



## **Pensions Ombudsman case W Milne - 2001-2004 females where no redress is payable**

The Government Actuary's Department (GAD) has issued its guidance for determining redress for certain retired members of the police and firefighters' pension schemes. This sets out the circumstances in which redress will be payable in the form of a lump sum, and the circumstances in which an increased pension will be applied (with arrears back to the date of retirement, plus interest, payable as a lump sum), both for those still living and for those who have died. The tax treatment for the various circumstances is also covered.

Redress will be payable to those scheme members who commuted part of their pension for a lump sum on retirement and who fall into one of the following categories:

- Male members of the police pension scheme who retired between 1 December 2001 and 30 November 2004 inclusive
- Male members of the firefighters' pension scheme who retired between 1 December 2001 and 30 November 2004 inclusive
- Male and female members of the police pension scheme who retired between 1 December 2004 and 30 November 2006 inclusive
- Male and female members of the firefighters' pension scheme who retired between 1 December 2004 and 21 August 2006 inclusive

For female members of the police or firefighters' pension schemes who retired between 1 December 2001 and 30 November 2004 inclusive, the reconstructed factors are lower than the commutation factors that applied on their retirement, and so there is no shortfall and no redress payable. In these cases the members will have received a greater lump sum or a higher pension after commutation (or both) on retirement than they would have received if revised commutation factors had been prepared and implemented with effect from 1 December 2001. However, government has agreed that it would be inappropriate to seek to recoup any such overpayments in these cases.

The reason the reconstructed factors are lower than the commutation factors that applied on retirement, for female retirees who retired between 1 December 2001 and 30 November 2004, is that the commutation factors which came into effect in 1998 were sex-dependent: the commutation factor for a female retiring at age 50 was 15% higher than for a male retiring at the same age. A female member who retired in the period 1 December 2001 to 30 November 2004 therefore received either a higher lump sum or a higher pension after commutation (or both) than an equivalent male member.

However, in making the best reconstruction of the factors that would have applied if there had been a review of commutation factors at 1 December 2001 (and at 1 December 2004), GAD has concluded that unisex factors would have applied. This decision was based on a general move towards unisex factors around this time. The matter was reviewed (together with mortality and other related assumptions used in deriving the redress factors) by an external independent firm of actuaries, who concluded that it was reasonable to adopt a unisex basis in making a reconstruction of the 2001 factors. The tables of commutation factors that were prepared in 2006 and all subsequent tables of commutation factors have also been on a unisex basis.

For female members who retired in the period 1 December 2004 to 21 August 2006 (Firefighters) or 30 November 2006 (Police), redress is payable because the factors that would have applied if there had been a review of commutation factors at 1 December 2004 are higher than the commutation factors that applied on their retirement. The move from gender-specific factors to unisex factors means that the level of redress will be lower for former female members who retired over this period compared to their male counterparts.

Government Actuary's Department  
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