

RULE D4 Child's accrued allowance

**Rule D4 sets out the terms of eligibility for the child of a former firefighter or optant-out who was entitled to a deferred pension.
Part III of Schedule 4 explains how the award should be calculated.**

Eligibility for a child's accrued award

Rule D4(1) applies this rule to your child if, at the time of your death, you were entitled to a deferred pension, regardless of whether or not the pension was actually in payment at that time.

Exclusions

This Rule will only apply to an optant-out if, at the time of opting-out, the firefighter had sufficient pensionable service to be awarded a deferred pension.

Limitations

See Rule D5 for age limits and the adjustment or limitation of benefits.

See Schedule 1 Part I for the definition of "child" (repeated in "Points To Note", Point 1 below).

See pages D Gen 2-Chart 1 for the terms of calculation if you have any service before 1 April 1972.

If a pension sharing order has been made by a court following divorce, dissolution of civil partnership, or annulment, this does **not** affect the amount payable to eligible children (see Rule B6).

Method of calculation: firefighter with all service after 31 March 1972

Part III of Schedule 4 sets out the method of calculation of a child's accrued allowance. It cross-refers to Part I of Schedule 4 (child's ordinary allowance) for some of the principles of calculation.

As in the case of a child's ordinary allowance under Rule D1, an election for a flat rate award as set out in Rule E9 can be made if preferred. A flat rate award was the standard award for a child under earlier versions of the FPS. However, it would be most unusual nowadays for it to produce a greater sum than that calculated on the standard principles.

One exception to the right to elect for a flat rate award is where the firefighter was a serving optant-out at the time of death.

The amount of an allowance will depend upon whether –

- one of the child(ren)'s parents is still alive, and
- the number of children entitled to an accrued allowance.

Rule D4 (continued)

**Method of calculation:
firefighter with
all service after
31 March 1972
(continued)**

Where one of the child(ren)'s parents is still alive –

- if there are less than 3 children, each child would be entitled to 18.75% of the deceased's deferred pension
- if there are 3 or more children, each child would be entitled to 37.5% of the deceased's deferred pension divided by the number of children.

For example:

- one child would get 18.75% of the deferred pension
- two children would get 18.75% each
- three children would get 37.5% divided by 3, i.e. 12.5% each
- four children would get 37.5% divided by 4, i.e. 9.375% each

and so on

Where neither of the child(ren)'s parents is still alive –

- if there are less than 3 children, each child would be entitled to 25% of the deceased's deferred pension
- if there are 3 or more children, each child would be entitled to 50% of the deceased's deferred pension divided by the number of children.

For example:

- one child would get 25% of the deferred pension
- two children would get 25% each
- three children would get 50% divided by 3, i.e. 16.6% each
- four children would get 50% divided by 4, i.e. 12% each

and so on.

In all cases the amount of deferred pension used in the calculation must disregard deductions in respect of –

- commutation (Rule B7)
- allocation (Rule B9)
- National Insurance modification (Part VII of Schedule 2) – generally firefighters with service before 1 April 1980
- uprating of widow's pension (Part VIII of Schedule 2) – see pages B Gen 1 if you have service before 1 April 1972 to which this would apply.

Because, under Rule B6, any reduction in a firefighter's own pension required by a pension sharing order issued by a court on divorce, dissolution of civil partnership, or annulment, must be disregarded, the deferred pension must be the pension the firefighter would have received had the pension sharing order not been made.

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Rule D4 (continued)

Method of calculation: firefighter with all service after 31 March 1972 (continued)

Under paragraph 2(1) of Part I of Schedule 4, the total of your widow(er)'s or civil partner's ordinary pension and children's ordinary allowances (other than flat rate awards) may not be more than any pension you were receiving just before you died. For this purpose –

- any Pensions Increase payable on your dependants' benefits or your own pension is also ignored, because the reference to these awards is to them as payable under the FPS. Pensions Increase is not payable under the FPS, but under Pensions Increase Acts and Orders, and
- the only reductions in your pension which will be ignored are those under Parts VII and VIII of Schedule 2 (i.e. for National Insurance modification and for uprating of widow's pensions). So if, for instance, you commute or allocate part of your pension, your widow(er)'s or civil partner's and children's pension and allowances together may not exceed your pension after your commutation or allocation.

However, a child's allowance should not be reduced under this provision if the reason for the potential reduction is a reduction in the firefighter's own pension entitlement on account of a pension sharing order issued by a court on divorce, dissolution of civil partnership, or annulment.

Effect of part-time service

If the firefighter had a period of part-time service, Schedule 4 Part III, paragraph 4 requires that the firefighter's deferred pension should be assessed taking account of Schedule 2 Part VIA (calculation of awards for part-time service). The pages of the Commentary which cover Rule B13 explain this Part of Schedule 2 and pages which give details of Rule B5 show the effect of part-time service on the calculation of a deferred pension.

Tax

Dependants' pension benefits are not tested for Lifetime Allowance purposes following the death of a pension scheme member, but the aggregate of dependants' scheme pensions must not exceed the amount of the member's scheme pension at the date of his/her death.

Payment

Payment will be made in accordance with Rules L3 and L5.

Example

Examples of the assessment of a child's accrued allowance are given on pages D4-Example 1.

Rule D4 (continued)

- Useful reference source**
- FSC 8/1989: explains the increase in child's ordinary allowance (and accrued allowance by cross-reference) from 12.5% to 18.75% for a single child with effect from 19 March 1988.
 - FSC 30/2004: introduction of pension provisions for part-time regular firefighters
 - FPSC 5/2005: introduction of survivor's benefits for civil partners

Points To Note

1. A "child" is defined by Part I of Schedule 1 as a legitimate or illegitimate child, step-child or adopted child of a person who dies. It can also mean any other child who was –
 - substantially dependent on that person, and either
 - related to that person, or
 - the child of that person's spouse or civil partner.
2. If you have any service before 1 April 1972 refer to pages D Gen 2 for details of the method of calculation.
3. A table summarising the maximum amounts of children's allowances is given at page D Gen 1-Chart 1.
4. If you should die as a result of a qualifying injury, your children will normally receive special allowances under the Firefighters' Compensation Scheme instead of accrued allowances.
5. Children's allowances are taken into account when assessing the level of 13 weeks' "top-up" payment to be paid to a widow(er) or civil partner under Rule E8. If there is no surviving spouse or civil partner, or the surviving spouse or civil partner was not entitled to a pension payable for 13 weeks, then the children's accrued allowance will be "topped-up" under Rule E8.
6. The basic amount of a child's ordinary allowance may be reduced if the child is in full-time training and being paid above a certain level (see Rule D5).
7. Children's allowances may need to be recalculated if –
 - their remaining parent dies,
 - the number of eligible children changes, or
 - there is a change in the amount of an allowance payable to a child in training (see Rule D5).

Rule D4 (continued)

Points To Note continued

8. Flat rate allowances (unlimited in number) will be paid to your children for any periods for which they are more favourable. This is likely to happen only if –
- your service was very short, or
 - there are several eligible children so that the total group of flat rate allowances would be greater than the group maximum (see the table on page D Gen 1-Chart 1).

Note, however, that the flat rate pension option is not available if you die in service as an optant-out of the FPS.

Also, there is a tax limit on total level of benefits that can be paid to dependants – see "Tax" above.

9. A table summarising age and eligibility for children's awards is given at D5-Chart 1.
10. The amount of a child's accrued allowance will not be affected by a pension sharing order issued by a court on divorce, dissolution of civil partnership, annulment, or an "earmarking" order issued on divorce, dissolution of civil partnership, annulment or judicial separation (see Annexe 14).
11. Pension provisions for part-time regular firefighters were introduced on 13 September 2004.
12. Benefits for surviving civil partners were introduced into the FPS on 5 December 2005 but are based on service after 5 April 1988 only.

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Example of assessment of child's accrued allowance

Example A

A former firefighter dies while receiving a deferred pension. He leaves a widow and 3 children. The deferred pension before commutation, allocation and Pensions Increase is £15,000 a year. Reduction for NI modification and widow's pension uprating did not apply.

Each child will be entitled to an accrued allowance based on a percentage of their father's deferred pension. Because one of the children's parents is alive a single child's allowance will be 18.75% of the former firefighter's pension, the maximum total allowance will be 37.5% of the pension.

Formula: One child's accrued allowance is:

$$18.75\% \times \text{former firefighter's deferred pension before commutation, allocation and Pensions Increase}$$

Maximum total of child's accrued allowances is:

$$37.5\% \times \text{former firefighter's deferred pension before commutation, allocation and Pensions Increase}$$

One child's accrued allowance will be:

$$\begin{aligned} &18.75\% \times £15,000.00 \\ &= £2,812.50 \text{ a year} \end{aligned}$$

Maximum total of child's special allowances will be:

$$\begin{aligned} &37.5\% \times £15,000.00 \\ &= £5,625.00 \text{ a year} \end{aligned}$$

The maximum total is apportioned equally between the number of eligible children until just one remains:

- if there are 3 eligible children, each child will receive an allowance of $£5,625.00/3 = £1,875.00$ a year
- if there are 2 eligible children, each child will receive an allowance of $£2,812.50$ a year
- if there is only one eligible child, he or she will receive an allowance of $£2,812.50$ a year

Each child's allowance will be increased by Pensions Increase from the date at the end of the averaging period used for working out APP, i.e. normally from the day after the firefighter's last day of service. The allowance will continue to increase in this way each year for so long as it is payable. See Annexe 10 for more information about Pensions Increase and how it is applied.

Another example follows . . .

Example of assessment of child's accrued allowance (continued)

Example B

A former firefighter dies. She had entitlement to a deferred pension, not yet in payment, of £6,000 a year before Pensions Increase (as it had not yet come into payment, no reduction has been made for commutation, allocation or NI modification). Her husband has predeceased her and she leaves 3 eligible children.

Each child will be entitled to an accrued allowance based on a percentage of their mother's deferred pension. Because the children do not have a living parent, a single child's allowance will be 25% of the former firefighter's pension, the maximum total allowance will be 50% of the pension.

Formula: One child's accrued allowance is:

$25\% \times$ former firefighter's deferred pension before Pensions Increase

Maximum total of child's accrued allowances is:

$50\% \times$ former firefighter's deferred pension before Pensions Increase

One child's accrued allowance will be:

$25\% \times$ £6,000.00

= £1,500.00 a year

Maximum total of child's special allowances will be:

$50\% \times$ £6,000.00

= £3,000.00 a year

The maximum total is apportioned equally between the number of eligible children until just one remains:

- if there are 3 eligible children, each child will receive an allowance of $£3,000.00/3 = £1,000.00$ a year
- if there are 2 eligible children, each child will receive an allowance of £1,500.00 a year
- if there is only one eligible child, he or she will receive an allowance of £1,500.00 a year

Each child's allowance will be increased by Pensions Increase from the date at the end of the averaging period used for working out APP, i.e. normally from the day after the firefighter's last day of service. The allowance will continue to increase in this way each year for so long as it is payable. See Annexe 10 for more information about Pensions Increase and how it is applied.

Although no widower's pension is payable, for the first 13 weeks following their mother's death the children's allowances will not be increased. This is because the 13-week "top-up" is only allowed in the case of a deferred pension if that pension was in payment at the date of the former firefighter's death. See Rule E8.

Another example follows . . .

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Example of assessment of child's accrued allowance (continued)

Example C

A former firefighter dies. He had entitlement to a deferred pension, not yet in payment. His wife had predeceased him and he leaves 2 eligible children. Each child will be entitled to an accrued allowance based on a percentage of their father's deferred pension. Because the children do not have a living parent, a single child's allowance of 25% of the deferred pension will be paid to each child.

The firefighter had served for 20 years, 10 at whole-time and 10 at part-time (half-time). His deferred pension had he been whole-time throughout would have been £15,000.

Formula: Firstly the whole-time deferred pension must be pro rated in accordance with the formula in Schedule 2 Part VIA:

$$\frac{A \times (B + C)}{D} \quad \text{where}$$

$$A = \text{£}15,000$$

$$B = 10$$

$$C = 5$$

$$D = 20$$

$$\frac{\text{£}15,000 \times (10 + 5)}{20}$$

$$= \text{£}11,250.00$$

One child's accrued allowance is:

$$25\% \times \text{former firefighter's pro rata deferred pension before Pensions Increase}$$

Maximum total of child's accrued allowances is:

$$50\% \times \text{former firefighter's pro rata deferred pension before Pensions Increase}$$

One child's accrued allowance will be:

$$25\% \times \text{£}11,250.00$$

$$= \text{£}2,812.50 \text{ a year}$$

Each child will receive £2,812.50 a year for so long as they are eligible.

Each child's allowance will be increased by Pensions Increase from the date at the end of the averaging period used for working out APP, i.e. normally from the day after the firefighter's last day of service. The allowance will continue to increase in this way each year for so long as it is payable. See Annexe 10 for more information about Pensions Increase and how it is applied.

Although no widow's pension is payable, for the first 13 weeks following their mother's death the children's allowances will not be increased. This is because the 13-week "top-up" is only allowed in the case of a deferred pension if that pension was in payment at the date of the former firefighter's death. See Rule E8.