

## ANNEXE 5

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# OPTIONS FOR DEPENDANTS' BENEFITS BASED ON SERVICE BEFORE 1 APRIL 1972

A firefighter's service before 1 April 1972 did not attract widow's half rate pension cover – this was introduced with effect from 1 April 1972 by the Firemen's Pension Scheme Order 1973.

The same Order also introduced children's allowances based on a percentage of the firefighter's notional pension. Before 1 April 1972 an eligible child would be entitled to a (normally smaller) flat rate allowance.

The 1973 Order gave firefighters the opportunity to "uprate" their service before 1 April 1972 to provide a higher level of widow's pension and children's allowance. The various options available are explained in those parts of the Commentary where the provisions of the Firemen's Pension Scheme Order 1992 would be affected by the firefighter's decision in 1973.

This Annexe gives a more detailed overview of the uprating options available and their effect. It reproduces the Home Office guidance issued in 1973.

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In 1973, the booklet "Guide to Benefits for Widows and Children" was supplied to fire authorities by the Home Office in sufficient numbers to be issued to –

- every firefighter serving on 1 July 1973, and
- every firefighter who was serving on 31 March 1972 and who had since retired, or to their widows if they had since died.

The Home Office also supplied standard option forms for issue to all firefighters according to their pension status as at 1 July 1973. There were three different forms –

Form 1 for firefighters subject to the modified Scheme ("1956 Optants" – see Annexe 6);

Form 2 for firefighters who, before 1 April 1972, were paying contributions at 5% of pensionable pay; and

Form 3 for firefighters who, before 1 April 1972, were paying contributions at 6% of pensionable pay (i.e. they had been appointed on or after 26 August 1966 or, serving at that date, had already elected to uprate their service to attract a widow's third rate pension).

Firefighters had 3 months from 1 July 1973 in which to exercise their options for uprating service for improved widows' and children's benefits.

Although the options are no longer "live", the text of the booklet which explained the 1973 options to firefighters may still prove helpful to older or former firefighters who wish to check the background to the options they had, and to FPS administrators who require clarification of old cases.

Remember that it sets out provisions of the FPS as applied in 1973 including the reckoning of service in completed years and half years. There have been a substantial number of changes since then. And in 1973 the firefighting workforce was male – hence the references to widows rather than spouses and "firemen" rather than firefighters.

The text of the booklet follows . . .

<b>GUIDE TO BENEFITS FOR WIDOWS AND CHILDREN</b>
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### PART 1 – WIDOWS' PENSIONS

#### Coverage

1. Generally, the widow's pension is related to the husband's entitlement, so it is convenient at the outset to summarise very briefly the pension which may be awarded to firemen:
  - (i) An *ordinary* pension is payable at 30/60ths of average pensionable pay on retirement after 25 years' service, provided age 50 has been attained. After 30 years' service or more the pension is 40/60ths of average pensionable pay.
  - (ii) An *ill-health* pension is payable in cases of retirement on ill-health provided 5 years' service have been completed – see paragraph 12.
  - (iii) A *short service* pension is payable to those required to retire on account of age provided at least 5 years' service has been completed. It is assessed at 1/60th of average pensionable pay for years of service up to 20 and 1/60th for each half year after 20.
  - (iv) For those who leave the service before normal retiring age, a *deferred* pension may be payable – see paragraph 18.
  
2. Firemen serving on 31 March 1972 can be divided into categories as follows:
  - (a) those participating fully in the Firemen's Pension Scheme including provision of a one third rate pension for widows: they are paying a contribution related to 6 per cent of pensionable pay;
  - (b) those who, in 1966, elected not to join the widow's one third rate pension scheme and who were paying a contribution related to 5 per cent of pensionable pay;
  - (c) those who, in 1956, opted for the modified scheme and were paying a contribution related to 5 per cent of pensionable pay; and
  - (d) those who, in 1948, exercised an option under section 27 of the Fire Services Act 1947 to retain the benefits of their former schemes.
  
3. As from 1 April 1972, all men covered by (a) and (b) above who were then serving must contribute at the full rate related to 6.75% of pensionable pay and so attract a widow's pension at half the husband's rate in respect of service as from that date. Those in category (a) will already have made arrangements for all their service prior to 1 April 1972 to attract the widow's *third rate* pension. These men will now be able to buy in back-service credit to uprate service prior to 1 April 1972 so that it attracts the widow's *half rate* pension. Men in category (b) have made no arrangements for their fire service widow's pension in respect of service before 1 April 1972 to be other than the flat rate. These men will now be able to buy in back service credit to uprate service prior to 1 April 1972 to attract *either* the widow's *third rate* or the *half rate* pension.
  
4. Men in category (c) will be given the option of either
  - (i) coming fully into the new scheme for all benefits – personal and family – and paying a contribution related to 6.75% of their pensionable pay from 1 April 1972, or

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(ii) retaining their existing conditions.

If they come fully into the new scheme they will be able to buy in back service credit to uprate service prior to 1 April 1972 to attract *either* the widow's *third rate* or *half rate* pension. If they retain their existing conditions the widow's entitlement will be a flat rate pension. (This rate is lower than that provided for men in category (b)).

5. The number of men serving on 1 April 1972 who exercised an option under section 27 of the Fire Services Act 1947 is very small. All will have completed 30 years' service and the arrangements in this booklet do not apply to them.
6. The methods by which these back service credits may be bought are explained later in this booklet (see paragraphs 39 – 48).

### Widows' flat rate, third rate and half rate pensions

7. In very broad terms the various rates may be compared as follows:
  - (a) *Flat rate*. Assuming a man's service attracted nothing but the widow's flat rate, her pension, at current rates, would be only £163.81 a year for widows of sub-officers, leading firemen and firemen, with higher amounts in respect of senior ranks. In addition, there are flat rate allowances for children. (As an alternative to the flat rate there is a Scheme II widow's pension which will be retained in the Firemen's Pension Scheme 1971. This is expressed as a percentage of pensionable pay averaged over 3 years, but as it is reducible by certain social security benefits, the flat rate is normally superior. References in this booklet to widow's flat rate pension should be taken to include Scheme II pensions.)
  - (b) *Third rate*. If all service attracted widow's third rate pension, a man who had served a full career of 30 years and whose average pensionable pay on retirement was £2,118 would have earned a widow's pension of £470.67 a year. Allowances for children are not payable with a third rate pension.
  - (c) *Half rate*. If all service for such a man as at (b) attracted the widow's half rate, he would have earned a widow's pension of £706 a year. In addition there are allowances for children.
8. The arrangements for children's allowances are explained later in this booklet (see paragraphs 29 – 38).

### Conditions for paying a widow's pension

9. When a contributor dies and leaves a widow, either while he is still serving or after he has retired with a pension or left the service with entitlement to a deferred pension, a widow's pension is paid provided the following conditions are satisfied:
  - (i) The fireman must have passed the qualifying period for the widow's pension: that is, he must have completed at least 3 years' pensionable service.
  - (ii) The widow must have been legally married to him when he dies. If they were legally separated he must have been contributing to her support under a court order. If he dies after leaving the fire service she must also have been married to him while he was still serving: the scheme does not cover the widows of marriages which take place after retirement, except in the unusual case of a man marrying after retirement someone to whom he had been married previously while still a fireman.
10. Once a widow's pension has been awarded it continues until the widow dies or until she remarries. However, the fire authority have discretion to restore the pension in the event of her again becoming a widow or the marriage being dissolved.

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### Widow's pension at the half rate – death in service

11. For a fireman who dies in service and who opted for the full widow's half rate benefit for his service before 1 April 1972, the annual amount of widow's pension is one-half of what would have been his ill health pension if he had retired on medical grounds on the date of his death (paragraph 12). How much this is depends on his "average pensionable pay" and "pensionable service", as defined in the Firemen's Pension Scheme, at the date of his death:
- (i) "Average pensionable pay" is the amount of pay received in the last year of service, excluding overtime and allowances, divided by 52 1/6 to give a weekly rate. For those whose pay declines towards the end of service, average pensionable pay is taken as pay in the best of the last 3 years, calculated as above. However, in the examples in this booklet, annual rates are employed to simplify the explanations.
  - (ii) "Pensionable service" is the length of service which counts for pension and it may include service "transferred" from other employment. For ordinary pension purposes it reckons in years up to 20 but each half year from 20 to 30 reckons as one year. (For ill-health pensions, see paragraph 12). Pensionable service may exceed 30 years but, if so, only the last 30 years may reckon (giving a maximum pension of 40/60ths of average pensionable pay).
12. When a fireman retires with an ordinary or short service pension, he receives an annual pension of 1/60th of his average pensionable pay per year of pensionable service. As described above, each half year served after 20 years counts as a year, and the maximum pension is 40/60ths of average pensionable pay. If he is retired early for medical reasons the pension is paid immediately, despite the fact that he has not yet reached the normal retiring age. Moreover, in most cases of ill health retirement an addition is made to his pensionable service so that the pension is bigger than if he retired with the same service in the ordinary way on age grounds. (The rules on the addition to pensionable service are a little complicated but can be summarised as follows. Service from 5 to 10 years reckons at double its length, 11 years to 13 years count as 20 and service of 14 years and above attract 7 additional years, i.e. 7/60ths of average pensionable pay. The normal double reckoning after 20 years continues and the 7/60ths enhancement is applied after this double-reckoning has been taken into account. All enhancement is subject to the qualification that reckonable service must not exceed what could have been earned to the age of compulsory retirement.)

#### Example

*A fireman with average pensionable pay of £2,010 and 8 years' pensionable service retires on medical grounds at age 32. His pensionable service reckons as 16 years, which is less than what would have been reckonable if he had remained in service until the age of compulsory retirement. His annual ill health pension is therefore 16/60ths of his average pensionable pay which gives a pension of £536 a year.*

#### Example

*A fireman with 25.5 years' pensionable service (counting as 31 years) and average pensionable pay of £2,118, retires on medical grounds at 48. The pensionable service is increased by 7 years, which does not take him beyond what he would have reckoned by the age of compulsory retirement. Thus the ill health pension is 38/60ths of his average pensionable pay, giving a pension of £1,341.40.*

13. As explained above, the pension for a widow of a man who dies in service and has uprated all his service to attract the widow's half rate pension, is half of what would have been the ill health pension if he had retired on medical grounds. Thus in these 2 examples the widow's annual pension would have been £268 and £670.70. (It should be noted that in no case would a widow's pension be lower than the flat rate currently in force.)

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14. For the first 13 weeks when the pension is payable after a fireman dies in service, a special increase is made in the widow's pension to help her adjust to her changed financial circumstances. For this period the pension is paid at the rate of the husband's pensionable pay immediately before he died.

### Death after retirement with an ordinary, short service or ill-health pension

15. So far we have considered only the case of death in service. If a fireman, who retired after 31 March 1972, dies and leaves a widow with an entitlement to a widow's ordinary pension, she gets a pension of half his gross pension, assuming again that he chose to contribute for widow's pension at the half rate for all his pensionable service. This applies whether the pension the fireman was drawing was an ordinary, short service or ill health pension. In calculating a widow's pension following the husband's death after retirement any reduction in his pension on account of social security benefits, commutation, allocation or reduction to buy back service credit in the widow's scheme (see paragraph 48) is ignored.
16. For the first 13 weeks when the pension is payable after death in retirement, the widow's pension is raised to the rate of the actual pension the husband was drawing, before any reduction of pension to uprate back service credit for the widow's pension. This is akin to the special increases in widow's pension on death in service, and again has the purpose of maintaining family income for a short period in order to help the widow to adjust to her new financial circumstances.

### Death after early retirement with entitlement to a deferred pension

17. Another possibility is that a fireman might retire early with entitlement to a deferred pension and die whether before or after the pension comes into payment, which is normally at age 60 irrespective of rank. If he dies whilst receiving the deferred pension the special increase in the widow's pension for the first 13 weeks is payable, but if he dies before the pension comes into payment it is not. Provided he had paid for all his service to attract the widow's half rate pension, the widow's pension would be one half of his actual or notional pension, calculated in accordance with paragraph 18. If he opted during his service to purchase credit for his earlier service, either by extra contributions or reduction of pension, the calculation of the widow's entitlements is rather more complicated. Examples are shown in Appendix 1.
18. Deferred pensions, unlike ordinary pensions, are calculated on a "uniform accrual" basis (that is, a deferred pension should be not less than  $A/B \times C$ , where A is the actual length of pensionable service, B the length of the service if the member had stayed to the retirement age or (if sooner) to the age at which he would have earned the "maximum" pension, and C the pension he would have earned if he had stayed to the retirement age but related to his average pensionable pay at the time of leaving service).

#### Example

*A man joins the fire service at age 18 and resigns after 12 years with average pensionable pay of £2,010. Since he could have completed 30 years before compulsory retirement age, his potential pension is 40/60ths of £2,010 equals £1,340. His deferred pension is 12/30ths of £1,340 equals £536. If he had paid for all his service to attract the widow's half rate pension, his widow's entitlement would be one half of this, equals £268. If he was purchasing credit for earlier service by extra contributions or reduction of pension the calculation of the widow's pension is more complicated and is explained later in the booklet (see Appendix 1).*

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### Example

*The man in the Example immediately above joined at age 30. By age of compulsory retirement (55) he could have completed 25 years' service. His potential pension is 30/60ths of £2,010 equals £1,005. His deferred pension is 12/25ths of £1,005 equals £482.40. If he had paid for all his service to attract the widow's half rate pension, his widow's entitlement would be £241.20.*

### Widows' pensions in cases where part of service does not attract the half rate entitlement.

19. We now consider widows' benefits in respect of firemen serving on 31 March 1972 who opt for the widow's flat rate or third rate pension for their service up to and including that date. The conditions for paying the widow's pension are the same, but the calculation of the pension is different. Pensionable service has to be divided into 2 parts: service before 1 April 1972, and service on or after that date. All pensionable service (including, in some cases, earlier service outside the fire service) which was credited by 1 April 1972 counts in the earlier period; fire service on and after 1 April 1972 counts in the later period. Where a fireman was contributing at a rate related to 6 per cent and outside service has been transferred in or after 1 April 1972, but before 1 July 1973 (see also paragraph 43), he is obliged to pay by reduction of pension for that service to attract the widow's third so that, in effect, it counts in the earlier period. For those who were contributing at the 5 per cent rate, service transferred in from 1 April 1972 to 1 July 1973, attracts only the flat rate (see paragraphs 22 and 41). (Revised transfer arrangements are currently under consideration and there may be changes in the treatment in respect of service transferred in on or after 1 July 1973, but for the present the new scheme will require the transferee to pay by reduction of pension for such service to attract the widow's half.)
20. The option to have part of the widow's pension at the flat rate or the third rate does not affect the special increase in the first 13 weeks following her husband's death. As in the case of half rate pensions, the widow's pension during this period is at the rate of her husband's pensionable pay or pension (as the case may be).

### Widow's mixed flat rate/half rate pensions

21. As indicated earlier in this booklet, all men serving on 1 April 1972 if they were covered by paragraph 2(a) or (b), or covered by 2(c) and so elect, must contribute to the new scheme at the full rate of 6.75% of pensionable pay in respect of their service on and after that date. When the "widow's third" scheme was introduced in 1966 men then in service could opt not to join, and in respect of their service prior to 1 April 1972 they have an entitlement for their widows of a flat rate pension only. Those covered by 2(c) who retain their option for the modified scheme have an entitlement to a smaller widow's flat rate pension. At current rates, this is £123.12 a year for widows of sub-officers, leading firemen and firemen.
22. If such a man (that is, one whose widow would qualify for only a flat rate pension) opts not to uprate his widow's entitlement to pension in respect of service before 1 April 1972, the enhancements (other than normal double reckoning after 20 years) shown in paragraph 12 do not apply for the calculation of the widow's pension. His widow's pension would be the greater of
- (a) a half rate pension based only on his service on and after 1 April 1972 with overall pensionable service after 20 years counting double, or
  - (b) the flat rate pension.

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### Example

*A fireman has 18 years' service on 1 April 1972 with an entitlement to a widow's flat rate pension in respect of that service. He retires after 25 years' total service (counting as 30) and dies in retirement. His average pensionable pay was £2,118. The widow's entitlement is calculated on the post 1 April 1972 service of 7 years to which is added 5 years for doubling after 20, to give a widow's pension of half of  $12/60$  of £2,118 equals £211.80, which is more favourable than the flat rate of £163.81, or, if appropriate, £123.12. If he had uprated his service prior to 1 April 1972 to half rate, the widow's pension would have been £529.50.*

### Example

*A fireman with 20 years' service on 1 April 1972 is retired on ill health grounds after 22 years' service (counting as 24) with average pensionable pay of £2,118. His ill health pension would be  $24/60$ ths plus  $7/60$ ths multiplied by £2,118 equals £1,094.30, but the widow's pension, based on service on and after 1 April 1972, would be half of  $4/60$  of £2,118 equals £70.60, which is less favourable than the flat rate of £163.81, or, if appropriate, £123.12, so that the flat rate would apply. If he had elected for service prior to 1 April 1972 to be uprate to attract the widow's half rate, her pension would have been half of his ill health pension, viz. £547.15.*

### Widows' mixed third rate/half rate pensions

23. Some men may opt to continue the arrangements for service prior to 1 April 1972 to attract the widow's third rate pension, and others may decide to buy in credit uplifting the service to attract the third rate instead of the flat rate. In both cases service on and after 1 April 1972 attracts the half rate, and the mixed third rate and half rate benefits will be dealt with as follows.
24. In the case of death after retirement with an ordinary or short service pension, the position is quite straightforward. The widow's pension is at the half rate in respect of service on and after 1 April 1972 and at the third rate for service before that date, always remembering that service after 20 years counts double. Where service is in excess of 30 years, counting as 40, only the last 40 are taken into account.

### Example

*A fireman has 18 years' service on 1 April 1972 with an entitlement to a widow's third rate pension in respect of that service. He retires after 32 years' total pensionable service (reckoning as 40) and dies in retirement. His average pensionable pay was £2,118 so that his pension is £1,412 a year. Since he had served 2 years more than necessary to earn a maximum pension, these 2 years are deducted from the 18 which earn the widow's one third rate pension, making 16, and the balance of 24 attracts pension at the half rate. His widow would therefore be entitled to a pension of half of  $24/60$ ths of £2,118, plus one third of  $16/60$ ths of £2,118 equals £611.87 a year. If he had opted for all his service to attract the widow's half rate her pension would have been £706 a year.*

25. The calculations are more complicated if the fireman dies while serving or while in receipt of an ill health pension. When this happens the widow's pension is based on her husband's pensionable service enhanced in the way described in paragraph 12. The question which arises is: does this enhancement count at the third rate or at the half rate for widow's pension, if the fireman opted to have his pre-1972 service at the third rate? The rule is that it always counts at the third rate except when a better result is obtained by awarding a half rate pension in respect of service from 1 April 1972, pre-1972 service being taken into account only for the purpose of assessing whether any post-1972 service counts at a higher rate.

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### Example

*A fireman has 2 years' pensionable service on 1 April 1972 and dies in service 10 years later aged 32. To calculate the widow's pension his pensionable service is increased from 12 to 20 years, but of those 20 years only 10 would reckon at the half rate, with the other 10 reckoning at the third rate. On the other hand, if only his service from 1 April 1972 is counted, this would give him "actual" pensionable service of 10 years, which again under the rules is increased to 20 years – but in this case the whole of the 20 years would be at the half rate, since there is no pre-1972 attracting the third rate. This calculation produces a larger widow's pension, and is therefore the one which is adopted.*

### Example

*A fireman completed 21 years' pensionable service on 1 April 1972 and dies in service 4 years later. The widow's pension is based on 29 years (21 years served prior to 1 April 1972 counting as 22 plus 7) at the third rate, and 8 years (4 years counting double from 1 April 1972) at the half rate. There is no advantage in ignoring the 21 years' service before 1 April 1972.*

### Widow's award where no long term pension payable

26. The widow's pensions described so far are all conditional on the fireman having completed 3 years' service. If he dies in service without having passed this qualifying period a short-term award to the widow is paid instead, assuming of course that he leaves a widow. This is similar to the special increase in widow's pension described in paragraph 14: that is, she is paid for 13 weeks at his rate of pensionable pay. In addition, there is a gratuity equal to one year's average pensionable pay of her late husband.
27. The widow's short-term award ceases if she dies or re-marries before the end of the 13 weeks' period, though if there are still some payments to be made for children these continue and go to whoever takes over care of the children (see paragraph 37).

### Pensions Increase

28. Widows' pensions are normally assessed on the husbands' pay at retirement, but when they come into payment they are increased in accordance with the Pensions (Increase) Act 1971. They continue to be reviewed on 1 December every year and are increased to compensate for the rise in the cost of living, provided this has gone up by at least 2% since the previous review. Thus in times of inflation widows' pensions so increased maintain their purchasing power and do not lose value in real terms. Similarly, the widow's "deferred" pension described in paragraphs 17 and 18 is increased when it comes into payment to compensate for the rise in the cost of living since the time her husband left the fire service with entitlement to a deferred pension.

## PART II – CHILDREN'S ALLOWANCES

29. On the death of a fireman or former fireman, allowances are payable in respect of children in certain circumstances. It is important that the conditions for payment of these allowances should be borne in mind in deciding whether or not to uprate service prior to 1 April 1972. The position may be summarised briefly as follows.
30. Before 1966, the Firemen's Pension Scheme provided only flat rate ordinary allowances for children. The current annual rates for each child vary according to the rank of the father, as follows –

Higher than DO1	£67.30
Higher than Sub-Officer but not higher than DO1	£54.78
Not higher than Sub-Officer	£45.91

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These rates continued to apply in respect of those men who did not elect in 1966 for the widow's third rate scheme. Where both parents are dead, increased allowances are payable. All allowances are reduced to take some account of social security family allowances.

31. Children's allowances are not payable when the widow's third rate pension, introduced in 1966, is in payment.

### The new arrangements

32. Under the new arrangements children's allowances will be payable in addition to the widow's half rate pension and they will not be reduced to take account of social security benefits. In the case where back service is not uprated to attract the widow's half rate pension, the children's allowances will be the greater of (a) the appropriate proportion (see paragraph 36) of the widow's half rate pension based only on the husband's service on or after 1 April 1972, with service after 20 years counting double, or (b) the unreduced flat rate.

### Eligible children

33. The following conditions govern entitlement to a child's allowance.
- (i) The child must normally be under 16 years of age, but if he or she is undergoing full time education, or is an apprentice, the allowance is payable to age 19. Exceptionally, an allowance is payable where the child of any age is suffering from a physical or mental disability which is likely to be permanent and the child is unlikely to be able to earn his own living. In such a case the allowance is payable for life or until such time as the child is able to earn his own living.
  - (ii) The child must be a child of the fireman or of his wife; a brother or sister of the fireman; or a dead brother, sister or child of the fireman. "Child" here includes legally adopted children, step-children and illegitimate children, and "brother" and "sister" include half-brothers and half-sisters.
  - (iii) The legitimate child of a fireman of a marriage before retirement is entitled to an allowance as of right. In any other case the child must have been substantially dependent on the fireman at the time of his retirement and of his death. "Dependent" means dependent on the fireman.

A child who satisfies all these conditions is known as an "eligible child"

### Conditions for paying a child's allowance

34. A child's allowance is payable if the fireman was serving on 31 March 1972 and –
- (a) died in service; or
  - (b) died while in receipt of a pension or while entitled to a deferred pension; or
  - (c) having retired from service on account of any injury, subsequently died from that injury.
35. Children's ordinary allowances come into payment from the date of the fireman's death, or cessation of pension, unless he leaves a widow who is eligible to be paid at his rate of pensionable pay or pension for the first 13 weeks that the widow's pension is payable after his death. If there is such a widow the children's allowances come into payment at the end of the 13 weeks' period. If there is no widow, the allowances are increased for the first 13 weeks so that in total they are equal to the father's pensionable pay or pension. In either case the allowance for each child will continue until the child is no longer eligible, i.e. until the child has

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passed the age of 16 and is no longer in full time education or is an apprentice, but if there is a disabled child the allowance can be for life (see paragraph 33(i)). If the father retired early with entitlement to a deferred pension the circumstances in which the allowances are increased are set out in paragraph 17 above.

### Method of calculation and payment

36. The amount of the child's allowance is based on the widow's pension. It is equal to one quarter of her pension for each of the first 3 children provided that the total of the widow's pension and children's allowances does not exceed the pension which was in payment to the fireman, before any reduction on account of buying in for the widow's pension. If the mother has died, the rate is equal to one half of her notional pension for one child, and to her notional pension for 2 or more children. Flat rates, not limited in number, are payable where these are more beneficial.

#### Example

*A fireman retires on grounds of ill health after 21 and a half years' service and commutes one quarter of his pension. His average pensionable pay is £2,118. He dies in retirement leaving a widow and 3 children. His pension is £1,059 (21 and a half years counting as 23 plus 7 giving a 30/60ths pension) of which he commutes £264.75 leaving the pension in payment as £794.25. Assuming his widow to be eligible for the half rate pension in respect of the whole of his service, she is paid for 13 weeks at the rate of his pension (£794.25 a year) after which her pension is payable at the normal rate of £529.50 a year. After the first 13 weeks the children's allowances are payable, but as three at £132.37 a year (one quarter of her pension) would give a total income of £926.61 (£529.50 plus £132.37 x 3) the children's allowances are restricted to £264.75 so that the total income does not exceed the husband's pension. If he had not commuted, his pension would have been £1,059 and therefore the children's allowances would have been payable in full.*

If there is a change in the number of children, or if the widow dies, the rate of children's allowance is recalculated.

#### Example

*In the example above, the children's allowances initially total £264.75. If after the fireman's death the widow herself dies leaving the children still eligible, the children's allowances are increased so that they amount in total to the widow's pension of £529.50. Shortly afterwards, the eldest child passes out of full time education but this does not affect the allowance since, after the death of the widow the rate for 2 is the same as for 3. But when the second child ceases to be eligible the rate will go down to £264.75 and when the third child passes out of childhood the allowances will cease.*

37. The children's allowances are normally paid to whoever is looking after the children i.e. either the widow or the children's guardian, and it is a condition of payment that the allowances are applied for the benefits of the children. If the fireman leaves eligible children in the care of more than one person, children's allowances are paid to each. Thus if the widow has died and there are 2 children in the care of one guardian and 3 children in the care of another the total children's allowances which equal the widow's pension are split between the 2 guardians in the ratio 2 to 3. In a case where the surviving widow has only some of the children in the marriage in her care, the children's allowances would be apportioned similarly, but the amount to be apportioned is limited to the total of the children's allowances payable when a widow's pension is in issue (see paragraph 36). In all cases the flat rates would be payable if they were more favourable.

### Pensions Increase

38. All these children's allowances attract pensions increase in the same way as widows' pensions (see paragraph 28).

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### PART III – OPTIONS AVAILABLE TO FIREMEN SERVING AS AT 31 MARCH 1972

39. Perhaps the message which emerges most clearly from this is that it is better to opt in the first place to have all service earning widow's pension and children's allowances at the higher rate. This means that the contributions to be paid are higher, but as explained in paragraphs 46 – 48, some or all of the extra contributions can be paid in a way which attracts tax relief, and this considerably reduces their true cost to the contributor. In return much better – and inflation proofed – family benefits are provided, and in the unfortunate event of death in service the increase in pensionable service counts at the half rate rather than at the third rate or flat rate. (It should be borne in mind that no children's allowances are payable with the widow's third rate pension.) Finally, it is well worth remembering that in buying back service credit all contributions are, in effect, matched by contributions by the fire authorities, so that if you choose to increase your widow's entitlement for your past service the increase in benefits may be worth considerably more than the extra contributions you pay for them – even ignoring the value of tax relief.
40. We must now consider the means by which firemen serving on 31 March 1972 may uprate their service prior to 1 April 1972 so that it attracts a better rate of widow's pension and children's allowances. The various options which are now to be made available are shown in the paragraphs which follow.

#### Men serving on 31 March 1972 who, in 1966, elected to continue contributing at a rate related to 5 per cent

41. For these men, service prior to 1 April 1972 attracts only the widow's flat rate pension. They may now uplift this service to attract *either* the widow's third or the widow's half rate pension. They may do this by the methods shown below. The tables are shown in Appendix 2 of this booklet. Payments are related to service reckonable prior to 1 April 1972 (but if between that date and 1 July 1973 any service has been transferred in from other employments that service, too must be taken into account).

##### (a) To the Third Rate

- (i) by additional contributions in accordance with table A, column 2;
- (ii) by lump sum payment – table B, column 2;
- (iii) by reduction of pension – table C, column 2.

##### (b) To the Half Rate

For those men who wish to uprate their service prior to 1 April 1972 from the flat rate to the half rate, they must first exercise one of the options at (a) above, and then further options are available, as follows, to lift the service to attract widows' half rate pensions:

- (i) by further contributions – table A, column 3;
- (ii) by lump sum payment – table B, column 3;
- (iii) by reduction of pension – table C, column 3.

The method selected under (b) need not be the same as for (a).

#### Men serving on 31 March 1972 who, in 1956, elected for the modified scheme

42. As indicated in paragraph 4, men who elected in 1956 for the modified scheme will now have the opportunity to cancel that election and come fully into the new scheme as from 1 April 1972. If they decide to do so, they must notify the fire authority in writing before the closing date for exercising the options described in this booklet. Then, having fully joined the new scheme, they may further elect to buy in back service credit for the widow's third rate or half rate pension as described in paragraph 41.

## Options for dependants' benefits based on service before 1 April 1972

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### Men serving on 31 March 1972 who were then contributing at a rate related to 6 per cent

43. These men have already made arrangements for all service to attract the widow's third rate pension, and those arrangements will continue unchanged. They now have the opportunity to uplift such service (including service transferred in from 1 April 1972 to 1 July 1973 – see paragraph 19) to attract the widow's half rate pension, by one of the methods shown below. The tables are shown in Appendix 2 of this booklet. The method selected need not be the same as the continuing arrangement for the widow's third.
- (i) by further contributions – table A, column 3;
  - (ii) by lump sum payment – table B, column 3
  - (iii) by reduction of pension – table C, column 3

### Effects of the various options – additional and further contributions

44. It should be noted that the facility to pay by additional or further contributions will not be available to those who have retired at the date they make their option. Nor will these facilities be available for those who as at 1 July 1973 had completed 41 years' and 3 months' service or could be compulsorily retired on age grounds before 1 April 1977. However, facilities to contribute by lump sum or reduction of pension will be available to these men.
45. In the case of men who at 1 April 1972 have less than 19 years' service (including earlier service outside the fire service, which has been transferred in between 1 April 1972 and 1 July 1973), additional and/or further contributions are payable as from 1 April 1973 until they complete 25 years' reckonable service: those with 19 years' service or more as at 1 April 1972 will pay for 5 years. If a man paying contributions on the 5 years' basis retires with an ordinary pension before completing his 5 year contract, the amount outstanding will be recovered by deducting an appropriate amount from pension until the 5 years are completed. On retirement on ill-health grounds or death, liability for contributions ceases.
46. The income tax position is of special importance in deciding whether an option to pay additional and/or further pension contributions should be exercised. Under Inland Revenue rules a man may not pay contributions in excess of 15 per cent of his taxable emoluments. However, in the fire service there are a number of taxable, non-pensionable allowances which may vary from time to time, and overtime, too, varies in amount. Therefore, the only practicable limitation to ensure conformity with the Inland Revenue rules is one of 15 per cent of pensionable pay, and this is the limit which is adopted. In a case where the total of ordinary, additional and further contributions would exceed this 15 per cent limit, the man will be able to uprate back service by using a suitable combination of the various methods.

### Effects of the various options – lump sum contributions

47. Lump sum contributions do not qualify for tax relief. They must be paid within 3 months of the date on which the scheme comes into operation. An option will not be effective until the lump sum is paid.

### Effects of the various options – contributions made by reduction of pension

48. The reduction of pension is a percentage of the gross pension before any reductions are made in respect of commutation, allocation, social security benefits etc, and the reduction applies as long as the pension is payable. Only the reduced pension counts as a taxable emolument. It is important to remember that, in general, increases under the Pensions (Increase) Act 1971 are calculated on the basis of the reduced pension in payment.

**Options for dependants' benefits based on service before 1 April 1972**

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**Arrears of contributions**

49. The assessments of contributions by way of reduction of pensions are geared to the effective date of the new pension scheme, 1 April 1972, and all reductions commence as from the date the pension comes into payment. By the time men who have retired since 31 March 1972 have had the opportunity to express their options substantial arrears will have accrued, but it is to be expected that fire authorities will make reasonable arrangement for the recovery of these arrears. For serving firemen who elect to buy credit for service prior to 1 April 1972 by additional or further pension contributions, payments will not start until 1 April 1973, in order to reduce the arrears which will have accumulated by the closing date for the exercise of options. That date will be 3 months after the Order introducing the new scheme comes into operation.
50. Special transitional arrangements are necessary in respect of those who die or are retired on grounds of ill health on or after 1 April 1972 but before exercising their options as to buying-in back service credit.
- (i) In the case of a man who dies in service, the widow will be able to elect that back service credit should be bought by contributions in accordance with Table A of Appendix 2. Contributions will be deemed to be payable as from 1 April 1972 to the date of the husband's death. Exercise of this option could be very valuable to such widows; it will be the only method available to them to have back service credited so that all service attracts the half rate pension.
  - (ii) In the case of the man in service on 31 March 1972 who retired after that date and dies before exercising his option, the widow would be able to make an election similar to (i) above the period for which contributions would be deemed to be payable in such a case being as from 1 April 1972 to the date of the husband's retirement.
  - (iii) For those who are retired on grounds of ill health on or after 1 April 1972, but before 1 July 1973, there will be an opportunity to elect to buy in by payment of contributions as from 1 April 1972 to the date of retirement. In these ill health cases, the alternative of purchase by reduction of pension will also be available.

The options indicated in this paragraph must be exercised within 3 months of the coming into operation of the Order introducing the new scheme, except that for those covered by (ii) the closing date will be 3 months after the husband's death if that is later.

**Cancellation of allocations made during service**

51. Any man who was serving on 31 March 1972 and who elects to uprate his service prior to 1 April 1972 to attract the widow's half rate pension may cancel, without change, any existing arrangement for allocating part of his pension to his potential widow, provided she is still alive at the date of cancellation. Such cancellation must be made at the same time as he makes his election.

## Options for dependants' benefits based on service before 1 April 1972

## APPENDIX I

## WIDOW'S ACCRUED PENSION: CALCULATIONS IN CASES OF MEN LEAVING EARLY WITH ENTITLEMENT TO A DEFERRED PENSION

Mention is made earlier in the booklet (see paragraphs 17 and 18) of the complications in calculating the widow's pension when the man was buying in his back service to uprate his widow's pension and left the service early with entitlement to a deferred pension.

If back service credit for the half rate was being purchased by further contributions, the half rate service to be credited for the early leaver would be –

$\frac{\text{Period for which contributions were paid}}{\text{Period for which contributions were due}} \times \text{length of service originally contracted to be bought in}$

**Example**

*A fireman appointed on 1 May 1967 at age 27 years 1 month resigned on 10 March 1982 having completed 14 years 10 months service. His average pensionable pay is £2,118 and as from 1 April 1973 he elected to buy in back service credit to uprate the widow's third to half rate pension by further contributions.*

- (a) Man's deferred pension: Since he could only have completed 27.5 years to reckon by age of compulsory retirement, his projected full term pension is  $35/60 \times £2,118$  equals £1,235.50. His deferred pension is  $14/27.5 \times £1,235.50$  equals £628.98.
- (b) Widow's accrued pension: he paid contributions for 8 years 11 months (107 months) but should have paid for 19 years 1 month (229 months). He was buying in 4 years 11 months (59 months). The amount to be credited is  $107/229 \times 59$  equals 2 years 3 months. In addition, he had paid for his 9 years 11 months from 1 April 1972 so that his total half service credit is 12 years 2 months. His total service counts as 14 years and, of this, 12 years attracts half rate pension and the balance (2 years) the third rate. The calculation of the widow's accrued pension is as follows –

Third rate service:	$1/3 \times 2/14$	$\times £628.98$	equals	£ 29.95
Half rate service:	$1/2 \times 12/14$	$\times £628.98$	equals	<u>£269.56</u>
		Total		<u>£299.51</u>

If a man had contracted to buy in back service for the half rate by reduction of pension, and subsequently resigned early with entitlement to a deferred pension, the half rate service to be credited would be –

$\frac{\text{Period from 1 April 1972 to resignation}}{\text{Period from 1 April 1972 to date on which he could have retired with an immediate pension}} \times \text{length of service originally contracted to be bought in}$

**Example**

*A fireman appointed on 1 October 1966 at age 20 resigned on 30 June 1979 having completed 12 years 9 months service. His average pensionable pay is £2,118 and as from 1 April 1972 he elected to buy in back service credit to uprate the widow's third to half rate pension by reduction of his pension.*

- (a) Man's deferred pension: since he could have completed 30 years by the age of compulsory retirement, his projected full term pension is  $40/60 \times £2,118$  equals £1,412. His deferred pension is  $12/30 \times £1,412$  equals £564.80. When the pension comes into payment (normally at age 60) it is reduced by £4.52 a year (0.8% of £564.80. See Table C.)
- (b) Widow's accrued pension: He served for 7 years 3 months (87 months) after 1 April 1972 and could have retired after completion of 30 years, i.e. 24 years 6 months (294) months after 1 April 1972. He was buying in 5 years 6 months (66 months). The amount to be credited is  $87/294 \times 66$  equals 1 year 7 months. In addition he had paid for his 7 years 3 months so that his total half service credit is 8 years 10 months. His total service counts as 12 years and, of this, 8 years attracts widow's half rate pension and the balance (4 years) the third rate. The calculation of the widow's accrued pension is as follows –

Third rate service:	$1/3 \times 4/12$	$\times £564.80$	equals	£ 62.75
Half rate service:	$1/2 \times 8/12$	$\times £564.80$	equals	<u>£188.26</u>
		Total		<u>£251.01</u>

## Options for dependants' benefits based on service before 1 April 1972

## APPENDIX 2

## TABLE A

Table for calculating additional contributions to buy in back service credit for the widow's third rate pension (column 2) and further contributions to uprate the third rate to the half rate (column 3).

1 Completed years of pensionable service as at 1 April 1972	2 Additional contributions for third rate %	3 Further contributions to uprate third rate to half rate %
1	0.1	0.1
2	0.1	0.1
3	0.2	0.2
4	0.2	0.2
5	0.3	0.3
6	0.4	0.3
7	0.5	0.4
8	0.6	0.5
9	0.7	0.6
10	0.8	0.7
11	1.0	0.8
12	1.2	0.9
13	1.4	1.1
14	1.7	1.3
15	2.0	1.5
16	2.4	1.8
17	2.9	2.2
18	3.6	2.7
19	4.2	3.1
20	4.4	3.3
21	4.6	3.4
22	4.8	3.5
23	5.0	3.6
24	5.1	3.8
25	5.3	3.9
26	5.5	4.0
27	5.6	4.2
28	5.8	4.3
29	6.0	4.4
30	6.1	4.5
31	6.1	4.5
32	6.2	4.6
33	6.3	4.6
34	6.4	4.7
35	6.4	4.7
36	6.5	4.8
37	6.6	4.9
38	6.6	4.9
39	6.7	5.0

NOTE: (1) For completed years 1 to 18 as at 1 April 1972 contributions continue from 1 April 1973 until 25 years' service have been completed: in other cases they are payable for 5 years.

(2) The total of ordinary, additional and further contributions must not exceed 15 per cent of pensionable pay.

(3) The treatment of certain service transferred in from other employments is mentioned in paragraphs 19, 41 and 43.

## Options for dependants' benefits based on service before 1 April 1972

## APPENDIX 2

## TABLE B

Table for calculating lump sums payable to buy in back service credit for the widow's third rate pension (column 2) and to uprate the third rate to the half rate (column 3).

1 Completed years of pensionable service as at 1 April 1972	2 For third rate %	3 To uprate third rate to half rate %
1	1.2	1.0
2	2.0	1.6
3	2.8	2.3
4	3.6	3.0
5	4.5	3.7
6	5.4	4.4
7	6.4	5.2
8	7.4	5.9
9	8.4	6.6
10	9.4	7.3
11	10.4	8.1
12	11.4	8.8
13	12.4	9.6
14	13.4	10.3
15	14.5	11.1
16	15.6	11.8
17	16.7	12.6
18	17.8	13.3
19	18.9	14.0
20	20.0	14.8
21	21.1	15.5
22	22.2	16.3
23	23.3	17.1
24	24.4	17.9
25	25.3	18.6
26	26.1	19.2
27	26.8	19.7
28	27.4	20.2
29	28.0	20.6
30	28.5	20.9
31	28.7	21.1
32	28.8	21.2
33	28.9	21.3
34	29.1	21.4
35	29.2	21.5
36	29.4	21.6
37	29.5	21.7
38	29.7	21.8
39 and over	29.9	22.0

NOTE: (1) "Pensionable pay" in this table is pensionable pay at 31 March 1972, for those in service on that date.

(2) The treatment of certain service transferred in from other employments is mentioned in paragraphs 19, 41 and 43.

## Options for dependants' benefits based on service before 1 April 1972

## APPENDIX 2

## TABLE C

Table for calculating reduction of pension to buy in credit for widow's third rate pension (column 2) and to uprate the third rate to the half rate (column 3).

1 Completed years of pensionable service as at 1 April 1972	2 For third rate %	3 To uprate third rate to half rate %
1	0.2	0.2
2	0.4	0.4
3	0.6	0.5
4	0.8	0.7
5	1.0	0.8
6	1.2	0.9
7	1.3	1.0
8	1.4	1.1
9	1.6	1.2
10	1.7	1.3
11	1.8	1.4
12	1.9	1.5
13	2.1	1.6
14	2.2	1.6
15	2.3	1.7
16	2.4	1.8
17	2.5	1.9
18	2.6	2.0
19	2.7	2.0
20	2.8	2.1
21	2.9	2.1
22	3.0	2.2
23	3.1	2.2
24	3.2	2.3
25	3.2	2.3
26	3.3	2.4
27	3.4	2.4
28	3.4	2.5
29	3.5	2.5
30 or more	3.5	2.5

NOTE: (1) Reductions commence as from the date the pension comes into payment and apply retrospectively to a date not earlier than 1 April 1972.

(2) The treatment of certain service transferred in from other employments is mentioned in paragraphs 19, 41 and 43.