

BSPS redress calculator: Tools for firms

Hello and welcome to the BSPS redress calculator demonstration.

In this demo, we'll be looking at how to complete a case using the calculator step-by-step.

So first, download the latest version of the calculator user guide from our website.

This guide will help you to navigate the calculator and tells you where to find the information you need to input into the calculator.

It also explains the calculator's limitations and describes where you may need actuarial support.

Next, you should check that the value of the consumer's current defined contribution fund was obtained at the start of the current quarter.

Otherwise, you'll need to obtain a new valuation.

If you're satisfied you have everything you need to calculate redress for your consumer, open the calculator we emailed to you at the start of the most recent quarter.

Save it for future access using a file name which lets you identify which consumer it's for.

You should save a separate calculator for each consumer, and for each separate period of service a consumer may have.

So, when you open the calculator in Excel, the first tab you'll see is the landing page.

You can use the calculator on any date during the period the calculator is valid for, as shown at the top of the page.

The calculator requires macros to work, so you'll need to make sure that macros are enabled.

Depending on your version of Excel, you may need to set a trusted location to do this.

You can set this up by selecting file, then options, then trust centre, then trust centre settings, then trusted locations, then add new location.

Select the calculator's location on your computer as a trusted location, then click okay.

You may then need to close and reopen the calculator to activate your changes.

So, this calculator is now ready to use.

To progress to the next tab, you need to read and agree to the terms and conditions and press on the arrow.

We are now in the tab for entering personal information about the consumer.

So, the first thing that you should do, is check that the current date on which you're carrying out the calculation falls within the range of valid dates shown in cell B6.

The calculator should not be used outside of its validity period, as it will not work.

So, the calculator shows here which entries are mandatory and if we click on the empty cells a pop-up box appears with instructions on what information is required and in which format.

So, let's start with filling out some of this information.

First, you need to input the name of your firm.

We're using a fictitious name for illustration purposes and similarly, we are using a fictitious consumer.

So, as you can see, we entered the date in an invalid format and when we press enter, a warning message has come up, but we can just press retry and go back to the calculator and try again.

Some of the fields have a dropdown list for you to choose from, but in other cells you'll need to enter the data manually.

Now most of these entries are self-explanatory, but I just want to stop and mention the comparator scheme selection entry.

As you can see on screen, you can select entry options from a dropdown menu.

It offers three choices.

BSPS2, based on file evidence.

PPF, based on file evidence, or BSPS2 by default, as no evidence on file.

We're going to select BSPS2 based on file evidence.

Now, if you are relying on file evidence you'll also need to complete the next box, which asks you to explain the selection.

It's important to note that the text entered here will copy across to the calculation report provided to the consumer.

So, for the retirement date, we're going to use a consumer who has not retired yet and assume that they would've retired at age 65.

Again, you'll need to explain why you've chosen the date and this will also copy across to the calculation report.

Now we're using a sample consumer who's still alive, so we don't need to complete the date of death cell and our sample consumer hasn't taken any taxable income yet, only tax-free cash, so we don't need to enter the marginal rate of tax on past amounts.

For consequential losses only enter any amount you agreed to pay on top of any initial advice fee.

The calculator will work out if an initial advice fee is payable from your entries in another tab, so we'll come back to that.

We're going to enter a 100 Pound amount which the consumer claimed for distress and inconvenience.

Now, make sure that you press enter on this last entry so that the calculator can check it's in a valid format.

If no amount is owed for consequential losses, make sure you input zero and press enter.

Once all of the relevant cell is completed, you can click on the arrow to proceed to the next section.

We are now in the tab for entering information about the consumer's BSPS pension.

The first entry requires you to select from a dropdown menu which section of the scheme applies to the consumer.

Now, in most cases, this will be the main section, but the calculator has also been pre-populated with benefits from other scheme sections, if this applies to your consumer.

For this demonstration, we are going to select main section as this will be the most commonly used.

Next, you need to input the date that the consumer left active service in the old BPS scheme.

The calculator lets you choose how to input the benefit tranches that the consumer has accrued.

If the information you have about the BPS benefits fits with the time to choose letter format, then that's what you should choose.

If it doesn't fit with the time to choose letter format you can select user choice from the dropdown menu.

For this demonstration, we are going to select the time to choose letter format.

Now, when you select the time to choose letter format, the calculator pre-populates the benefit tranches in line with those shown in the letter.

You can now enter the relevant values for each tranche.

If you enter a value for a tranche before the date the consumer joined the scheme, you will get an error message, so make sure that you fill out this section carefully.

Some consumers may have had entitlements to automatic lump sums, bridging pensions or a lower unreduced retirement age.

If they do, you can allow for these by choosing the extended outputs option, but for the purposes of this video, we are assuming that none of the extended outputs apply for our sample consumer.

The final part of the calculation needs you to enter the details of member contributions paid into the scheme.

You can then click the arrow to proceed to the next tab.

In this tab, you'll enter information about the consumer's defined contribution pension arrangement, starting with the date of the transfer.

You must only include fund values that can be attributed to the original transfer value and the returns on that transfer value.

If there have been further contributions or transfers in, they must be removed including the effect of any returns on those elements.

The DC pension provider may be able to assist you in this process, or alternatively, you should consider using an actuary.

So first, you need to input the value of liquid funds using a value from the start of the quarter.

Where a consumer has illiquid assets, you need to click through to another tab to enter the information.

The calculator asks for an explanation of this valuation.

Now, bear in mind that the explanation you put into the calculator will copy across to the calculation report.

Now, our sample consumer does not have any liquid funds, so we don't need to click this.

Next, you need to confirm the date at which the value of the liquid funds was stated.

You then need to confirm that all the values you've entered originate exclusively from the BSPS transfer value.

The calculator also includes a series of questions about the consumer's advice arrangements.

The inputs will determine according to our rules whether compensation for initial advice fees will be included or not.

If the consumer is receiving advice on a regular basis, you should select yes from the dropdown menu.

If the consumer is receiving ongoing advice, you then need to state whether the advice fees are over 0.5%, using the dropdown menu.

If they are, this will trigger a new initial advice fee to be included in the calculation.

Where the consumer is not receiving advice from your firm, but has already moved to another firm, you can choose no for this input.

Where the calculator has worked out that no compensation is owed according to our rules, it is possible to override this, so that the calculator adds an amount for initial advice fees anyway.

In our example, we know that a charge is due, so we select yes.

You then need to input the current advisor and product charges that the consumer is paying.

This information will be shown in the calculation report.

The final section of this tab lets you enter information about any payments the consumer has already taken from their defined contribution pension, which were funded by the original transfer value.

You need to enter amounts that were taken tax-free separately to other payments that the consumer has taken.

Now, for our sample consumer, we've assumed a common scenario where only some of the available pension commencement lump sum has been taken.

It's possible to increase the number of rows up to a hundred using the red up and down arrows, when there have been significant numbers of withdrawals.

Once you've finished entering the withdrawal information, clicking on the red arrow at the bottom of the section will take you back to the previous tab.

Where regular withdrawals or income has been taken by the consumer, each withdrawal needs to be included as a separate line.

Now, before moving on, you'll need to complete the mandatory annuity question where the answer is no for our sample consumer.

Then proceed to the next section. We are now on the onscreen output tab.

The top part of the tab sets out all the inputs you made, which the calculator uses to work out the redress amount, including the key assumptions.

This is a good opportunity to check all the inputs for any mistakes.

The bottom half of the tab shows a summary of the redress payable.

The summary shows the redress amount payable, first under PPF, and then under BPS2.

Then it confirms the redress amount payable under the selected comparator scheme.

The redress amount payable shown here has not been adjusted to take account of taxes, means tested benefits and augmentation.

These adjustments have to be made outside of the calculator according to our rules and the results should be fed back into the calculator in the after adjustment section.

Now for simplicity, in our example, we've assumed that no adjustment is necessary, so we enter the calculated amount.

Once the adjustments have been made, the final stage involves generating the consumer output.

Once you've made the adjustments and entered the final redress amount, an option to generate consumer output appears at the top of the tab.

This will open a new tab, showing the calculation report available to print for the consumer.

It's recommended that you go through this report in detail to check for any mistakes.

You can select the return to outputs function to return to the calculator if you need to amend any inputs, but once the calculation report is printed, you won't be able to make any changes to your inputs, and if you do realise that you've made a mistake after printing, you would have to start the calculation again.

I hope you found this calculator walkthrough useful.

If you experience technical difficulties with our calculator, you can contact your supervisor or the FCA supervision hub.

Their contact details can be found in our calculator user guide or on our website at the BSPS Tools for Firms webpage.

Thanks for watching.