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| Circular number: | W-FRSC(2018) 10 | Date issued: | 1 November 2018 |
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| Status: | For Action |
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| Title: | Firefighters' Pension Schemes (Wales) – Change to SCAPE Discount Rate and Resulting Changes to Actuarial Factors -Suspending CETV Calculations -1992 Scheme Revised Commutation Factors |
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| Issued by: | Kerry Citric Fire Services Branch |
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| Addressed to: | Please forward to: |
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| Chief Fire Officers | Treasurers Pensions Officers Scheme Administrators |

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| Summary |
| This circular provides advice on immediate handling of Actuarial Factors and associated calculations as a result of the change to the SCAPE discount rate confirmed in the Budget on 29 October 2018. It requires immediate action. |

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Introduction

FRAs and Scheme Administrators will already be aware of HM Treasury's proposals to reduce the SCAPE discount rate from 2.8% to 2.4%pa above CPI. This change was confirmed in the Budget announced on 29 October 2018 with immediate effect.

A corresponding change has been made to the discount rate used for calculating cash equivalent transfer values (CETVs) payable by the public service pension schemes. As a result, determination of CETVs, including for divorce purposes, must use the revised rate from 29 October.

Administrators are advised that, following the issue of revised HM Treasury's CETV guidance the following calculations should be suspended until new factors are provided:-

- Cash Equivalent Transfer Values
- Divorce Cash Equivalents, and
- Transfers In (non-Club)

The Government Actuary's Department (GAD) has started work on reviewing these factors and the Welsh Government will issue them as soon as work has been completed.

Cash Equivalent Transfer Out

Where possible, cases should not be quoted between the date of the HM Treasury CETV guidance change (29 October) and provision of new factors. If quotes are provided, administrators should explain that factors are due to change, and requests to proceed within the guarantee period and after the 29 October should have factors more beneficial to members applied. Therefore, if quotes are provided, administrators will need to revisit these once new factors are available.

Divorce Cash Equivalents

The advice for Cash Equivalent Transfer Out also applies to Divorce Cash Equivalents. In addition, HM Treasury have advised that administrators should identify divorce cases quoted on the old factors where final determination is yet to be made, and provide a revised quotation to mitigate the risk of challenge due to a failure to notify the court of a change in valuation.

Transfer in (non-Club)

Where possible, administrators should not provide Transfer In (non-club) quotes between 29 October and provision of revised factors. If quotes are provided, administrators should explain that factors are due to change, and quotes received within the guarantee period and after 29 October should have factors more beneficial to member applied. Therefore, if quotes are provided, administrators may need to revisit once new factors are available.

Commutation Factors for the 1992 Scheme

GAD has already completed the review of commutation factors for the 1992 Scheme. Guidance and revised factors are attached at Annex 1 and 2. These have immediate effect.

Other Factors

For all other factors, scheme administrators should continue to use current factors until revised factors are produced by GAD. Scheme administrators should be appropriately communicating to members that factors are subject to change (for example when members are obtaining benefit quotations for exercising options). You should consider reviewing your communications to ensure that they are sufficiently robust.

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