

05 Armed Forces Pension Scheme

Your Pension Scheme Explained and other Benefits on your Discharge from the Armed Forces



This booklet is a guide to the range of benefits which you could earn during your service as a member of AFPS 05. It also contains information about the Early Departure Payment (EDP) Scheme and Resettlement Grants. This booklet does not provide legal or financial advice. **Please read this booklet carefully and keep it in a safe place, for future reference.**

There are two Armed Forces Pension Schemes (AFPS) for members of the Regular Armed Forces: Armed Forces Pension Scheme 75 (AFPS 75) and Armed Forces Pension Scheme 05 (AFPS 05).

AFPS 75 was introduced in 1975 and was closed to new entrants from 6 April 2005.

AFPS 05 is the scheme applicable to those joining the Regular Armed Forces from 6 April 2005. Serving members of AFPS 75 were given an opportunity to transfer to AFPS 05 by 6 April 2006.

There are two Reserve Forces Pension Schemes for members of the Reserve Armed Forces: Full Time Reserve Forces Pension Scheme 97 (FTRSPS 97) and Reserve Forces Pension Scheme 05 (RFPS 05).

FTRSPS 97 is the scheme applicable to those who gave Full Time Reserve Service as a member of the Reserve Forces before 6th April 2005 and was closed to new entrants from 6 April 2005.

RFPS 05 is the scheme applicable for those starting or renewing a Full Time Reserve Service (FTRS) or ADC commitment/contract and for those who are mobilised, from 6 April 2005. Serving members of FTRSPS 97 were given an opportunity to transfer to RFPS 05 from this date.

IMPORTANT: This booklet does not give a full explanation of the relevant pension scheme and Early Departure Payment Scheme rules. If there are any differences between the pension scheme rules in the Armed Forces Pension Scheme Statutory Instrument Order 2005 no 438 and an explanation in this booklet the rules will take precedence. This equally applies to the Early Departure Scheme whose rules can be found in the Early Departure Payment Scheme Order 2005 No 437. More details relating to AFPS 05, EDP Scheme and Resettlement Grants are contained in Joint Service Publication 764.

Unit administrative or personnel staffs can only provide information and an explanation of benefits under the schemes; they cannot provide advice in relation to your pension's decisions. Your best options will depend on your particular personal circumstances and you should seek independent legal or financial advice as required.

Unit administrative or personnel staff can give you a list of Services Insurance and Investment Advisory Panel (SIIAP) approved independent financial advisers, although you are free to use any independent financial adviser that you wish.

There are some special terms that you need to know; you can find them on pages 4 to 8 and refer to them as you go along. They appear in bold italics throughout this booklet.

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INTRODUCTION

This booklet gives guidance to the range of benefits available to you as a member of the Armed Forces Pension Scheme 2005 (**AFPS 05**), to help provide financial security for you and your dependants up to retirement age and beyond. The booklet also gives guidance to other benefits you may receive on your discharge under other MOD schemes (the **Early Departure Payment (EDP) Scheme** and the **Resettlement Grant (RG) Scheme**).

You make no direct contributions towards your basic benefits under **AFPS 05**, although your pension and other benefits are taken into account when your pay is determined. There may be an opportunity to increase your pension benefits by buying **Added Years**.

Your pension will start to build up from your first day of full paid service, and after 35 years' service you could achieve a pension worth 50% of pensionable pay. Longer service up to a maximum of 40 years will count towards your pension.

TERMS YOU NEED TO UNDERSTAND

Here is a list which explains the meaning of some special terms used in this booklet.

Added Years

An arrangement in which a Scheme member makes contributions to buy extra years of Service to reckon in the calculation of his final pension and lump sum and/or that of his dependants.

AFAB - Armed Forces Attributable Benefits

Armed Forces Attributable Benefits are paid under the Armed Forces Attributable Benefits Scheme 2010 (AFAB 2010) where an injury or death was caused by Service before 6 April 2005. If an injury, illness or death was caused by Service on or after 6 April 2005, Attributable Benefits are paid under the Armed Forces Compensation Scheme 2005 (AFCS 2005). Attributable benefits are not shareable under a divorce/dissolution settlement.

AFCS- Armed Forces Compensation Scheme

This is a compensation scheme for members of the Regular and Reserve Forces. It provides compensation for all injuries, ill-health and deaths which were predominantly caused by Service on or after 6 April 2005. See www.mod.uk/afcs for further details.

AFPS 05 – Armed Forces Pension Scheme 2005

This pension scheme was introduced for new entrants to the Regular Armed Forces from 6 April 2005. Members of AFPS 75 who were already in Service on this date and were still in Service on 6 April 2006 were given a one off opportunity to transfer to AFPS 05.

AFPS 75 – Armed Forces Pension Scheme 1975

This is the pension scheme for Regular Service personnel which was introduced in 1975 and closed to new entrants from 6 April 2005.

Attachment Order

This is a Court Order made as part of a divorce or dissolution Settlement instructing the pension Scheme Administrators to pay all or part of a Scheme member's pension benefits as periodical payments and/or lump sum to the member's former spouse or civil partner when these benefits become payable.

Attributable

The term is used to describe where:

- an injury or illness was caused or significantly aggravated by Service in the Armed Forces;
- a death was caused or significantly hastened by Service in the Armed Forces.

Attributable Benefits

Attributable benefits are not paid under AFPS 05 which offers ill-health pensions whatever the cause of the condition. Attributable benefits are paid under two separate Schemes depending on the date when the injury or condition was caused. See AFAB and AFCS.

Civil Partner

A scheme member who has formed a legally recognised partnership with another person of the same sex under the procedure provided by the Civil Partnership Act (CPA) 2004. If the civil partnership is legally dissolved, the Court can consider pension sharing or pension attachment in the same way as when a married couple divorce.

Consumer Price Index (CPI)

This is published monthly to measure the change in price levels in the UK. It is the method currently used to increase the value of pensions in April every year. See definition of "index-linking".

Contracting-Out

The arrangement under which a pension scheme leaves the State Second Pension Scheme (S2P). This means AFPS 05 Scheme members exchange their entitlements to benefits under the S2P for AFPS 05 benefits. AFPS 05 members' National Insurance Contributions are paid at a lower "contracted-out" rate.

Deferment

Benefits that are preserved until age 65 (currently) for a former member of the Armed Forces who left before the age of 55.

Dependants

A Scheme member's spouse, civil partner, eligible partner or eligible children.

Earmarking Order

A Court Order under Scottish law made as part of a divorce or dissolution settlement, instructing a pension scheme to pay all or part of a Scheme member's lump sum to the Scheme member's former spouse or civil partner when it becomes payable to the Scheme member.

EDP – Early Departure Payments

Payments to Scheme members (excluding members of AFPS 75, RFPS 97, RFPS 05 and NRPS) who leave Service before age 55, after a minimum of 18 years' relevant Service AND who are at least age 40 (the EDP 18/40 Point). EDP Payments are made up of a tax-free lump sum equivalent to three times the value of the annual preserved pension and an income payment equivalent to at least 50% of the preserved pension. Medical and Dental Officers are not normally eligible for EDP as they come under the bonus scheme arrangements. The EDP is not a pension and so cannot be shared under a divorce/dissolution settlement nor can an Attachment Order be made against it. However, it can be considered as a matrimonial asset and offset against the pension fund value.

Eligible Child/Children

A natural child or any child, who is financially dependant on the Scheme member, who is:

- Under 18, or
- Under 23 and in full-time education or vocational training, or
- Unable to engage in full time gainful employment because of a physical or mental impairment and the person was dependant on the Scheme member at the time of the death.

This includes children born within one year of the Scheme member's death.

Eligible Partner

Someone with whom a Scheme member was cohabiting, in an exclusive and substantial relationship with financial dependence or inter-dependence with whom they were not prevented from marrying or forming a civil partnership. An eligible partner may receive a pension on the death of the Scheme member.

GMP – Guaranteed Minimum Pension

The minimum pension that a Scheme, like AFPS 05, is obliged to provide to Scheme members as a result of contracting-out of State Second Pension (S2P).

Index-Linking

Annual increase in pension value in line with inflation. Inflation is currently measured by reference to the Consumer Prices Index (CPI), but until April 2010 was measured in relation to the Retail Prices Index. Changes are made in April, using the previous September's annual headline rate of inflation. All ill-health pensions, pensions and dependants' pensions are index-linked from the date of payment. Preserved pensions are index-linked using prices since the date of leaving service. EDPs are not index-linked until age 55.

Inverse Commutation

Exchanging all or part of a Scheme member's tax-free pension lump sum for an increase in the amount of taxable pension payable to the Scheme member and their dependants.

Member

A person who has joined one of the Armed Forces Pension Schemes and

- who is earning benefits under one of the Schemes (active member), or
- has a preserved pension under one of the Schemes (deferred member), or
- is receiving a pension under one of the Schemes (pensioner).

Normal Retirement Age

Retirement ages will continue to be tied to service career structures. For most (but not all) of the Regular Armed Forces this will be age 55. RFPS 05 is age 60.

Pensionable Earnings

Basic pay including the X factor but excluding allowances, bonuses, financial retention incentives, loan service pay and any form of specialist pay.

Pension Lump Sum

A one-off lump sum (normally tax-free) equal to three times the annual pension awarded. The pension lump sum is automatically paid at the same time as when the pension first comes into payment.

PSO – Pension Sharing Order

An Order made by the Court on divorce or dissolution of a civil partnership creating pension benefits for a former spouse or civil partner out of the benefits in the Scheme, which the Scheme member has built up in the Scheme. The former spouse or civil partner becomes a member of the Scheme in their own right and achieves a clean break. The PSO will specify a percentage (or monetary amount for Scottish cases) that is to be deducted from the Scheme member's pension benefits.

Preserved Pension

A pension which is kept for a Scheme member leaving the Armed Forces for payment at a later date. Benefits are due to a Scheme member leaving before age 55 [after a minimum of two years' service or if you have transferred in a service value from another pension Scheme but less than 18 years Service]. The preserved pension and pension lump sum are payable at pension benefit age (currently age 65). Service Personnel who leave the service before age 55 may be entitled to an Early Departure Payment (EDP) up to the age of 65 providing they have completed 18 years relevant Service and are at least age 40.

Qualifying Service

To be entitled to most pension benefits, you need two years or more of "qualifying service". Qualifying service includes paid service and certain other periods, for example service on secondment to NATO in respect of which the Scheme member has bought back the service they missed whilst on secondment. However, the purchase of Added Years is not taken into account when calculating qualifying service.

Reckonable Service

Reckonable Service is paid Service which is used to calculate the amount of a Scheme member's pension. This starts from the first day of full paid Service in the Armed Forces, but may not exceed 40 years. However, the value of any pension benefits transferred in from another scheme increases the Service which is used to calculate the value of the pension as does a credit resulting from the purchase of Added Years. For those who transferred to AFPS 05 as a result of the Offer to Transfer, their Service under AFPS 75 will count towards reckonable Service. Certain absences are not reckonable for pension purposes, such as a period of detention, unauthorised absence or unpaid leave.

Relevant Service (under the EDP Scheme)

This is paid Service on or after 6 April 2005 plus any Service transferred from AFPS 75 to AFPS 05 under the Offer To Transfer (OTT). This includes periods on Ordinary Maternity Leave, Paid Additional Maternity Leave, Ordinary Adoption Leave, Ordinary Paternity Leave, Paid Additional Paternity Leave, and periods on secondment to the UN, NATO or other external organisations. Also includes periods in receipt of Statutory Maternity Pay and Statutory Adoption Pay.

RG – Resettlement Grant

This is a lump sum payable to service personnel who do not qualify for an EDP or ill health benefits but have completed more than 12 years relevant Service.

RFPS 05 – Reserve Forces Pension Scheme 2005

The pension scheme is applicable to those who start or re-start on Full Time Reserve Service (FTRS), including Additional Duties Commitment (ADC) terms. Those who are mobilised on or after 6 April 2005 will automatically be members of the RFPS 05. Personnel called out for service under section 32, 43, 52, 54 or 56 of the Reserve Forces Act 1996, (or a corresponding section of the Reserve Forces Act 1980) from that date may choose to become members of RFPS 05. Those in Service before 6 April 2005 and still in Service on 6 April 2006, were given the opportunity to transfer to this Scheme. There is no option to join or rejoin FTRSPS 97.

Scheme Actuary

The Government Actuary's Department provides actuarial advice to the Armed Forces Pension Scheme Managers and Administrators.

Scheme Managers

DCDS (Personnel and Training) Remuneration Team (Pensions and Compensation) a MOD branch, which manages AFPS 05.

Spouse

A legally married (including separated, but not divorced) marriage partner.

SPVA – Service Personnel and Veterans Agency

SPVA is part of MOD with day to day responsibility for the administration and certain management responsibilities for all the Armed Forces Pension Schemes (AFPS), Reserve Forces Pension Schemes (RFPS), the Armed Forces Attributable Benefits (AFAB) Scheme, the Early Departure Payment (EDP) Scheme, the Armed Forces Compensation Scheme (AFCS), the War Pension Scheme (WPS) and the authority for payments under these Schemes. SPVA(Glasgow) are the Scheme Administrators of the AFPS, RFPS 05, EDP, AFAB and SPVA (Norcross) are the Administrators of the AFCS and WPS.

S2P - State Second Pension Scheme

This is a part of the State provision of retirement benefits. It is earnings-related and paid on top of the basic State Pension, and from April 2002 replaced the former State Earnings Related Pension Scheme - SERPS. It is available to employees who pay National Insurance contributions. If a pension scheme is contracted out of the S2P (like AFPS 75, AFPS 05 and RFPS 05) this means that the scheme guarantees to ensure that the benefits Scheme members will receive at normal retirement age will equal or exceed what they would have had from the State. As they are contracted out of S2P Scheme members pay a reduced National Insurance Contribution to the State.

Substantial relationship

To establish whether a relationship is substantial various factors are taken into consideration, such as: children, financial dependence or interdependence, shared commitments such as a mortgage, prime beneficiary of a will, shared accommodation, the length of the relationship and the absence of a legal spouse or civil partner (on either side).

Transfer Value

A payment (called a Cash Equivalent Transfer Value or CETV) reflecting the value of the preserved pension benefits an individual has in that scheme) made from one pension scheme to another to buy benefits in the receiving scheme. This transfer may only be made at the individual's request, when they change from one pension Scheme to another. A pension in payment cannot be transferred in or out of the Scheme.

WPS – War Pensions Scheme

The WPS may pay benefits to an individual or their dependants when they have left the Armed Forces, where an injury or illness or death was attributable to or aggravated by Service in the Armed Forces before 6 April 2005.

MEMBERSHIP

AFPS 05 is a defined benefit occupational pension Scheme. You are automatically a member unless you choose to opt out. You need to do nothing to join **AFPS 05** when you enlist in the Regular Armed Forces. You will need two years' **qualifying service** to be entitled to most pension benefits.

Members of the Scheme do not participate fully in the State pension arrangements. Instead, the Scheme takes on responsibility for paying part of the pension that would otherwise have been paid by the State. This is known as being **contracted-out** and means that you pay a lower rate of National Insurance contributions. However, members of **AFPS 05** are entitled to the basic State pension on the same basis as everyone else.

You cannot be a member of the **AFPS 05** and pay towards another occupational pension at the same time. You may, however, pay into a Stakeholder or personal pension, subject to Her Majesty Revenue and Customs (HMRC limits). (For further information about Stakeholder pensions, see page 19).

OPTING OUT

You can opt out of the Scheme in favour of private arrangements at any time. You make no direct contributions towards your basic benefits under **AFPS 05**, although the value of your pension is taken into account when your pay is set by the Armed Forces Pay Review Body. There is no compensation payable for withdrawal from the Scheme. If you are considering opting out, you should seek advice from an independent financial adviser. If you want to opt out of the scheme, you will need to inform **SPVA** in writing (see page 32 for the address).

You can find further information about the options available and the key points you need to bear in mind when making your decision in the booklet **"Transferring Benefits" – MMP/129**.

Opting out of **AFPS 05** does not affect any entitlement you may have under the **Early Departure Payment (EDP)** Scheme, the Armed Forces Redundancy Schemes (AFRS 2006 and AFRS 2010), or the benefits paid under the bonus arrangements in place for your specialist group or a **Resettlement Grant (RG)**.

OPPORTUNITIES TO REJOIN AT A LATER DATE IF YOU OPT OUT

If you opt to leave **AFPS 05** (or not to join) while remaining in Service, you have one opportunity to rejoin (or join) provided you are under age 55, and can prove you are medically fit.

This provision has no link with the Offer To Transfer (OTT) and cannot be taken to give those who opted to stay in **AFPS 75** a further opportunity to transfer into **AFPS 05**. Under the Scheme rules if you opt out of **AFPS 75** after 6 April 2005 whilst remaining in Service you will not be eligible to join **AFPS 05** (or to rejoin **AFPS 75** for that matter) if there has been a break of more than 30 days).

AN OVERVIEW OF YOUR PENSION BENEFITS

GENERAL

You will be entitled to pension benefits provided you have at least two years' **qualifying service**. Your benefits are based on your final **pensionable earnings** – that is the greatest amount of **pensionable earnings** you received for 365 consecutive days over the last three years of **reckonable service**. This starts from your first day of full paid Service in the Armed Forces.

PRESERVED PENSION

If you leave the Armed Forces before age 55 having completed at least two years' **qualifying service** or because a transfer value payment has been accepted by the Scheme you will be entitled to a **preserved pension** and a **pension lump sum** (normally tax-free) of three times your annual pension, which is payable when you reach pension benefit age (currently age 65) (see page 12 for further details).

PENSION AT AGE 55

If you retire at age 55 or over you will be entitled to a pension paid immediately and a **pension lump sum** (normally tax-free) of three times your annual pension. (See page 13 for further details).

ILL-HEALTH BENEFITS

If your career is cut short by illness or injury and you have completed at least two years' **qualifying service**, you will receive an ill-health award. The amount is based on a three tier system. For less serious conditions, Tier 1 provides a tax-free lump sum only, paid on your discharge with a preserved pension payable at pension age benefit (currently age 65). If you have a more serious condition, covered by Tiers 2 and 3, you will be awarded a tax free pension lump sum and an ill-health taxable pension which will be based on your actual Service, plus an enhancement. (See pages 14 -15 for further details).

ATTRIBUTABLE ILL-HEALTH BENEFITS

There are no **attributable** ill health benefits paid under **AFPS 05**. However if you are discharged on medical grounds, an ill health pension will be calculated under **AFPS 05**. This is payable irrespective of any benefits to which you may be eligible under the **Armed Forces Compensation Scheme (AFCS)**, (for injuries caused by service on or after 6 April 2005), or the **Armed Forces Attributable Benefits (AFAB)** or the **War Pensions Scheme (WPS)** in the case of disabilities or ill-health caused by Service before 6 April 2005).

However, these awards may be reduced to take account of **AFPS 05** pension benefits. See the website www.mod.uk/AFCS for further details.

DEPENDANTS' BENEFITS

When you die – whether in Service or after leaving Service – benefits may be due to your **spouse, civil partner, eligible partner** or to your **eligible children**. (See page 16 for further details).

More information on **dependants'** benefits is available in the booklet "**Family Pension Benefits**" – MMP/126.

DEATH OF A MEMBER WITH NO DEPENDANTS

If you are single, with no **dependants or eligible children** and die, payments will be made as follows:

- in Service, a tax-free lump sum of four times **pensionable earnings** will be paid to your nominee (see page 18) or estate as part of the assets you leave;
- after Service but before your **preserved pension** comes into payment, a tax-free lump sum of three times your annual preserved pension will be paid to your nominee or estate as part of the assets you leave. No pension is due;
- within five years of drawing your pension, a lump sum equivalent to the balance of five years' worth of pension will be paid to your estate less the value of the pension lump sum and pension you have already received. This payment will be tax-free. Your pension dies with you.

RETIREMENT BENEFITS

HOW YOUR BENEFITS ARE CALCULATED AND PAID

The pension paid to you will be based on **reckonable service** at the point at which you leave the Service. Each year is worth 1/70th of final **pensionable earnings** up to a maximum of 40 years. (See example below of pension calculation). Your final **pensionable earnings** will be the greatest amount of **pensionable earnings** you received for 365 consecutive days over your last three years of **reckonable service**.

Example of Pension Calculation

If your final salary is £30,000 after completing 25 years' Service your annual pension would be calculated as follows:

$$£30,000 \times 25 \times 1/70 = £10,714 \text{ pension}$$

In addition to your annual pension, you will receive a pension lump sum of three times your annual pension.

PRESERVED PENSION

If you leave the Armed Forces before age 55, you may be entitled to a **preserved pension**, which is normally paid from pension benefit age (currently age 65), together with a **pension lump sum** (normally tax-free) of three times your annual preserved pension. You must have completed at least two years **qualifying service**. **Preserved pensions** are **NOT** paid automatically; you have to claim them from **SPVA**. (See address on page 32).

EARLY PAYMENT OF PRESERVED PENSION

A **preserved pension** may be paid early if in the opinion of **SPVA** (Glasgow) (who will consider evidence provided by your GP and other medical specialists) you have become permanently unable to work full-time through ill-health. Further, if **SPVA** (Glasgow) receives medical evidence that you have a life expectancy of less than 12 months, you can apply to have a lump sum of five times your annual **preserved pension** paid immediately instead of a pension. (A similar option is available for those still in Service who find themselves in the same position).

If you want your **preserved pension** to be paid early, but are not in ill-health, you can apply to have it paid subject to a reduction which reflects the fact that the pension will be paid over a longer period than would normally be expected. However, the earliest you can do this is age 55.

Early receipt of your preserved benefits does not impact on your **dependants'** pensions or your **EDP**.

TRANSFER OF PRESERVED PENSION

You can request **SPVA** to transfer the **preserved pension** benefits that you have already earned to another pension scheme offered by a future employer or to a private pension arrangement.

REMEMBER, if you do decide to transfer the value of your **AFPS 05** preserved pension benefits to another pension scheme you will not be allowed to change your mind afterwards. **Once the transfer of funds is completed, you will have given up any pension benefits of your own and those of your dependants under AFPS 05.**

The transfer rules are complicated. For more information, you should read the booklet **“Transferring Benefits” – MMP/129**. There could be time limits – see page 26.

PENSION AT AGE 55

If you retire at age 55 or later you will not be entitled to **EDP** as your pension lump sum (normally tax-free) will be paid immediately. Your pension is **index linked** and is currently increased every year in line with **CPI**. After 35 years’ **reckonable service** your pension (ie excluding the value of the lump sum) will be worth 50% of your final **pensionable earnings**, but pension benefits may be earned up to a maximum of 40 years.

INVERSE COMMUTATION

You may opt to exchange the whole or part of your tax-free pension lump sum for an increase in the amount of taxable pension payable to you and your **dependants**. The value of the exchange is calculated by **SPVA** using the factors provided by the **scheme actuary**. Once the exchange is agreed, the **pension lump sum** is reduced by the amount exchanged, whether or not the pension that is to be increased as a result of the option actually becomes payable. For example, if you reduce your **pension lump sum** to improve both your and your **spouse’s, civil partner’s** or **eligible partner’s** benefits but they die before you, the exchange will not be reversed.

This option can only be exercised within the six months before the pension is due to be paid, that is within six months of your discharge at age 55 or later, or within six months of your **preserved pension** becoming payable at pension benefit age (currently at age 65). **SPVA** can advise you how this can be done. Inverse commutation factors are in JSP 764, Part 4, Chapter 4.

ALLOCATION

Providing that you are not discharged with an ill-health pension or have not requested your preserved pension to be paid early because you are too ill to work permanently full-time, you can opt to allocate up to 37.5% of your pension during your lifetime so that, after your death, one or more nominated dependants (who must be financially dependent on you) will receive an income for life.

While the maximum that may be allocated is 37.5%, a Scheme member will not be allowed to allocate a sum which, if they die aged 75 or over, means that the aggregate of dependants’ pensions exceeds the annual pension before death plus 5% of the pension lump sum. The scheme actuary will work out the amount that will be payable to the dependant(s), taking into account the age and sex of the nominee(s).

Once the allocation has taken place, you will not be able to cancel the arrangement. If you die before your pension comes into payment, the allocation will be void. It should be noted that the reduction of the Scheme member’s pension as a result of allocation has no effect on the accrual rate for spouse’s, civil partner’s or eligible partner’s pensions. Allocation factors are in JSP 764, Part 4, Chapter 4 and an application form may be found on the website at www.mod.gov.uk. (for addresses see page 32).

TAX REGIME

The 2004 Finance Act simplified the tax regime to control tax privileged pension saving by means of a Life Time Allowance and an Annual Allowance. For further details see www.hmrc.gov.uk.

ILL-HEALTH BENEFITS

If you leave the Armed Forces early because you suffer ill-health or become injured and are medically discharged, you may be entitled to an ill-health pension and lump sum under **AFPS 05** arrangements. If your condition is mainly due to or worsened by your Service in the Armed Forces you may be entitled to additional benefits (called **attributable benefits**).

Attributable benefits are paid under the Armed Forces Compensation Scheme (**AFCS**) for injuries whose main cause is Service or or after 6 April 2005. For disability or ill-health caused by Service before 6 April 2005, attributable benefits may be payable under the **Armed Forces Attributable Benefits Scheme 2010 (AFAB)** and the **War Pensions Scheme (WPS)**. See the website www.mod.uk/afcs for further details.

ILL-HEALTH PENSIONS

If you have less than two years' **qualifying service**, you will have no entitlement to an ill-health pension. Arrangements will be made for you to be contracted back into the **State Second Pension Scheme (S2P)**. This means that your Service in the Armed Forces may qualify you for certain State benefits. Alternatively, in certain circumstances you may opt to transfer this value to another occupational or personal pension arrangement.

If you are medically discharged from the Services with two years or more **qualifying service** you may be awarded an ill-health pension, a tax-free pension lump sum or both. The benefits will be calculated according to the degree of your ill-health, your length of **reckonable service** and your final **pensionable earnings**. Ill-health pensions are currently increased annually in line with **CPI** and are taxable, unless your ill-health is deemed to be caused by Service in which case your pension is paid tax-free. The ill-health categories are split into three tiers.

These tiers are linked to the **AFCS** Tariff tables.

- **AFPS 05 Tier 1** = **AFCS** Tariff levels 12 - 15
- **AFPS 05 Tier 2** = **AFCS** Tariff levels 7 - 11
- **AFPS 05 Tier 3** = **AFCS** Tariff levels 1 - 6

The **AFCS** tariff tables which show the link to **AFPS 05** are in JSP 764, Part 4.

Tier 1

If you are medically discharged from the Armed Forces because you are unable to do your Service job, but your ability to get gainful employment is not deemed to be significantly impaired, you will be awarded a tax-free lump sum to help you adjust to your new circumstances. The payment will be calculated on the basis of 1/8th of your **pensionable earnings** multiplied by the length of your **reckonable service**, subject to a minimum of six months' **pensionable earnings** and a maximum of two years' **pensionable earnings**. In these circumstances, your pension benefits will be preserved until pension benefit age (currently age 65).

If you have passed the **EDP** 18/40 Point, you will receive an **EDP** lump sum and monthly **EDP** income payments instead (see page 27), until your **preserved pension** comes into payment (currently age 65).

Examples of lump sum calculation

An individual joins at age 20 but is medically discharged after two years' Service. Final **pensionable earnings** is £16,000. The ill-health lump sum is calculated as:

$$1/8 \times £16,000 \times 2 = £4,000.$$

As £4,000 is less than the minimum of six months' pay, the lump sum is increased to £8,000 an

individual joins at age 20 but is medically discharged after 10 years' service. Final **pensionable earnings** is £32,000. The ill-health lump sum is calculated as:

$$1/8 \times £32,000 \times 10 = £40,000.$$

An individual joins at age 20 but is medically discharged after 17 years' service. Final **pensionable earnings** is £40,000. The ill-health lump sum is calculated as:

$$1/8 \times £40,000 \times 17 = £85,000.$$

As this exceeds the maximum of two years' pay, the lump sum award is reduced to £80,000.

Tier 2

If you are discharged with a condition that is not deemed to leave you permanently incapable of gainful employment, although your employment prospects are deemed to be significantly impaired, then you will be awarded a **pension lump sum** (currently tax-free at time of publication) and a taxable ill-health pension. Your pension will be based on your **reckonable service** plus one-third of the time remaining up to the normal retirement age of 55; your pension lump sum will be three times your annual pension. Because this is more generous than the **EDP**, it replaces the **EDP** for those serving beyond the **EDP** 18/40 Point. No further pension benefits are payable at pension benefit age (currently age 65).

Example of Tier 2 pension calculation

A person aged 25 with final **pensionable earnings** of £28,000 who is medically discharged under Tier 2 after eight years' **reckonable service** would receive a taxable ill-health pension based on 18 years' **reckonable service** (eight years' actual service + one-third of the 30 years remaining until the normal retirement age of 55).

	Before Enhancement	After enhancement
Pension	£3,200	£7,200
Lump Sum	£9,600	£21,600

Tier 3

If you are discharged with a serious disability which is deemed to leave you permanently incapable of any further full-time employment, you will be awarded a taxable ill-health pension based on your **reckonable service** plus half the time remaining to the normal retirement age of 55, with a minimum pension based on 20 years' service. You will also receive a pension lump sum (currently tax-free at time of publication) of three times your annual pension. Because this is more generous than the **EDP**, it replaces the **EDP** for those serving beyond the **EDP** 18/40 Point. No further pension benefits are payable at pension benefit age (currently age 65).

Examples of Tier 3 pension calculation

A person aged 24 with final **pensionable earnings** of £21,000 who is medically discharged under Tier 3 after four years' **reckonable service** will receive a taxable pension based on 20 years. The formula delivers a total of 19½ years' service (four years' actual Service + half of the 31 years remaining until age 55) but as this is below the guaranteed minimum, 20 years is used in the calculation.

	Before enhancement	After enhancement
Pension	£1,200	£6,000
Lump Sum	£3,600	£18,000

A person aged 39 with final **pensionable earnings** of £49,000 who is medically discharged after 20 years' **reckonable service** will receive a taxable pension based on 28 years' Service (20 years' actual Service + half of 16 years remaining until age 55).

	Before enhancement	After enhancement
Pension	£14,000	£19,600
Lump Sum	£42,000	£58,000

DEPENDANTS' BENEFITS

BENEFITS

The following benefits are available only to the **dependants** of members of **AFPS 05**.

Your benefits and those of your dependants will be calculated in relation to your **reckonable service**, if you die after leaving the Service. If you die whilst still in Service, your pension benefits will be increased as for an ill-health Tier 3 award. (See page 15).

PENSIONS

Dependants' pensions are only payable if you have two years' or more **qualifying service**. If at the time of your death you have a **spouse** or **civil partner**, they will be eligible to receive a pension. A former **spouse**, from whom you have divorced, or former **civil partner**, if you have legally dissolved the civil partnership, is not eligible to receive a pension.

If the marriage or civil partnership ceremony took place within six months of your death, the award of a pension will not be automatic. The circumstances will be examined by **SPVA** to ensure that the marriage or civil partnership has not been entered into purely for financial gain.

Where there is no surviving spouse or civil partner, a cohabiting partner may also be eligible to receive a pension (i.e. be an "eligible partner") providing that it can be demonstrated that a **substantial and exclusive relationship** existed and there was no legal reason preventing them from getting married or forming a civil partnership. These examinations will be conducted with sensitivity so far as possible.

Your **spouse, civil partner** or **eligible partner** will receive an **index-linked** pension worth 1/112ths of **pensionable earnings** for each year of Service

you are entitled to count towards pension, up to a maximum of 37.33 years. This gives a pension of up to 62.5% of your pension benefits, which is payable for life, irrespective of remarriage or the forming a new civil partnership or cohabitation.

In certain circumstances the pension may be less than 62.5%. In particular, if your **spouse, civil partner** or **eligible partner** is more than 12 years younger than you, their pension will be reduced by 2.5% for every complete year over 12 years they are younger than you, subject to a maximum reduction of 50%. If an individual is 15 years younger than their **spouse, civil partner** or **eligible partner**, their pension will be reduced by 7.5% (3 x 2.5%). This reduction recognises that the pension can be expected to be paid for a longer period. It is the policy for many Public Service pension schemes that it is unreasonable for the Scheme to bear this entire cost.

If you have a **Pension Sharing Order (PSO)** in place your current **spouse, civil partner** or **eligible partner** pension will be calculated in the normal way but will then be reduced by the value of the **PSO**.

CHILDREN'S PENSIONS

These pensions may be payable in respect of natural, adopted or step-children and any other children who are financially dependent upon you. This includes children who are born or become eligible after you leave the Armed Forces. (See **eligible child** on page 5).

CHILDREN'S PENSIONS CALCULATION

The amount of your pension benefits available for children's pensions is normally the balance of the pension remaining after the payment of any **spouse's**, **civil partner's** or **eligible partner's** pension.

Spouse's, **civil partner's**, and **eligible partner's** pensions are normally 62.5% of the pension the member would have been entitled to but, if you have more than 37.33 years' service, the percentage will be slightly lower, leaving slightly more to be shared by the children. Any reduction made to the **spouse's**, **civil partner's** or **eligible partner's** pension because of them being more than 12 years younger than you is not available for children's pensions.

Where a pension is payable to a **spouse**, **civil partner**, or **eligible partner**:

- an only child will be eligible to 25% of your pension benefits;
- two or more **eligible children** would normally share equally the balance of your pension benefits after **spouse's**, **civil partner's** or **eligible partner's** pensions are paid.

Where a pension is **NOT** payable to a **spouse**, **civil partner** or **eligible partner**, an amount equal to your pension benefits will be divided equally among your **eligible children**, with no child receiving more than one third of your pension benefits.

If a **spouse**, **civil partner** or **eligible partner** in receipt of a pension dies whilst children's pensions are in payment, the children's pensions will be recalculated, subject to the maximum described above.

PENSION LUMP SUM

If you die and you have not made a valid nomination, your **pension lump sum** will normally be paid to your **spouse**, **civil partner**, **eligible partner**, or if there is no such person, to your estate. Details on how you can make a nomination can be found on page 18. The nomination form can be found in the inside of the back cover of this booklet.

DEATH-IN-SERVICE

If you die in service, a tax-free lump sum payment of four times **pensionable earnings** will be paid to your nominee (see page 18 for further details about nomination). As a Death-in-Service lump sum is paid there will be no preserved pension lump sum payable.

In addition, your **spouse**, **civil partner** or **eligible partner** will normally receive a pension providing you have completed two years or more **qualifying service** which will be calculated as if on the date of your death you had been medically discharged at Tier 3 (enhanced by half your remaining Service, based upon the normal pension age of 55) or, if greater, your actual pensionable Service up to 37.33 years, subject to a minimum pension based on 20 years' Service.

Example

If an individual died in Service at age 23 having completed five years' Service, the dependant's pension would be based on 21 years' Service (five years of actual Service + half of the 32 years between age 23 and 55).

DEATH IN DEFERMENT

If you leave the Armed Forces with a **preserved pension** and subsequently die before the **preserved pension** comes into payment, this is called a death in **deferment**. In these circumstances, your preserved lump sum, up-rated by pensions increases, will be payable to your nominee, **spouse, civil partner or eligible partner**, or if you have none of these, your estate. This is also payable if you were in receipt of **EDP** before your death. Your **spouse's, civil partner's or eligible partner's** pension will be based on your actual Service.

DEATH WITHIN FIVE YEARS OF PENSION COMING INTO PAYMENT

If you die after your pension has come into payment, your pension ceases. However, if it is within five years of the pension coming into payment, a tax-free lump sum payment equivalent to the balance of five years' worth of pension will be payable to your **spouse, civil partner or eligible partner**. In calculating the amount payable, the lump sum and pension already paid will be taken into account. This is not payable if you were in receipt of **EDP** as this is classed as 'death in deferment' – see paragraph above.

Further information about death benefits can be found in the booklet **"Family Pension Benefits" – MMP/126**.

NOMINATION

You can nominate one or more than one person or organisation to receive your **lump sum**. A Nomination Form can be found in the inside back cover which you can complete and return to **SPVA**. It is also available on the Defence Intranet or Internet (addresses at page 32) or available from your Unit Admin Office. For more detailed information on nominating - see JSP 764, Part 1, Chapter 4, Para 0401 to 0405 and 0418. If you die without completing a valid Nomination Form then your lump sum will normally be paid to your **spouse, civil partner, eligible partner** or, if there is no such person, to your estate.

It is highly recommended that you complete a valid Nomination Form as without it payment may be delayed. This applies especially for those who are not married or in a civil partnership but who might have an **eligible partner**, as their claim depends on being able to demonstrate that they are an **eligible partner**.

Please note that although the completion of a Service Will would add to the evidence that **SPVA** would take into account when establishing entitlement to the **pension lump sum**, this will not on its own entitle the recipient of the Service Will to the **pension lump sum**, whereas the completion of a valid Nomination Form would ensure the nominee entitlement.

It is your responsibility to review your Nomination Form from time to time to ensure that it is up to date and remains valid especially when there has been a change in personal circumstances i.e marriage, divorce, dissolution of a civil partnership, separation, change of eligible partners, or becoming a widow (er).

INCREASING YOUR BENEFITS

BACKGROUND

Occupational pension schemes like **AFPS 05** provide pension benefits in addition to those provided by the State pension, to ensure that Scheme members have an adequate income in retirement. Her Majesty's Revenue and Customs (HMRC) allow certain tax concessions to pension schemes which are not available to other forms of retirement savings. Full details may be found on their website: www.hmrc.gov.uk.

ADDED YEARS

The purchase of **Added Years** is a defined benefit within the Scheme and the Scheme limit on contributions towards the purchase of **Added Years** is 15% of **pensionable earnings**. **Added Years** can be bought as whole or part years by regular contribution. If you decide to stop contributing, you will not be given a refund for the contributions paid to date but you will receive a pro-rata credit for the **reckonable service** already purchased. You can have more than one **Added Years** contract provided you stay within the 15% limit that the Scheme imposes. Benefits can only be accrued for a maximum of 40 years. Contribution tables are in JSP 764, Part 4, Chapter 4 and an application form is available on the Defence Intranet or Internet.

STAKEHOLDER PENSIONS

The Stakeholder Pension is a flexible, low cost, private pension that was introduced by the Government to help people save for their retirement.

Stakeholder pensions are money purchase arrangements under which contributions are invested to provide a fund at retirement. They do not add on benefits under **AFPS 75**, **AFPS 05** or **RFPS 05** but are in addition to and separate from those provided by the Armed Forces Pension Schemes.

When considering whether to take out a stakeholder pension, You need to take care that your total pension provision (from ALL pension funds – AFPS, AVC and stakeholder) does not exceed The Life Time Allowance (LTA) or Annual Allowance (AA) See the booklet "**Increasing Benefits**" – MMP 128 or the booklet "**Taxation of Pension Benefits**" – MMP 144. As with other money purchase arrangements, the pension provided at retirement is not guaranteed as it depends on the amount of money saved, the investment return on these savings, the age at which retirement benefits are drawn and the annuity rates at the time of retirement. Scottish Widows is currently the preferred provider of stakeholder pensions to the Armed Forces. Their contact details are:

Scottish Widows

Direct Sales,
69 Morrison Street,
Edinburgh
EH3 0BR

Telephone: 0845 608 0376 or
+44 131 655 6600

Email: armedforces@scottishwidows.co.uk

The administrative charge for handling a stakeholder pension is capped at a maximum of 1% of the fund.

NOTE: When considering whether to take out any

additional benefits whether it is AVCs or a stakeholder pension, you need to take care that your total pension provision (from **ALL** pension funds – AFPS, AVC and stakeholder) does not exceed the Life Time Allowance (LTA) or Annual Allowance (AA). See the booklet **“Taxation of Pension Benefits” – MMP/144 for more information.**

You can obtain further information about increasing your pension benefits from the MOD internet and intranet sites (see the booklet **“Increasing Your Pension Benefits” – MMP/128** for more information).

However, before making a decision you may like to take independent financial advice about the purchase of additional benefits, to avoid obtaining anything other than a legal product which is right for you. Information about independent financial advisers accredited by the Services Insurance and Investment Advisory Panel is contained in a Joint Service Defence Instructions and Notices, published regularly, although you are free to use any independent financial adviser you wish. Additionally, the Financial Services Authority can advise you on many issues, including how to find a financial adviser. There is a consumer helpline on **0845 606 1234** or information online at www.fsa.gov.uk/pages/consumerinformation

TRANSFERRING YOUR BENEFITS

If you were a member of an occupational pension scheme before entering the Armed Forces, or you have a personal pension plan, you may be able to transfer benefits into **AFPS 05**. The transfer of the value of the pension benefits you bought or earned under another pension scheme involves crediting you with an amount of **reckonable service** equal in value to the **transfer value** paid by the previous pension scheme. Service transferred into **AFPS 05** will count towards the two-year qualifying period for pension benefits, but it will not count towards the **EDP** 18/40 Point or towards the qualifying period for a **Resettlement Grant**.

Similarly, if you leave the Armed Forces before your pension is payable and take up new employment where an occupational pension scheme is available, you can transfer the value of the **preserved pension** benefits you have earned from **AFPS 05** into that Scheme. You cannot transfer your pension benefits once your pension has come into payment. (See page 26 for time limits).

Alternatively, you can transfer your Armed Forces **preserved pension benefits** into a personal pension scheme or an approved insurance scheme.

You are advised to seek independent financial advice before transferring pension benefits. Further guidance is available in the booklet **“Transferring Benefits” – MMP/129**.

Transfer value factors are published in JSP 764, Part 4, Chapter 4 and also available on the Defence Internet and Intranet (details on page 32).

If you leave the Armed Forces with less than two years' **reckonable service**, you will not qualify for a **preserved pension**. However, you may be able to transfer the notional value of benefits to another pension scheme. If you do not apply to do so, **SPVA** will arrange for you to be contracted back into the **State Second Pension Scheme (S2P)** for the period of your Service in the Armed Forces.

Trivial Commutation

In certain circumstances, trivial benefits may be commuted and paid as a one-off lump sum payment. This can be done only if the value of your pension benefits under all registered pension Schemes, along with all benefits that have previously crystallised for lifetime allowance purposes (including any pensions in payment on 5 April 2006), do not exceed a maximum value (the commutation limit) as valued on a specific date (the nominated date). The commutation limit is £18,000 of LTA and tax will be due on the 75% of the lump sum paid.

RE-EMPLOYMENT IN THE ARMED FORCES

Aggregation

If you rejoin the Armed Forces and have preserved benefits in **AFPS 75** or **AFPS 05** you are entitled to aggregate them, that is, add them together. Although if you have more than one period of previous **AFPS 75** service, you can only aggregate the last period of Service with your **AFPS 05** Service.

If you join the Reserve Forces and have preserved benefits in **AFPS 05** or **AFPS 75**, you cannot aggregate them with your **RFPS 05**, NRPS or FTRS97 Service.

Abatement

If you rejoin the Armed Forces and have a pension in payment, it may be suspended or reduced to ensure that your pension plus your new rate of pay does not exceed your old rate of pay (adjusted for inflation). This is known as abatement. If a pension is in payment it cannot be aggregated or transferred. See page 28 for the effect on **EDP** lump sum and **EDP** income on rejoining the Armed Forces.

If you join the FTRS, ADC or NRPS, any pension in payment may be suspended or reduced in line with the abatement principle above, as such appointments may rely on your previous Armed Forces Service. See page 28 for the effect on **EDP** lump sum and **EDP** income on joining the Reserve Forces. Further details as to the effect on the **EDP** lump sum and income on joining the FTRS, ADC or NRPS can be found in JSP 764 Part 2.

Repayment of SCP or CLS on Re-Employment

If you are re-employed in the Armed Forces after receiving a Special Capital Payment or Compensation Lump Sum on redundancy, you may have to repay part or all of it on re-entry.

See booklet **“Re-employment” – MMP/116** or **“The Armed Forces Redundancy Schemes” – MMP/138** for further details.

HOW DIVORCE/DISSOLUTION CAN AFFECT YOUR PENSION

ATTACHMENT ORDERS ON DIVORCE/DISSOLUTION

If you divorce or your civil partnership is dissolved or you are judicially separated, a Court can order the **Scheme Administrators** to pay all or part of your pension and lump sum to your former **spouse** or **civil partner** as part of a divorce/dissolution or legal settlement. This will happen at the point when these benefits become payable. This type of Order is known as an **Attachment Order**. If your **spouse / civil partner** remarries or enters a new civil partnership the payments will stop. The Court can also make an Order marking the **pension lump sum** payable to your estate in the event of your death in service to your former **spouse** or **civil partner**.

NOTE: SPVA will only make payments to your former spouse or civil partner when a Court Order has specifically instructed them to do so. Without such an Order **SPVA** will continue to make payments only to you.

If you die before your former **spouse** or **civil partner**, they will not receive any payments in respect of your pension after the date of your death. Your death, however, will not normally affect the part of a Court Order that marks a lump sum, although it would reduce the level of pension benefits payable to a current **spouse, civil partner** or **eligible partner**.

Earmarking Orders

In Scotland only: If you divorce or your civil partnership is dissolved or you are judicially separated, a Court can order the **Scheme Administrators** to pay a lump sum to your former **spouse** or **civil partner** as part of a divorce/dissolution or legal settlement. This will happen at the point when these benefits become payable. This type of Order is known as an Earmarking Order.

PENSION SHARING ON DIVORCE/DISSOLUTION

In legal proceedings begun on or after 1 December 2000 (civil partners since 2004), courts have had the additional option of making **Pension Sharing Orders (PSOs)** on divorce/dissolution. This allows pension benefits to be treated like other assets and part or the whole of their value to be transferred from the Scheme **member** to the former **spouse** or **civil partner**. The payment of the pension is direct to the former **spouse** or **civil partner** and is not affected by changes in the circumstances of the Scheme member or former **spouse** or **civil partner** after the **PSO**. In this way, the two parties are able to make a financial “clean break”.

Under a **PSO**, a Court may order that a percentage of the value of your pension benefits are transferred permanently to your former **spouse** or **civil partner** and they become a **Pension Credit Member (PCM)**. These pension benefits are payable when the former **spouse** or **civil partner** reaches the pension benefit age (currently age 65) or later if the **PSO** or provision is made later. The **PCM** can opt to have their pension paid earlier at age 55 but it will be actuarially reduced due to early payment.

If you have a **PSO** in place your current **spouse, civil partner** or **eligible partner's** pension will be calculated in the normal way but will then be reduced by the value of the **PSO**.

NOTE: Because **AFPS 05** is an unfunded public service pension scheme, your former **spouse** or **civil partner** cannot transfer out their pension credit benefits from **AFPS 05** into another pension arrangement. Nor can they add to them.

Further information on pension entitlement following divorce can be obtained from the booklet **“Pension Benefits on Divorce and Dissolution of a Civil Partnership” – MMP/131**.

DISPUTE AND COMPLAINTS PROCEDURES

DISPUTE AND COMPLAINTS PROCEDURES

SPVA make every effort to get things right. However occasionally things do go wrong and you may wish to complain. In the first instance you should write to the address given below:

SPVA JPA Complaints
Mail point 600
Kentgern House
65 Brown Street
Glasgow
G2 8EX

Internal email address: SPVA-JPA-COMPLAINTS
External email address: jpa-complaints@SPVA.mod.uk

Fax(civ): 0141 224 2605
Fax(mil): 94561 2605

SPVA will aim to acknowledge your complaint within two working days of receipt and respond within 10 working days where possible. If you are still unhappy with the outcome of your complaint

INTERNAL DISPUTE RESOLUTION PROCEDURES (IDRP)

IDRP is a formal procedure set up to resolve disagreements between the **Scheme Administrators** and individuals who have an interest in the Scheme, such as Scheme members, **spouses** or **dependants**.

This provides the opportunity to complain to the **Scheme Administrators** about matters in relation to the Scheme and maximise the opportunity to resolve the disagreement internally.

The IDRP process consists of two stages. Under the first stage, you have the right to complain to the **Scheme Administrators**. Under the second stage, you have

the right of appeal to a higher level against the decision made on your first stage complaint.

If your complaint remains unresolved, you may then take it to the Pensions Ombudsman through The Pensions Advisory Service (TPAS).

Further information on IDRP can be obtained from the booklet **“Internal Dispute Resolution Procedures” – MMP/130**.

THE PENSIONS ADVISORY SERVICE (TPAS)

TPAS is an independent body which is financed in part by the Department of Work and Pensions. You may contact TPAS for advice at any stage during IDRP but you must have raised your complaint in writing to **SPVA** before contacting TPAS for help. A TPAS adviser is available to assist members of occupational pension schemes and their dependants through the process to help resolve any difficulties they have failed to resolve with the **Scheme Administrators**.

Contact details are:

TPAS

11 Belgrave Road,
London
SW1V 1RB

Tel: 0845 6012923

Email: enquiries@pensionsadvisoryservice.org.uk

Web: www.pensionsadvisoryservice.org.uk

PENSIONS OMBUDSMAN (PO)

With effect from 6 April 1997, the Pension Ombudsman (PO) has the power to investigate complaints and settle disputes between a pension scheme and a complainant. The PO will usually only become involved if IDRPs and TPAS have been unable to resolve the dispute. Complaints must normally go to the PO within three years of whatever event caused the dispute. The PO cannot investigate cases on the bases of fact or law. The PO will not investigate a dispute once formal legal proceedings have been started. The Pension Ombudsman's address is:

The Pensions Ombudsman

11 Belgrave Road,
London
SW1V 1RB

Tel: 0207 834 9144

Email: enquiries@pensions-ombudsman.org.uk

Web: www.pensions-ombudsman.org.uk

THE PENSIONS REGULATOR

The Pensions Regulator is able to intervene in the running of pension schemes where their trustees or managers have failed to comply with the law. The address is:

The Pensions Regulator

Napier House,
Trafalgar Place,
Brighton
BN1 4DW

Tel: 0870 606 3636

Email: customersupport@thepensionsregulator.gov.uk

Web: www.thepensionsregulator.gov.uk

MAKING THE MOST OF YOUR MEMBERSHIP

Some of the actions you might wish to take are time-limited. There is no time limit for opting out of **AFPS 05**.

Please make sure you do not miss out by exceeding these limits.

Action	Time Limit
Making a transfer of pension benefits from previous employment under Public Sector transfer arrangements (page 21)	You must apply within 12 months of joining AFPS 05
Inverse Commutation (page 13)	You must apply within the six months before drawing your pension
Making a transfer of AFPS 05 preserved pension benefits (page 21)	For transfers under the Public Sector transfer arrangements the application must be within one year of joining the new pension scheme and before the age of 64 or within six months of the end of pensionable employment with the Armed Forces, if later. Other occupational pension schemes may have their own time limits
Making a notional transfer (in or out of AFPS 05) of pension benefits (minimum of three months Service required) after leaving with less than two years' reckonable service (page 21)	You must apply within six months of leaving the Armed Forces and before pension age
Claim preserved pension (page 12)	There is no limit but you need to submit your claim to SPVA at least three months before its due ready for payment at pension benefit age (currently age 65). (No requirement to claim if in receipt of EDP)

OTHER BENEFITS PAYABLE ON DISCHARGE FROM THE ARMED FORCES

EARLY DEPARTURE PAYMENTS (EDP) SCHEME

This Scheme aims to retain personnel in Service through to at least age 40 **AND** to compensate for the fact that a full career to age 55 or beyond is not available to the majority. You will have to reach age 40 or over **AND** serve at least 18 years **relevant service** (the **EDP 18/40 Point**) to be eligible for an **EDP**. You do not need to be a member of **AFPS 05** to qualify, but you will not qualify if you decided to remain a Scheme member of **AFPS 75**, or are a scheme member of **RFPS 05**.

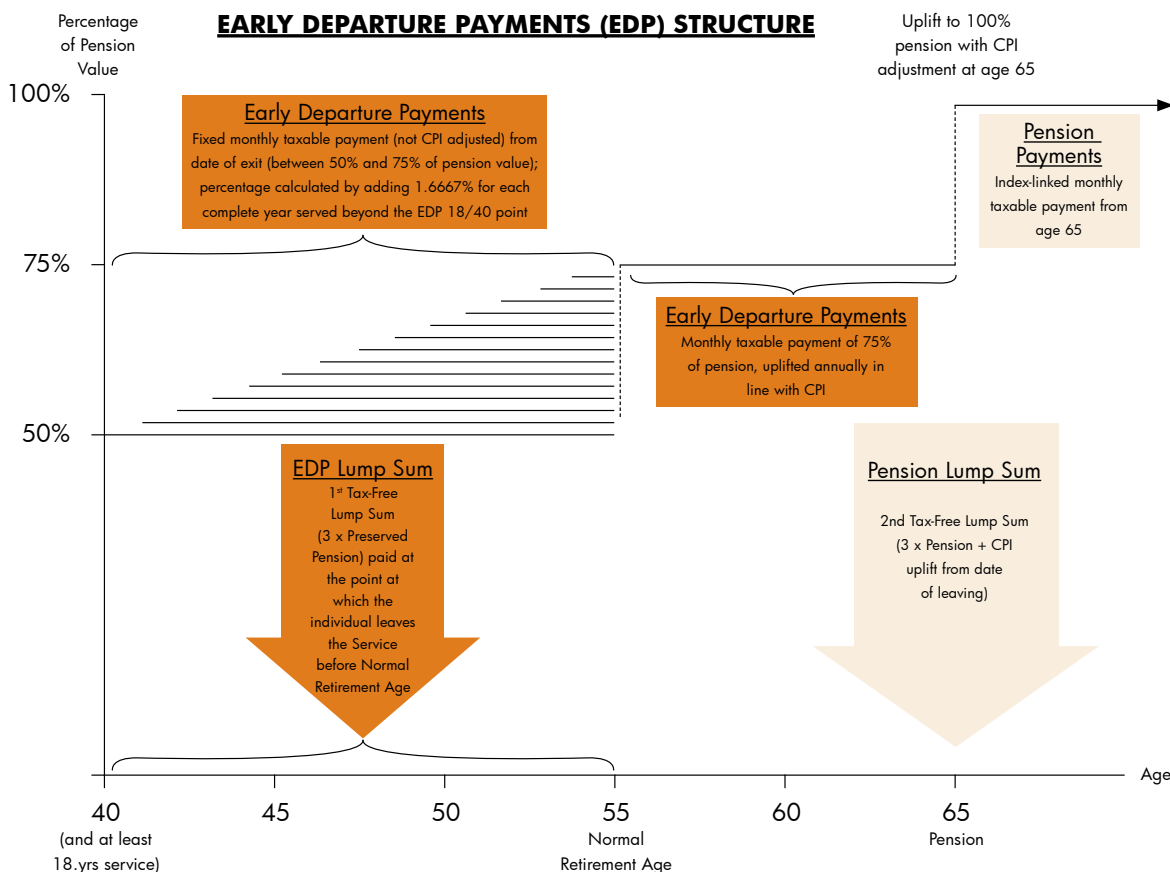
If you leave the Armed Forces on or after the **EDP 18/40 Point** but before the age of 55, you will receive a tax-free lump sum, equivalent to three times your annual **preserved pension** and a taxable income worth not less than 50% of your annual preserved pension. This will increase to 75% of your annual preserved pension

at age 55, at which point it will be adjusted to take account of increases in the **Consumer Prices Index (CPI)** from the date that your **EDP** was originally taken. It is currently increased in line with **CPI** every year thereafter.

For each complete year of Service you give after reaching the **EDP 18/40 Point** (but before reaching the normal retirement age of 55), the level of income payable will be increased by 1.6667% of your preserved pension. Only complete additional years count: no adjustment will be made for parts of years.

Once you reach pension benefit age (currently age 65), the **EDP** is no longer payable. At this point your preserved pension and **pension lump sum** (normally tax-free) are payable.

A pictorial representation of the **EDP** scheme payments is below:



Examples

Age	Service	EDP Income until age 55
40 years	18 years	50% of preserved pension based on 18 years' Service
40 years	22 years	50% of preserved pension based on 22 years' Service
44 years	18 years	50% of preserved pension based on 18 years' Service
44 years	22 years	56.6668% of preserved pension based on 22 years' Service

EFFECT ON EDP OF REJOINING THE ARMED FORCES

If you rejoin the Armed Forces your **EDP** income will stop. This is because **EDP** is in part compensation for the majority, not having the opportunity to serve much beyond age 40, and it does not make sense to compensate on the one hand and re-employ on the other. If you are serving on mobilisation, your **EDP** income will be taken into account when your reservist financial award is determined.

When you leave the Armed Forces again, the following will apply:

- if your Service was mobilised Service and you are demobilised before the age of 55, your **EDP**

income will restart at the same level. It will not restart if you are demobilised after the age of 55: instead, you will receive your pension, including your **pension lump sum**;

- if your Service is normal Regular Service and you leave again before the age of 55, your **EDP** income and lump sum will be recalculated to reflect the additional service you have given;
- if your Service is Full Time Reserve Service/ Additional Duties Commitment/Non Permanent Reserve Service (FTRS/ADC/NRPS), your **EDP** income will:
 - restart at the level originally calculated if you are under age 55;
 - increase to 75% of your **preserved pension** and become index-linked if you are over age 55 but under age 65;
 - stop and be replaced by your **preserved pension** if you have reached pension benefit age (currently age 65) or over.

If you rejoin the Regular Armed Forces voluntarily or accept an FTRS/ADC/NRPS appointment without a break of at least the period represented by the **EDP** lump sum, you will have to pay back the sum represented by this unexpired period. If the **EDP** lump sum is worth nine months' pay, the break must also be at least nine months long.

Example

The **EDP** lump sum at the EDP 18/40 Point is equivalent to approximately 282 days pay (the lump sum is three times the annual pension, calculated as 18 years' **reckonable service** x 3 x 1/70 = 54/70. This is equivalent to 282 days.) Thus an individual who rejoined the Regular Armed Forces three months (or 91 days) after receiving this lump sum would have to repay (282 - 91) = 191/282 of his lump sum.

If you repay part of your **EDP** lump sum on taking up an FTRS/ADC/NRPS appointment it is lost to you, as FTRS/ADC/NRPS terms and conditions do not include **EDP** provisions.

If you repay part of your **EDP** lump sum on rejoining the Regular Armed Forces and leave again before the age of 55, you will receive a new **EDP** lump sum based on your total Service less the amount of your original **EDP** lump sum that you did not repay.

For further details on the **EDP**, you should consult JSP 764, Part 2, a copy of which is held in unit administration offices and is available on the MOD intranet and internet. (See addresses on page 2.) The "**Re-employment - MMP/116**" booklet also provides more information on repayment of **EDP** lump sums.

BONUS ARRANGEMENTS

Personnel in certain specialisations (eg Doctors and Dentists) are on bonus arrangements, which replace the entitlement to EDP.

Bonus arrangements have been introduced to improve the recruitment and retention of personnel in certain specialisations. Bonuses are taxable and non-pensionable.

These bonus payments are paid primarily at key career milestones, such as 'change of commission/engagement' points, and require a specified Return of Service. The size and timing of bonus payments and the Return of Service may vary from specialisation to specialisation.

If you receive a bonus payment and do not give the required Return of Service you will be liable to repay the whole of the bonus payment. If, however, you leave the Armed Forces for medical reasons or due to redundancy, recovery of the bonus will be waived providing you have not reached the **EDP** 18/40 Point. If you have reached the **EDP** 18/40 Point, the bonus will be offset against the value of the **EDP** lump sum and pension.

The groups to whom bonus arrangements apply may change from time to time to respond to manning needs, but a list is available in JSP 754.

Further information on the bonus structure for Medical and Dental Officers is in JSP 764, Part 4, Chapter 7.

RESETTLEMENT GRANT

RESETTLEMENT GRANT

The **Resettlement Grant (RG)** is intended to help you adjust to civilian life. You are entitled to a **RG** when you leave the Armed Forces provided you:

- have served at least 12 years;
- are not entitled to any other immediate payments, eg ill-health pension or **EDP**;
- are not a member of the Reserve Forces Pension Scheme 05 (**RFPS 05**), which does not offer a **RG**, or **AFPS 75**, which has its own **RG** arrangements.

And have:

- not previously received a **RG** under **AFPS 05** or under **AFPS 75**); or
- received a **RG** under **AFPS 05**, and rejoined voluntarily in 30 days or less of your discharge, and have repaid it; or
- received a **RG** under **AFPS 75**, and have rejoined voluntarily in 121 days or less of your discharge, and have repaid any necessary portion of the lump sum. Should you leave again and still qualify for the payment, your entitlement will be limited to the same proportion of the **RG** as was repaid.

FURTHER INFORMATION

If you have any queries about **AFPS 05**, please contact your unit administration office in the first instance. In addition, the Service Personnel and Veterans Agency (**SPVA(Glasgow)**) is on hand to answer questions. However they cannot offer you advice on your pension decisions, for which you would need to speak to an independent financial adviser or solicitor. Correspondence in relation to pensions should be clearly headed as such and sent to the following address:

SPVA JPA

Pensions Division
Mail Point 480
Kentigern House
65 Brown Street
Glasgow
G2 8EX

Tel (Civ) : 0800 085 3600 (enquiry service) or outside UK phone: 00 141 224 3600

Tel (Mil): 94560 3600

Monday to Friday: 0700 – 1900

Fax (Civ): 0141 224 3586

Fax (Mil) 94561 3586

E-Mail: JPAC@spva.mod.uk

There is also further information on pensions and tax on the Internet/ Defence Intranet at the following addresses:

Internet:

www.mod.uk

Defence Intranet:

<http://defenceintranet.diiweb.r.mil.uk/DefenceIntranet/Admin/FindOutAboutArmedForcesPensions>

Other Booklets in this Series:

There are other booklets available on pensions. Your unit administrator can obtain these booklets from Forms And Publication Section, Bicester Operation Centre, C16 Site, Ploughley Road, Arncott, Bicester, OX25 1LP by quoting the relevant MMP number. Alternatively, these booklets are available on the Internet/Defence

Relating to AFPS 05:

- **Re-employment – MMP/116**
- **Family Pension Benefits – MMP/126**
- **Ill-Health Benefits – MMP/127**
- **Increasing Benefits – MMP/128**
- **Transferring Benefits – MMP/129**
- **Internal Dispute Resolution Procedures – MMP/130**
- **Pension Benefits on Divorce and Dissolution of a Civil Partnership – MMP/131**
- **Armed Forces Redundancy Schemes - MMP/138**
- **Taxation of Pension Benefits - MMP 144**

Publication

Joint Service Publication – JSP 764

Nomination / Revocation of AFPS 05 / RFPS Death Benefit / Preserved Pension Lump Sum



Please complete in BLOCK CAPITALS

Part A - Applicants details

Service Originating Unit Section Ext

Rank	Initials	Surname	Service number
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

I wish to nominate the person/organisation below to receive any death benefit lump sum payable on the event of my death.

I wish to revoke any previous nomination that I have made and the following replaces that nomination.

My correspondence address is:

Postcode

Part B - Nomination Details (Person or organisation)

Title Surname

First name Other names

Relationship Address

Corporate nomination

Percentage nominated %

Postcode

This supersedes any previous nomination that I have made.

I have also completed an **additional** continuation sheet.

Signature of Applicant

Date

Please enter your address and personal details in Part C below and send the completed form to:
SPVA (GI), Pensions Division, MP 480,
Kentigern House, 65 Brown St, Glasgow,
G2 8EX

In accordance with the Data Protection Act 1998, the Ministry of Defence will collect, use, protect and retain the information on this form in connection with all matters relating to personnel administration and policy.

Part C - SPVA acknowledgement receipt

This receipt acknowledges your nomination dated which will be held on record until required or changed by you.

Rank Service No

Name

Address

SPVA representative's name

SPVA Signature

Date

Postcode

**Continuation sheet for
Nomination / Revocation of AFPS 05 / RFPS
Death Benefit / Preserved Pension Lump Sum**



Please complete in BLOCK CAPITALS

Part A - Applicants details			
Rank	Initials	Surname	Service number

Part B - Additional Nomination Details (Person or organisation) if required			
Title	<input type="text"/>	Surname	<input type="text"/>
First name	<input type="text"/>	Other names	<input type="text"/>
Relationship	<input type="text"/>	Address	<input type="text"/>
Corporate nomination	<input type="text"/>		<input type="text"/>
Percentage nominated	<input type="text"/>		Postcode

Part B - Additional Nomination Details (Person or organisation) if required			
Title	<input type="text"/>	Surname	<input type="text"/>
First name	<input type="text"/>	Other names	<input type="text"/>
Relationship	<input type="text"/>	Address	<input type="text"/>
Corporate nomination	<input type="text"/>		<input type="text"/>
Percentage nominated	<input type="text"/>		Postcode

This supersedes any previous nomination that I have made. <input type="checkbox"/> I have also completed an additional continuation sheet.		Forward the completed form to: SPVA (GI), Pensions Division, MP 480, Kentigern House, 65 Brown St, Glasgow, G2 8EX
Signature of Applicant <input type="text"/>		Date <input type="text"/>

In accordance with the Data Protection Act 1998, the Ministry of Defence will collect, use, protect and retain the information on this form in connection with all matters relating to personnel administration and policy.

