

## Reduction of pension related to up-rating of widow's pension

Schedule 2 Part VIII explains how an ordinary, short service, ill-health or deferred pension may have to be reduced where a firefighter elected to provide greater widow's benefits in respect of service before 1 April 1972.

### Note

This section has been added at the end of Part B because it will apply only to male firefighters who have service before 1 April 1972. Consequently, if you are –

- a female firefighter, or
- a male firefighter with no pensionable service before 1 April 1972

you can ignore this section.

### Background

Before 1972, your service would not have attracted the same level of widow's and children's benefits as could be expected on today's service. When the FPS was amended to improve dependants' benefits, those improvements would apply to service on and from a particular date unless you elected to pay for them to be backdated. One means of paying for backdated improvements was to have your pension reduced at the time it became payable. Other options were to pay a lump sum or additional contributions. All options are looked at in more detail in Annexe 5. Here the effect of the reduction-to-pension option is considered.

#### **Before 26 August 1966**

a firefighter's widow was entitled to a flat-rate pension which bore no relation to the firefighter's pension and was not particularly generous. Apart from using the "allocation" rules (see Rule B9) the firefighter could not improve the level of benefit for his widow.

#### **From 26 August 1966**

a firefighter could elect to provide third rate cover for widow's benefits, i.e. a widow's pension equivalent to one third of his own pension entitlement. To do this he had to –

- increase his basic contribution rate from 5% to 6% with effect from 26 August 1966 to ensure service from that date attracted third rate cover, and
- pay for similar cover on service before that date. One method of payment was to agree to have his own pension reduced on retirement.

#### **From 1 April 1972**

every firefighter had to pay an increased contribution rate of 6.75% and all service from this date would attract widow's half rate cover. The firefighter could elect to provide half rate cover on earlier service and again this could be by having a reduction applied to his own pension on retirement.

## Reduction of pension related to up-rating of widow's pension

## Schedule 2 Part VIII (continued)

**Amount of reduction to pension**

The reduction for uprating widow's benefits would be applied to a firefighter's pension before any other reduction for –

- commutation (Rule B7)
- allocation (Rule B9)
- National Insurance modification (Schedule 2 Part VII)

When calculating the reduction by reference to the paragraphs of Schedule 2 Part VIII it is made clear that no account of any reduction in pension under one paragraph of Part VIII must be taken into account where a reduction under another paragraph of Part VIII is being calculated.

The reduction to pension is expressed as a percentage factor in the table on page B Gen 1-Chart 1. The factor(s) to be used depend upon how and when the firefighter chose to uprate widow's cover.

**26 August 1966**

If, at this date, you chose to increase your basic contribution rate from 5% to 6% then widow's pension cover was increased from flat rate to third rate on service accrued from this date. But you also had to pay extra to provide third rate cover on previous service. If you chose to pay by a reduction to your own pension, the rate of reduction is calculated by using the percentage factor given in Column 2 of the table as appropriate to the number of completed years of service before the 6% contribution rate became payable, as shown in Column 1.

**1 April 1972**

An increase in contribution rate from 5% or 6% to 6.75% was compulsory with effect from 1 April 1972. With effect from that date all future service would attract a widow's half rate pension. You could also choose to provide half rate cover on pre 1 April 1972 service but had to pay for it. If you chose to pay by a reduction to your own pension, the reduction due would depend upon whether you had service before 26 August 1966 and whether you had chosen to uprate that earlier service to provide a widow's third rate pension.

Those firefighters who –

- had no service before 26 August 1966, or
- had elected to provide third rate cover on service before 26 August 1966

would have the reduction to pension assessed by using the percentage factor given in Column 3 of the table, appropriate to the number of completed years of service they had at 1 April 1972 as shown in Column 1 of the table. If they had elected to pay for a pre 26 August 1966 election by a reduction in pension, the 1966 factor and the 1972 factor would be added together and deducted from the pension.

## Reduction of pension related to up-rating of widow's pension

## Schedule 2 Part VIII (continued)

**Amount of reduction to pension (continued)**

Those firefighters who –

- had service before 26 August 1966, and
- had chosen not to provide third rate cover on service

now had another chance to increase cover to third rate or even to half rate.

For third rate cover only, this is provided by a percentage reduction assessed according to the number of completed years of service at 1 April 1972 shown in Column 1 of the table and the percentage factor in Column 2.

To raise the cover to half rate, the percentage factor in Column 3 appropriate to the number of completed years of service at 1 April 1972 shown in Column 1 is used. This factor is added to the third rate cover factor and the total percentage deducted from the pension.

**Example**

An example of how the percentage reduction is applied to a pension is given on pages B Gen 1-Example 1

**Points To Note**

1. Pensionable service which never needs uprating to provide a widow's half rate pension includes service –
  - as a regular firefighter on or after 1 April 1972
  - which counts under Rule F7, i.e. where a transfer value has been received by the FPS in respect of previous pension rights in some other pension scheme
  - which counts under Rule I6, i.e. service as a serviceman
  - which counted on 1 July 1973, was not service as a regular firefighter on or after 1 April 1972, and amounts to less than one year.
2. Pensionable service which needs uprating includes service which counts –
  - on or after 1 July 1973 under Articles 51 or 52 of the Firemen's Pension Scheme Order 1973 (previous interchange arrangements)
  - on or after 1 July 1973 under Rule F4 or Articles 48 or 49 of the Firemen's Pension Scheme Order 1973 (previous service reckonable on payment) with one exception.

The exception referred to above is where you

- uprated your service to provide widow's third rate or half rate cover by the payment of a lump sum in 1973,
- left the fire service with an entitlement to a deferred pension, and
- later came back to count previous service under Rule F4(1) (or Article 48(1) of the Firemen's Pension Scheme Order 1973) on giving up your deferred pension entitlement.

In this case your uprating election is allowed to stand and your pension will not be reduced in respect of uprating (i.e. to third rate or half rate or both) which you paid for by lump sum.

**Reduction of pension related to up-rating of widow's pension****Schedule 2 Part VIII (continued)****Points To Note continued**

3. Service for which you paid contributions before 1 April 1972 at 6% of pensionable pay, never needs uprating for widow's third rate pension cover.
4. If a firefighter elects to update widow's cover by a reduction to pension but dies before his pension becomes payable, the uprating applies in full, even though he has not "paid" for it.
5. All firefighters who chose to uprate service before 1 April 1972 by the payment of additional contributions will have completed payment by now. However, provision was made in Schedule 2 Part VIII for a reduction to be applied to the pension of a firefighter who retired with an ordinary pension before having completed payment. Paragraph 6 of Part VIII explains that the ordinary pension will be reduced by the outstanding amount of contributions, i.e. the sum that would have been paid (based on the rate of pensionable pay at the date of retirement) had the additional contributions been deducted from pay until the date at which they were due to cease.
6. If you elected to have your pension reduced on retirement that election will stand even if you are single, divorced or widowed at retirement.

**Reduction of pension related to up-rating of widow's pension**

**Reduction factors: Table as appears in Schedule 2 Part VIII Paragraph 5  
Percentage reduction to pension**

<b>1</b>	<b>2</b>	<b>3</b>
<b>Completed years of pensionable service</b>	<b>% reduction third rate widow's pension</b>	<b>% reduction half rate widow's pension</b>
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

## Reduction of pension related to up-rating of widow's pension

## Example of reduction to firefighter's pension for uprating widow's pension

**Example A**

*A male firefighter elects in 1966 to pay the new basic contribution rate of 6% for widow's third rate pension cover on his service on and after 26 August 1966 and to uprate all previous service for similar cover. His chosen method of payment for the uprating of previous service is to have a reduction applied to his own pension on retirement. He had 10 years service in 1966 when he made this election and the actuarial factors relevant to 10 years service at that time showed that his pension would have to be reduced by 1.7% (the 1966 factors are identical to the factors in Column 2 of the table shown on page B Gen 1-Chart 1). His retirement pension before any other reduction is £10,000 a year.*

If he retired before the option to increase backdated cover for widow's pension to half rate was introduced in 1972, or remained in service but declined to take up the further option his pension would simply have been reduced by the 1966 table factor of 1.7%.

Formula: Annual rate of pension less table factor

Firefighter's reduced pension will be:

$$\begin{aligned} &£10,000.00 \text{ less } (1.7\% \times £10,000.00) \\ &= £9,830.00 \text{ a year} \end{aligned}$$

*The firefighter continued in service and in 1972 decided to provide half rate widow's cover on all service for his wife. He had completed 16 years service at 1 April 1972. His retirement pension before any other reduction is £10,000 a year.*

When he retires the percentage factor from the 1966 table is added to the percentage factor taken from the 1972 table and the total percentage deducted from his pension. The relevant table factor for a firefighter with 16 years' service and who wishes to uprate third rate cover to half rate cover is 1.8% (see page B Gen 1-Chart 1).

Formula: Annual rate of pension less table factors

Firefighter's reduced pension will be:

$$\begin{aligned} &£10,000.00 \text{ less } (1.7\% + 1.8\% \times £10,000.00) = £10,000.00 \text{ less } (3.5\% \times £10,000.00) \\ &= £9,650.00 \text{ a year} \end{aligned}$$

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Another example follows . . .

## Reduction of pension related to up-rating of widow's pension

## Example of reduction to firefighter's pension for uprating widow's pension (continued)

**Example B**

*A male firefighter chose not to pay the new basic contribution rate of 6% for widow's third rate pension cover in 1966. In 1972, however, he decided that he would like to uprate all previous service. His chosen method of payment for uprating previous service was to have a reduction applied to his own pension on retirement. At 1 April 1972 he had 16 completed years of service. His retirement pension before any other reduction is £10,000 a year.*

He could choose to uprate previous service for a widow's third rate pension. With 16 years service at 1 April 1972 this would mean a percentage reduction to his pension of 2.4% (see page B Gen 1-Chart 1). This is more expensive than it would have been had he elected for the third rate cover in 1966.

Formula: Annual rate of pension less table factor

Firefighter's reduced pension will be:

$$\begin{aligned} &£10,000.00 \text{ less } (2.4\% \times £10,000.00) \\ &= £9,760.00 \text{ a year} \end{aligned}$$

Alternatively, he could choose to uprate all previous service to provide half rate widow's pension cover for his wife. With 16 years service at 1 April 1972 this would mean a percentage reduction to his pension of 2.4% to uprate to third rate and then an additional reduction of 1.8% to uprate to half rate (see page B Gen 1-Chart 1).

Formula: Annual rate of pension less table factors

Firefighter's reduced pension will be:

$$\begin{aligned} &£10,000.00 \text{ less } (2.4\% + 1.8\% \times £10,000.00) = £10,000.00 \text{ less } (4.2\% \times £10,000.00) \\ &= £9,580.00 \text{ a year} \end{aligned}$$


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