BSPS calculator user guide

Version 1
24 April 2023

Contents

Overview

In PS22/14, we set out final rules for a redress scheme for former members of the British Steel Pension Scheme (BSPS) who transferred out after receiving unsuitable advice to do so. The scheme started on 28 February 2023.

Under the scheme rules, firms must assess each case by completing the scheme steps in CONRED 4 (please see the summary of scheme flow diagram in CONRED 4 Annex 18G for further details). These rules include the requirement to use our BSPS calculator when carrying out scheme redress calculations (see CONRED 4.4.2R(2) and CONRED 4 Annex 21 13.17R(3)). We also encourage firms to use the calculator for appropriate non-scheme cases.

This guide outlines the steps a firm must take to make a redress determination and any redress payment where a scheme case review concludes that:

- the advice provided to a consumer did not comply with our suitability requirements
- the non-compliant advice caused the consumer to transfer their BSPS pension

Before you start

1. Ensure you have all the information you need to input into the calculator (see pages 6 to 18 of the technical report which contains tables of all the calculator inputs and their description.)

2. If you do not have all the information you need to calculate redress, request this information from a third party or the consumer, according to CONRED 4.3.14R.

3. Ensure you complete the calculation within the same quarter as the valuation date - see CONRED 4 Annex 21 13.12R to 13.15R. The valuation date is the first day of the quarter.

Making information requests to third parties

Where you are requesting information on behalf of consumers from a third party, make sure any information request letter:

- includes the letter of authority completed by the consumer
- lets the third party know that this request relates to a BSPS redress scheme case review

CONRED 4.4.22R requires third party firms to take all reasonable steps to locate and provide the requested information to you within any reasonable time period that you request, and not later than 4 weeks. If you have not received a response within 2 weeks, you must send a reminder under CONRED 4.4.14R.

CONRED 4.4.23R requires you to report to the FCA any third parties that have not complied with an information request within 4 weeks.
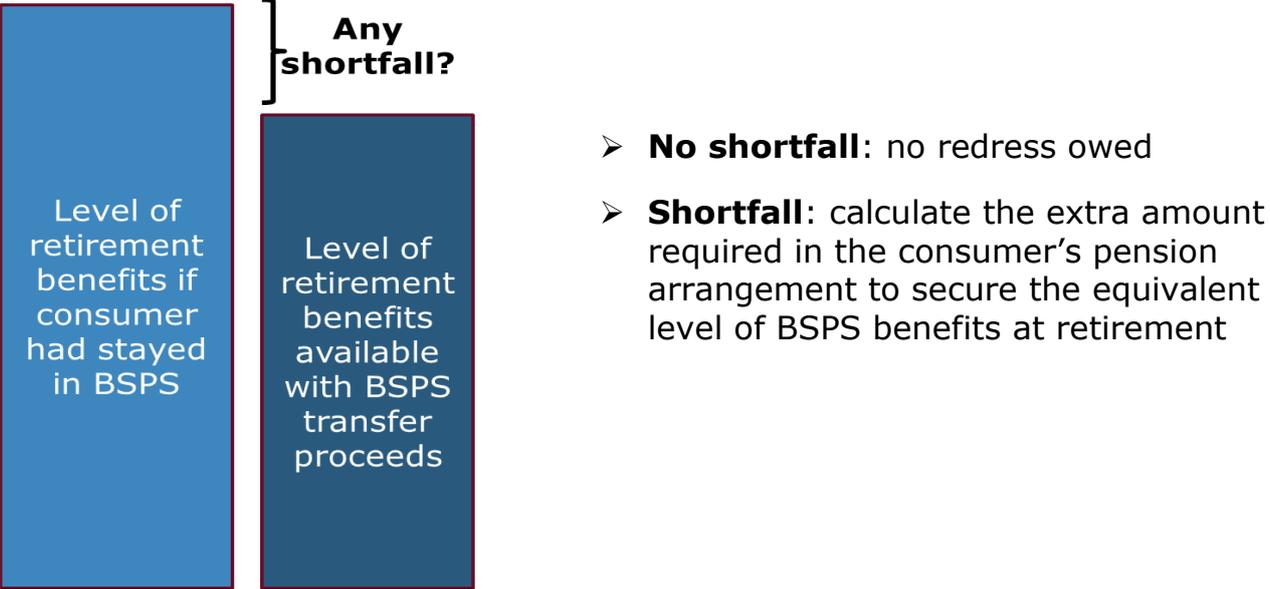
BSPS calculator steps

The calculator aims to ensure consumers receive appropriate redress. It also reduces the burden on firms by removing the need for actuarial oversight in most calculations. In most cases calculator users will simply need to collect and input key information requested by the calculator to generate an appropriate redress calculation.

The calculator has been developed by expert actuaries and subject to significant peer review. It has been prepared in accordance with technical actuarial standards (TAS 100 and TAS 300) as issued by the Financial Reporting Council.

The aim of redress is to put consumers back in the financial position they would have been in at retirement had they remained in the BSPS.

The calculator uses economic and demographic assumptions to calculate how much a consumer needs in their pension arrangement to secure equivalent BSPS retirement benefits that they would have been entitled to under either BSPS2 or the PPF (as uplifted to reflect the PIC buy-out), had they not transferred out.

If the calculation shows there is not enough money in the consumer's pension arrangement to match the BSPS benefits they would have received, the shortfall is the redress amount owed to the consumer. If the calculation shows there is enough money in the consumer's pension arrangement, then no redress is due. We outline this in the diagram below:

Any shortfall?

Level of retirement benefits if consumer had stayed in BSPS

Level of retirement benefits available with BSPS transfer proceeds

➢ **No shortfall**: no redress owed

➢ **Shortfall**: calculate the extra amount required in the consumer's pension arrangement to secure the equivalent level of BSPS benefits at retirement

We have programmed the BSPS calculator with:

- detail on the FCA redress methodology in PS22/13 – this is based on the approach a court would take to calculate redress
- the benefit structures for the Old British Steel Pension Scheme (OBSPS) and BSPS2 and considers, as far as possible and based off the information provided, the impact of the PIC buy-out on the benefits that members would have been eligible for on exiting the PPF assessment period
- relevant economic assumptions, updated every quarter
- relevant demographic assumptions, updated annually on 1 April

To calculate redress appropriately, the calculator relies on the user entering information into the calculator about the consumer (including the level of OBSPS benefits at date of leaving and the pension arrangement they secured with their BSPS transfer proceeds).

Calculator limitations and areas that may require additional actuarial support

Before using the calculator, you should consider if any inputs to the calculator require additional actuarial support.

You may require actuarial support under DISP App 4.2.7G if you are:

- apportioning the defined contribution (DC) value attributable to the BSPS transfer value (see Step 5 below)
- considering pension sharing orders (PSOs) implemented after the consumer transferred out
- considering additional voluntary contributions (AVCs)
- considering ill-health early retirement under the scheme
- considering State Earnings Related Pension Scheme (SERPS) -although SERPS are unlikely to be relevant as cases requiring this adjustment are outside the scheme's relevant period

Step 1: Accessing the calculator

We will send an updated version of the BSPS calculator to firms shortly after the start of each quarter by email. If you have not received this after checking your spam folder, please email firm.queries@fca.org.uk so we can add you to the calculator circulation list.

Ensure you open one calculator for each consumer and save the calculator for future access (see CONRED 4 Annex 21 13.11R). Where consumers have multiple periods of service, use a separate calculator for each period (see CONRED 4 Annex 21 13.11R).

Ensure you use the latest version of the calculator issued for that quarter, by checking the validity period of the calculator:

BSPS - Redress calculator

FCA FINANCIAL CONDUCT AUTHORITY

| Validity of calculator | The calculator is currently valid between 01/04/2023 and 30/06/2023. |

Instructions for use

In order to calculate the redress, a number of data items are required, which are separated into the following areas:

- Information about the Consumer
- Consumer's former benefit entitlement in the OBSPS
- Details of the Consumer's defined contribution pension scheme

The following pages detail the data items that the user is required to input, based upon the Consumer's position. These pages provide information on the data type, a description of what is to be entered and whether the input is mandatory or not.

Where an input is mandatory, the Calculator will not provide an output unless a data item is inputted.

Where the data item is not mandatory, the Calculator will still function, with a default value used as an alternative.

The Calculator provides a summary of all inputs alongside the redress outputs. Where a default value has been used, this will be shown.

The Calculator is in Microsoft Excel. Macros must be enabled in order to navigate through the Calculator.

Calculator availability

The calculator uses the most recent economic assumptions, updated quarterly. The calculator will be unavailable for approximately 1 week at the start of each quarter (April, July, October and January) while the assumptions are updated and tested.

Step 2: Opening the calculator

When opening the calculator, you must read and agree the terms and conditions for using the calculator.
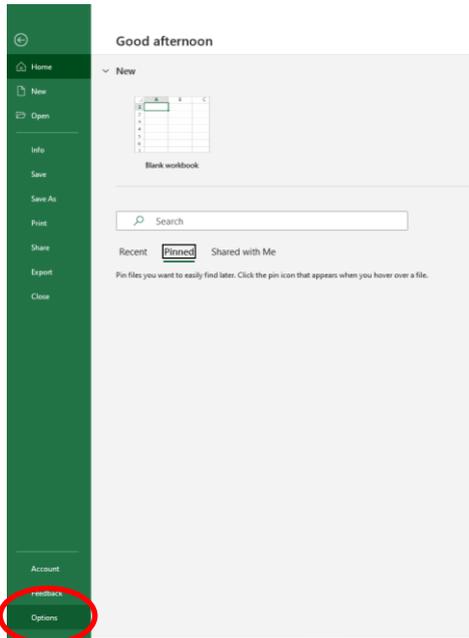
The calculator is in a Microsoft Excel file format. You must enable macros to navigate through the calculator. To do this, you may need to change your 'Trusted Documents' settings within Excel. You can view or change these settings in the 'Trust Center'.

To view the 'Trust Center' and change the 'Trusted Documents' settings:

1. Select **File**
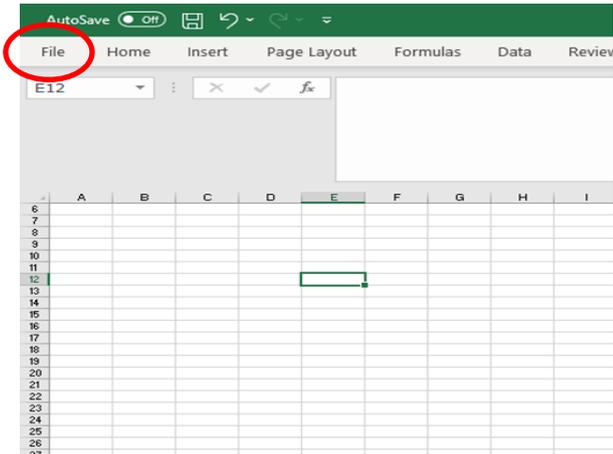
2. Click **Options**

3. Select **Trust Center**, then **Trust Center Settings**
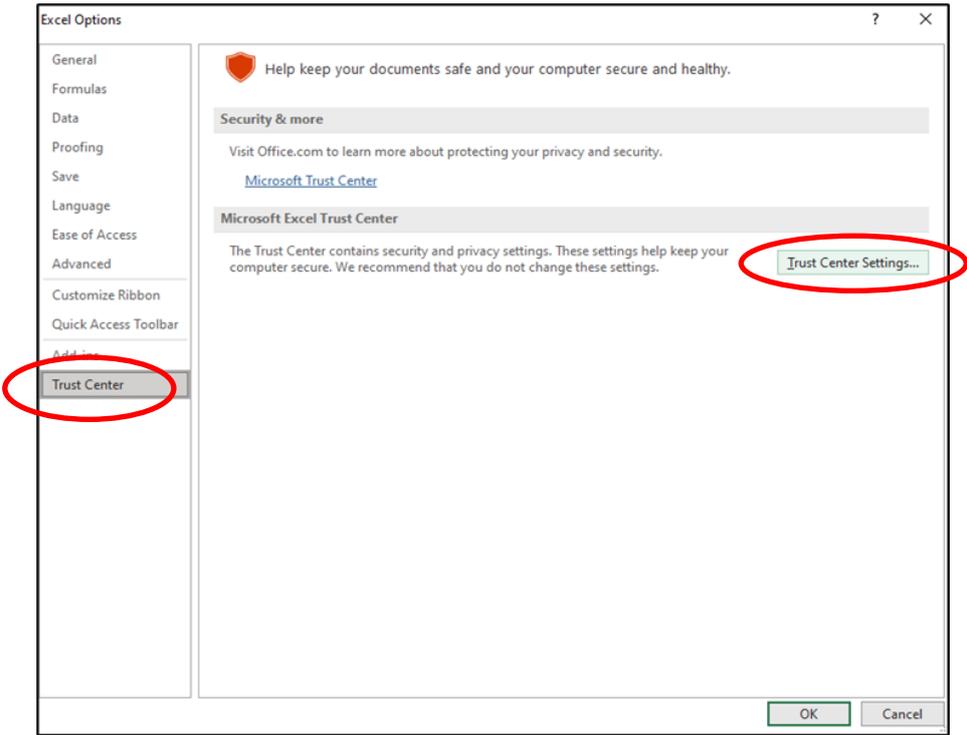
4. Click **Trusted Locations**, then **Add new location**

5. Select the calculator's location on your computer as a trusted location. You may then need to close the version you have open and reopen it from the trusted location.
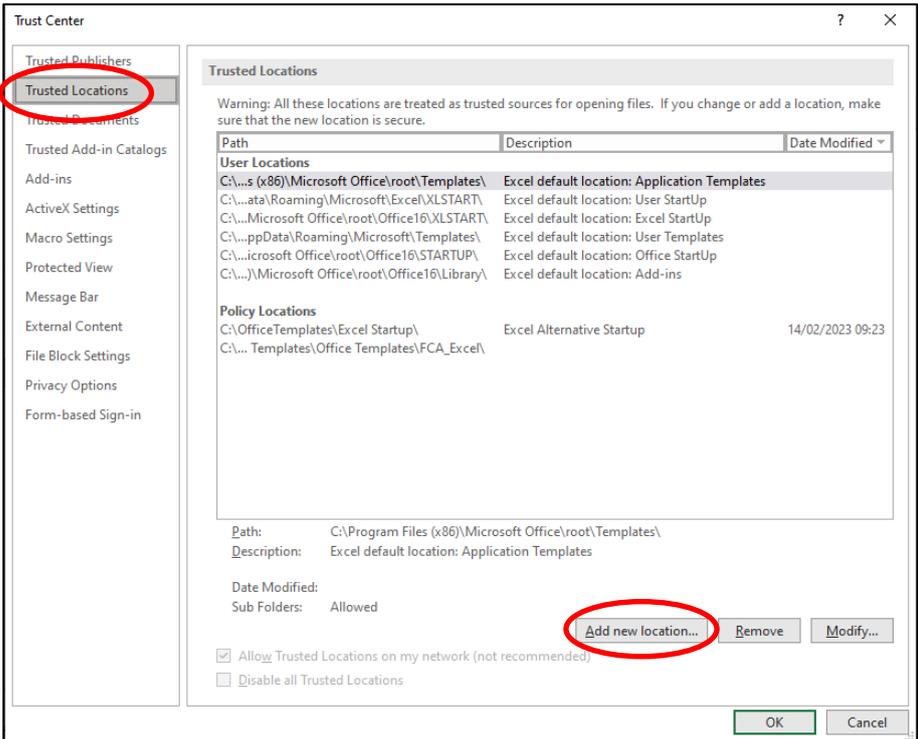
Step 3: Inputting information about the consumer's personal circumstances (calculator tab 1)

Pages 9 to 10 of the BSPS calculator technical report includes a table listing the inputs required for this step and their description.

The notes below provide additional instructions.

Explaining the retirement date determination

Make sure you refer to CONRED 4 Annex 21 13.27R.

The calculator asks you to explain the retirement date determination selection and whether you have entered an early or late retirement date.

Please note that the explanation you put into the calculator will copy across to the calculation report for consumers.

Establishing the consumer's former benefit entitlement in the OBSPS

Make sure you refer to CONRED 4 Annex 21 13.21R to 13.26R.

The 'comparator' scheme used for the calculation is the scheme that consumers would have been more likely to choose had they not transferred out of BSPS.

The calculator options are:

- A PPF or BSPS2 selection based on the file evidence, with an explanation of any evidence-based selection. Note that the explanation will copy across to the calculation report for consumers.

- A BSPS2 default selection if there is no evidence on file.
- The calculator report shows whether the selection of the alternate comparator scheme results in higher redress.

Establishing liability for consequential losses

Make sure you refer to CONRED 4 Annex 21 13.30R(6).

The term 'consequential losses' refers to any initial adviser charges the consumer would incur were they to switch to a new adviser. It also includes any other losses which would not be considered under the calculation methodology, such as tax charges or tax advice costs.

The calculator will determine from the inputs whether redress should cover any initial advice charges in accordance with DISP App 4.3.32R, and calculate any amount owed using the formula at DISP App 4.4.19R.

If compensation for consequential losses is agreed in addition to initial advice charges (see CONRED 4 Annex 21 13.30R(6)), the additional amount must be entered in the 'liability for consequential losses claimed for' cell on the first calculator tab.

Step 4: Inputting information about the consumer's former OBSPS pension (calculator tab 2)

Pages 11 to 14 of the BSPS calculator technical report includes a table listing the inputs required for this step and their description.

The calculator requires you to input the value of the member's benefits in OBSPS at the date of leaving, i.e. when they became a deferred member. You should have collected this information at the time of giving advice, to enable you to complete the transfer value analysis.

Information about the consumer's OBSPS pension can be found in the:

- 'Time to Choose' letter
- transfer documentation
- OBSPS benefit statements and/or
- other benefit entitlement documentation provided by the OBSPS

Where you already hold the necessary information, you should enter it into the calculator to ensure members receive redress, where it is due, in a timely manner. Where you do not already hold the necessary information to complete the calculator, you should refer to the OBSPS website.

Most consumers' benefits will fall under the main OBSPS section of the calculator. The calculator is also populated with additional OBSPS sections you can select from the dropdown menu, if any of these apply to the consumer.

If you select the 'Time to choose letter' option, the calculator will offer a list of OBSPS benefit accrual periods to fill out. If these accrual periods do not match the information available, you can select 'User choice' instead. The values entered should reflect the date of leaving active service.

If the 'view extended inputs' cell is selected, you can input additional information about automatic lump sum entitlements, bridging pensions and any applicable lower unreduced retirement age.

Step 5: Inputting information about the consumer's defined contribution (DC) pension (calculator tab 3)

Pages 15 to 18 of the BSPS calculator technical report includes a table listing the inputs required for this step and their description.

Please note that all information entered in the calculator about the DC pension should relate to the value transferred from BSPS only (see CONRED 4 Annex 21 13.30R(4)(b)).

Where additional contributions have been made to the same pension, you will need to apportion funds – both the fund value and the value of any withdrawals the consumer has made after the additional contributions.

The DC pension provider may be able to assist you in this process. Alternatively, you should consider using an actuary (see DISP App 4.2.7G).

Illiquid fund values

Where a consumer has illiquid assets, the value should be entered in line with DISP App 4.5.6G.

The reasons for this valuation should also be entered. Note that the explanation you put into the calculator will copy across to the calculation report for consumers.

Overriding for an initial advice fee

The calculator will determine from user inputs whether redress should cover any new initial advice charges in accordance with DISP App 4.3.32R, and calculate any amount owed using the formula at DISP App 4.4.19R.

Where the initial advice is not payable according to DISP App 4.3.32R, you can choose to override this determination for the redress to cover initial advice charges.

Step 6: Producing the loss calculation result (calculator tab 4)

Pages 19 to 23 of the BSPS calculator technical report includes a table listing the outputs the calculation produces. The calculator output tab contains the following:

On-screen calculation result

The onscreen calculation result shows

- a summary of all the **inputs** used for the calculation (showing whether the input was added by the user or by default)

- a summary of the **redress payable** calculated including:
  - The calculation result for the redress payable as a cash lump sum under PPF and BSPS2
  - The calculation result for the redress payable as a cash lump sum according to the comparator scheme selection inputted and before adjustments have been made

- The result of the **additional compensation sum** calculation if a payment date has been entered

Additional compensation sum
Before adjustments

An additional compensation sum to compensate the consumer for the lapse of time	
Compensation rate	#N/A
Period between valuation date and payment date (years)	Enter the payment date
Redress Payable	**Enter the payment date**

- List of **key assumptions** and their values used for the calculation

Key assumptions

Pre retirement discount rate	2.20%
Post retirement discount rate	#N/A
Pre retirement RPI	3.20%
Post retirement RPI	#N/A
Pre retirement CPI	2.20%
Post retirement CPI	#N/A

Functions

The calculator output tab includes the following functions:

Print output   **Copy datastring**

Save output   **Generate Consumer Output**

Return to inputs

- **Print and save output**
  Note that once you have selected the printing function, the input cells will be locked and you will no longer be able to return to and change your inputs. So if any of the inputs are incorrect, you may have to start the calculation again.

- **Copy datastring** for FCA reporting: see Step 7 and the glossary definition below

- **Generate consumer output**: the summary and detailed loss calculation reports need to be sent to consumers as follows:
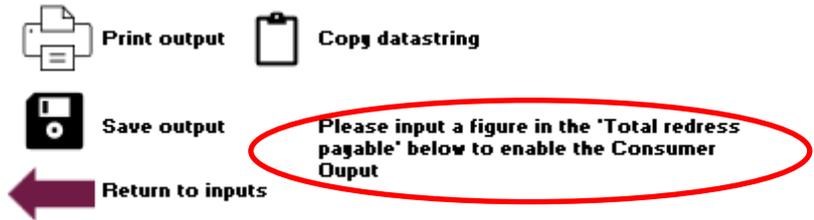
- BSPS Loss Calculation Summary Report - CONRED 4.4.5R: send the consumer a redress determination letter (CONRED 4 Annex 13R) enclosing the calculation summary report (see Step 8).

  To generate this report, a value must be entered in the 'Total Redress Payable' cell (see 'Post calculation input cells' instructions below).

  Then the 'generate consumer output' function will appear. When this function is selected, a new tab will open showing the 'BSPS Loss Calculation Summary Report' so you can check the report.

  When you are satisfied with the consumer report, you can print the report with the 'Print to PDF' function.
  As indicated above, selecting the print functions locks the input cells for any amendments.

- BSPS Loss Calculation Detailed Report:
  - CONRED 4.4.7R: if the consumer requests a detailed calculation report, send a letter enclosing the report (CONRED 4 Annex 14R), within 5 business days of the request; and
  - CONRED 4.4.9R: send the consumer a payment confirmation (CONRED 4 Annex 15R) enclosing the detailed calculator report (see Step 9).

  To display this report, select the 'Generate detailed report' function in the 'BSPS Loss Calculation Summary Report' tab, and this report will appear in a new tab, with an option to print this report.

- **Return to inputs**: if you need to amend some of the inputs after checking the onscreen calculation result or the consumer calculation report generated by the calculator, you can select this function to return to previous tabs to make your corrections. As indicated above, selecting the print functions locks the input cells for any amendments, and the 'return to inputs' function will no longer be available.

Post calculation input cells

The calculator output tab also includes input cells for further entries required after the loss calculation result is produced by the calculator, for the following actions:

- **To make a no loss redress offer**: where no redress is owed (see Step 8 below), a value of '£0.00' must be entered in the 'Total redress payable' cell to enable the 'generate consumer output' function.

- **To make a redress offer**: where redress is owed (see Step 8 below), the redress amount must be adjusted to take account of the consumer's tax position and their entitlement to means tested benefits (see CONRED 4 Annex 21 13.17R(4) and

13.30R(7)). Firms must work out these adjustments outside the calculator, and record in the calculator the following:

- Enter the net lump sum redress amount payable, adjusted to take account of a notional deduction for tax on income from the consumer's pension in accordance with DISP App 4.3.31G(3) in the 'Total redress payable as a cash lump sum' cell. You should take into account where the redress methodology already factors in tax, such as the pension commencement lump sum and past payments. Note that the calculator nets down both past DB and DC payments so that the past redress payable is already net of tax (default of 20% if not entered).

- Confirm whether any means tested benefits adjustments have been made according to DISP App 4.3.31G(4) in the dedicated cell.

- Confirm whether any augmentation adjustments have been made where requested by a consumer as required by CONRED 4.4.2R(3).

- **To pay the redress**: where redress is payable after the consumer accepts the offer (see Step 9 below), firms are required to:

- Enter the payment date in the output tab to calculate the final redress amount owed, with the additional compensation sum.

- Review the adjustments for tax and means tested benefits on the final redress amount owed (see CONRED 4 Annex 21 13.30R(8)).

- Enter the updated net lump sum redress amount payable in the 'Final redress payable' cell.

- Confirm whether any means tested benefits adjustments have been made according to DISP App 4.3.31G(4) in the dedicated cell

- Confirm in the dedicated cell whether the redress has been adjusted for a payment by full or partial augmentation, where requested by a consumer as required by CONRED 4.4.2R(3). Where applicable, enter the amounts by payment method.

Step 7: Submitting the calculation datastring

Each fortnight you must provide the datastring (see definition in the Glossary below) for each client you have calculated redress for, through the REP023 return required by CONRED 4.8.3R(8) and CONRED 4.8.6R.

You can find a copy of the calculation datastring in the calculator output tab:
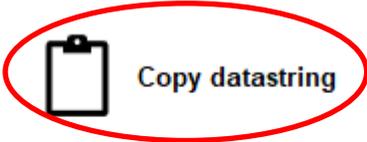
You should copy the datastring into the Redress Calculator tab of the submission template spreadsheet here.

You should include 1 line per client calculation. You should then save the template as a .xlsx file and attach it to the RegData report.

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Step 8: Making a redress determination

> Obtain **loss calculation result** from calculator

Where redress is owed

Adjust redress for tax and means tested benefits (DISP App 4.3.30R):
- work out adjusted lump sum offer
- if applicable, work out how much of the redress can be paid into the consumer's pension
- Enter the redress payable as a lump sum, adjusted to take account of a notional deduction for tax on income from the consumer's pension in accordance with DISP App 4.3.31G(3), in the **'Total redress payable as a cash lump sum'** cell
- Confirm whether any adjustments for **means tested benefits** have been made in the dedicated cell

Where redress is not owed

Enter a value of '£0.00' in the 'Total Redress Payable cell'

1. **Save** the consumer's calculation
2. Select the **'Generate Consumer Report'** function and **check** the consumer report.
3. Select the 'print to PDF' function to **print** the 'BSPS Loss Calculation Summary Report'
4. Send **redress determination letter** to the consumer (CONRED 4.4.5R):
   - in the form of the letter set out in CONRED 4 Annex 13R
   - attach the 'BSPS Loss Calculation Summary Report'

Step 9: Paying redress if the consumer accepts a redress offer

Access the **consumer's saved calculation**. Note that for this step, you can use a calculator outside its validity period

Enter the **payment date** in the output tab to calculate the final redress amount owed, with the additional compensation sum

Update the **tax and means-tested adjustments** on the final redress amount owed, according to consumer's payment instructions (lump sum and/or augmentation)

Enter the redress payable as a lump sum, adjusted to take account of a notional deduction for tax on income from the consumer's pension in accordance with DISP App 4.3.31G(3), in the **'Final redress payable' cell**

Confirm whether the redress been adjusted for a payment by **full or partial augmentation,** where requested by a consumer as required by CONRED 4.4.2R(3). Where applicable, enter the amounts by payment method

Save the calculation and select the 'generate detailed report' function to **check and print** the 'BSPS Loss Calculation Detailed Report'

CONRED 4.4.9R:

➢ **pay consumer** within 28 days of their offer acceptance
➢ send the consumer a **payment confirmation** (CONRED 4 Annex 15R), enclosing the 'BSPS Loss Calculation Detailed Report' CONRED 4.8.3R
➢ submit the **datastring** (see Step 7 above)

Further help

If your calculator is not working, start by checking the following:

1. **Are you using the version of the calculator for the current quarter?**

   Check the date range for the calculator on the first tab. If it is out of date, use the latest version emailed to you.

2. **Have you enabled the macros?**

   Check Step 2 for instructions on how to do this.

3. **Are you having trouble progressing to the next calculator tab?**

   Make sure you check that you have entered all required information and in the correct format

4. **Are you having trouble amending entries?**

   Your calculator will be locked if you have completed the calculation and used the print function. The calculator will then only be available to calculate the additional compensation sum. If the calculator is incorrect and needs amending, you will need to start the calculation again.

You can contact your firm supervisor or the FCA Supervision Hub using the details below:

**Call: 0800 111 6768 (freephone)
or 0300 500 8082 / 0300 500 0597 from the UK,
or +44 207 066 1000 from abroad**

Email: firm.queries@fca.org.uk

Glossary

AVC	additional voluntary contribution
BSPS	British Steel Pension Scheme
BSPS2	The new British Steel Pension Scheme
CONRED	Consumer redress schemes sourcebook
Datastring	The format of the calculation result for the RegData report submission (see CONRED 4.8)
DB	Defined benefit pension scheme
DC	Defined contribution pension scheme
DISP	Dispute resolution sourcebook
Normal Retirement Date	The date the DB benefit is due to be paid unreduced
OBSPS	Old British Steel Pension Scheme
PIC	Pension Insurance Corporation plc
PPF	Pension Protection Fund
PS	Policy statement
PSO	pension sharing order
Retirement Date	The earlier of the following dates: when the consumer retired as determined by the user in line with DISP App 4.1 (either historically or in the future), or the Normal Retirement Date of the consumer
Valuation Date	The first day of the quarter (for calculations in that quarter)