

**Firefighters' Pension Scheme 1992  
& New Firefighters' Pension Scheme 2006**

**Trivial Commutation and  
Capitalisation for Death Gratuities**

Date: 19 May 2008



## Introduction

This guidance applies to the trivial commutation of pensions under rule B8 and E5 of The Firefighters' Pension Scheme Order 1992 and rule 10 of Part 3 and 5 of Part 4 of Schedule 1 of The Firefighters' Pension Scheme Order 2006.

This guidance also applies to the calculation of the capitalised value of benefits for the purpose of determining death gratuities under rule E4 of The Firefighters' Pension Scheme Order 1992.

The scope of cases that are covered by this guidance is detailed later in this note. Cases that are not covered by this guidance should be referred to the Firefighters' Pension Team at DCLG, the Scottish Public Pensions Agency (SPPA), the Welsh Assembly Government or the Northern Ireland Fire & Rescue Service, as applicable, for onward transmission to GAD. If this gives rise to issues that are of general applicability then the DCLG, the SPPA, the Welsh Assembly Government or the Northern Ireland Fire & Rescue Service may be prepared to cover GAD's fees. Otherwise, fire authorities would need to meet GAD's fees.

If administrators have any questions about how to use this guidance they should in the first instance consult published information on the Firefighter Pensions pages at:

<http://www.communities.gov.uk/fire/working/firefighterpensions/>

If this does not help, administrators may contact the Firefighters' Pension Team at DCLG, the SPPA, the Welsh Assembly or the Northern Ireland Fire & Rescue Service, as applicable. The Firefighters' Pension teams will seek input from the scheme actuary if necessary.

## 1 Trivial Commutation

1.1 This guidance covers trivial commutation cases where all the following criteria are met:

- the former firefighter or the deceased former firefighter's surviving spouse or partner has attained their State Pension Age; and
- the scheme administrator has not received a notification from the National Insurance Contributions Office (NICO) that the pension scheme should pay full pension increases on the Guaranteed Minimum Pension (GMP) element of the pension, as well as on the excess over GMP; and
- any period during which a survivor's pension is paid at an increased rate (such as under rule E8 of the Firefighters' Pension Scheme Order 1992) has ended.

1.2 Various restrictions on trivial pension commutation are imposed by the pension taxation regime under Finance Act 2004. Administrators will need to ensure that the payment of a lump sum in lieu of a small pension is compliant with the tax rules as well as with the firefighters' pension regulations.

1.3 Some of the main taxation restrictions applicable when commuting a small pension payable to a former firefighter are as follows:

- Trivial commutation can take place only between the ages of 60 and 75.
- In general the member must not have already received a trivial commutation lump sum from another registered pension scheme or, if he has, it was less than 12 months previously.
- The member must confirm that his total pension rights held in registered pension schemes do not exceed 1% of the standard lifetime allowance on a nominated date.

1.4 Some of the main restrictions applicable when commuting a small pension payable to the surviving widow(er) or partner are as follows:

- Payment must be made before the date on which the former firefighter would have reached age 75. No lump sum can be paid if the former firefighter was aged 75 or over at death.
- The lump sum paid must not exceed 1% of the standard lifetime allowance.

### Former firefighter

- 1.5 In the case of a small pension in payment to a former firefighter the lump sum payable in lieu of future pensions should be determined as follows:

$$\begin{aligned} & \text{PREGMP} \times F_{\text{pre}} + \text{POSTGMP} \times F_{\text{post}} + \text{EXCESS} \times F_{\text{excess}} \\ & + \text{PREGMP}_w \times F_{\text{prew}} + \text{POSTGMP}_w \times F_{\text{postw}} + \text{EX}_w \times F_{\text{exw}} \end{aligned}$$

where

PREGMP annual GMP in payment accrued before 6.4.88  
 POSTGMP annual GMP in payment accrued from 6.4.88  
 EXCESS annual pension in payment in excess of GMP  
 PREGMP<sub>w</sub> annual survivor's GMP accrued before 6.4.88 payable upon member's death  
 POSTGMP<sub>w</sub> annual survivor's GMP accrued from 6.4.88 payable upon member's death  
 EX<sub>w</sub> annual survivor's pension in excess of GMP payable upon member's death

F<sub>pre</sub> factor for pre-88 GMP in payment – table 1 or 2  
 F<sub>post</sub> factor for post-88 GMP in payment – table 1 or 2  
 F<sub>excess</sub> factor for excess pension in payment over GMP – table 1 or 2  
 F<sub>prew</sub> factor for contingent survivor's pre-88 GMP – table 1  
 F<sub>postw</sub> factor for contingent survivor's post-88 GMP – table 1 or 2  
 F<sub>exw</sub> factor for excess of contingent survivor's pension over GMP – table 1 or 2

- 1.6 Example 1 on page 8 illustrates this calculation.
- 1.7 The survivor's pension and GMP to be used in the calculation are the pension and GMP that would actually be payable to the member's spouse or partner if the former firefighter died on the day of the calculation. No survivor's pension elements should be included when a former firefighter has no spouse or qualifying partner. No PREGMP<sub>w</sub> should be valued for female pensioners, whether they are married or otherwise, because no pre-1988 GMP is payable to the widower of a female firefighter.

### Surviving spouse or partner

- 1.8 In the case of a small pension in payment to the surviving spouse or partner of a former firefighter the lump sum payable in lieu of future pensions should be determined as follows:

$$\text{PREGMP} \times F_{\text{pre}} + \text{POSTGMP} \times F_{\text{post}} + \text{EXCESS} \times F_{\text{excess}}$$

where

PREGMP annual GMP in payment accrued before 6.4.88

POSTGMP annual GMP in payment accrued from 6.4.88

EXCESS annual pension in payment in excess of GMP

$F_{\text{pre}}$  factor for pre-88 GMP – table 3

$F_{\text{post}}$  factor for post-88 GMP – table 3

$F_{\text{excess}}$  factor for pension in excess of GMP – table 3

- 1.9 In all cases the factors should be applied to the member's or survivor's pension actually in payment (or which would actually be payable upon the member's death) from the scheme. This should include all pension increases up to the date of commutation including, for example, any increase at State Pension Age needed to ensure that the GMP anti-franking requirements under Pension Schemes Act 1993 are satisfied.

## 2 Capitalisation factors for death gratuities

2.1 Firefighters' Pension Scheme Order 1992 rule E4 provides for a return of the firefighter's aggregate pension contributions on death, less any payments made or due to the firefighter on account of their pension and the capitalised value of any pension or allowance granted in respect of the firefighter's death. This guidance relates to the determination of the capitalised value of the long-term survivor's pension. Any short-term increase in the level of survivor's pension (such as under rule E8 of the Firefighters' Pension Scheme Order 1992) must be brought into account in addition to the capitalised value of the long-term pension.

There is no such death provision in the Firefighters' Pension Scheme Order 2006.

### Adult survivor pensions

2.2 The capitalised value can be determined in cases where both of the following criteria are met:

- the surviving spouse or partner has attained their State Pension Age; and
- the scheme administrator has not received a notification from the National Insurance Contributions Office (NICO) that the pension scheme should pay full pension increases on the Guaranteed Minimum Pension (GMP) element of the pension, as well as on the excess over GMP.

2.3 In those cases the capitalised value can be calculated as follows:

$$\text{PREGMP} \times F_{\text{pre}} + \text{POSTGMP} \times F_{\text{post}} + \text{EXCESS} \times F_{\text{excess}}$$

where

PREGMP    annual GMP in payment accrued before 6.4.88  
 POSTGMP    annual GMP in payment accrued from 6.4.88  
 EXCESS    annual pension in payment in excess of GMP

$F_{\text{pre}}$         factor for pre-88 GMP – table 3  
 $F_{\text{post}}$        factor for post-88 GMP – table 3  
 $F_{\text{excess}}$      factor for pension in excess of GMP – table 3

2.4 Example 2 on page 9 illustrates this calculation.

2.5 For other cases where the surviving spouse or partner has not yet attained their State Pension Age, a simple rule of thumb can be used to determine whether or not more detailed consideration is required.

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- 2.6 The rule of thumb is that, for individuals below State Pension Age, the capitalised value of the pension will always exceed the pension in payment multiplied by 11.9. Therefore, where the surviving spouse or partner's pension in payment multiplied by 11.9 exceeds the member's aggregate pension contributions, it is safe to conclude that the capitalised value of the survivor's pension exceeds the member's aggregate contributions. Example 3 on page 9 illustrates this calculation.
- 2.7 If the second criterion at paragraph 2.2 is not met, or if the rule of thumb in paragraph 2.6 is not satisfied, the case should be referred to the Firefighters' Pension Team at DCLG, the SPPA, the Welsh Assembly or the Northern Ireland Fire & Rescue Service (as applicable) for onward transmission to GAD.

**Children's pensions**

- 2.8 This guidance does not cover the capitalised value of children's pensions under rule E6 of The Firefighters' Pension Scheme Order 1992 and rule 12 of Part 4 of The Firefighters' Pension Scheme Order 2006. These cases must be referred to the Firefighters' Pension Team at DCLG, the SPPA, the Welsh Assembly or the Northern Ireland Fire & Rescue Service (as applicable) for onward transmission to GAD.

## Example Calculations

This section provides examples of the calculations described in this note.

### Example 1 – trivial commutation: former firefighter

Male former firefighter

Date of birth: 15 May 1943

Calculation date: 9 August 2008

Total pension in payment: £700 pa  
of which £150 pre-88 GMP and £550 excess over GMP

Married: wife entitled to receive half pension on death, including half of GMP

Age on calculation date: 65

PREGMP	150
EXCESS	550
PREGMP <sub>w</sub>	75
EX <sub>w</sub>	275
F <sub>pre</sub>	10.9
F <sub>excess</sub>	13.8
F <sub>prew</sub>	2.8
F <sub>exw</sub>	4.3

lump sum payable:

$$\begin{aligned}
 &= \text{PREGMP} \times F_{\text{pre}} + \text{EXCESS} \times F_{\text{excess}} + \text{PREGMP}_w \times F_{\text{prew}} + \text{EX}_w \times F_{\text{exw}} \\
 &= 150 \times 10.9 + 550 \times 13.8 + 75 \times 2.8 + 275 \times 4.3 \\
 &= 1,635 + 7,590 + 210 + 1,182.5 \\
 &= \mathbf{\pounds 10,617.50}
 \end{aligned}$$

**Example 2 – capitalisation for death gratuity: calculation**

Widower of former FPS firefighter who died in deferment

Date of birth: 20 January 1934

Calculation date: 15 May 2010

Total pension in payment: £4,000 pa  
of which £500 post-88 GMP and £3,500 excess over GMP

Payments already made to or in respect of firefighter: nil

Short-term increase to widower's pension: nil

Firefighter's aggregate pension contributions: £40,000

Age on calculation date: 76

POSTGMP	500
EXCESS	3,500
$F_{\text{post}}$	7.8
$F_{\text{excess}}$	8.3

$$\begin{aligned} \text{capitalised value} &= \text{POSTGMP} \times F_{\text{pre}} + \text{EXCESS} \times F_{\text{excess}} \\ &= 500 \times 7.8 + 3,500 \times 8.3 \\ &= 3,900 + 29,050 \\ &= \mathbf{\pounds 32,950} \end{aligned}$$

$$\begin{aligned} \text{death gratuity} &= \text{aggregate pension contributions} - \text{capitalised value of widower pension} \\ &= 40,000 - 32,950 \\ &= \mathbf{\pounds 7,050} \end{aligned}$$

**Example 3 – capitalisation for death gratuity: use of rule of thumb**

Date former firefighter dies: 9 August 2008

Widow's date of birth: 3 December 1960

Long-term level of widow's pension: £2,000 pa (which might include some GMP)

Firefighter's aggregate pension contributions: £18,000

Age of widow = 47

Widow has not reached State Pension Age so the factors in table 3 cannot be used, but the rule of thumb can be used.

$$\begin{aligned} \text{rule of thumb calculation:} &= 2,000 \times 11.9 \\ &= \mathbf{\pounds 23,800} \end{aligned}$$

The rule of thumb calculation gives a value higher than the total of officer contributions. It is therefore safe to conclude that the capitalised value of benefits exceeds the aggregate pension contributions paid by the firefighter.

**Table 1: Factors for commutation of small pension**

**Male former firefighters**

Age in completed years	Factors for benefits in payment to former firefighter			Factors for spouse or partner pension		
	Pre-88 GMP	Post-88 GMP	Excess over GMP	Pre-88 GMP	Post-88 GMP	Excess over GMP
65	10.9	12.9	13.8	2.8	3.7	4.3
66	10.4	12.2	13.2			
67	9.9	11.6	12.6			
68	9.5	11.1	12.0			
69	9.2	10.6	11.5			
70	8.9	10.2	11.0			
71	8.6	9.8	10.5			
72	8.3	9.4	10.1			
73	8.0	9.0	9.6			
74	7.6	8.6	9.2			

**Table 2: Factors for commutation of small pension**

**Female former firefighters**

Age in completed years	Factors for benefits in payment to former firefighter			Factors for spouse or partner pension		
	Pre-88 GMP	Post-88 GMP	Excess over GMP	Pre-88 GMP	Post-88 GMP	Excess over GMP
60	11.9	14.4	15.8	n/a	1.3	1.5
61	11.7	14.1	15.4			
62	11.5	13.8	15.0			
63	11.3	13.5	14.6			
64	11.1	13.2	14.2			
65	10.9	12.9	13.8			
66	10.8	12.6	13.5			
67	10.6	12.4	13.3			
68	10.4	12.2	13.1			
69	10.2	11.9	12.8			
70	9.9	11.5	12.5			
71	9.6	11.2	12.1			
72	9.3	10.8	11.7			
73	9.0	10.4	11.2			
74	8.7	10.0	10.8			

**Table 3: Factors for commutation of small pension and for capitalisation of survivor pension for determination of death gratuity**

**Widows, widowers and other former partners**

Age in completed years	Widow or other female survivor			Widower or other male survivor		
	Pre-88 GMP	Post-88 GMP	Excess over GMP	Pre-88 GMP	Post-88 GMP	Excess over GMP
60	11.9	14.4	15.8	n/a	n/a	n/a
61	11.7	14.1	15.4			
62	11.5	13.8	15.0			
63	11.3	13.5	14.6			
64	11.1	13.2	14.2			
65	10.9	12.9	13.8		12.9	13.8
66	10.8	12.6	13.5		12.2	13.2
67	10.6	12.4	13.3		11.6	12.6
68	10.4	12.2	13.1		11.1	12.0
69	10.2	11.9	12.8		10.6	11.5
70	9.9	11.5	12.5		10.2	11.0
71	9.6	11.2	12.1		9.8	10.5
72	9.3	10.8	11.7		9.4	10.1
73	9.0	10.4	11.2		9.0	9.6
74	8.7	10.0	10.8		8.6	9.2
75	8.5	9.7	10.4		8.2	8.7
76	8.2	9.3	9.9		7.8	8.3
77	7.9	8.9	9.5		7.5	7.9
78	7.6	8.5	9.1		7.1	7.5
79	7.3	8.2	8.7		6.7	7.1
80	7.0	7.8	8.3	6.4	6.7	
81	6.7	7.5	7.9	6.1	6.4	
82	6.5	7.2	7.6	5.8	6.0	
83	6.2	6.8	7.2	5.5	5.7	
84	5.9	6.5	6.8	5.2	5.4	
85	5.7	6.2	6.5	4.9	5.1	
86	5.4	5.9	6.2	4.6	4.8	
87	5.2	5.6	5.9	4.3	4.5	
88	4.9	5.3	5.6	4.1	4.3	
89	4.7	5.1	5.3	3.9	4.0	
90	4.5	4.8	5.0	3.7	3.8	
91	4.3	4.6	4.8	3.5	3.6	
92	4.1	4.3	4.5	3.3	3.4	
93	3.9	4.1	4.3	3.1	3.2	
94	3.7	3.9	4.1	3.0	3.1	
95	3.5	3.7	3.9	2.8	2.9	
96	3.4	3.6	3.7	2.7	2.8	
97	3.2	3.4	3.5	2.6	2.6	
98	3.1	3.2	3.3	2.5	2.5	
99	2.9	3.0	3.1	2.4	2.4	