



Home Office

Fire and Rescue Authorities (in
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Dear All

A change to the SCAPE discount rate was formalised in the Budget on 29 October 2018. It has reduced from 2.8% pa above CPI to 2.4% pa above CPI from that date.

HM Treasury's CETVs guidance

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. The effect of this is that the determination of CETVs, including for divorce purposes, must use the revised rate with immediate effect i.e. 29 October 2018.

On this basis, we are now advising administrators that following the issue of revised HM Treasury's CETV guidance **the following calculations should be suspended until new factors are made available:**

- > 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 we will issue them as soon as this work has been completed.

Cash Equivalent Transfers Out

Where possible, **CETV out cases should not be quoted between 29 October 2018, the date the HM Treasury CETV guidance changed, and the date when new factors are provided.** If quotes are provided administrators should explain that factors are due to change, and requests to proceed with a CETV within the guarantee period and after 29 October 2018 should have factors more beneficial to the member applied. Therefore, if quotes are provided administrators may need to revisit once new factors are available.

Divorce Cash Equivalents

The advice on Cash Equivalent Transfers Out also applies. In addition, HM Treasury has advised that administrators **should identify those divorce cases quoted on the old factors where the final determination has yet to be made, and to provide a revised quotation on the new factors when provided.** This will mitigate the risk of challenge due to a failure to notify the court of a change in valuation.

Cash Equivalent Transfers In (non-club)

Where possible, administrators **should not provide Transfer In (non-club) quotes between 29 October 2018 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 2018 should have factors more beneficial to member applied. Therefore, if quotes are provided administrators may need to revisit once new factors are available.

1992 Scheme commutation factors

Administrators should also note that GAD are due to complete their revision of the commutation factors for the 1992 Scheme shortly at which stage they will be issued to administrators. These are expected to be more beneficial to retiring members and will take effect from the date of issue.

Other Scheme factors

The change in the discount rate will very likely impact on other Scheme factors, such as factors for scheme pays, and are therefore subject to change. GAD has also started work to review these factors as well. Any changes to these other scheme factors will apply from the date that revised factors have been completed by GAD and the current factors will apply until such date that revised factors are issued.

In the meantime, administrators should **ensure that they are advising members that the Scheme factors are subject to change** (for example when members are obtaining benefit quotations for exercising options).

Yours sincerely

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Firefighters' Pensions Team