

Firefighters Pensions Technical Community

Technical Issues Paper to accompany agenda for 10 April 2018

Application of Two-Pot Pension rule for survivor benefits where a member is in receipt of a pension from the 1992 scheme and 2015 scheme benefits are deferred

1. A khub query on the application of scheme rules for an unmarried 1992 transition member of the 2015 scheme - https://khub.net/group/thefirefighterspensionsdiscussionforum/group-forum/-/message_boards/view_message/93402442#_com_liferay_message_boards_web_portlet_MBPortlet_message_92963169
2. What survivor benefits would be paid to an unmarried member of the 1992 scheme, who will transition into the 2015 scheme about 18 months prior to retiring at 30 years' service, if they retire and begin to draw 1992 benefits but, before 2015 benefits become payable?
3. Slide 11 of the survivor benefits quick guide covers the position, where a member dies in service whilst in the 2015 scheme - <http://www.fpsboard.org/images/PDF/Bulletin3/Appendix1.pdf>
4. Where the member has retired from the 1992 scheme, but defers the 2015 scheme benefits, the survivors pension would be calculated under the relevant rules of each scheme.
 - [2015 Scheme](#)

The relevant rule for the 2015 scheme portion is 76 (which defines surviving partner) and 79 (which is payment of benefits for a deferred member)
 - [1992 Scheme](#)

The relevant rule for the 1992 scheme is Part C, rule C1.
 - [2006 Scheme](#)

The relevant rule is Part 4, Chapter 1
5. If a member were to die whilst a retired member of the 1992 scheme and a deferred member of the 2015 scheme, then a pension would only be paid to a spouse or civil partner from the 1992 pension, and a surviving partner (as defined in rule 76) from the 2015 scheme.
6. Does the technical group agree this interpretation?

Survivor benefits – Orphaned childrens pensions

1. Query received on the application of the orphaned childrens pensions rules of the 2006 & 2015 schemes.

- 2006 Scheme - [Part 4, Rule 10](#)

Pension for child where no survivor's pension paid

10.—(1) Where—

(a) no person is entitled to a pension under rule 1 as a survivor of the deceased, and

(b) a child of the deceased is eligible for a child's pension under rule 6,

the authority shall pay to the child, for so long as he is an eligible child, the amount that would have been paid by way of survivor's pension under rule 2 of this Part if, in paragraph (1) of that rule, the words "Subject to rule 3" had been omitted.

- 2015 Scheme – Regulation [90](#)

(2) If this regulation applies and there is an eligible child, that child is also entitled to the amount of pension in accordance with paragraphs (3) or (4) which the surviving partner would have received—

2. The wording of regulation [90](#) in the 2015 scheme, appears to be clear that the pension is paid in addition to the child's standard pension. However, there is some ambiguity in the wording of the 2006 regulations, whether the pension paid under [Part 4, Rule 10](#) is in addition or instead of the pension they are entitled to in rule 8.
3. Due to the current constraints on legislation and the relatively limited scenario it is proposed that the technical group propose an agreed approach to payments under the 2006 scheme.

Spouses pension on early retirement from 2006 & 2015 scheme

1. Query received on the application of the survivor pension rules for members of the 2006 & 2015 schemes who have received an actuarially reduced pension.

- 2006 Scheme, Part 4, Chapter 1, Rule 2, Paragraph 3 - <http://www.legislation.gov.uk/ukxi/2006/3432/schedule/1/part/4/chapter/1/paragraph/2/made>

(3) Where the deceased had taken member-initiated early retirement, the amount of the survivor's pension is—

(a) half of the amount of the pension which the deceased would have received if there had been no actuarial reduction; or

(b) where a portion of the deceased's pension had been commuted, the amount found by dividing by 2 the product of A and B, where—

A is the amount which the deceased would have received if there had been no actuarial reduction; and

B is the fraction which represents the uncommuted portion of A expressed as a fraction of A.

- 2015 Scheme, Regulation 80, paragraph 4
<http://www.legislation.gov.uk/uksi/2014/2848/regulation/80/made>

(4) Where an early payment reduction had been made on P's retirement, the amount in paragraph (2) is half of the amount of retirement pension that would have been payable to P if that reduction had not been made.

2. Whilst it appear that the 2015 rules do not go into as much detail as the 2006 scheme, the drafting principles of the 2015 scheme were that the 2015 scheme would follow the same principles of the 2006 scheme regulations.
3. Therefore the 2015 scheme should follow the same principles as the 2006 scheme, however there has been a query on the interpretation of the 2006 scheme rules on the actual calculation.

where a portion of the deceased's pension had been commuted, the amount found by dividing by 2 the product of A and B, where—

- A is the amount which the deceased would have received if there had been no actuarial reduction; and
- B is the fraction which represents the uncommuted portion of A expressed as a fraction of A.

Calculation 1

4. Calculation 1 assumes that the amount of commutation deducted from the spouses pension is the same as deducted from the members pension, and it is just the actuarial reduction that is not counted

Unreduced Pension at early retirement	=	£14,815.07
Less reduction for early retirement	=	£5970.47
[£14,815.07 - £5970.47]	=	£8844.60
Less 25% commutation [£8844.60 × 0.25]	=	£2211.15

Total Pension in Payment = £6633.45

Unreduced pension at early retirement	=	£14,815.07
Less original commutation amount	=	£2,211.15
[£14,815.07 – £2211.15]	=	£12,603.92
Divided by two [£12,603.92 ÷ 2]	=	£6,301.96

Total Spouses Pension = £6,301.96

Calculation 2

Unreduced Pension at early retirement	=	£14,815.07
Less reduction for early retirement	=	£5970.47
[£14,815.07 - £5970.47]	=	£8844.60
Less 25% commutation [£8844.60 × 0.25]	=	£2211.15

Total Pension in Payment = £6633.45

Unreduced pension at early retirement	=	£14,815.07
Less 25% commutation [£14,815.07 *0.25]	=	£3,703.77
[£14,815.07 – £3,703.77]	=	£11,111.30
Divided by two [£11,111.30 ÷ 2]	=	£5,555.65

Total Spouses Pension = £5,555.65

5. Which calculation does the group feel reflects the instructions in the 2006 scheme?

Issues arising from combining pension service in the Firefighter Pension Schemes

1. You may recall the technical group has previously discussed issues arising from combining pensionable service. The communications group have agreed some broad principles and drafted the attached guide, **and are seeking views from the technical group on the guide.**
2. As always, there are a few issues that have been drawn out in completing the guide.

The queries centre on FPS15 members who have a deferred FPS 1992 record, and join the FPS 15 with a gap in service of less than five years. It is the comms group view that the final salary protection of [schedule 2, regulation 33](#) applies. However, they have encountered a couple of issues with regards to the application of it that they wish to seek the technical group view.

- I. The first is what happens if the final pensionable pay at retirement calculates a lower pension than the original deferred benefit with PI.

Should a 'better of' calculation be applied and the member given the higher benefit ie DB with PI or re-calculated on FPP at retirement? And if so, on which basis as the regulations do not appear to give any guidance on this.

II. The second, is what if the deferred FPS 1992 was held with another FRA , should the liability for the deferred 1992 move to the new FRA to ensure they apply the FPP at retirement, or does the original FRA flag the account to show it has a final salary link that will apply?

- Stay with the previous FRA – with a flag to say that it has a partner FPS 15 active account elsewhere, so that the new FRA will need to advise the FRA holding the DB of the revised final salary pay when the member finally leaves or retires from FRA 2
- Move it all to the new FRA – who will need to hold a liability for a DB built up under another FRA

The comms group felt that it should be option 2, move to the new FRA, and are seeking the technical group view, and agreement to a consistent approach.

Distribution

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