $(7,972.97 - 7,972.97) / 7,972.97 \times 100\% = 0\%$

If items (17), (19) or (21) are significant (in excess of 2%) please seek guidance from DCLG or GAD.

E. Additional benefits as at date pension commenced

(22) Lump sum amount =

- If (7) = No
 $= (15) - (6)$
 $33,587.84 - 30,000 = \text{£}3,587.84$



- If (7) = Yes
= Minimum $\{2.25 \times (11) - (6), (15) - (6)\}$, subject to floor of zero
N/A

(23) Pension amount =

- If (7) = No
= Zero
Zero
- If (7) = Yes
= $\{(15) - (6)\} / (14)$
N/A

(24) Partial pension amount =

- If (7) = No **OR** (22) = 0
= Zero
Zero
- If (7) = Yes **AND** (22) > 0
= $\{(15) - [(6) + (22)]\} / (14)$, subject to floor of zero
N/A

F. Lump sum accumulated with interest to payment date if (22) > 0

(25) Total interest percentage between date pension commenced in (4) and payment date, calculated as specified in Appendix C

Initial slice (see paragraph C.4): Interest percentage = (Total interest percentage for whole slice) x (period from date pension commenced to end of slice in years) / (length of whole slice in years)

$$\text{Interest percentage} = 0.9966\% \times (35/365.25) / 0.2491 = 0.3833\%$$

For this example payment date is assumed to be 1 April 2016 and bank rate assumed to remain at 0.5% pa.

Final slice (see paragraph C.5): Interest percentage = $0.5\% \times (457 / 365.25) = 0.6256\%$.



Slice start date	Interest percentage
1 Apr 2004 (part-way through slice)	0.3833%
6 May 2004	0.4073%
10 Jun 2004	0.6899%
5 Aug 2004	4.7337%
4 Aug 2005	4.4846%
3 Aug 2006	1.2745%
9 Nov 2006	0.8624%
11 Jan 2007	13.1923%
31 Dec 2014	0.6256%
Total	26.6536%

(26) Redress payment from lump sum including interest
= (22) x [100% + (25)]
 $3,587.84 \times (126.6536\%) = \text{£}4,544.13$

(27) Unauthorised payment tax amount relating to redress payment
= (26) x [2 / 3]⁸
 $4,544.13 \times [2 / 3] = \text{£}3,029.42$

**G. Pension accumulated with interest to payment date – surviving members
if (7) = Yes
N/A**

(28) Pension increase multiplier from date pension commenced in (4) to 6 April 2015⁹

(29) Additional pension that would have been in payment at 6 April 2015
= (23) x (28)

(30) Pension accumulation factor based on month and year of date pension commenced in (4), from Appendix D, Table D1

(31) Interest accumulation factor based on month and year of date pension commenced in (4), from Appendix D, Table D2

(32) Number of days from 6 April 2015 to payment date

⁸ This assumes that the unauthorised payments surcharge is not payable. If it is, this fraction should be [11 / 9] instead of [2 / 3]

⁹ See multiplier table at this link:

<https://www.gov.uk/government/publications/public-service-pensions-increase-2015>



(33) Accumulation of pension due up to 6 April 2015 (excluding interest)
 $= (29) \times (30)$

(34) Accumulation of pension due after 6 April 2015 (excluding interest)
 $= (29) \times \{(32) / 365\}$

(35) Accumulation of interest on pension due up to 6 April 2015
 $= (29) \times (31) + (29) \times (30) \times \{\text{bank rate} \times (32) / 365\}$

(36) Accumulation of interest on pension due after 6 April 2015
 $= (34) \times \{\text{bank rate} \times (32) \times 0.5 / 365\}$

Note the calculations for (35) and (36) will need to be updated if the bank rate changes from its current value of 0.5% pa.

**H. Pension accumulated with interest to payment date – deceased members
if (7) = Yes**

N/A

First perform the calculations specified in section G above, as if the member was still alive.

(37) Notional accumulation if member had survived to 6 April 2015 = (33) + (35)

If date of death in (13) is on or before 6 April 2015:

(38) Pension accumulation factor based on month and year of date of death in (13), from Appendix D, Table D1

(39) Interest accumulation factor based on month and year of date of death in (13), from Appendix D, Table D2

(40) Notional accumulation of pension due from date of death to 6 April 2015 including interest
 $= (29) \times \{(38) \times \{1 + \text{bank rate} \times (32) / 365\} + (39)\}$

If date of death in (13) is after 6 April 2015:

(41) Number of days from 6 April 2015 to date of death

(42) Accumulation of pension due from 6 April 2015 to date of death including interest to date of payment
 $= (29) \times \{(41) / 365\} \times \{1 + \text{bank rate} \times (41) \times 0.5 / 365$
 $+ \text{bank rate} \times \{(32) - (41)\} / 365$

(43) Accumulation of pension due up to date of death with interest
 $= (37) - (40)$, if date of death in (13) is on or before 6 April 2015
 $= (37) + (42)$, if date of death in (13) is after 6 April 2015



I. Lump sum redress from pension arrears if (7) = Yes

N/A

(44) For surviving members, redress excluding interest = (33) + (34)

(45) For surviving members, interest = (35) + (36)

(46) For surviving members **if (22) > 0**, redress from partial pension excluding interest
= (44) x (24) / (23)

(47) For surviving members **if (22) > 0**, interest from partial pension
= (45) x (24) / (23)

(48) For deceased members, (43)

J. Additional pension redress from payment date if (7) = Yes

N/A

Note this only applies for surviving members.

(49) Additional pension from pension payment date = (29)

(50) **If (22) > 0**, partial additional pension from pension payment date
= (29) x (24) / (23)

K. Summary of redress options

Surviving members

If (7) = No, lump sum = (26)

£4,544.13

For accounting purposes, unauthorised payment tax amount = (27)

£3,029.42

If (7) = Yes **AND** (22) = 0:

N/A

- > Lump sum redress from pension arrears
= (44), *to be paid with tax deducted through PAYE*
+ 80% x (45), *after deducting tax at 20%*
Tax deducted = 20% x (45)

PLUS

- > Additional pension from pension payment date = (49), *to be paid with tax deducted through PAYE*

If (7) = Yes **AND** (22) > 0, member's choice of:

N/A



Method a

- > Lump sum = (26)
For accounting purposes, unauthorised payment tax amount = (27)

PLUS

- > Lump sum redress from pension arrears
= (46), *to be paid with tax deducted through PAYE*
+ 80% x (47), *after deducting tax at 20%*
Tax deducted = 20% x (47)

PLUS

- > Additional pension from pension payment date = (50), *to be paid with tax deducted through PAYE*

OR

Method b

Lump sum redress from pension arrears
= (44) *to be paid with tax deducted through PAYE*
+ 80% x (45), *after deducting tax at 20%*
Tax deducted = 20% x (45)

PLUS

- > Additional pension from pension payment date = (49), *to be paid with tax deducted through PAYE*

Deceased members

N/A

If (7) = No, lump sum = (26)
For accounting purposes, unauthorised payment tax amount = (27)

If (7) = Yes, lump sum = higher of:

- > (43)

OR

- > $\{(43) \times (24) / (23)\} + (26)$
For accounting purposes, unauthorised payment tax amount = (27)

If (7) = Yes and the member died after 13 May 2015, the amount relating to pension arrears including interest should be treated for tax as described in Appendix E paragraph E.13. The relevant amount is (43) if the first bullet above is higher, or $\{(43) \times (24) / (23)\}$ if the second bullet above is higher.



**Example ii: Retirement between 1 December 2004 and 21 August 2006 (inclusive)
2.25 x pension maximum commutation amount did apply**

B. Collect required membership data

- (1) Unique identifier: **Example ii**
- (2) Sex: **Male**
- (3) Date of birth: **19 January 1952**
- (4) Date pension commenced: **1 April 2006**
- (5) Date of leaving: **31 March 2006**
- (6) Actual commutation amount paid: **£33,750**
If the original notice of commutation was made after the date of retirement, then do not include any reduction made in order to allow for pension payments between the date of retirement and the notice of commutation.
- (7) Was the member subject to a maximum commutation amount of 2.25 times pension at retirement? Answer yes if the member was subject to this maximum, even if they chose to commute less than this maximum: **Yes**
- (8) Age next birthday at date pension commenced: can be calculated from (3) and (4), but subject to the provisos in Appendix A, paragraph A.3:
= 55
- (9) Age in years and complete months at date pension commenced: can be calculated from (3) and (4) **= 54 yrs 2 months**
- (10) Actual commutation factor used in original calculation: **14.50**
- (11) Full initial rate of pension at date pension commenced before commutation:
£15,000 pa
- (12) Actual residual pension at date pension commenced after commutation:
£12,672.41 pa
- (13) If member is deceased, date of death: **n/a**

C. Notional commutation calculation at point when the pension commenced, using reconstructed commutation factors specified by GAD

- (14) Reconstructed commutation factor. Choose table B1 or B2 from Appendix B, depending on date pension commenced in (4). Determine factor from table based on age in (9) in years and complete months. **Choose table B2 as pension commenced after 30 November 2004. Factor from table B2 at 54 yrs 2 months is 17.99.**



- (15) Notional commutation amount at date pension commenced using reconstructed factor (assuming no change in residual pension)
 $= (6) \times \{(14) / (10)\}$
 $33,750 \times 17.99 / 14.50 = \text{£}41,873.28$

D. [Not essential but recommended:] Reconciliation checks on original and notional commutation calculations

- (16) Check of commutation factor for original calculation. Look up from table in Appendix A based on sex in (2) and age next birthday in (8)
Factor from table A1 for male age next birthday 55 is 14.50
- (17) Percentage discrepancy in original commutation factor used
 $= \{(10) - (16)\} / (16) \times 100\%$
 $(14.50 - 14.50) / 14.50 \times 100\% = 0\%$
- (18) Check of residual pension at date pension commenced
 $= (11) - \{(6) / (16)\}$
 $15,000 - 33,750 / 14.50 = \text{£}12,672.41 \text{ pa}$
- (19) Percentage discrepancy in original residual pension calculation
 $= \{(12) - (18)\} / (18) \times 100\%$
 $(12,672.41 - 12,672.41) / 12,672.41 \times 100\% = 0\%$
- (20) Cross-check on residual pension from notional commutation calculation
 $= (11) - \{(15) / (14)\}$
 $15,000 - 41,873.28 / 17.99 = \text{£}12,672.41 \text{ pa}$
- (21) Percentage discrepancy in residual pension from notional commutation calculation
 $= \{(20) - (12)\} / (12) \times 100\%$
 $(12,672.41 - 12,672.41) / 12,672.41 \times 100\% = 0\%$

If items (17), (19) or (21) are significant (in excess of 2%) please seek guidance from DCLG or GAD.

E. Additional benefits as at date pension commenced

- (22) Lump sum amount =
- If (7) = No
 $= (15) - (6)$
N/A
 - If (7) = Yes
 $= \text{Minimum} \{2.25 \times (11) - (6), (15) - (6)\}$, subject to floor of zero
Minimum $\{2.25 \times 15,000 - 33,750, 41,873.28 - 33,750\}$
= Minimum (0, 8,123.28)
= Zero



(23) Pension amount =

- If (7) = No
= Zero
N/A
- If (7) = Yes
= $\{(15) - (6)\} / (14)$
 $\{41,873.28 - 33,750\} / 17.99 = 451.54 \text{ pa}$

(24) Partial pension amount =

- If (7) = No **OR** (22) = 0
= Zero
Zero
- If (7) = Yes **AND** (22) > 0
= $\{(15) - [(6) + (22)]\} / (14)$, subject to floor of zero
N/A

F. Lump sum accumulated with interest to payment date if (22) > 0

N/A

(25) Total interest percentage between date pension commenced in (4) and payment date, calculated as specified in Appendix C

(26) Redress payment from lump sum including interest
= (22) x [100% + (25)]

(27) Unauthorised payment tax amount relating to redress payment
= (26) x [2 / 3]¹⁰

¹⁰ This assumes that the unauthorised payments surcharge is not payable. If it is, this fraction should be [11 / 9] instead of [2 / 3]



**G. Pension accumulated with interest to payment date – surviving members
if (7) = Yes**

(28) Pension increase multiplier from date pension commenced in (4) to 6 April 2015¹¹

1.3021 using 2015 multiplier tables

(29) Additional pension that would have been in payment at 6 April 2015

= (23) x (28)

451.54 x 1.3021 = £587.95

(30) Pension accumulation factor based on month and year of date pension commenced in (4), from Appendix D, Table D1

7.92

(31) Interest accumulation factor based on month and year of date pension commenced in (4), from Appendix D, Table D2

0.30

(32) Number of days from 6 April 2015 to payment date

For this example assume payment date 1 April 2016 so 360 days

(33) Accumulation of pension due up to 6 April 2015 (excluding interest)

= (29) x (30)

587.95 x 7.92 = £4,656.56

(34) Accumulation of pension due after 6 April 2015 (excluding interest)

= (29) x {(32) / 365}

587.95 x 360 / 365 = £579.90

(35) Accumulation of interest on pension due up to 6 April 2015

= (29) x (31) + (29) x (30) x {bank rate x (32) / 365}

587.95 x 0.30 + 587.95 x 7.92 x {0.5% x 360 / 365} = £199.35

(36) Accumulation of interest on pension due after 6 April 2015

= (34) x {bank rate x (32) x 0.5 / 365}

579.90 x {0.5% x 360 x 0.5 / 365} = £1.43

Note the calculations for (35) and (36) will need to be updated if the bank rate changes from its current value of 0.5% pa.

¹¹ See multiplier table at this link:

<https://www.gov.uk/government/publications/public-service-pensions-increase-2015>



**H. Pension accumulated with interest to payment date – deceased members
if (7) = Yes**

N/A

First perform the calculations specified in section G above, as if the member was still alive.

(37) Notional accumulation if member had survived to 6 April 2015 = (33) + (35)

If date of death in (13) is on or before 6 April 2015:

(38) Pension accumulation factor based on month and year of date of death in (13), from Appendix D, Table D1

(39) Interest accumulation factor based on month and year of date of death in (13), from Appendix D, Table D2

(40) Notional accumulation of pension due from date of death to 6 April 2015 including interest
= (29) x {(38) x {1 + bank rate x (32) / 365} + (39)}

If date of death in (13) is after 6 April 2015:

(41) Number of days from 6 April 2015 to date of death

(42) Accumulation of pension due from 6 April 2015 to date of death including interest to date of payment
= (29) x {(41) / 365} x {1 + bank rate x (41) x 0.5 / 365
+ bank rate x {(32) – (41)} / 365}

(43) Accumulation of pension due up to date of death with interest
= (37) – (40), if date of death in (13) is on or before 6 April 2015
= (37) + (42), if date of death in (13) is after 6 April 2015

I. Lump sum redress from pension arrears if (7) = Yes

(44) For surviving members, redress excluding interest = (33) + (34)
4,656.56 + 579.90 = £5,236.46

(45) For surviving members, interest = (35) + (36)
199.35 + 1.43 = £200.78

(46) For surviving members **if (22) > 0**, redress from partial pension excluding interest
= (44) x (24) / (23)
N/A

(47) For surviving members **if (22) > 0**, interest from partial pension
= (45) x (24) / (23)
N/A



(48) For deceased members, (43)

N/A

J. Additional pension redress from payment date if (7) = Yes

Note this only applies for surviving members.

(49) Additional pension from pension payment date = (29)

£587.95 pa

(50) If (22) > 0, partial additional pension from pension payment date
= (29) x (24) / (23)

N/A

K. Summary of redress options

Surviving members

If (7) = No, lump sum = (26)

For accounting purposes, unauthorised payment tax amount = (27)

N/A

If (7) = Yes AND (22) = 0:

- > Lump sum redress from pension arrears
= (44), to be paid with tax deducted through PAYE
£5,236.46
+ 80% x (45), after deducting tax at 20%
80% x 200.78 = £160.62
Tax deducted = 20% x (45)
20% x 200.78 = £40.16

PLUS

- > Additional pension from pension payment date = (49), to be paid with tax deducted through PAYE
£587.95 pa

If (7) = Yes AND (22) > 0, member's choice of:

N/A

Method a

- > Lump sum = (26)
For accounting purposes, unauthorised payment tax amount = (27)

PLUS



- > Lump sum redress from pension arrears
= (46), *to be paid with tax deducted through PAYE*
+ 80% x (47), *after deducting tax at 20%*
Tax deducted = 20% x (47)

PLUS

- > Additional pension from pension payment date = (50), *to be paid with tax deducted through PAYE*

OR

Method b

- > Lump sum redress from pension arrears
= (44) *to be paid with tax deducted through PAYE*
+ 80% x (45), *after deducting tax at 20%*
Tax deducted = 20% x (45)

PLUS

- > Additional pension from pension payment date = (49), *to be paid with tax deducted through PAYE*

Deceased members

N/A

If (7) = No, lump sum = (26)

For accounting purposes, unauthorised payment tax amount = (27)

If (7) = Yes, lump sum = higher of:

- > (43)

OR

- > $\{(43) \times (24) / (23)\} + (26)$
For accounting purposes, unauthorised payment tax amount = (27)

If (7) = Yes and the member died after 13 May 2015, the amount relating to pension arrears including interest should be treated for tax as described in Appendix E paragraph E.13. The relevant amount is (43) if the first bullet above is higher, or $\{(43) \times (24) / (23)\}$ if the second bullet above is higher.



Appendix A: Original commutation factors

A.1 Table A1 below sets out the actual scheme commutation factors which we believe would have been in place at the time the pension commenced for the relevant members.

Table A1: 1992 Scheme: commutation factors in force from 1 December 2001 to 21 August 2006

Age next birthday when pension commenced	Lump sum (£) for each £1 p.a. of pension commuted	
	Males	Females
years		
50*	15.00	17.25
51	15.00	17.25
52	14.90	17.05
53	14.80	16.85
54	14.65	16.60
55	14.50	16.25
56	14.25	16.00
57	13.90	15.75
58	13.55	15.50
59	13.20	15.20
60	13.00	15.00
61	12.70	14.70
62	12.30	14.30
63	11.90	14.00
64	11.50	13.60
65**	11.10	13.20

* and below

** and above

Example

Data

Sex: Male

Date of birth: 18 October 1955

Date pension commenced: 1 March 2006

Factor

Age next birthday when pension commenced: 51 years

Factor from the table: 15.00

A.2 The table above applied to pensions payable monthly or 4-weekly in advance. For pensions payable quarterly in advance, 0.08 was added to each of the factors shown. For pensions payable weekly in advance, 0.04 was deducted.



- A.3 The factor should be based on the member's sex and age next birthday at the date the pension commenced, subject to the following:
- > For retirements on or after 21 November 2005, if a member retired immediately on reaching normal pension age (55), their "Age next birthday" (as referred to in the heading of the first column of the table) should be taken as that age.
 - > For retirements before 21 November 2005, if a member was required to retire on reaching a particular age¹², their "Age next birthday" (as referred to in the heading of the first column of the table) should be taken as that age.
 - > If a member became entitled to payment of a deferred pension on reaching the age of 60, then age next birthday should be taken as 60.
 - > Other than in the circumstances above, if the pension commenced on the member's birthday, then their "Age next birthday" (as referred to in the heading of the first column of the table) should be taken as that age plus one year.

¹² That is, the member's "compulsory retirement age", which was normally 55 or 60 according to rank, but could be a higher age if the firefighter had an extension to service under Rule A13(3).



Appendix B: Reconstructed commutation factors

- B.1 The two tables below set out our best reconstruction of the factors that would have been prepared if a review had been made at 1 December 2001 and 1 December 2004 respectively.
- B.2 The table selected for each member must be appropriate to the date the pension commenced.
- B.3 The factor should be based on the member's age in years and complete months at the date the pension commenced.

Table B1: 1992 Scheme: reconstruction of commutation factors if a review had been carried out at 1 December 2001, which would have been effective for retirements between 1 December 2001 and 30 November 2004 inclusive

Lump sum for each £1p.a. of pension commuted (males and females) £												
Age	months											
years	0	1	2	3	4	5	6	7	8	9	10	11
49*	17.00	17.00	17.00	17.00	17.00	17.00	17.00	17.00	17.00	17.00	17.00	17.00
50	17.00	16.98	16.97	16.95	16.93	16.92	16.90	16.88	16.87	16.85	16.83	16.82
51	16.80	16.78	16.77	16.75	16.73	16.72	16.70	16.68	16.67	16.65	16.63	16.62
52	16.60	16.58	16.57	16.55	16.53	16.52	16.50	16.48	16.47	16.45	16.43	16.42
53	16.40	16.38	16.37	16.35	16.33	16.32	16.30	16.28	16.27	16.25	16.23	16.22
54	16.20	16.18	16.17	16.15	16.13	16.12	16.10	16.08	16.07	16.05	16.03	16.02
55	16.00	15.97	15.93	15.90	15.87	15.83	15.80	15.77	15.73	15.70	15.67	15.63
56	15.60	15.57	15.53	15.50	15.47	15.43	15.40	15.37	15.33	15.30	15.27	15.23
57	15.20	15.17	15.13	15.10	15.07	15.03	15.00	14.97	14.93	14.90	14.87	14.83
58	14.80	14.77	14.73	14.70	14.67	14.63	14.60	14.57	14.53	14.50	14.47	14.43
59	14.40	14.37	14.33	14.30	14.27	14.23	14.20	14.17	14.13	14.10	14.07	14.03
60	14.00	13.97	13.93	13.90	13.87	13.83	13.80	13.77	13.73	13.70	13.67	13.63
61	13.60	13.57	13.53	13.50	13.47	13.43	13.40	13.37	13.33	13.30	13.27	13.23
62	13.20	13.17	13.13	13.10	13.07	13.03	13.00	12.97	12.93	12.90	12.87	12.83
63	12.80	12.77	12.73	12.70	12.67	12.63	12.60	12.57	12.53	12.50	12.47	12.43
64	12.40	12.37	12.33	12.30	12.27	12.23	12.20	12.17	12.13	12.10	12.07	12.03
65**	12.00											



Table B2: 1992 Scheme: reconstruction of commutation factors if a review had been carried out at 1 December 2004, which would have been effective for retirements between 1 December 2004 and 21 August 2006 inclusive

		Lump sum for each £1p.a. of pension commuted (males and females) £											
Age		months											
years		0	1	2	3	4	5	6	7	8	9	10	11
49*		18.81	18.81	18.81	18.81	18.81	18.81	18.81	18.81	18.81	18.81	18.81	18.81
50		18.81	18.79	18.78	18.76	18.74	18.73	18.71	18.69	18.68	18.66	18.65	18.63
51		18.61	18.60	18.58	18.56	18.55	18.53	18.51	18.50	18.48	18.46	18.45	18.43
52		18.41	18.40	18.38	18.36	18.35	18.33	18.32	18.30	18.28	18.27	18.25	18.23
53		18.22	18.20	18.18	18.17	18.15	18.13	18.12	18.10	18.08	18.07	18.05	18.03
54		18.02	18.00	17.99	17.97	17.95	17.94	17.92	17.90	17.89	17.87	17.85	17.84
55		17.82	17.79	17.75	17.72	17.69	17.66	17.62	17.59	17.56	17.52	17.49	17.46
56		17.42	17.39	17.36	17.33	17.29	17.26	17.23	17.19	17.16	17.13	17.09	17.06
57		17.03	17.00	16.96	16.93	16.90	16.86	16.83	16.80	16.76	16.73	16.70	16.67
58		16.63	16.60	16.57	16.53	16.50	16.47	16.43	16.40	16.37	16.34	16.30	16.27
59		16.24	16.20	16.17	16.14	16.10	16.07	16.04	16.01	15.97	15.94	15.91	15.87
60		15.84	15.81	15.77	15.74	15.71	15.68	15.64	15.61	15.58	15.54	15.51	15.48
61		15.44	15.41	15.38	15.35	15.31	15.28	15.25	15.21	15.18	15.15	15.11	15.08
62		15.05	15.02	14.98	14.95	14.92	14.88	14.85	14.82	14.78	14.75	14.72	14.69
63		14.65	14.62	14.59	14.55	14.52	14.49	14.45	14.42	14.39	14.36	14.32	14.29
64		14.26	14.22	14.19	14.16	14.12	14.09	14.06	14.03	13.99	13.96	13.93	13.89
65**		13.86											

* and below
** and above

Example

Data

Date of birth: 18 October 1955
Date pension commenced: 1 March 2006

Table

Based on date pension commenced, use Table B2

Factor

Age when pension commenced: 50 years 4 months
Factor from the table: 18.74



Appendix C: Interest calculation for additional lump sums

- C.1 The interest between date pension commenced and payment date of the additional amount should be calculated as follows.
- C.2 The period since date pension commenced should be divided into separate 'slices' for which different reference bank rates applied. The table below lists all slices from 1 December 2001.

Table C1: Interest based on reference bank rates from 1 December 2001¹³

Start of slice	Rate (% pa)	Length of whole slice in years ¹⁴	Total interest percentage for whole slice
1 Dec 2001	4	1.1828	4.7310%
6 Feb 2003	3.75	0.4216	1.5811%
10 Jul 2003	3.5	0.3258	1.1403%
6 Nov 2003	3.75	0.2491	0.9343%
5 Feb 2004	4	0.2491	0.9966%
6 May 2004	4.25	0.0958	0.4073%
10 Jun 2004	4.5	0.1533	0.6899%
5 Aug 2004	4.75	0.9966	4.7337%
4 Aug 2005	4.5	0.9966	4.4846%
3 Aug 2006	4.75	0.2683	1.2745%
9 Nov 2006	5	0.1725	0.8624%
11 Jan 2007	Various ¹⁵	7.9699	13.1923%
31 Dec 2014	0.5 ¹⁶	Depends on payment date	Depends on payment date

- C.3 Most members will have retired part-way through a slice and so the interest for this initial slice will need to be proportioned. For example, where a pension commenced on 1 January 2005, the first interest calculation should be from 1 January 2005 to 4 August 2005.

¹³ See <http://www.bankofengland.co.uk/boeapps/iadb/Repo.asp?Travel=NlxIRx>

¹⁴ With days counted proportionately. For simplicity all years have been assumed to have 365.25 days. Note that different rounding protocols will lead to slightly different calculated figures – these differences would not be expected to be material for the purpose of this exercise.

¹⁵ The rate changed several times in this period. We have calculated the overall percentage for this slice taking account of the rate changes.

¹⁶ Subject to any changes before payment date. If this rate changes before all payments have been made, we recommend you seek assistance from GAD.



C.4 For the initial slice the proportioned interest percentage should be derived as follows:

Interest percentage = (Total interest percentage for whole slice) x (period from date pension commenced to end of slice in years) / (length of whole slice in years)

Taking the above example, for the initial slice from 1 January 2005 to 4 August 2005:

- > Total interest percentage for whole slice = 4.7337% (from table C1)
- > Period from date pension commenced (1 January 2005) to end of slice (4 August 2005) = 215 / 365.25 = 0.5886 years
- > Length of whole slice = 0.9966 years (from table C1)

Interest percentage = 4.7337% x 0.5886 / 0.9966 = 2.7960%

C.5 For the final slice from 31 December 2014, the interest percentage should be calculated as follows:

- > Bank rate (% pa) x period from 31 December 2014 to payment date in years (with days counted proportionately)

If there is any change in the bank rate from 0.5% pa before payment date then this calculation should be split into separate sub-slices.

For example, if payment is to be made on 1 April 2016 and the bank rate does not change from 0.5% pa then the interest percentage would be:

- > 0.5% x 1.2512 [ie 457 days / 365.25] = 0.6256%

C.6 The total interest percentage to be used as item (20) in section 2 of this pro-forma is equal to the sum of all interest percentages for all slices between date pension commenced and payment date.

For example, if date pension commenced is 1 January 2005 and payment date is 1 April 2016 then the total interest percentage is calculated as follows:

Slice start date	Interest percentage
1 Jan 2005 (part-way through slice)	2.7960%
4 Aug 2005	4.4846%
3 Aug 2006	1.2745%
9 Nov 2006	0.8624%
11 Jan 2007	13.1923%
31 Dec 2014	0.6256%
Total	23.2354%



Appendix D: Accumulation factors for past additional pension

- D.1 The factors to be used in the pro-forma to calculate the accumulation of past additional pension payments are set out in Tables D1 and D2 below.
- D.2 The appropriate factors should be chosen based on the year and month of the member's retirement.
- D.3 If the Bank of England base rate changes from 0.5% pa before all payments have been made, this will affect the interest calculations and we recommend you seek assistance from GAD.

Table D1: accumulation factors for past pension payments excluding interest

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2001												11.02
2002	10.96	10.91	10.85	10.79	10.73	10.68	10.62	10.56	10.50	10.45	10.39	10.33
2003	10.27	10.21	10.16	10.10	10.04	9.98	9.92	9.86	9.81	9.75	9.69	9.63
2004	9.57	9.51	9.45	9.39	9.33	9.27	9.21	9.15	9.09	9.03	8.97	8.91
2005	8.85	8.79	8.73	8.67	8.61	8.54	8.48	8.42	8.36	8.30	8.23	8.17
2006	8.11	8.05	7.98	7.92	7.86	7.79	7.73	7.67	7.60	7.54	7.47	7.41
2007	7.35	7.28	7.22	7.15	7.09	7.02	6.96	6.89	6.82	6.76	6.69	6.62
2008	6.56	6.49	6.43	6.36	6.29	6.22	6.15	6.08	6.02	5.95	5.88	5.81
2009	5.74	5.67	5.60	5.53	5.46	5.39	5.32	5.24	5.17	5.10	5.03	4.96
2010	4.88	4.81	4.74	4.67	4.59	4.52	4.45	4.38	4.30	4.23	4.16	4.09
2011	4.01	3.94	3.87	3.80	3.72	3.65	3.57	3.50	3.43	3.35	3.28	3.20
2012	3.13	3.05	2.98	2.90	2.83	2.75	2.67	2.59	2.51	2.43	2.36	2.28
2013	2.20	2.12	2.04	1.96	1.88	1.80	1.72	1.64	1.56	1.48	1.40	1.32
2014	1.24	1.16	1.08	1.00	0.92	0.84	0.75	0.67	0.59	0.51	0.43	0.34
2015	0.26	0.18	0.10	0.01								



Table D2: accumulation factors for interest on past pension payments

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2001												1.12
2002	1.10	1.08	1.06	1.04	1.02	1.00	0.98	0.96	0.94	0.93	0.91	0.89
2003	0.87	0.85	0.84	0.82	0.80	0.78	0.77	0.75	0.73	0.72	0.70	0.68
2004	0.67	0.65	0.64	0.62	0.61	0.59	0.57	0.56	0.54	0.53	0.52	0.50
2005	0.49	0.47	0.46	0.45	0.43	0.42	0.41	0.40	0.38	0.37	0.36	0.35
2006	0.34	0.33	0.31	0.30	0.29	0.28	0.27	0.26	0.25	0.24	0.23	0.22
2007	0.22	0.21	0.20	0.19	0.18	0.18	0.17	0.16	0.15	0.15	0.14	0.14
2008	0.13	0.13	0.12	0.12	0.11	0.11	0.10	0.10	0.10	0.09	0.09	0.09
2009	0.09	0.09	0.08	0.08	0.08	0.08	0.07	0.07	0.07	0.07	0.07	0.06
2010	0.06	0.06	0.06	0.06	0.06	0.05	0.05	0.05	0.05	0.05	0.04	0.04
2011	0.04	0.04	0.04	0.04	0.04	0.03	0.03	0.03	0.03	0.03	0.03	0.03
2012	0.03	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.01	0.01
2013	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.00	0.00
2014	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2015	0.00	0.00	0.00	0.00								



Appendix E: Tax treatment

- E.1 This pro-forma has been based on the following taxation approach. This represents GAD's understanding as verified by HMRC.

Surviving members

- E.2 Redress payments relating to additional commutation lump sums, including interest, will be treated as unauthorised payments and will attract an unauthorised payment charge of 40%¹⁷. Schemes will not have to pay this charge but must collate information on the total unauthorised payment charges (included in this pro-forma) and pass this to DCLG. Schemes will also need to provide details of the member's full name, National Insurance number and the amount paid in respect of that member together with details of whether this is subject to a surcharge. Schemes should then send this centrally collected information to HMRC. Schemes should not include details of these unauthorised payments on their annual Event Report.
- E.3 Redress payments in lump sum form relating to arrears of additional pension amounts will be treated as payment of scheme pension (authorised). Schemes should operate PAYE on such payments. If an individual member believes they have paid too much tax on the pension arrears, because they have all been taxed in one year, they can have them allocated to the tax year that the pension instalments were originally due to be paid. They can do this by contacting HMRC and asking for the payments to be taxed on the 'accruals' basis. If they are unsure about this they should seek independent financial advice.
- E.4 Interest relating to arrears of additional pension amounts should be paid net of 20% income tax deducted by the scheme. The scheme will need to pay to HMRC the income tax deducted from the interest, using a form CT61 issued to them by HMRC. To issue form CT61 to the scheme, HMRC will need the name of the pension scheme making the payment, its UTR and its accounting period end date. See the Notes on how to complete form CT61 at:
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/38383/ct61-notes-2010.pdf.
- E.5 HMRC recommends that to minimise member queries, where the member is receiving interest on arrears of pension payments the scheme sends a tax certificate to the member alongside the letter explaining their redress, setting out:

¹⁷ HMRC rules provide for an unauthorised payments surcharge if unauthorised payments in a 12 month reference period total 25% or more of the value of the member's scheme benefits. In this case the total tax charge would be 55% rather than 40%. We do not expect redress payments calculated using this pro-forma to trigger this surcharge in isolation, but scheme administrators should check this point, taking into account any other unauthorised payments made to the member. See <http://www.hmrc.gov.uk/manuals/ptmanual/ptm134400.htm> for details. HMRC have verified that no scheme sanction charge will be payable in relation to these redress payments.



- > The gross amount of the interest payment on arrears of pension payments
- > The amount of the sum deducted for tax at 20%
- > The actual amount paid to the member

- E.6 If the member is liable for higher rate income tax on this interest, they should pay the difference between the basic rate income tax already deducted and the higher rate income tax due either through an adjustment to their tax code, or through Self Assessment (SA) as appropriate (see paragraphs E.7 to E.9 below).
- E.7 If the member is already required to submit a SA return, they can do this on their SA return for the tax year of receiving the interest.
- E.8 If the member is not currently required to submit a SA return, and all their 'additional income' which is wholly untaxed is less than £2,500, or if their gross taxed interest is under £10,000, they may if they wish ask HMRC to collect the further tax due through their tax code (PAYE). They can do this by contacting HMRC (<https://www.gov.uk/government/organisations/hm-revenue-customs/contact/income-tax-enquiries-for-individuals-pensioners-and-employees>)
- E.9 If the member is not currently required to submit a SA return, and all their 'additional income' which is wholly untaxed is £2,500 or more, or if their gross taxed interest is £10,000 or more, they will need to register for Self Assessment and account for the further income tax due on their SA return. See <https://www.gov.uk/self-assessment-tax-returns/who-must-send-a-tax-return>
- E.10 Additional future pension payments should be taxed through PAYE as normal.

Deceased members

- E.11 Where the member died before the date of the Ombudsman's determination (13 May 2015), the right to redress is an asset of the member's estate but it will have no value and no adjustment to the member's estate for inheritance tax (IHT) purposes is necessary.
- E.12 Where the member died after 13 May 2015, the value of the right to redress will be equal to, or close to, the redress payment received and it should be included at that value as an asset of their estate.
- E.13 Where the member was subject to the maximum commutation amount of 2.25 x pension, and the member died after 13 May 2015:



- > Payments relating to arrears of pension including interest are taxable through PAYE. Schemes should follow the process set out in paragraph 8 on page 12 of CWG2¹⁸ in relation to these payments.
- > If the payment is made in the tax year of death, the pensioner's existing tax code should be used.
- > If the payment is made later than the tax year of death, and the scheme had already notified HMRC of the member's leaving date (date of death) on the Full Payment Submission (FPS), tax code 0T should be used on a week 1 / month 1 basis (this code assumes that the member has no personal allowance).
- > If the payment is made later than the tax year of death but the scheme had not already notified HMRC of the member's leaving date (date of death) on the FPS, the scheme should use the tax code for the new year that would have been used had the pensioner still been alive.

General

- E.14 Schemes should ensure that administrators provide the necessary information to members in relation to their own tax position as required by HMRC. For example, members who retired after 5 April 2006 who receive pension arrears as part of their redress will need to be provided with a revised Lifetime Allowance certificate.¹⁹
- E.15 Schemes and their administrators should record the amounts of tax relating to these redress payments (gross-up and PAYE) for finance and accounting purposes.
- E.16 Any queries about the tax treatment of these payments should be referred to HMRC²⁰.

¹⁸ See

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/356762/140922_CWG2_2014_09_14_revised_helpbook.pdf

¹⁹ See PTM164400: <http://www.hmrc.gov.uk/manuals/ptmanual/ptm164400.htm>

²⁰ HMRC contact details about PAYE queries can be found here:

<https://www.gov.uk/government/organisations/hm-revenue-customs/contact/income-tax-enquiries-for-individuals-pensioners-and-employees>.

HMRC contact details about self assessment can be found here:

<https://www.gov.uk/government/organisations/hm-revenue-customs/contact/self-assessment>



Appendix F: Sample wording for communication to affected members

- F.1 The following paragraphs may be suitable for the purpose of communicating with affected members. We recommend that legal advice is sought before such communication material is finalised, in particular on the form of discharge.
- F.2 The text will need to be amended appropriately for deceased members.
- F.3 HMRC recommends that to minimise member queries, where the member has been paid interest on past pension instalments, the scheme sends a tax certificate to the member alongside the letter explaining their redress, setting out:
- a. The gross amount of the interest payment on past pension instalments
 - b. The amount of the sum deducted for tax at 20%
 - c. The actual amount paid to the member



Sample wording

I am writing to let you know about additional payments to be made to you under the firefighters' pension scheme.

Following the Pensions Ombudsman's recent Determination on the complaint brought by Mr W Milne, the Government has decided that additional payments are to be made to scheme members whose pension commenced between 1 December 2001 and 21 August 2006 and who chose to commute pension for lump sum at retirement. This is to address the Ombudsman's conclusion that the scheme's commutation factors should have been reviewed before 2006. The additional payments include interest at the Bank of England's base rate since the date your pension commenced, in accordance with the Ombudsman's Determination in the case of Mr Milne.

[Members not affected by the 2.25 x pension limit]

We have reviewed the benefits paid to you at your retirement and have calculated the additional payment to be made to you, as follows:

Lump sum (including interest up to [payment date]): £X

You are not liable for tax on this payment. You should not include this lump sum or interest on a self-assessment tax return.

OR [Members affected by the 2.25 x pension limit if no scope for further cash within that limit]

We have reviewed the benefits paid to you at your retirement and have calculated the additional payments to be made to you, as follows:

*Lump sum from past pension instalments: £Y
PLUS*

*Lump sum from interest on past pension instalments up to [payment date]: £Z
PLUS*

Additional pension payable from [pension payment date]: £W pa

Please note that the lump sum of £Y (which represents past pension instalments), and the pension payments of £W pa, will be taxed through PAYE in the tax year in which they are received.



Income tax has been deducted at 20% on the lump sum of £Z (which represents interest on past pension instalments). You will be responsible for paying any higher rate tax due on this amount. If you already submit a self assessment return, you should include this interest on your return for the tax year you received the interest. If you do not already submit a self assessment return, and your additional income which is wholly untaxed is less than £2,500, or if your gross taxed interest is under £10,000, you can contact HMRC (call 0300 200 3300 or write to Pay As You Earn, HM Revenue and Customs, BX9 1AS, United Kingdom and quote your National Insurance number) and ask for your tax code to be adjusted to collect the further tax due. Otherwise, you will need to register for self assessment and include this interest on your return for the tax year you received the interest.

Including all the past pension instalments (£Y) in your taxable income for the tax year of payment may have taken you within a higher income tax rate for that year than would have been the case if the correct amount of pension had been in payment every year from retirement. If you believe that your tax bill would have been less had each year's pension instalments been treated as received in the year they were due, you can ask HMRC to do this. You should contact HMRC (quoting your National Insurance number) on 0300 200 3300 or write to Pay As You Earn, HM Revenue and Customs, BX9 1AS, United Kingdom and ask for the payments to be taxed on the 'accruals' basis. If you are unsure about whether to do this you should seek independent financial advice.

OR [Members affected by the 2.25 x pension limit where there was partial scope for further cash up to that limit]

We have reviewed the benefits paid to you at your retirement and have calculated the specific options available to you, as follows:

- 1. Lump sum (including interest up to [payment date]): £A
PLUS
Lump sum from past pension instalments: £B
PLUS
Lump sum from interest on past pension instalments up to [payment date]: £C
PLUS
Additional pension payable from [pension payment date]: £D pa*

(Total of lump sum payments under this option is £A + B + C, but this is subject to the tax treatment described below.)

OR

- 2. Lump sum from past pension instalments: £E
PLUS
Lump sum from interest on past pension instalments up to [payment date]: £F
PLUS
Additional pension payable from [pension payment date]: £G pa*

(Total of lump sum payments under this option is £E + £F, but this is subject to the tax treatment described below.)



Please note that if you select option 1, £B of the lump sum (which represents past pension instalments), and the pension payments of £D pa, will be taxed through PAYE in the tax year in which they are received. Income tax has been deducted at 20% on £C of the lump sum (which represents interest on past pension instalments). You will be responsible for paying any higher rate tax due on this amount. You are not liable for tax on £A of the lump sum and you should not include this lump sum or interest on a self-assessment tax return.

If you select option 2, £E of the lump sum (which represents past pension instalments), and the pension payments of £G pa, will be taxed through PAYE in the tax year in which they are received. Income tax has been deducted at 20% on £F of the lump sum (which represents interest on past pension instalments). You will be responsible for paying any higher rate tax due on this amount.

This paragraph describes your options if you are responsible for paying higher rate tax due on the amounts of £C or £F as described above. If you already submit a self assessment return, you should include this interest on your return for the tax year you received the interest. If you do not already submit a self assessment return, and your additional income which is wholly untaxed is less than £2,500, or if your gross taxed interest is under £10,000, you can contact HMRC (call 0300 200 3300 or write to Pay As You Earn, HM Revenue and Customs, BX9 1AS, United Kingdom and quote your National Insurance number) and ask for your tax code to be adjusted to collect the further tax due. Otherwise, you will need to register for self assessment and include this interest on your return for the tax year you received the interest.

Including all the past pension instalments (£B or £E) in your taxable income for the tax year of payment may have taken you within a higher income tax rate for that year than would have been the case if the correct amount of pension had been in payment every year from retirement. If you believe that your tax bill would have been less had each year's pension instalments been treated as received in the year they were due, you can ask HMRC to do this. You should contact HMRC (quoting your National Insurance number) on 0300 200 3300 or write to Pay As You Earn, HM Revenue and Customs, BX9 1AS, United Kingdom and ask for the payments to be taxed on the 'accruals' basis. If you are unsure about whether to do this you should seek independent financial advice.

To receive your additional payments, please [select your preferred option and] sign the form of discharge below and return to [name and details] by [today's date plus T days].

[Agreed form of discharge as described in paragraph 1.4]



Appendix G: Limitations

Purpose

- G.1 Further to the Pension Ombudsman's determination, GAD has prepared the reconstructed commutation factors set out in Appendix B, which represent our best reconstruction of the factors that would have been prepared if reviews had been made at 1 December 2001 and at 1 December 2004. The Government has decided the additional lump sum or pension payments to be made in respect of certain scheme members, further to the Pensions Ombudsman's determination. GAD has prepared this pro-forma to assist with the implementation of that decision.
- G.2 While we have made every effort to ensure that the pro-forma correctly reflects Government policy, GAD is not responsible for ensuring the correct use of the pro-forma by the scheme administrators. However, we will be happy to spot check results produced using this pro-forma, or to provide other assistance as needed.
- G.3 The tax treatment set out in this pro-forma represents GAD's understanding of the position as determined by HMRC. GAD is not responsible for ensuring that tax is correctly deducted, paid and accounted for by scheme administrators or members. Any queries regarding tax should be directed to HMRC.
- G.4 This pro-forma has been prepared to assist pension scheme administrators and assumes some knowledge of general pensions terminology and some familiarity with the Firefighters' Pension Scheme.

Use and reliance

- G.5 This pro-forma has been prepared by GAD for DCLG to assist the scheme administrators in calculating additional payments to members in respect of commutation in the period between 1 December 2001 and 21 August 2006 in line with Government policy. It is not suitable for any other purpose.

Release to third parties

- G.6 DCLG may release this document to scheme administrators and other 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.
- G.7 Third parties may wish to seek their own actuarial advice where appropriate.
- G.8 Other than DCLG, GAD has no liability to any person or third party for any act or omission taken, either in whole or part, on the basis of this pro-forma.



Appendix H: Calculator

- H.1 GAD will provide a calculator in the form of a Microsoft Excel spreadsheet to assist scheme administrators in calculating payments to be made following consideration of the Ombudsman's determination. The calculator should only be used in conjunction with this pro-forma and with the caveats and limitations included in the spreadsheet and this pro-forma. Additional caveats and limitations specific to the calculator are set out below for completeness.
- H.2 The calculator should be used in conjunction with any policy instructions and guidance provided by DCLG.
- H.3 The calculations carried out by the calculator are dependent on whether the maximum commutation amount described in paragraph 1.7 of this pro-forma applies, and so it is important that administrators correctly ascertain this with reference to the scheme regulations. If administrators are unable to do so in any particular cases, please refer to GAD.
- H.4 In cases where the additional payment is a lump sum only, the size of that additional payment will depend on the date of retirement and the member's age. The table in paragraph 1.18 of this pro-forma shows the range of possible sizes of the additional payment (including interest) as a percentage of the original actual commutation lump sum paid. Checks on the size of additional payment have been included in the calculator.

Limitations

Purpose

- H.5 Further to the Pension Ombudsman's determination, GAD has prepared the reconstructed commutation factors set out in Appendix B of this administration pro-forma, which represent GAD's best reconstruction of the factors that would have been prepared if reviews had been made at 1 December 2001 and at 1 December 2004. The Government has decided the additional lump sum or pension payments to be made in respect of certain scheme members, following consideration of the Pensions Ombudsman's determination. GAD has prepared the calculator to assist with the implementation of that decision.
- H.6 While we have made every effort to ensure that the calculator correctly reflects Government policy, GAD is not responsible for ensuring the correct use of the calculator by the scheme administrators.
- H.7 The tax treatment set out in the calculator represents GAD's understanding of the position as determined by HMRC. GAD is not responsible for ensuring that tax is correctly deducted, paid and accounted for by scheme administrators or members. Any queries regarding tax should be directed to HMRC.



Use and reliance

- H.8 The calculator has been prepared by GAD to assist scheme administrators in calculating additional payments to members in respect of commutation in the period set out in this pro-forma in line with Government policy. It is not suitable, and cannot be relied on, for any other purpose. It cannot be relied on by any party other than scheme administrators.
- H.9 The calculator should be used in accordance with the instructions provided and in line with this pro-forma.
- H.10 The results produced by the calculator will only be correct if the data entered into the calculator is correct.
- H.11 Before using the calculator, please check that the reference bank rate has not changed from 0.5% pa since 5 March 2009. See link here:
<http://www.bankofengland.co.uk/boeapps/iadb/Repo.asp?Travel=NIxIRx>
If the reference bank rate has changed, this calculator must not be used. Please refer to paragraph 1.19 of this pro-forma for contact details to obtain an updated version of the calculator.
- H.12 Each administrator must check at least one in every 200 calculations individually against results obtained manually using the administration pro-forma (or at least one calculation if less than 200 cases are being processed).
- H.13 The Excel calculator has been designed, built and tested as an Excel Macro-Enabled Workbook in Microsoft Office Professional Plus 2013. If administrators are using different versions of Excel they should carry out sufficient tests to ensure that this does not alter the functionality of the calculator and that it continues to produce results in line with this pro-forma.
- H.14 When using the calculator, please ensure that automatic, and not manual, calculations are enabled.
- H.15 Inputs and results from the calculator should be sent to GAD before making payments to check that operating this calculator on the administrators system has not altered its functionality.
- H.16 GAD has taken all reasonable steps to check the calculator but have not been able to test all sets of circumstances. If there is any doubt about the results shown or how to use the calculator then contact GAD.



Release to third parties

- H.17 The calculator has been prepared by GAD to assist the scheme administrators only. It should not be provided to scheme members, financial advisors or any other parties.
- H.18 Third parties may wish to seek their own actuarial advice where appropriate.
- H.19 Other than DCLG, GAD has no liability to any person or third party for any act or omission taken, either in whole or part, on the basis of the calculator or this pro-forma.