

**Widows' Pensions for Life**  
**Joint MOD/FPS/WWA Paper for the CAC**  
**(Cover note by Head of Remuneration)**

Under the rules of 1975 Armed Forces Pension Scheme (AFPS 75) and the War Pensions Scheme (WPS), when a member dies the pension payable to a surviving widow<sup>1</sup> will normally be suspended if they re-marry or cohabit with a new partner.

At the last meeting of the Central Advisory Committee on Pensions and Compensation (the CAC) meeting in October 2012, the Forces Pension Society (FPS) agreed to produce an initial position paper on the issue of 'pensions for life' under AFPS 75 in time for the next meeting of the Committee in May 2013.

Since that time, Minister (DPWV) has met with [REDACTED] from the War Widows Association (WWA) to discuss the similar 'pensions for life' issue under the WPS. Following that meeting, Minister (DPWV) agreed to widen the scope of the 'pensions for life' paper to cover the issues under both schemes.

In conjunction with MOD officials, and with input from the Government's Actuary's Department (GAD), the FPS and the WWA have produced the attached joint paper which provides detail on the categories of widows affected together with the numbers who have relinquished pensions in the past five years. The paper also outlines the estimated costs of introducing 'pensions for life' in the future by stopping the suspension of survivors' pensions. This paper will be discussed at the next CAC meeting.

**April 2013**

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<sup>1</sup> Throughout the paper references to widows are taken to apply equally to widowers and civil partners, where appropriate.

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## **Joint MOD/FPS/WWA Paper for the CAC on Widows' Pensions for Life**

### **Introduction**

1. Under the rules of AFPS 75, when a member dies their widow may qualify for a pension. In some cases, if the widow later cohabits with, or re-marries, a new partner the pension is suspended. The 2005 Armed Forces Pension Scheme (AFPS 05) does not have this rule, nor will the new Armed Forces Pension Scheme to be introduced in 2015 .

2. Similarly, under the rules of the WPS (the original compensation scheme for members of the Armed Forces), when a war pensioner dies due to service, or their death is hastened by service, their widow may qualify for a pension. If the member died or dies on or after 6 April 1973 and the widow cohabits with, or re-marries a new partner the pension is suspended. Those widowed prior to 31 March 1973<sup>2</sup> are not subject to this rule, nor are those who receive payment under the current compensation scheme, the Armed Forces Compensation Scheme (AFCS).

3. This paper, written jointly by MOD Armed Forces pensions and compensation policy staff, the FPS and the WWA addresses the issue of cessation of pensions on re-marriage or cohabitation. It clarifies the various categories of service widow and their current status with regard to these particular rules. It uses broadly agreed figures for both schemes provided by GAD to estimate what the likely total future cost to MOD would be if widow's pensions were not suspended on future re-marriage or cohabitation.

### **Background**

4. Both the FPS and the WWA have campaigned for a number of years on the issue of Widows' Pensions for Life (also known as Justice for Widows). The FPS, as

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<sup>2</sup> From 6 April 2005 a rule change made in response to WWA concerns over elderly widows who did not qualify for AFPS benefits allowed those in receipt of a WPS war widows pension who were widowed prior to 31 March 1973 to keep their pension regardless of future remarriage.

the lead organisation for the principal Armed Forces communities affected under the occupational pension scheme (AFPS 75), considers that the current regulations which require Service Widows to relinquish their Armed Forces pensions on re-marriage or co-habitation to be "unfair, outdated and inappropriate". Similarly, the WWA considers that the current position under the WPS prevents younger widows from re-marrying for fear of being less well off as a result.

5. Recognising the option that was available to all AFPS 75 members to transfer to AFPS 05 at the time the latter scheme was introduced, the FPS has noted that over half the serving Armed Forces are currently members of AFPS 75. Surviving widows of current members could be subject to the suspension rules under both AFPS75 and the WPS.

6. There are currently ten different categories of MOD widows (see table at Annex A). The categorisation depends on when the death of the Armed Forces member occurred, and whether or not the death was attributable to service. For the occupational schemes, it is only those widows on AFPS 75 whose spouses' deaths were deemed not to be attributable to service causes whose pensions cease on re-marriage or co-habitation. For the compensation schemes, it is only War Widows in receipt of a War Widow's pension awarded since 31st March 1973 who must relinquish their pension in the event of re-marriage or cohabitation.

7. There will be a number of widows who may receive occupational pension benefits under AFPS 75 and compensation under the WPS because a member's death is due to service who must relinquish both in the event of re-marriage or cohabitation.

### **The Campaign**

8. Against the background outlined above, the FPS and the WWA are campaigning to achieve a change in the AFPS and WPS regulations so that:

***"The widow, widower or civil partner of any Serviceman or Servicewoman, awarded and in receipt of a Forces Family Pension, or a War Widows' Pension, who remarries or co-habits in a long-term relationship, will retain that award for life."***

9. The FPS position is that the current AFPS 75 regulation is no longer socially acceptable. The Society cites the introduction of AFPS 05 – under which this rule was not continued – as support for this point of view. The FPS also believes that the case for changing the regulation has been strengthened further in that, in drawing up the rules for the new AFPS to be introduced in 2015, MOD has argued consistently that it has managed to retain a number of elements of AFPS 05 in the new scheme, including the retention of pension on re-marriage or cohabitation. The FPS maintains that the current rules are being enforced inconsistently, and that their enforcement encourages “an atmosphere of mistrust and deception”.

10. The WWA position is that the current WPS regulation effectively penalises those widows, especially younger widows, who wish to enter into a steady relationship through cohabitation or re-marriage. The WWA argues that it is only a small proportion of the overall number of widows who do not retain their pension and that to correct the anomaly would not require additional funding as the number of recipients in general will continue to fall.

11. It is proposed by the FPS and the WWA that the AFPS 75 and WPS regulations should be amended and that the change should be brought in on the 6th April 2015 to coincide with the coming into force of the Future AFPS, thus aligning these particular terms in all Armed Forces pension and compensation schemes. The FPS and WWA are not seeking retrospective action. Although AFPS 75 was closed to new members in 2005 a majority of Service widows will be drawing an AFPS 75 pension, and will be doing so until 2050 and beyond. Similarly, the WPS was closed to new claims for injuries after 6 April 2005 but for those injured due to service before this date, if they have a dependant, a War Widows pension may be payable in the future so the WPS could also stay active until 2050 and beyond. From 2015 (for future service only) all members of the future Armed Forces pension scheme will have dependants' pensions that do not cease if their widow re-marries or cohabits. Under the AFCS it is already the case that dependants' compensation does not cease.

## **The Numbers of Widows Affected and Estimated Costs**

12. This joint paper has used figures provided by SPVA Glasgow and Defence Analytical Services and Advice (DASA) for the number of widows affected for each of the last five years for both AFPS and the WPS and the estimated total value of the pensions surrendered. These figures are shown at Annex B.

13. Although SPVA does not have reliable figures for the value of surrendered AFPS 75 pensions prior to 2008, the figures at Annex B show that the average rate of pensions suspended between 2008-2012 was just under £3k per annum, and for WPS just over £5k per annum. The total value of suspended pensions in both schemes for that period was just over £1.5m.

14. Predicting the future is more uncertain. GAD was commissioned in 2008 and 2010 to estimate the expected future cost of ending the suspension of spouses' or partners pensions on re-marriage or cohabitation. While the GAD analyses are not disputed the FPS has, until now, not had full confidence in the data underpinning GAD's modelling.

15. It is not possible to predict with certainty the number of widows likely to re-marry in future years and the picture may also be affected by behavioural effects relating to non-notification. However, using the available data, GAD's assessment is that it is reasonable to assume that the number of widows likely to re-marry in future may lie between 54 and 111 per year, while the profile of the AFPS 75 pensioner population remains broadly stable. MOD and the FPS agree that the most likely figure may lie somewhere towards the middle of that bracket – and this is near the average over the 12 year period to 2012 of 84 re-marriages per year. There is no equivalent forecast for WPS, but it can be assumed that for the next 20 years there will be between 10 and 20 re-marriages per year.

### **Future Costs**

16. **AFPS.** Using this data it is therefore possible to estimate the number of pensions that will not be suspended in the future and, consequently, indicative 'high-end', 'average', and 'low-end' estimates of the cost to MOD of a change in the current legislation. Per annum, the estimated cost ranges from a low-end figure of

£162k to a high-end figure of £333k with an average estimate of £252k. The total present value of these costs over 40 years is, respectively, £60m, £120m, and £90m<sup>3</sup>.

17. These estimates use a similar simplified modelling approach to GAD's earlier work in 2008 and 2010. The estimates rely on a number of assumptions used by GAD which are set out at Appendix 1. GAD's estimates allow for a change in policy for pensions earned after 2015 and the new data supplied for this paper by SPVA including an allowance for the restoration of pension (for example a divorce or new marriage). In practice the assumptions may not be borne out and, of course, the data provided is not complete; the actual present value may therefore fall outside the high-end and low-end estimates.

18. **WPS.** GAD last estimated the total cost of suspending WPS spouses' pensions in 2008 and believe that the assumptions made then are unlikely to have changed significantly. Taking into account the fact that average re-marriage rates fall with age, particularly after age 60, GAD have estimated that the cost of removing the re-marriage rules in the WPS could total £30m over 25 years<sup>4</sup>.

### **Other Public Sector Pension Schemes**

19. As with AFPS 75 and the WPS, other areas of the public sector (such as the Police, Civil Service, Teachers and NHS) have rules in their 'old' schemes which stipulate that widows pensions are suspended if they re-marry or cohabit. This being the case, there is the potential for any change in MOD policy on widows pensions to read-across to other schemes. Because of this, the MOD position – as a Government department with one of the main occupational pension schemes – is that any such change in policy would have to be made with the agreement of other public sector pension scheme managers, and their controlling departments. Approval would also be required from HM Treasury.

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<sup>3</sup> On the same basis, the total liability for the Armed Forces pension schemes as at July 2012 was £105.6 billion.

<sup>4</sup> The AFPS present value estimates are over 40 years, compared with 25 years for the WPS to take into account that WPS widows constitute an older population than AFPS widows.

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20. While this paper covers the issue of the costs to MOD of a change in policy on widows' pensions, at present, similar estimates are not readily available for other schemes.

21. Although the FPS and the WWA recognise the potential read-across, they also contend that the introduction of new pension schemes for all sectors of the public service present an opportunity to remove the 'suspension on re-marriage' rule across the board. The FPS and the WWA further note that ceasing the rule from April 2015 (when new schemes will be introduced across the public service) would mean that the ongoing costs of not suspending pensions for widows would be finite and diminishing.

22. The FPS and the WWA also consider that the unique aspects of military service allow a distinction to be made between the Armed Forces pension and compensation schemes and other public service schemes – and believe that the Armed Forces Covenant supports this view. The FPS and the WWA also note that retrospective amendment is not being sought, but recognise that any changes made would clearly have an impact on those who have already lost their pension and that this could be deemed to be unfair.

**Annex A**

**MOD Categories of Widow**

Category of Widow	Pension relinquished on re-marriage or co-habitation
<b>1. Pre 1973 Widow (AFPS75 Scheme)</b> No entitlement to a Short Term Family Pension – ½ pension only payable	Yes
<b>2. Post 1973 Widow (AFPS75 Scheme) husband did not buy in to ½ rate widow's pension scheme.</b> Widow has pension for service up to 30 <sup>th</sup> March 1973 at ½ rate and ½ rate for service from 31 <sup>st</sup> March 1973 to exit date	Yes
<b>3. Post 1973 Widow (AFPS75 Scheme) husband did buy service before 31<sup>st</sup> March 1973 into ½ rate widow's pension scheme</b> or he joined the Armed Forces on or after 31 <sup>st</sup> March 1973. Widow receives full half rate pension	Yes
<b>4. Post Retirement Marriage Widow pre 6<sup>th</sup> April 1978.</b> Married ex-Service husband after he left the Armed Forces – no widow's pension entitlement	Not Applicable
<b>5. Post Retirement Marriage Widow post 5<sup>th</sup> April 1978.</b> Married ex-Service husband after he left the Armed Forces – widow only has half of husband's pension for service from 6 <sup>th</sup> April 1978 to exit date	Yes
<b>6. Attributable Widow's Pension</b> Husband died in service, on or after 31 <sup>st</sup> March 1973 or in retirement having left the Armed Forces on or after 31 <sup>st</sup> March 1973 and the prime cause of death as attributable to service related injuries.	No
<b>7. AFPS05 Widow</b>	No
<b>8. AFPS15 Widow</b>	No
<b>9. War Widow (In receipt of 2 pension elements):</b>  <b>A. War Widows' pension element if awarded an Attributable Armed Forces Widow's Pension</b>  <b>B. War Widow's pension element if not awarded an Attributable Armed Forces Widow's Pension (pre 31<sup>st</sup> March 1973)</b>  <b>C. Occupational widow's pension if awarded on or after 31<sup>st</sup> March 1973 (attributable widow's pension)</b>  <b>D. Occupational widow's pension if awarded before 31<sup>st</sup> March 1973</b>	A. Yes  B. No  C. No  D. Yes
<b>10. Armed Forces Compensation Scheme Widow</b>	No



**Number of Pensions surrendered and value****AFPS 75**

<b>Year</b>	<b>No of Pensions surrendered</b>
2008	110
2009	90
2010	70
2011	50
2012	70
<b>Average rate of pension surrendered</b>	<b>£2946</b>

**WPS**

<b>Year</b>	<b>No of Pensions surrendered</b>
2008	20
2009	15
2010	15
2011	10
2012	10
<b>Average rate of pension surrendered</b>	<b>£5210</b>

Note: figures rounded to the nearest five.

**Assumptions used by GAD in cost estimates**

**Financial**

- > Discount rate net of pension indexation (CPI): 3% pa (3.5% for the WPS)
- > Average salary growth in excess of CPI: 2.25% pa
- > Average size of suspended spouse's pension in 2013: £3,000 p.a.<sup>1</sup> (note that this is similar to the average spouse's pension for all other ranks)

**Demographic**

- > Population of AFPS 75 spouses remains broadly stable for 20 years (up to 2033)<sup>2</sup>
- > No further re-marriages take place among AFPS 75 spouses after 40 years (2053)<sup>2</sup>
- > Number of re-marriages of AFPS 75 spouses reduces linearly to zero between 2033 and 2053<sup>2</sup>
- > Terms of 2005 scheme and introduction of 2015 scheme mean that average proportion of AFPS 75 pension among AFPS 75 spouses declines from 100% to 50% by 2033 (2005 and 2015 scheme pension does not cease on re-marriage).
- > No explicit allowance for 2005 offer to transfer from AFPS 75 to AFPS 05<sup>2</sup>
- > Average age of spouse at re-marriage: 54<sup>1</sup>
- > Average age of spouse at restoration of pension where applicable: 67<sup>1</sup>
- > Proportion of suspended pensions which are later restored: 20%<sup>3</sup>
- > Mortality of spouses – standard '92' series actuarial tables with allowance for future improvements in line with ONS 2010-based principal population projections for the UK

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<sup>1</sup> Based on data supplied by SPVA.

<sup>2</sup> Consistent with previous GAD estimates.

<sup>3</sup> Estimated by GAD based on data supplied by SPVA. This reduces the estimated present value of suspended pensions by around 10%.