ANNEXES

A

ANNEX 1	PENSIONS INCREASE
ANNEX 2	STATE PENSIONS
ANNEX 3	TAXATION
ANNEX 4	GOVERNMENT ACTUARY'S RESPONSIBILITIES
ANNEX 5	OPTANTS OUT

GENERAL

This Annex is intended to give you a general idea of the background to pensions increase (PI) and how and when you will qualify for it.

The main pensions increase legislation is separate from the pension scheme, and is the responsibility of the Treasury. The FPS provides for PI to be added to flat-rate awards for dependants under rule E9. However, these awards are increased at the same time and by the same percentages as other awards under the FPS, which are increased directly under the main pensions increase legislation.

This Annex only sketches the PI position and cannot be taken as a complete or authoritative statement. It sets out to explain briefly:

* What is pensions increase?
* The background to PI
* Who is eligible for increases?
* Which awards are increased?
* When is the increase paid?
* How is the increase calculated?
* How is the increase paid?

There is some overlap between these questions as aspects of PI fall within more than one of them.

WHAT IS PENSIONS INCREASE?

Pensions increase is the system by which pensions, once in payment, are increased from time to time, to maintain their purchasing power, taking account of movements in the general retail price index (RPI) since they were awarded.

The system variously referred to as:
- "inflation proofing",
- "cost of living increases",
- "index-linking",
- "the maintenance of the purchasing power of a pension",
- "PI".

Preserved (deferred) pensions and lump sums are also increased to maintain their value up to the date when they become payable.

Your first PI after your pension comes into payment will normally be based on the number of months from the date when your pension began, until the date when the increase is paid.

There is little to be gained, in terms of PI, from choosing your date of retirement.

THE BACKGROUND TO PI

Before 1971 there was an <u>ad hoc</u> system of PI in the public services, under which smaller pensions were increased at irregular intervals, mainly with the object of relieving hardship.

The Pensions (Increase) Act 1971 ("the 1971 Act") gave public service pensioners (including fire pensioners) a statutory entitlement to PI every 2 years, once the RPI had risen by at least 4% during the review period, if certain basic conditions relating to age and circumstances were met. It also made good the deficiencies of the previous Acts by a complicated formula which ensured that the purchasing power of a pension already in payment was at least restored to its original level.

In 1972 the Act was amended to provide for annual reviews and annual increases, once the RPI had risen by at least 2%.

In the private sector there is no statutory entitlement to PI and private sector schemes cannot guarantee to inflation-proof pensions, although many provide a high degree of inflation-proofing.

Following the period of rising inflation during the 1970s, when the value of an entitlement to PI was brought home to people generally, the public service system was reviewed.

An independent Inquiry into the Value of Pensions, under the Chairmanship of Sir Bernard Scott, reported in February 1981 (Cmnd. 8147). It concluded that, both for the public and private sector, "the protection of the standard of living of those in retirement was a highly desirable social objective".

The Committee, however, also recognised the feeling of injustice widely held in the private sector where a guarantee of inflation-proofing could not be obtained on any terms. It suggested that good pensions, like anything else, had to be earned and paid for during working life. It recommended that the contributions paid by public servants towards the costs of their pensions should be reviewed to ensure that they were realistic in the light of the value of the benefits available.

In April 1983, after a review of the cost of the FPS, pension contribution rates of:
- 8.75% of pensionable pay from 1 May 1983, and
- 10.75% of pensionable pay from 1 November 1983

were introduced for regular firefighters.
The corresponding rates for those subject to Part IV of Schedule 11 were:
- 6.25% of pensionable pay, 1 May 1983, and
- 7.5% of *pensionable pay from 1 November 1983.

(* An extra 0.25% was added to these rates with effect from 1 July 1991 to provide for a death-in-service grant (see E1)).

WHO IS ELIGIBLE FOR INCREASES?

0 You will be eligible to PI on an award payable to you under the FPS if any of the following applied to you:

a. you are aged 55 or more,
b. you retired on grounds of ill-health,
c. you are permanently unfit for regular full-time work of any kind,
d. your award is a widow(er)'s pension, or
e. your award is a child allowance.

These conditions are set out in section 3 of the 1971 Act as from time to time amended. (See also "POINTS TO NOTE 1, 3, 5 and 6", ANNEX 1-7).

WHICH AWARDS ARE INCREASED?

Any award in payment will be increased if:
* you are eligible for an increase (see above) and
* your award would otherwise have lost part of its purchasing power in terms of the RPI between the date it "began" and the period in respect of which it is paid.

If your award is not in payment, eg it is:

* a deferred pension, or

* wholly abated under K4 while you are again serving in the fire service,

increases will accrue notionally, so that when it comes into payment, and you are eligible for PI, it will do so at a rate which takes account of all the increases in the RPI since it was awarded.

If your award is a lump sum it will be increased only if there is a gap between when it is calculated and when it is payable.
This PI may be paid when you qualify for PI (eg reach age 55), if you were not qualified when your lump sum was payable and therefore could not receive the PI then. However, the PI is calculated only from the beginning date to the payable date since it was awarded. (This is the effect of section 9 of the 1971 Act as from time to time amended).

WHEN IS THE INCREASE PAID?

Increases normally take place annually, but a switch began in November 1985 from increases each November to increases each April.

Increases during the switch:
* November 1985 (7%):
  - based on the rise in retail prices in the 12 months between May 1984 and May 1985
* July 1986 (1.1%):
  - based on the rise in retail prices in the 8 months between May 1985 and January 1986
* April 1987 (2.1%):
  - based on the rise in retail prices in the 8 months between January 1986 and September 1986

From 1988 onwards increases take place:
* each April:
  - based on the rise in retail prices in the 12 months up to the end of the previous September.

Increases each April coincide with:
* changes in social security benefits eg:
  - the additional component of the state pension (SERPS - See ANNEX 2), and
  - rent rebates, and
* tax changes (see ANNEX 3-1).

The Secretary of State for Social Services is required to uprate the additional component of the state pension at least once a year. Current legislation ensures that public service pensions are increased at the same time and by the same amount.

HOW IS THE INCREASE CALCULATED?

The amount of PI depends on the rise in prices since your award began. Pensions increases reflect the changes in the RPI during a review period. A review period is the year which ends 6 months before the month in which PI is to be added to your pension.

This 6 months gap allows time for the amount of increases in the RPI to become known and applied to your pension. This is known as the "historic method".

- (Before 1983 increases were based on an estimate made about 6 months before the increase was due to be paid, of how the RPI would have increased over the 12 months up to the PI payment date. This was known as the "forecast method" and had the disadvantage of requiring the adjustment of over or under provision for PI in subsequent years.)

The amount and timing of each increase is set out in a Pensions Increase (Review) Order, which is made each year by the Treasury under the 1971 Act (section 59 of the Social Security Pensions Act 1975 has effect as contained in Part I of the 1971 Act). The amount is notified each time to fire authorities by a Fire Service circular. A Treasury "MEMORANDUM OF INSTRUCTION TO AUTHORITIES PAYING PUBLIC SERVICE PENSIONS" is sent to fire authorities under cover of such a circular and revised or updated by subsequent circulars.

The way in which PI is calculated depends on whether an award is a "pension" or a "lump sum". Broadly speaking, PI on a pension depends on the period in respect of which the pension is payable, while PI on a lump sum depends on the date when the lump sum becomes payable. A lump sum may become payable much later than the event in respect of which it is paid.

Definitions

To explain how the calculations are made it is necessary to define how certain expressions are used, for this purpose only.

Definitions

Expressions	Meaning
"Pension"	includes any pension or allowance payable to you or your dependants under the FPS.
"Lump sum"	includes any gratuity, or lump sum payable to your or your dependants under the FPS because a pension or allowance has been commuted. It does not include an award under B6 or payment under K1(5), by way of repayment of your aggregate pension contributions.
"Step-back"	refers to when your APP is determined under G1 "stepping-back" to a date 1 or 2 years earlier than when you ceased to serve.
"PI date"	is the date from which a Pensions Increase (Review) Order provides for increase to take effect.
"Beginning date"	the "beginning date" is the first day following the averaging period used to calculate APP. It is normally the day following the last day of service unless there was a "step-back".
"Period in respect of which the pension is payable"	where a payment period straddles a PI date, the pension in respect of the days before the PI date will not be increased by PI, while those on or after the PI date will. For this purpose it makes no difference whether your pension is payable in advance or in arrears of the period concerned.
"Payable date of lump sum"	is the date on which you become legally entitled to the payment of your lump sum.

<table>
<tr><th colspan="2">CIRCUMSTANCE</th><th>PENSION</th><th>LUMP SUM</th></tr>
<tr><td colspan="2">General[1]</td><td>PI is calculated on the increase in the RPI from the beginning date of your pension until each period in respect of which it is payable.</td><td>PI is calculated on the increase in the RPI from the beginning date of your lump sum until its payable date.</td></tr>
<tr><td rowspan="2">You are eligible[2] for PI when your award becomes payable</td><td>Award is payable on ceasing to serve (pension) or within 15 days of ceasing to serve (lump sum)</td><td>PI is payable from the first PI date which is more than 15 days after you cease to serve, on all subsequent payments of your pension.

Your first PI amount depends on the number of months from the beginning date of your pension to the next PI date. Part of a month of 16 days or more is rounded up to a complete month. For each month in this calculation you will receive a proportion of the increase set out in the Review Order for that year.</td><td>Normally no PI is payable, because the beginning date of your lump sum is so close to its payable date (unless there was a "step-back", or your gratuity is payable in instalments under L3(8)(b)[3]).</td></tr>
<tr><td>Award is payable later than as above</td><td>PI is payable when your pension comes into payment, at a rate taking account of the rise in the RPI from the beginning date of your pension until each period in respect of which it is payable.</td><td>PI is payable when your lump sum becomes payable, calculated from its beginning date to its payable date. (If there are more than 15 days from the last PI date to the payable date, a further amount of PI will become payable on the next PI date.)</td></tr>
<tr><td colspan="2">You are not eligible for PI when your award becomes payable</td><td>PI is payable when you become eligible for it, calculated from the beginning date to each period in respect of which pension is payable.</td><td>PI is payable when you become eligible for it, calculated from the beginning date to the payable date of the lump sum (not the payable date of the PI).</td></tr>
<tr><td colspan="2">There is a rise in your basic award after it becomes payable</td><td>i. if higher rate is payable from the current date:
- PI is payable from the current date on the new amount of pension.
ii. if higher rate is back-dated:
- PI is payable on the back payments, calculated from beginning date until each period in respect of which extra pension is payable
- then PI is payable from current date on new amount of pension.</td><td>PI is payable as if you had 2 separate awards calculated from the beginning date to the payable date of each. (The payable date of your extra lump sum is the operative date of the agreement which provides for it. eg, if you have a back-dated pay increase, or lump sum award, your entitlement to it arises only when the authority which confers it comes into operation.)</td></tr>
</table>

Footnotes: 1. Each year's increase of pension is based on your pension in payment less GMP where appropriate, taking account of previous increases. The Treasury Memorandum which is issued includes a "multiplier", which shows the cumulative amount of increases (see Annex 1-4). This is particularly useful where:

a. an award (eg deferred pension or lump sum) comes into payment some years after retirement, or

b. you become eligible for PI some years after your award comes into payment. (But if an award began before 1971 the increase due may be larger than the multiplier would show, because the formula used in 1971 sometimes produced a more generous result for that year.)

2. See "WHO IS ELIGIBLE FOR INCREASES?" ANNEX 1-2.

3. Each instalment of gratuity is treated as a separate award for PI purposes payable on its date

Awards payable to widow(er)s and dependants

Awards payable to widow(er)s, children and other dependants, including pensions allocated to a chosen beneficiary, are deemed to "begin" on the same date as the pension from which they derive (whether or not that pension ever came into payment), so that for instance:

- your widow(er)'s pension would be based on your own pension or notional pension as originally calculated when it "began". PI would then be added to your widow(er)'s pension, calculated on the increase in the RPI from its beginning date until the period in respect of which it was payable.

In other words, each award gets its own PI.

POINTS TO NOTE

Ordinary pensions

1. If your ordinary pension comes into payment immediately you retire, but before you are 55, you will not start to receive PI until you are 55 unless you sooner become permanently unfit for regular full-time work of any kind. When PI becomes payable it will do so at a rate which takes account of the movement of the RPI since it began (see **ANNEX** 1-6).

Deferred pensions

2. If your deferred pension comes into payment when you are 60 it will do so with PI at a rate which take account of the movement of the RPI since it began (see **ANNEX** 1-6).

3. If your deferred pension comes into payment earlier because you are permanently disabled from being a firefighter, you will not start to receive PI until you are 55, unless you are also permanently disabled from regular full-time work of any kind (see **"POINTS TO NOTE 1"**, B5-3).

4. If you commute part of your deferred pension for a lump sum, it is your basic pension under the FPS (without PI) which is commuted. The resulting lump sum will be increased by PI, calculated from its beginning date to its payable date (see **ANNEX** 1-6 and **"POINTS TO NOTE 3"**, B7-1).

Ill-health and Injury pensions

5. Your ill-health pension will always qualify for PI immediately. Your injury pension will qualify for PI before you are 55 only if:
   - you retire on account of disablement, or
   - you are disabled from undertaking regular full-time work of any kind.

   (See **"WHO IS ELIGIBLE FOR INCREASES?"**, **ANNEX** 1-2.)

Qualifying age of 55

6. The qualifying age of 55 applies throughout the public service and affects equally all public servants who are entitled to retire with a pension in immediate payment before age 55 (see **"WHO IS ELIGIBLE FOR INCREASES?"**, **ANNEX** 1-2.)

Interruption in payment of an award

7. If your pension is wholly abated under K4, because you resume fire service employment after it has come into payment, once it is again in payment it will be at a rate taking account of all the cumulative increases due on it since it first "began".

8. If your pension were to be forfeited, apart from the secured portion, when that secured portion comes into payment at state pensionable age, it will be at a rate taking account of all the cumulative increases due on it since it first "began".

Reduction in the amount of pension payable

9. If when you reach state pensionable age your FPS pension is reduced, under Part VII of Schedule 2 (see B Gen 2 to 4), when your state retirement pension and any state graduated pension comes into payment:
   a. your FPS pension as originally awarded will be reduced as provided in Part VII of Schedule 2, and
   b. your pensions increase will be recalculated on your reduced FPS pension.

   You will note that if your FPS pension is reduced under Part VII of Schedule 2:
   - in respect of the state flat-rate retirement pension, the reduction is based on the original rate at which that pension was introduced in 1948, and
   - in respect of the state graduated pension, the reduction is based on the contribution rate for that benefit when you earned it, between 1961 and 1975.

   In neither case is the reduction based on the current rate at which these state benefits are payable.

10. If your pension is only partly abated under K4, during further fire service, if you qualify for PI that increase will be paid on your reduced pension and PI will accrue notionally on the remainder until it comes back into payment.

HOW IS THE INCREASE PAID?

Your pensions increase is normally added to your pension by your fire authority, who will notify you of the amount of the increase.

However, if you are a regular firefighter and have service on or after 6 April 1978, part of your own fire pension and your widow(er)'s pension will cover the guaranteed minimum pension (GMP) to which you are entitled under the state earnings-related pension scheme (SERPS) (see **ANNEX** 2-5).

* Pensions increase on your own pension will then normally be paid as follows:
  a. until you reach state pensionable age:
  - wholly by your fire authority with your FPS pension, and

  b. after you reach state pensionable age:
  - by your fire authotrity:

  i. at the relevant full annual rate on the non-GMP element of your pension, and

  ii. at that rate, subject to a maximum of 3%,
  - on the GMP element,
  - by DSS: on the GMP element of your pension, but only at the rate by which the annual rate exceeds 3%.

If your FPS pension is based on any service before 6 April 1988, the DSS will pay all pensions increase in respect of the whole of your GMP for service to 5 April 1988.

* Pensions increase on your widow(er)'s pension will be calculated in the sameway, but the GMP element will be taken into account immediately, and not, if later, at your spouse's state pension age. All pensions increases for which the DSS is responsible will be paid with state benefit entitlements.

* The exception to this rule is where, under SERPS rules, PI is not payable on the state additional pension equivalent to the GMP. This can happen for instance:
  - if you are resident in a country which does not have a reciprocal arrangement with the United Kingdom on social security, or
  - if your widow is not entitled to her state pension immediately after your death.

  Whenever PI on a GMP is not payable by DSS, it is payable by your fire authority.
* There are no circumstances in which you or your widow(er) would receive less PI because it is paid from 2 sources than you would have received had it all been payable by your fire authority.
* The full details concerning how PI is paid are set out in the Treasury memorandum, a copy of which will be held by your fire authority.

HOW PI APPLIES TO THE FIREFIGHTERS' PENSION SCHEME 0

The "Pensions (Increase) Acts" means the 1971 Act as from time to time amended and the Pensions (Increase) Act 1974.

The Treasury Memorandum of Instruction held by your fire authority explains how the 1971 Act has been amended.

The increases in pension for which the 1971 Act, provides apply to an "official pension" (section 5 of the 1971 Act).

"Pension" under sections 8 and 9 of the 1971 Act, includes any allowance, gratuity or other benefit payable under a superannuation scheme, except a payment made by way only of a return of contributions, with or without interest.

"Official pensions" are specified in Schedule 2 to the 1971 Act.
Part I of Schedule 2 (paragraph 16) applies to pensions payable by a Secretary of State.
It also applied to an allocated pension which is paid in substitution of part of such a pension.
Part II of Schedule 2 (paragraph 44) applies to pensions payable by a fire authority other than under Part I.

a. "substituted pensions"
   Part II includes an allocated pension which is paid in substitution of part of your own pension.
b. "derivative pensions"
   Part II (like Part I) includes an award payable to your widow(er), child or dependant relative, which derives from your service.
c. "flat-rate awards"
   Part II does not include a flat-rate award payable to your widow(er) or child under E9. These awards are increased, as well as having their basic amount calculated, under E9.

The Pensions (Increase) Act 1974 (the 1974 Act) intended to mitigate the effect on public service pensions of counter-inflationary measures of the time, which deferred or restricted pay increases.

If you retired during that period, the 1974 Act provided for a once-for-all increase in your pension, which would then continue to be increased in the ordinary way under the 1971 Act. 1974 Act increases apply equally to deferred pensions, widows' and dependants' awards and to pensions resulting from allocation, if they began during the periods concerned.

Rule E9 provides for the rate at which flat-rate awards for widow(er)s, and children first come into payment.

GENERAL

State pensions is a complex subject, best explained in the DSS leaflets which cover every aspect of it.

Leaflet no.NP32 "Your retirement pension" tells you about the state (or national insurance) retirement pension, payable at "state pensionable age":
- 65 for a man, or
- 60 for a woman

DSS leaflets are available free of charge from:
- local social security offices, or
- DSS Leaflets Unit
  PO Box 21
  Stanmore
  Middlesex HA7 1AY

The state scheme, like the FPS, is subject to change. **The aim in this commentary is to describe the links between the current state scheme and the** current version of the FPS.
*** You will need to bear in mind that at any particular time due to changes being introduced some of the sections may need updating.**

The state scheme and the FPS

There has always been a close relationship between:
* state retirement pensions, and
* public service occupational pensions, including:
  - fire service pensions.

Since 6 April 1978, the state retirement pension has consisted of two parts:
* the basic state retirement pension, and
* the state earnings-related pension, which is an additional component of the state retirement pension, based on contributions since 5 April 1978 paid on earnings between:
  - "the lower earnings limit", which is about the level of the basic state retirement pension for a single person, and
  - "the upper earnings limit", which is about 7 times the lower limit.

Employee contributions are payable on all earnings up to the upper earnings limit, once your earnings are above the lower limit. Employer contributions are payable on all earnings (and, so far as they are on earnings above the upper earnings limit, at the not contracted-out rate). But earnings above the upper limit are not taken into account for benefits. The current contribution rates and benefit levels are in DSS leaflets NI 208 and NI 196 respectively.

BASIC RATE RETIREMENT PENSION

If you have a full national insurance (NI) contribution record, you will be entitled to a full basic state retirement pension when you reach state pensionable age.

- If you are married, your basic pension may be increased, unless your spouse also has a personal entitlement to a state retirement pension, or some other state benefit.

Reduction of FPS pension from state pensionable age

If you became a regular firefighter on or after 1 April 1980, you will receive your FPS pension in full, from state pensionable age.

If you joined or after 1 July 1948 but before 1 April 1980, you will have your FPS pension reduced (or "modified") from state pensionable age, at the rate of:
- £1.70 a year for each year of your service from 5 July 1948 to 31 March 1980, up to a maximum of 30 years.

Thus the highest reduction possible is:
- £51 a year (£1.70 x 30).

Between those dates you had a consequent reduction in your pension contributions under the FPS of:
- 5p a week. (For the further 1p reduction, see **ANNEX 2-3**).

STATE EARNINGS-RELATED PENSION SCHEME (SERPS)

The state earnings-related pension scheme (SERPS) was introduced on 6 April 1978 and was modified by the Social Security Act 1986.

STATE GRADUATED PENSION SCHEME (GPS)

The state graduated pension scheme (GPS) provided an earlier, more limited, form of earnings-related benefit (ie graduated according to earnings). This was also in addition to the basic state retirement pension, but the amounts involved were much smaller than under SERPS.

PENSIONS INCREASE

State pensions are increased each year, to take account of increases in the retail price index, at the same time as FPS pensions are increased. (See **ANNEX 1-9** which explains how pensions increase is paid on a guaranteed minimum pension (GMP) which is the part of your FPS pension broadly equivalent to the pension you would have received from SERPS had you been contracted-in).

BASIC RATE RETIREMENT PENSION

Introduction

The basic state retirement pension was part of the first comprehensive national insurance scheme, which was introduced by the National Insurance Act 1946 and came into effect on 5 July 1948.
* The first Firemen's Pension Scheme made under the Fire Services Act 1947 came into effect on 1 April 1948 and was closely interlocked with the state scheme, to avoid duplication of benefits.

Those serving on 5 July 1948

Firemen serving on 5 July 1948 were given a choice between:
* receiving their full FPS pension at state pensionable age, and paying full fire pension contributions, or
* receiving a "modified" (ie lower) FPS pension at state pensionable age, with correspondingly lower fire pension contributions.

In either case, firemen:
- paid full NI contributions, and
- received the full basic state retirement pension, if they had a full NI contribution record throughout their insured life.

Those joining after 5 July 1948

Firemen who joined for the first time after 5 July 1948 were bound to pay "modified" fire pension contributions in respect of all their service up to 31 March 1980. Their FPS pension will be "modified" at state pensionable age in respect of all their fire service between 5 July 1948 and 31 March 1980.

1p a week reduction in FPS contribution rate

The continuing reduction of 1p a week in the FPS contribution rate, has applied to all firefighters since 5 July 1948 (until decimalisation on 15 February 1971, the reduction was 2d a week). This contribution reduction was to compensate for the fact that benefits under the NI Industrial Injuries Scheme, new in 1948, added nothing to existing fire service benefits.

"Flat-rate" modification

The lower, modified FPS contribution rate paid by some firemen between 5 July 1948 and 31 March 1980 was linked to the rate of the basic state retirement pension when it was introduced in 1948. This modified rate gradually lost significance until it was abolished throughout the public service from 1 April 1980 for future service. The reduction of 5p a week in FPS contribution rate came to an immediate end. (The 1p a week reduction in respect of industrial injury benefits continues for everyone). The modification of an annual pension, at state pensionable age, at the rate of £1.70 a year for periods of service during which modified contributions were paid, continues for firemen who served before 1 April 1980, and paid the modified rate of contributions before that date.

The reductions in contributions and benefits, for service before 1 April 1980, are summarised in the table below.

Flat-rate modification

	Firemen whose service before 1 April 1980 was:	
	modified	unmodified
Reduction in contributions		
- in respect of basic state retirement pension	5p a week	Nil
- in respect of industrial injuries scheme	1p a week	1p a week
- Total	6p a week	1p a week
Reduction in benefit at state pensionable age		
- in respect of basic state retirement pension	At the rate of £1.70 a year for each period of service in which "modified" contributions were paid	Nil

Schedule 2 Part VII

The provisions of the Firemen's Pension Scheme 1992 which relate to the basic state retirement pension, and the reduction of fire pensions on that account, are contained in paragraph 1 of Part VII of Schedule 2 (see **BGen-2to4**).

Table A, **ANNEX 2-12 and 13** (see footnote to that table) shows how account is taken, in other parts of the scheme, of the reduction in your pension due at state pensionable age under paragraph 1 of Part VII of Schedule 2, on account of flat-rate modification.

STATE EARNING-RELATED PENSION SCHEME (SERPS)

What is "SERPS"?

Since 6 April 1978 all employed earners have been entitled to:
* an earnings-related additional component of their state retirement pension, paid by DSS, or
* a guaranteed minimum pension (GMP) as part of their occupational pension, if they belong to an occupational pension scheme which is contracted-out of SERPS.

In either case this benefit is payable in addition to the basic state retirement pension.

This entitlement stems from the Social Security Pensions Act 1975, as from time to time amended (the "Pensions Act").

A person who transfers from one contracted-out occupational pension scheme to another can usually transfer GMP entitlement relating to service in the first scheme, to the second.

Anyone who transfers from contracted-out employment to a scheme which is not contracted-out will either:
- continue to have an entitlement to a GMP from the first scheme relating to that service
- have the pension rights transferred to an approved insurance company to buy an annuity contract, which will take the place of a pension (see F9), or
- become contracted-in to SERPS in respect of the service in the first scheme, by the payment of a "contributions equivalent premium" (CEP), or "transfer premium" (TP) to DSS (the premium payment effectively buys you back into SERPS for the period in question).

For the circumstances in which a CEP may be paid, see **ANNEX** 2-8 and 9.

Regular firefighters

The FPS, like most other public service pension schemes, is contracted-out of SERPS in respect of regular firefighters, for whom the scheme provides full retirement benefits.

- GMP (Rule J1)

If you are a regular firefighter, you are "contracted-out" of SERPS, and you will be entitled, under J1, to:
* a "guaranteed minimum pension" (GMP), when you reach state pensionable age, which is broadly equivalent to the additional component of the state retirement pension to which you would have been entitled had you not been contracted-out of SERPS, and either
* a widow's guaranteed minimum pension at the rate of half your GMP, or
* a widower's guaranteed minimum pension equal to half of that part of your GMP attributable to service after 5 April 1988.

(If your additional component were bigger than your GMP, you would get the balance:
- from DSS, as part of your state retirement pension).

A FPS pension is usually more than sufficient to cover a GMP, and fire widower's pension more than sufficient to cover a widow's GMP, so that a pension under J1 will rarely be payable.

- NI contributions

As a regular firefighter you pay NI contributions:
- at the "not contracted-out rate" on your earnings up to the lower earnings limit and
- at the "contracted-out rate" on your earnings between the lower and the upper earnings limit (see **ANNEX 2-2**).

Your fire authority pay the employer's contribution in respect of you:

- at the "not contracted-out rate" for your earnings below the lower earnings limit and above the upper earnings limit, and
- at the "contracted-out rate" for your earnings between the lower and the upper earnings limit.

In other words you pay contributions only up to the upper earnings limit, but your fire authority also pay contributions on any earnings you may have above that level (see **ANNEX 2-1**).

Other duties of a contracted-out scheme

In addition to the requirement to provide a GMP, an occupational pension scheme which is contracted-out of SERPS has to fulfil a number of other requirements, mostly laid down in the Pensions Act or in Regulations made under that Act.

Provisions in the 1992 Scheme to meet contracting-out requirements

PROVISION	SUBJECT	COMMENTARY PAGES
B6	Award by way of repayment of aggregate pension contributions	B6-1 POINTS TO NOTE 4
B8	Commuting a small pension at state pensionable age	B8-1 POINTS TO NOTE 2
B10	Restriction on the amount of a deferred pension which may be commuted or allocated	B7-2 B9-2
C5	Widow's pension in case of post-retirement marriage	C5-1 "What is the limitation?" POINTS TO NOTE 2, and "What is the award?" POINTS TO NOTE 1
C6	Widow's requisite benefit pension*	C6-1 POINTS TO NOTE 3
C8	Surviving spouse's requisite benefit pension*	C8-1 POINTS TO NOTE 2 AND 3
E5	Gratuity in lieu of surviving spouse's pension	E5-1 "Who is eligible?" POINTS TO NOTE 1
F7(4) and Schedule 6, Part II, paragraph 2(4)	Previous service reckonable under current interchange arrangements	F7-1 "Who is eligible? - exceptions"
F9(6) and Schedule 6, Part III paragraph 4	Transfer values payable under interchange arrangements	F9-2 "Who is eligible? - exceptions"
J1	Guarantees your own GMP and that of your widow(er)	J1-1
J2	Revaluation of GMP following transfer of benefits	J2-1
K3	Reduction of pension in case of default (effect of J1)	K3-1
K5(2)	Forfeiture of pension (effect of J1)	K5-1 K5-2
L4(2)	Prevention of duplication (effect of J1)	L4-1
L5(4)	Application of payments (effect of J1)	L5-1 "When money may be withheld from an award"
Schedule 2, Part IV	Short service or ill-health gratuity	B2-1 and B3-2 "How much is the gratuity?"
Schedule 3, Part I	Spouse's ordinary pension*	C1-3 "How much is the pension?" POINTS TO NOTE 2

Footnote: * Provisions relating to a requisite benefit pension were introduced in 1978 to meet the then contracting-out requirements.

PAYMENT OF A "CONTRIBUTIONS EQUIVALENT PREMIUM" (CEP)

What is a CEP?

A CEP is a single payment representing the difference between NI Class I contracted-out contributions and the NI contributions which would have been paid (both by employer and employee), if the employment had not been contracted-out of SERPS.
* Put simply, paying a CEP buys you back into SERPS.

CEPs are also known as "state scheme premiums". Provisions relating to them are in:
- sections 42, 43 and 47 of the Pensions Act, and
- Part III (regulations 18 to 26) of the Occupational Pension Schemes (Contracting-out) Regulations 1984 (SI 1984 No. 380), the "Contracting-out Regulations".

Full details about CEPS are in DSS leaflet NP.29.

When can CEP be paid?

A CEP can be paid, under section 42 of the Pensions Act, if:
a. you leave the fire service with less than 2 years' contracted-out service.
b. you leave the fire service with less than 2 years' "qualifying service" (see B5-1), before the beginning of the tax year in which you would reach state pensionable age, or
c. you die in service before the beginning of the tax year in which you would have reached state pensionable age, and your widow(er) does not qualify for a pension (except one under C6 or C7).

* If a CEP is payable, but amounts to less than a minimum figure, currently £17, it need not be paid, but the effect will be the same as if it had been paid (regulation 18(3) of the Contracting-out Regulations).

Effect of paying a CEP

If your fire authority pay a CEP for you:
* your right to a GMP under the FPS, for yourself and your spouse, is extinguished
* you become entitled to full benefits under SERPS and
* your fire authority:
  a. are entitled to deduct your share of the CEP from:
     - an award by way of repayment of your aggregate pension contributions under rule B6, or
     - any payment to you under K1(5), but
  b. may have to await notification of the amount they can deduct, and
  c. may delay payment of your award for this purpose (regulation 21 of the Contracting-out Regulations).

Your fire authority:
- may not deduct your share of the CEP from a short service or ill-health gratuity under Schedule 2, Part IV.

Your fire authority are likely to pay a CEP for you in all the circumstances in which they are able to do so, unless:
a. you are entitled to a pension which will cover your GMP, or
b. you are transferring to another contracted-out scheme.

Paying the CEP will not affect your overall entitlement, because the extra pension you and your widow(er) will get under SERPS will be broadly equivalent to what your GMP would have been under the FPS.

If a CEP has been paid and you later join a scheme which is not contracted-out, your fire authority will deduct the amount of the CEP from any transfer value which becomes payable.

If you leave the fire service and rejoin within 6 months, your contracted-out employment will be deemed not to have ceased, unless a CEP has been paid.

* your fire authority is likely:
  a. to check if you are prepared to refund any award by way of repayment of your aggregate pension contributions, to count the service under F4 and (if not)
  b. to pay a CEP, or ensure that your previous fire authority pay a CEP, before re-engaging you.

If they did not do this your previous service would reckon for GMP, whether or not you refunded your return of contributions.

When a CEP can be refunded

Unlike a PIL which is to the GPS what a CEP is to SERPS - see **ANNEX 2-10**, a CEP may be refunded by DSS to your fire authority, if:
  a. you rejoin the fire service and count again the same service to which the CEP relates, or
  b. you become entitled to a transfer value to another contracted-out scheme, in respect of the same service.

The refund of the CEP is usually to your advantage because it enables the service concerned to count again towards the build-up of benefits in the FPS or the scheme to which you transfer.

STATE GRADUATED PENSION SCHEME (GPS)

WHAT IS THE GPS?

The state graduated scheme (GPS) was in being for 14 years, from 3 April 1961 to 5 April 1975.

It provided a limited form of earnings-related benefit (depending on your graduated NI contributions) on top of your basic, flat-rate state retirement pension. The highest amount of basic GPS benefit for the full 14 years is:
* £45-50 a year for a man, or
* £37-93 a year for a woman,

payable at state pensionable age. (Your benefit is lower if you are a woman because your earnings are relevant only up to age 60).

Occupational pensions schemes were able to contract-out of the GPS, if they fulfilled certain conditions. Service as a regular firefighter is mostly contracted-out and is therefore called "non-participating employment" (see below).

- "participating employment"

"Participating employment" involved:
- higher graduated NI contributions,
- GPS benefit payable by DSS at state pensionable age,
- reduction of your occupational pension scheme benefit at state pensionable age by an amount equal to your GPS benefit.

-"non-participating employment"

"Non-participating employment" involved:
- lower graduated NI contributions,
- equivalent pension benefit (EPB) payable by your occupational pension scheme at state pensionable age:
  a. as part of your normal pension benefit (the **"secured portion"**), or
  b. as an **EPB** on its own.

- "payment in lieu of contributions" (PIL)

Until 5 April 1980 it was possible to buy you back into the GPS by the payment of a PIL. The PIL was equal to the difference between the contracted-out and the contracted-in rate of graduated NI contributions (for employer and employee).

The payment of a PIL in effect converted "non-participating" into "participating" employment. The employer paid the whole PIL to DSS, but was entitled to recover half from the employee (the "employee's share") (under Regulation 6 of the National Insurance (Non-participation - Transitional Provisions) Regulations 1974 (SI 1974 No. 2057)).

A PIL once paid could not be refunded by DSS.

The provisions in the FPS relating to the GPS cover most regular firefighters.

Regular firefighters to whom the GPS applied

If you are a regular firefighter, counting service in respect of employment between 3 April 1961 and 5 April 1975, all that fire service will be:

* "non-participating employment" unless:
  a. it counts by reason of "participating employment" elsewhere, on the transfer of pension rights into the fire service,
  b. it is fire service which could not count as "non-participating employment" because on 3 April

1961 (or later, if you became a firefighter between then and 5 April 1975):
i. you were over state pensionable age, or
ii. you could not have become entitled to an FPS pension before you reached the age of compulsory retirement for the rank you then held, or
c. it is fire service in respect of which a PIL has been paid.

If any of these exceptions apply, the service concerned will be "participating employment".

-"participating employment"

In respect of your "participating employment", your FPS pension will be reduced, at state pensionable age, by the amount of GPS benefit you receive from DSS (Schedule 2, Part VII, paragraphs 2 and 3).

-"non-participating employment"

In respect of your "non-participating employment",
* if you are entitled to an FPS pension, a "secured portion" of it, equivalent to what your GPS benefit would have been for that service, had you been contracted-in, will be payable to you at state pensionable age.

Normally your "secured portion" is payable as part of your FPS pension, but even if the rest of your pension (the "unsecured portion") is not payable, eg. because of:
- forfeiture (K5), or
- cancellation of an ill-health pension (K1), the secured portion of it will be payable during any period in which the equivalent GPS benefit would have been payable. In either case your pension will be eligible for increases under the PI Acts (ANNEX 1), calculated from the date you left the fire service.

* If you are not entitled to an FPS pension:
a. if you left the fire service before 6 April 1980:
- a PIL will have been paid to buy you back into the GPS, so that your service will have become "participating employment".
b. if you left the fire service on or after 6 April 1980:
- a PIL could not be paid, and you will be entitled to equivalent pension benefit (EPB) when you reach state pensionable age, equivalent to what your GPS benefit would have been for that service, had you been contracted-in.

Winding-up of the GPS

When the GPS was wound-up from 6 April 1975, a 5 year settlement period was allowed. Until 5 April 1980 it was possible for a PIL to be paid for anyone with an entitlement under the GPS who left a contracted-out occupational pension scheme with no prospective pension benefit eg with:
a. a refund of contributions,
b. a gratuity, or
c. a transfer value.

* From 6 April 1980 onwards the payment of a PIL was no longer possible.

PROVISIONS IN THE FPS 1992 RELATING TO "PARTICIPATING EMPLOYMENT"

TABLE A

PROVISION	SUBJECT	EFFECT AND COMMENTARY PAGES
B7(6) B10	Commutation Commutation and allocation	The reduction in your pension due at state pensionable age is ignored in the limit on how much pension you may commute or allocate. B7-3 and B9-2.
Schedule 2 Part VII paras 2 and 3	Reduction of pension at state pensionable age on account of the GPS	This is the main provision under which your FPS pension will be reduced at state pensionable age on account of any "participating employment". BGen 2 .
Schedule 2 Part VIII para 4	Reduction of pension related to uprating of widow's pension	The reduction in your pension due at state pensionable age is ignored in calculating the reduction for uprating your widow's pension. B Gen 5.
Schedules 3 and 4 Sch.3 Pt.I 1(2) Pt.III 2(3)(b) Sch. 4 Pt.I 1(4) 2(2) Pt.III 4	Widows' and children's awards.	The reduction in your pension due at state pensionable age is ignored for the purpose of calculating: - your spouse's ordinary pension C1-2 - your spouse's accrued pension C4-1 - your child's ordinary allowance DGen-3 - your child's accrued allowance. DGen-3.
Schedule 6 Part II para 3	Pensionable service reckonable on receipt of an inward transfer value	Appropriate account will be taken of the reduction of your pension due at state pensionable age, in calculating the pensionable service you are to count. F7-3.
Schedule 6 Part III, para 2	Outward transfer values	Outward transfer values take appropriate account of the reduction in your pension due at state pensionable age.

Note: Provisions taking appropriate account of the reduction in your pension due at state pensionable age apply to the reduction under paragraph 1 of Part VII of Schedule 2 (flat-rate modification) as well as under paragraphs 2 and 4 (GPS).

PROVISIONS IN THE FPS 1992 RELATING TO "NON-PARTICIPATING EMPLOYMENT"

TABLE B

PROVISION	SUBJECT	EFFECT AND COMMENTARY PAGES
B5(3)	Deferred pension	Entitlement can arise where the "unsecured portion" of an ill-health pension has been cancelled under K1. **B5-1, "POINTS TO NOTE 2b".**
B7(8)	Commutation	If the "unsecured portion" of your ill-health pension is cancelled after you have commuted, no reduction in respect of your commutation can be made in your "secured portion" at state pensionable age. **B7-3.**
J1(3)	GMP	If you have a "secured portion" it must be paid as well as your GMP. J1-1.
K1(5)(a)	Cancellation of ill-health pension	The "secured portion" of your ill-health pension may not be cancelled, but will not be paid until you reach state pensionable age. **K1-1.**
K5(4)	Withdrawal of pension on conviction	The "secured portion" of any pension must be payable during any period in which the equivalent GPS benefit would have been payable. **K5-2.**
Schedule 2 Part VII paras 3(1) and 4	Reduction of pension at state pensionable age on account of GPS	The "secured portion" of a pension cannot be reduced at state pensionable age on account of "participating employment". The "unsecured portion" of one pension may be reduced at state pensionable age (to avoid duplication), if you are still entitled to the "secured portion" of another pension covering the same service. **BGen 1 to 4.**

The main tax laws which can affect you and your family in respect of your pension are:
* the Income and Corporation Taxes Act 1988 (the "Taxes Act"), and
* the Finance Act 1970 (the "Finance Act").

The Taxes Act

Under the Taxes Act, as from time to time amended, certain payments made to you or your family in respect of pension scheme benefits are liable to income tax under Schedule E.

The Finance Act

The Finance Act, as from time to time amended, provides for the circumstances in which you may be exempt from the payment of income tax in respect of your pension contributions.

Inland Revenue

The tax laws are administered by the Board of Inland Revenue. The Board's policy relating to occupational pension schemes (including the FPS) is carried out on behalf of the Board by:

The Pension Schemes Office
Lynwood Road
Thames Ditton
Surrey KT7 ODP
Telephone: 081 398 4242

The tax year runs from 6 April in any year until 5 April in the next year. Increases under the Pension Increase legislation and increases in DSS benefits are also made each April (see **ANNEX 1-3**).

Inspector of Taxes

If you have a tax problem relating to your pension, it will be dealt with by the Inspector of Taxes responsible for your personal tax affairs, who will determine the amount of tax payable, subject to your normal rights of appeal under the Taxes Act.

How the tax laws affect the FPS

The FPS is an unfunded, statutory scheme, as defined in the Finance Act, and as such does not require "approval" by the Inland Revenue:
- funded schemes (including the local government scheme, which is a funded statutory scheme) need Inland Revenue approval in order to qualify for the tax relief allowed on an approved scheme's investment income.

Although unfunded statutory schemes do not require formal Inland Revenue approval, this does not mean they are treated any more favourably.
* It is Government policy that all pension schemes, public and private, should be treated similarly as regards:
- the maximum benefits which they may provide for their members, and
- the tax relief allowable on members' pension contributions.

The terms of the FPS take account of this policy and therefore conform generally to the Inland Revenue conditions laid down for approved schemes. Exceptionally, however, firefighters have retained a long-standing right to commute up to 1/4 of their pension in certain circumstances.
Tax relief on FPS pension contributions is given under section 22 of the Finance Act.

Pensions and allowances

As a general rule all pensions and allowances are of taxable income, and as such liable for income tax in the same way as other income.

There are however certain exemptions allowed by the Inland Revenue by concession. These are published by the Inland Revenue as "Extra Statutory Concession A3". Under the Concession the following awards are not normally taxed:

* an injury pension under B4, which is payable solely where permanent disablement results from a qualifying injury, or
* an ill-health pension under B3, if you have less than 2 years' pensionable service. (In this case your pension is payable only because you are disabled as a result of a qualifying injury).

1. Under D1, D2 or D4 a child is <u>entitled</u> to an allowance. The allowance is therefore part of the child's income and taxed or exempted accordingly. No tax will be payable if the child's annual income, including the allowance, is less than the single person's tax allowance.

2. If you are resident abroad, there is no general exemption from income tax under the Taxes Act. You may however be able to claim exemption if there is a Double Taxation Agreement between the United Kingdom and your country of residence. You can find out by writing to:

   The Inspector of Foreign Dividends
   Inland Revenue
   Lynwood Road
   Thames Ditton
   Surrey KT7 ODP
   Telephone: 081 398 4242

3. You may find that the PAYE tax on your FPS pension goes up when you reach state pensionable age. This is because your total income increases when you get your state retirement pension, and the tax due on your state pension is being collected through PAYE on your FPS pension.

Lump sums

* Lump sum retirement benefits payable under the scheme are not liable to income tax. These include:
  a. a lump sum payable on commutation of pension (B7 or B8),
  b. a short service gratuity (B2),
  c. a death grant (E1),
* Lump sum benefits other than retirement benefits which may be granted relief or exemption from income tax by your Inspector of Taxes include:
  a. an ill-health gratuity (B3),
  b. an injury gratuity (B4),
  c. a spouse's special gratuity (C2),
  d. a spouse's ordinary gratuity (C7),
  e. a child's special gratuity (D3),
  f. a dependent relative's gratuity (E3),
  g. a gratuity in lieu of spouse's pension (E5), and
  h. a gratuity in lieu of child's allowance (E6).

Generally speaking a lump sum paid in compensation for personal injury or death sustained in the course of duty is not regarded as income for tax purposes.

* An award by way of repayment of aggregate pension contributions (under B6 or K1(5)) is not liable to income tax.
  However:
  a. tax at the rate of 20% is payable by your fire authority on such an award,
  b. under B11, your fire authority may deduct an amount equal to the tax paid, from your award,
  c. this is not tax which _you_ have paid, so there are no circumstances in which you could claim repayment from the Inland Revenue.

* A fire authority may also be required to pay tax at the rate of 20% on a lump sum paid under B8, on commutation of a small pension, but there is no provision for reducing the payment to the member on this account.

TAX RELIEF ON CONTRIBUTIONS

Ordinary annual contributions

You are entitled to tax relief on your ordinary contributions under section 22 of the Finance Act.
* Ordinary annual contributions are those you are required to pay under G2.

Other contributions

The Inland Revenue also allow tax relief on:
* additional and further contributions payable under G4 and G7.

provided that:
a. they are payable for not less than 5 years, or until retirement if earlier, and
b. your total contributions in a tax year do not exceed 15% of your total remuneration.

Payments which do not qualify for tax relief

You are not entitled to tax relief on:
* lump sum payments towards pension benefits (eg lump sums paid to purchase increased benefits)
* contributions payable over a period less than 5 years (eg payments in respect of previous service under Part I of Schedule 6)
* payments you make under F4 or F5 in order to count previous fire service again.

POINTS TO NOTE

1. If you rejoin your former brigade and count earlier service again under F4:
   - your fire authority, on receiving a repayment in respect of any refund of aggregate pension contributions made to you earlier:
     * may deduct the 20% tax, which they paid when they refunded your contributions to you, from their tax liability in respect of other refunds under the FPS during the current tax year.

2. If you join another brigade and count earlier service again under F4:
   - your new fire authority, on receiving a repayment in respect of any refund of aggregate pension contributions made to you by your previous fire authority:
     * may deduct the 20% tax, which your previous fire authority paid when they refunded your contributions to you, from their tax liability in respect of any other refunds under the FPS during the current tax year.
   - your previous fire authority will become liable under F8 to pay a transfer value to your new fire authority. From this TV they:
     * may deduct:
       a. the payment you made to your new fire authority under F4, and
       b. any amount they deducted from the refund of contributions they made to you earlier, under B11 or FPSO 1973, Article 69(10).

   These deductions ensure that your former authority get back the contributions they refunded to you and the tax they paid.

Government Actuary

The Government Actuary is adviser to the Government on the actuarial aspects of the state pension scheme (see **ANNEX 2**) and of occupational pension schemes in the public service. (An actuary is a person who is professionally qualified to assess the cost of providing pension benefits. The actuary does this by analysing statistical and financial data to provide a basis for calculating the expected cost of future benefit expenditure.)

Public service pension schemes have a great many similar features, generally differing from one another only where the nature of the occupation requires different pension provision - for instance, earlier retirement and the fast accrual of pension benefits in the armed forces, police and firefighters' pension schemes.

The Government Actuary provides a single source of impartial actuarial advice, which enables Ministers responsible for public service pension schemes to maintain continuity and consistency, both between schemes and over the lengthy periods to which pension provisions relate.

In certain public service pension schemes, particularly in funded schemes, there is a statutory requirement for periodic valuations. Although there is no similar requirement for the FPS the financial basis of the scheme is kept under general review.

Overall cost of the scheme

The Government's Actuary's assessment of the scheme is based on a "new entrant contribution rate". This is an assessment of the cost of providing the benefits likely to be paid to an average new entrant to the FPS over the course of his or her career.

The cost is expressed in terms of a percentage of pensionable pay which, if paid throughout the career of the average new entrant, would exactly cover the cost of his or her benefits if the actuarial assumptions proved to be correct. The actual cost of the benefits which may become payable in respect of an individual member may be above or below the average, depending on the individual circumstances. The scheme involves a pooling of risks which are shared by all members contributing to the scheme.

The Government Actuary's last assessment of the overall cost of the scheme (taking no account of the cost of injury benefits) was in 1991, and amounted to 37.5% of pensionable pay over an average career.

The cost of the scheme is met partly by members' contributions and partly by fire authorities in the first instance. Since July 1991 contributions have been:

- 11% of pensionable pay for regular firefighters, except

- 7.75% for those subject to Part IV of Schedule 11.

The balance of expenditure on the FPS is taken into account in reckoning entitlement to revenue support grant, through which central government contributes towards local authority expenditure generally.

Calculations by the Government Actuary

The FPS 1992 makes specific provision for calculations by the Government Actuary for the purposes listed at **ANNEX 4**-3.

One-off calculations
Where the tables do not cover a particular case because the number of likely cases and the diversity of circumstances make a table inappropriate, the Government Actuary will provide a one-off calculation at the request of a fire authority.

Other advice from the Government Actuary

Although not statutorily required to do so, the Government Actuary also provides other ad hoc actuarial advice when requested, such as converting disablement gratuities to annuities for the purpose of Schedule 2, Part V, para 3(7) - calculation of an injury pension.

PURPOSE	PROVISION	COMMENTARY PAGE (PN = POINTS TO NOTE)
Reducing a short service or ill health gratuity	Schedule 2 Part IV Para 3	B2-1 B3-2
Commutation ø	B7(3)	B7-1 -4 (PN1)
Commuting a small pension	B8(2)	B8-1 (PN4)
Allocation ø	B9(13)	B9-2 (PN1)
Reduction of pension at state pensionable age *	Schedule 2 Part VII para 1(2) Table	B Gen-2 (PN2)
Reduction of pension relating to uprating of widow's pension *	Schedule 2 Part VIII para 5 Table	B Gen-8
Widow's requisite benefit and temporary pension	C6(5)	C6-2 (PN1)
Gratuity-estate	E4(2)	E4-1 (PN3)
Limitation on amount of gratuity in lieu of surviving spouse's pension	Schedule 5 Part II	E5-1 "How much is the gratuity?" (PN1)
Limitation on amount of gratuity in lieu of child's allowance	Schedule 5 Part III	E6-1 "How much is the gratuity?" (PN1)
Limitation on discretion to grant a gratuity in lieu of pension	E7(4)	E7-1 (PN4)
Payments in respect of previous service *	Schedule 6, Part I	F4-1
Counting pensionable ø service under interchange arrangements	Schedule 6 Part II	F7-1
GMP test *	F7(4)	F7-6, F7-7(PN1)
Transfer values * (Cash equivalents) ø	Schedule 6 Part III, para 6 Part IV	F8-1 F9-5
War Service *	Schedule 7 Part IV	F6-1
Additional and further contributions *	G4	G4-1
Purchase of increased benefits *	Schedule 8 Part 1, Para 5	G6-1
Payment to a pensioner whose unsecured ill-health pension is terminated	K1 (6)	K1-2

* Tables included in the Scheme

ø Tables prepared by GAD and promulgated administratively in Fire Service Circulars.

GENERAL

Under the Social Security Act 1986 membership of occupational pension schemes is not compulsory after 6 April 1988. The procedure for opting-out of or rejoining the FPS is explained in G3-1. This Annex shows the position in respect of the main scheme provisions if you have a period of service as a regular firefighter during which you had opted out of the FPS.

Compulsory retirement on grounds of age (A13) Compulsory retirement on the grounds of efficiency of brigade (A14) Compulsory retirement on grounds of disablement (A15)	These provisions apply irrespective of FPS membership
Ordinary pension (B1) Short service pension (B2) Ill-health award (B3)	These awards cannot apply unless you are a member of the FPS at your retirement date (and satisfy the other qualifying conditions).
Injury award (B4)	In the event of your retirement on ill-health grounds as a result of a qualifying injury you would be eligible for an injury award, based on your degree of disablement and total service as a regular firefighter. The pension element would be reduced by the full amount of the ill-health pension you would have received had all your service been pensionable and by any relevant DSS benefits (see B4-3,4).
Deferred pension (B5)	With a period of pensionable service under the FPS of at least 2 years when you opt out of the FPS you will be eligible for a deferred pension payable at age 60 (or earlier, should you become permanently disabled). While you remain in the fire service you will be eligible to transfer any service after 5 April 1988 to another superannuation arrangement. Service before that date cannot be transferred unless you leave the fire service altogether.
Repayment of aggregate pension contributions (B6)	This award may be relevant where you opt out of the FPS or leave the fire service altogether and you have no entitlement to other awards under the scheme.
Spouse's ordinary pension (C1)	This award cannot be payable if you had opted out of the FPS at your date of death irrespective of your length of pensionable service.
Spouse's special award (C2) Spouse's augmented award (C3)	Eligibility for these awards is not affected.
Spouse's accrued pension (C4)	This award would apply in the event of your death when entitled to a deferred pension.
Widow's requisite benefit and temporary pension	Your widow may be eligible to benefit under this rule if you have a part period of reckonable service under the FPS of under 3 years

Spouse's award where no other award payable (C7)	An award may arise under this provision if you have a period of reckonable service under the FPS and your widow(er) does not qualify for any other benefits.
Child ordinary allowance (D1)	This award cannot apply if you had opted out of the FPS at your date of death, irrespective of your length of pensionable service.
Child's special allowance (D2) **Child's special gratuity (D3)**	Eligibility for these awards is not affected.
Child's accrued allowance (D4)	This award would apply in the event of your death when entitled to a deferred pension.
Lump sum death grant (E1)	No entitlement where an election to opt out of the FPS was effective at your date of death.
Adult dependant relative's special pension (E2) **Dependant relative's gratuity (E3)**	Eligibility for these awards is not affected.
Pensionable service (F2)	Only periods for which you paid pension contributions under G2 can reckon towards awards under the FPS.
Average pensionable pay (G1)	Where you qualify for an award under the FPS it will be based on your pay for the period of a year up to the date you opted out of the FPS; except for the purposes of rules B4, C2, C7, D2, D3 and E2 which will be based on your pay up to your last day of service.
Opting-out provision (G3)	If you opt out within 3 months of joining the fire service your election will be backdated to your entry date, your contributions will be refunded and you will be deemed never to have been a member of the FPS.
Purchase of increased benefits (G8)	If you were buying extra benefits under the FPS when you opted out of the Scheme you would be eligible to reckon part of those benefits in proportion to the period for which the extra contributions were made and the period you were expected to make payments.
Medical appeal provisions (H2) **Other appeal provisions (H3)**	Insofar as you may have grounds to dispute medical decisions or to claim entitlements the relevant appeal provisions would apply.