



Ministry  
of Defence

# Armed Forces Pension Scheme 2005

Your Pension Scheme Explained

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# 1. Introduction

The Armed Forces Pension Schemes are designed to reflect the unique nature of Service life, to provide a retirement income for you and your dependants, and to incentivise retention in Service as a key part of your overall remuneration package.

This booklet will tell you everything you need to know about the **Armed Forces Pension Scheme 2005** (AFPS 05). In particular, it gives guidance to the range of benefits available to you as a member of AFPS 05, to help provide financial security for you and your dependants up to retirement age and beyond. It also provides information on other benefits you may receive on leaving the Armed Forces, such as the Early Departure Payment and Resettlement Grant, and scenarios you may need to consider such as ill-health and re-joining the Armed Forces.

We have tried to make this booklet as easy to read as possible, but in certain areas it is difficult to avoid using technical terms. We have therefore provided a list of the most commonly used technical terms in Appendix II.

This guide is for general use and cannot cover every personal circumstance. It is provided for information purposes only and nothing in this guide can override the Scheme's regulations. Every effort has been made to make this guide as accurate as possible, but in the event of any difference, the regulations will apply.

If you have any queries about AFPS 05, you can find other sources of information in *Further Information* (see section 16). You can also refer to [JSP 764 – Armed Forces Pension Scheme 2005](#).

## What is a pension scheme?

In simple terms, a pension scheme is a type of plan to help you save money for later life, providing a regular monthly income during your retirement.

## What are the Armed Forces Pension Schemes?

Armed Forces veterans receive one of the most generous pension schemes in the UK.

There are currently three Armed Forces Pension Schemes (AFPS) for members of the Regular Armed Forces:

- Armed Forces Pension Scheme 75 (AFPS 75);
- Armed Forces Pension Scheme 05 (AFPS 05); and
- Armed Forces Pension Scheme 15 (AFPS 15).

## 2. Membership

### Which Scheme am I eligible for?

If you enlisted or were commissioned as a member of the Regular Armed Forces before 6<sup>th</sup> April 2005, you would have automatically joined the **AFPS 75** scheme. From 6<sup>th</sup> April 2005, AFPS 75 was closed to new members.

If you enlisted or were commissioned as a member of the Regular Armed Forces on or after 6<sup>th</sup> April 2005, or accepted an offer to transfer from AFPS 75, you would have automatically joined the **AFPS 05** scheme. From 31<sup>st</sup> March 2015, AFPS 05 was closed to new members.

**All** serving members of the Regular Armed Forces and Reserve Forces who joined from 1<sup>st</sup> April 2015 are members of **AFPS 15**. AFPS 15 is open to new members and the majority of members of the Armed Forces and Reserve Forces Pension Schemes have now joined AFPS 15.

You are also automatically a member of AFPS 15 if, on 1<sup>st</sup> April 2015, you didn't have **Transitional (Full) Protection** in another Armed Forces Pension Scheme. This means that if, as of 1<sup>st</sup> April 2012, you had more than ten years to serve to reach age 55, you would have been automatically transferred into AFPS 15 from AFPS 05 on the 1<sup>st</sup> April 2015.

AFPS 75 (Regulars only – entry closed on 05/04/2005)

AFPS 05 (Regulars only – entry closed on 31/03/2015)

AFPS 15 (Regulars and Reservists)

### I'm eligible for AFPS 05, how do I know if I'm in the Scheme?

You would not have needed to do anything to join AFPS 05 if you joined the Regular Armed Forces between 6<sup>th</sup> April 2005 and 31<sup>st</sup> March 2015. You will, however, need to have at least 2 years of continuous paid Service to qualify for most pension benefits. This is known as **qualifying service**.

It is worth checking your Annual Benefits Information Statement, which you should receive shortly after your birthday, or JPA Record to confirm which Scheme you are in.

### What type of member am I?



#### Active member

*Still building up future benefits in AFPS 05*



#### Deferred member

*No longer building up further benefits in AFPS 05, but not yet in receipt of your pension*



#### Pensioner member

*Receiving your pension*

## 3. What your Pension Scheme provides

### How is your pension calculated?

AFPS 05 is a **final salary** pension scheme; the pension is based on how much you earn when you leave Service. This means that calculation of your pension benefits is based on the greatest amount of **pensionable earnings** you received for 365 consecutive days over the **last 3 years of reckonable service** (the actual years and days that count towards your pension).

The maximum number of years' Service that can count towards your pension is 40 years.

In addition to your annual pension, you will also receive a one-off pension lump sum (tax-free) of 3 times your annual pension.

#### Calculation Station: Immediate/Deferred Pension

Your pension is 1/70<sup>th</sup> of final pensionable earnings multiplied by the years and days of reckonable service.

If your final salary is £40,000 after 25 years' Service, your annual pension would be calculated as follows:

$$£40,000 \times 25 \times 1/70 = \mathbf{£14,286}$$

You would also receive a lump sum of **£42,858** (3 times your annual pension).

### Do I contribute towards my pension?

Most pension schemes require both employer and employee to make monthly contributions to the pension pot (a fund made up of pension contributions). In AFPS 05, the pension is free and you make **no** contributions. Your pension, when paid, is guaranteed because it is paid by the Government.

### When can I receive my benefits?

Your age and the amount of paid Service you complete determines the point at which you are entitled to benefits:

If you leave the Service **at age 55** (*normal pension age*) or over, you will be entitled to an **immediate pension**.

If you leave the Service **before age 55**, you will become a deferred member and will be entitled to a **deferred pension** paid at age 65 (*pension benefit age*). You might also be eligible for either:

- Early Departure Payment (EDP) (see section 4),
- Ill-health pension (see section 5), or
- Resettlement Grant (see section 6).

Check the relevant sections of this booklet for more information.

## Deferred Pension

If you leave the Armed Forces **before age 55** (*normal pension age*), and are not receiving an ill-health pension, a deferred pension is kept for you for payment from age of 65 (*pension benefit age*).

You will only be entitled to receive a deferred pension if you have completed at least **2 years** of qualifying service, or if you have transferred a pension from another pension scheme into AFPS 05.

You can ask for your deferred pension to be paid from age 55, but the amount of pension will be reduced because it will be in payment for longer.

If, before reaching age 65, you suffer from ill-health to the extent that you have permanent incapacity for full-time work and this incapacity will continue at least until age 65, you can request early payment of your deferred pension on ill-health grounds.

### **A deferred pension is not paid automatically and should be claimed from the Scheme**

**Administrator** (DBS Veterans UK) approximately 3 to 6 months before it is due to come into payment. [Form 8](#) can be found on [www.gov.uk](http://www.gov.uk) under *Veterans UK Armed Forces Pensions Forms*.

## Annual Pension Increases

Once your pension is in payment, it will increase annually in line with the **Consumer Price Index** (CPI). This is known as re-valuation or **indexation**. The rate of CPI is calculated each September and the increase applied the following April.

Once your pension is in payment, it is not affected by the Armed Forces annual pay increase.

## What happens to my benefits if I moved to AFPS 15 on 1<sup>st</sup> April 2015?

Before the introduction of AFPS 15, the Government made a commitment to protect pension benefits already earned in existing schemes. This means that if you were in Service prior to 1<sup>st</sup> April 2015 and have earned benefits in another Armed Forces Pension Scheme, such as AFPS 05, these benefits are protected.

These benefits will remain payable at the time they were expected to be paid. They will also be linked to your final pensionable pay/rank at the point of leaving the Services, not the salary and rank at the time of transfer to AFPS 15.

## 4. Ill-Health Benefits

If you leave the Armed Forces early due to ill-health or injury, then you may be entitled to ill-health benefits. Early retirement due to ill-health means you may be able to take your pension benefits early to help support you financially. The type of benefits you will receive are dependent upon your individual circumstance and the degree of disability.

You will only be entitled to receive an ill-health award if you have completed at least **2 years** of qualifying service.

### What ill-health benefits am I entitled to?

There are three levels of ill-health award that can be made if you are medically discharged under AFPS 05, depending on the severity of your medical condition.

**Tier 1:** A Tier 1 award is made if you are deemed to be unfit for Service in the Armed Forces because of physical or mental impairment, but your ability to obtain gainful civilian employment is not deemed to be significantly impaired.

**Tier 2:** A Tier 2 award is made if you are deemed to have suffered a breakdown in health, as a result of which, your capacity for gainful employment is significantly impaired and is expected to remain so until you reach age 55 (*normal pension age*).

**Tier 3:** A Tier 3 award is made for the most serious conditions and is granted if you are deemed to have suffered a permanent breakdown in health involving incapacity for any gainful full-time employment.

### Calculation of ill-health benefits

#### Tier 1

**What:** Under a Tier 1 discharge, you are awarded a tax-free lump sum.

However, if you have passed the point at which you become eligible for an Early Departure Payment (EDP), you will receive an EDP lump sum and monthly income payments instead. You will not be able to receive both an EDP and a Tier 1 lump sum.

You will also be awarded a deferred pension, which will come into payment at age 65 (*pension benefit age*).

**How:** The Tier 1 award will be calculated as 1/8<sup>th</sup> of your final pensionable earnings (the highest earning 365 consecutive days in the last 3 years), multiplied by your reckonable service (the number of years of Service in AFPS 05). If the calculation produces an award which would be greater than 2 years of final pensionable earnings, the award is capped at 2 years. If the calculation produces an award that would be less than 6 months of final pensionable earnings, the award is rounded up to equal 6 months' pay.

**Calculation Station: Tier 1**

A member is age 25 and is medically discharged after 8 years' Service. Their final pensionable earnings are £28,000.

Lump sum is calculated as  $1/8 \times £28,000 \times 8 = \mathbf{£28,000}$

## Tier 2

**What:** Under a Tier 2 discharge, you are awarded a taxable ill-health pension payable for life and a tax-free pension lump sum.

If you have passed the point at which you become eligible for an Early Departure Payment (EDP), you will receive a Tier 2 award instead of an EDP, because the award is more generous. You will not be awarded a deferred pension at age 65 if you receive a Tier 2 ill-health pension.

**How:** The taxable ill-health pension will be calculated as your reckonable service (the number of years of Service in AFPS 05) plus  $1/3^{\text{rd}}$  of the years remaining up until the age of 55; the lump sum will be 3 times your annual pension.

**Calculation Station: Tier 2**

A member is age 25 and is medically discharged after 8 years' Service. Their final pensionable earnings are £28,000. Ill-health pension is based upon 18 years' Service (8 years' reckonable service +  $1/3^{\text{rd}}$  of the years remaining until age 55).

Ill-health pension is calculated as  $£28,000 \times 18 \times 1/70 = \mathbf{£7,200}$

Lump sum is calculated as  $£7,200 \times 3 = \mathbf{£21,600}$

## Tier 3

**What:** Under a Tier 3 discharge, you are awarded a taxable ill-health pension payable for life and a tax-free pension lump sum.

If you have passed the point at which you become eligible for an Early Departure Payment (EDP), you will receive a Tier 3 award instead of an EDP, because the award is more generous. You will not be awarded a deferred pension at age 65 if you receive a Tier 3 ill-health pension.

**How:** The taxable ill-health pension will be calculated as your reckonable Service (the number of years of Service in AFPS 05) plus  $1/2$  of the years remaining up until the age of 55; the pension lump sum will be 3 times your annual pension.

**Calculation Station: Tier 3**

A member is age 25 and is medically discharged after 8 years' Service. Their final pensionable earnings are £28,000. Ill-health pension is based upon 23 years' Service (8 years' reckonable service +  $1/2$  of the years remaining until age 55).

Ill-health pension is calculated as  $£28,000 \times 23 \times 1/70 = \mathbf{£9,200}$

Lump sum is calculated as  $£9,200 \times 3 = \mathbf{£27,600}$



### What if my condition deteriorates over time?

If your condition deteriorates in an unexpected way, you have the right to ask for a review of your Tier assessment within the first 5 years from your discharge. For example, if you are discharged with a Tier 1 award, you may subsequently qualify for a Tier 2 or Tier 3 award. A Tier review will require you to supply up-to-date medical evidence which supports your claim.

If a Tier 1 decision is successfully reviewed, any lump sum originally paid on discharge from AFPS 05 may have to be paid back before any Tier 2 or Tier 3 pensions will be paid.

### What if my ill-health is attributable to Service?

If your condition is mainly due to or worsened by your Service in the Armed Forces, you may be entitled to a pension paid without deduction for income tax.

Attributable benefits are also paid under the Armed Forces Compensation Scheme (AFCS), if ill-health is caused by Service on or after 6<sup>th</sup> April 2005. If ill-health is caused by Service before 6<sup>th</sup> April 2005, attributable ill-health benefits may be payable under the Armed Forces Attributable Benefits Scheme 2010 and the War Pensions Scheme.

### What if I have a short life expectancy?

All members of AFPS 05 with a serious ill-health condition for which they have less than 12 months to live, may request a single lump sum payment equal to 5 times your annual pension.

### What if I am unhappy with the Tier decision that has been made?

You have the right to appeal the Tier decision. If you feel that DBS Veterans UK have made an incorrect assessment of the level of your injury or ill-health, you can appeal under the Internal Disputes Resolution Procedures (IDRP).

In order to appeal, you must write to DBS Veterans UK stating your reasons for appeal and, where possible, provide further medical evidence or information to support this. An appeal is assessed against the same set of criteria used in the initial assessment.

### What happens if I receive a Guaranteed Income Payment (GIP) from the Armed Forces Compensation Scheme (AFCS)?

If you receive a GIP from the AFCS, the amount of GIP paid to you is adjusted. This is because it takes into account any income streams you may already be receiving under AFPS 05.

If you receive an ill-health pension for the same injury for which your GIP is paid, that entire pension is taken into account in the payment of GIP. If you receive a GIP and your ill-health Tier changes from Tier 1 to Tier 2 or Tier 3, the full annual value of your ill-health pension will be deducted from your GIP. This may wipe out your entitlement to a GIP.

## 5. Early Departure Payment

The Early Departure Payment (EDP) 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 (*normal pension age*) or beyond is not available to the majority of personnel. The EDP is a benefit which is entirely separate to any pension you may be entitled to and, in the Public Sector, is unique to the Armed Forces.

### How do I know if I'm eligible?

To be eligible for an EDP, you will have to reach age 40 or over (but before the age of 55) and serve as a Regular for at least 18 years. This is known as the 18/40 EDP point, since **both** the 18 and 40 year marks have to be passed.

### What will I receive and when?

If you leave the Regular Armed Forces on or after the 18/40 EDP point but before age 55 (*normal pension age*), you will receive a tax-free lump sum, equal to 3 times your annual deferred pension.

You will also receive a taxable monthly income, which is worth no less than 50% of the value of your annual deferred pension. For each year served beyond the 18/40 EDP point, the value of the EDP will be increased by 1.6667% of your deferred pension. Refer to the table below for illustrative examples.

From age 55, the EDP income increases to 75% of the value of your deferred pension.

Since an EDP is **not** a pension, once you reach age 65 (*pension benefit age*), the EDP income stops. At this point, your deferred pension becomes payable. It is important to remember that you must claim this pension from DBS Veterans UK (see section 3).

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

### What happens to my EDP if I re-join the Armed Forces?

If you are in receipt of an EDP and you re-join the Armed Forces (Regular, FTRS, ADC or NRPS), your EDP income will stop. Joining the Part-Time Volunteer Reserves does not affect any EDP or pension benefits.

If you re-join the Armed Forces, you might also have to pay back a portion of your EDP lump sum. For example, if your EDP lump sum was of equivalent value to 12 months' pay, and you re-joined the Armed Forces after 6 months, you would have to pay back half of the lump sum.

If you are serving on mobilisation i.e. you are a Reservist who has been called into full time Service with the Regular Armed Forces, your EDP lump sum will not be affected, and your EDP income will be taken into account when your reservist financial award is determined.

You are encouraged to seek advice on the effect that re-joining will have on your AFPS 05 benefits.

### What happens to my EDP when I leave the Armed Forces after re-joining?

When you leave the Armed Forces again, the nature of the EDP you receive will depend on the type of your Service.

If you were serving on mobilisation and you are demobilised before age 55 (*normal pension age*), your EDP income will restart at the same level. If you are age 55 or over, your EDP income will not restart, and you will instead receive your immediate pension.

If you were re-employed in Regular Service and you leave again before age 55, your EDP income and lump sum will be recalculated to reflect the additional Service you have given. If you are age 55 or over, your EDP income will not restart, and you will instead receive your immediate pension.

If you were serving in Full Time Reserve Service (FTRS), Additional Duties Commitment (ADC) or Non-Regular Permanent Staff (NRPS), there is no lump sum, as FTRS, ADC and NRPS do not attract EDP awards. You will, however, receive an EDP income.

## 6. Resettlement Grant

The **Resettlement Grant** is a one-off lump-sum payment intended to help you adjust to civilian life.

When you leave the Armed Forces, you will be entitled to a Resettlement Grant provided you:

- Have served for at least 12 years;
- Are not entitled to an EDP, an ill-health award, or an immediate pension;
- Have not previously received a Resettlement Grant;
- Are not a member of the Reserve Forces.

If you receive a Resettlement Grant, there will still be a deferred pension for you to claim when you reach age 65 (*pension benefit age*).

### What happens to my Resettlement Grant if I re-join the Armed Forces?

If you receive a Resettlement Grant and then re-join the Regular Armed Forces or Reserve Forces, you are entitled to keep the Grant.

However, if you re-join as a Regular or a member of the FTRS without a break of at least 31 days, you will have to repay all of your Grant. If you repay the Grant having re-joined as a full time Reservist, on leaving the Reserves you will not be entitled to a further Resettlement Grant.

If you later leave the Regular Armed Forces and had kept the Grant, you will not be entitled to a further Resettlement Grant. But, if you had re-paid this, you are entitled to a new Resettlement Grant.

## 7. Dependant's Benefits

In the event of your death, your eligible dependants – spouse, civil partner, eligible partner or eligible children – will receive benefits. These may consist of a one-off lump sum (tax-free) and a taxable pension.

**A dependant's pension is payable for life, irrespective of remarriage or the forming of a new civil partnership or cohabitation.**

Dependants' pensions are only payable if you have completed at least 2 years of **qualifying service**.

### Who is eligible?

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. But, a former spouse from whom you have not divorced, or former civil partner, if you have not legally dissolved the civil partnership, is eligible to receive a pension, even if you have entered into a new relationship.

If your marriage or civil partnership took place within 6 months prior to your death, the award of a pension to your surviving spouse or civil partner will not be automatic. DBS Veterans UK will examine the circumstances of these cases to ensure that the marriage or civil partnership was not entered into purely for financial gain.

If you have no surviving spouse or civil partner, an **eligible partner** may also be eligible to receive a pension, providing that a substantial and exclusive relationship existed with financial dependence or inter-dependence, and there was no legal reason preventing you from getting married or forming a civil partnership.

**It is crucial that you keep your details up to date on JPA and regularly review your nomination form to avoid any delay or mistakes in payment in the event of your death.**

### What benefits are my dependants entitled to?

Your dependants' benefits depend on whether:

- You die **in Service**; or
- You die **after leaving the Service**.

If your surviving spouse, civil partner, or eligible partner is more than 12 years younger than you, their pension will be reduced to take account of the fact that the pension can be expected to be paid over a longer period.

### Death in Service

If you die in Service, your spouse, civil partner, or eligible partner will receive an immediate pension paid for life and a tax-free lump sum.

The pension is calculated in the same way as a Tier 3 enhanced ill-health pension or, if greater, your actual pensionable Service up to 37.33 years (subject to a minimum pension based on 20 years' Service). The pension is worth 62.5% of this amount. The lump sum is 4 times your final pensionable earnings and will be paid regardless of whether you have completed at least 2 years of qualifying service.

#### Calculation Station: Death in Service pension

If an individual died in Service at age 23 having completed 5 years' Service, the dependant's pension would be based on 21 years' Service (5 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 deferred pension and die before this comes into payment, your spouse, civil partner, or eligible partner will receive an immediate pension paid for life and a tax-free lump sum. This is also payable if you were in receipt of an EDP before your death.

The pension is worth 62.5% of the pension that you would have received ( $1/70^{\text{th}}$  of final pensionable earnings multiplied by reckonable service). The maximum pension for a dependant is capped at 37.77 years of reckonable service. The lump sum is your deferred pension lump sum.

#### Death in Retirement

If you die after your pension has come into payment, your spouse, civil partner, or eligible partner will receive an immediate pension paid for life. A tax-free lump sum is also payable if you die within 5 years of the pension coming into payment.

The pension is worth 62.5% of the pension that you would have received ( $1/70^{\text{th}}$  of final pensionable earnings multiplied by reckonable service). The lump sum is equal to 5 years of pension (minus any lump sum that you had previously received).

#### Calculation Station: Death in Deferment/Retirement pension

If your final pensionable earnings were £40,000 and you completed 12 years of reckonable service, then your dependant's pension would be calculated as:

$$(40,000 \times 1/70 \times 12) \times 62.5\% = \text{£4,285.}$$

#### Eligible Children

An eligible child is defined as a child who is under 18, and who was financially dependent upon you on your date of death. In addition, those under the age of 23 who are in full-time education or vocational training are also eligible, as are children, of any age, who are unable to obtain gainful employment due to a physical or mental impairment.

An eligible child receives a pension for as long as he/she remains eligible.

### What benefits are they entitled to?

The amount of pension benefits available for children is normally the balance of the pension remaining (37.5%) after the payment of any spouse's, civil partner's, or eligible partner's pension.

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 share equally the balance of your pension benefits after spouse's, civil partner's or eligible partner's pensions are paid.

If there is no spouse, civil partner or eligible partner, all eligible children will share equally 100% of the pension, subject to a maximum of 33% per child.

### What happens if I don't have any dependants?

If you are single, and die with no dependants or eligible children, payments will be made based on when you die.

*In Service:* a tax-free lump sum of 4 times your pensionable earnings will be paid to your nominee or estate.

*In Deferment:* a tax-free lump sum of 3 times your annual deferred pension will be paid to your nominee or estate.

*In Retirement:* a tax-free lump sum equal to 5 years' worth of pension (minus any lump sum that you had previously received), will be paid to your nominee or estate.

## 8. Allocation and Nomination

### Allocation

You can choose to **allocate** a proportion of your **annual pension** to one or more nominated dependants who must be financially dependent on you. Upon your death, the person to whom you have chosen to make an allocation will then receive an income for life. Whilst you are alive, you will receive a reduced pension, even if the allocated person has died.

The maximum that may be allocated is 37.5% of your pension.

You can choose to allocate provided that you are not discharged with an ill-health pension or have not requested your deferred pension to be paid early because you are too ill to work permanently full-time.

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.

An application form ([Form 3](#)) can be found on [www.gov.uk](http://www.gov.uk) under *Veterans UK Armed Forces Pensions Forms*.

### Nomination

A tax-free lump sum is payable in the event of your death and you can decide who should receive it.

You can **nominate** a person(s) or organisation(s) to receive the **lump sum**. You cannot nominate someone to receive your pension. If no nomination is made, or if an existing one is revoked, then the rules of the scheme set out a hierarchy of possible recipients, as follows:

1. Anyone entitled to a surviving partner's pension (spouse/civil partner/eligible partner);
2. Anyone entitled to a child's pension;
3. Your personal representatives (distributed under the terms of your Will).

Your nomination can specify how payments are to be divided between the individual(s) or organisation(s).

DBS Veterans UK will comply with the wishes expressed in the nomination form. However, your nomination may be invalid if you divorce, re-marry, you no longer live with the co-habiting partner nominated, your nominee dies before you, or if your nominee is convicted of certain criminal offences (such as murder or manslaughter of the member).

**Any marriage or civil partnership entered into on or after 1<sup>st</sup> December 2018 will revoke the existing nomination.** With this in mind, it is a good idea to keep your nomination up to date.

An application form ([Form 2](#)) can be found on [www.gov.uk](http://www.gov.uk) under *Veterans UK Armed Forces Pensions Forms*. It is vital to keep nominations up-to-date in retirement and Form 2 can be updated after leaving the Service if you need to change your nominee.



## 9. Divorce and Dissolution

Divorce can have significant consequences on your pension. If you are currently going through the process of divorce or dissolution of a civil partnership, or wish to do so in the future, it is advised that you refer to the *Pension Benefits on Divorce and Dissolution of Civil Partnerships booklet* (MMP 131).

You may also wish to take independent legal advice.

## 10. Increasing your Benefits

AFPS 05 provides benefits in addition to those provided by the [State Pension](#), to ensure that you 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 about all of the concessions can be found on their website: [www.hmrc.gov.uk/pensionschemes](http://www.hmrc.gov.uk/pensionschemes).

The options for increasing your benefits in AFPS 05 includes **Added Years** and **Inverse Commutation**.

### Added Years

As a member of AFPS 05, you can purchase **Added Years**. If you moved from AFPS 05 to AFPS 15 on 1<sup>st</sup> April 2015, the option to purchase Added Years in AFPS 05 is no longer available to you.

Added Years are essentially extra years of Service which count in the calculation of your final pension and lump sum. This is done in order to increase either your retirement benefits and/or your dependants' benefits. The limit on payments towards the purchase of Added Years is 15% of pensionable earnings. You can have more than one Added Years contract, provided you stay within this 15% limit.

You may decide to stop contributing towards the purchase of Added Years at any time, but you will only receive a proportion of the amount of Added Years you would have received had you paid the full amount.

An application form ([Form 5](#)) can be found on [www.gov.uk](http://www.gov.uk) under *Veterans UK Armed Forces Pensions Forms*.

### Inverse Commutation

Part of the pension that you will receive under AFPS 05 is a pension lump sum of 3 times your annual pension. However, your benefits may be improved if you choose to 'give up' your pension lump sum in order to increase the amount of taxable pension payable to you and your dependants. This is known as **inverse commutation**.

The value of this exchange is calculated by DBS Veterans UK, and once agreed, your pension lump sum is reduced by the amount exchanged.

If you opt for inverse commutation but die before your pension becomes payable, your option is invalid. For instance, if you reduce your pension lump sum to improve both you and your dependant's benefits, but they die before you, the exchange will not be reversed. The decision to inverse commute your pension lump sum must be made within the 6 months before it is due to be paid.

An application form ([Form 9](#)) can be found on [www.gov.uk](http://www.gov.uk) under *Veterans UK Armed Forces Pensions Forms*.

### Further Information and Advice

If you are considering taking out any additional benefits, you need to take care that your total pension provision (from **all** pension funds) does not exceed the Annual Allowance and Lifetime Allowance (see Appendix II for full definitions). If it does, then you may incur a tax charge.

You may like to take independent financial advice about purchasing additional benefits before making a decision.

## 11. Transferring your Benefits

### Transferring benefits into AFPS 05

If you were previously a member of an occupational pension scheme with a former employer before joining the Armed Forces, or if you have a personal pension, you can request to transfer the value of some, or all of those benefits into AFPS 05. If you moved from AFPS 05 to AFPS 15 on 1<sup>st</sup> April 2015, the option to transfer into AFPS 05 is no longer available to you.

The transfer of the value of the benefits that you bought or earned in another pension scheme will involve converting the value of those benefits, using the appropriate calculation, into an amount to be credited to your AFPS 05 pension.

If you transfer in Service from another occupational pension scheme, this Service will count towards the 2 year qualifying period for pension benefits, but it will not count towards the qualifying service for an Early Departure Payment or for a Resettlement Grant.

You will still need to complete the required 18 years of Service in the Armed Forces and reach age 40 to qualify for an EDP.

### Transferring benefits out of AFPS 05

If you leave the Armed Forces before your pension is payable and you take up new employment, you might be able to transfer the value of the deferred pension benefits you have earned from AFPS 05 into your new scheme.

Before transferring out of AFPS 05, it is worth asking your new scheme what the value of your AFPS benefits will buy in their scheme. Once a transfer agreement has been entered into with the new pension scheme, you cannot change your mind.

The Government has prevented transfers from AFPS 05 to some other schemes in the UK or abroad. This means you can only transfer your AFPS 05 pension to a scheme that does not allow you to take cash from your pension (known as a pension drawdown).

### Further Information and Advice

An application for pension transfers should be made to DBS Veterans UK.

Your pension benefits are valuable, and you are strongly advised to take independent financial advice about transferring benefits before making a decision.

## 12. Re-Employment

If you leave the Armed Forces, you may decide to re-join, either as a Regular or Reserve.

Re-employment can have significant consequences on your pension. If you have re-joined the Regular Armed Forces or Reserve Forces, or you may wish to do so in the future, you should refer to the *Armed Forces and Reserve Pension Schemes Re-Employment* [booklet](#) (MMP 116).

The booklet's purpose is to explain the effect that re-employment in the Armed Forces may have on your pension or other benefits that you received when you originally left. It also provides information on important concepts such as **aggregation** and **abatement**.

You are advised to check the impact of re-employment on any pension benefits prior to re-joining the Armed Forces.

## 13. Pension Forecasts

### Online Pension Calculator

It is important that you have a good understanding of your Armed Forces pension benefits. To help you understand what pension and related benefits you might receive and when they are due to be paid, the **Online Pension Calculator** will produce an online forecast based on your Service career. It will also allow you to profile different career scenarios and see how leaving the Armed Forces at various times could affect your future benefits.

The Online Pension Calculator will provide a forecast which includes pension benefits earned under AFPS 05.

You can access the calculator at:

[www.mod-pc.co.uk](http://www.mod-pc.co.uk)

### Manual Pension Forecasts

If you are able to use the Online Pension Calculator to obtain a benefit forecast, then you should do so. If you are not able to use the Calculator or require an accurate pension forecast, DBS Veterans UK produce written forecasts. All Service personnel are entitled to request one written pension forecast each rolling year at no cost by completing and submitting a form.

An application form (Form [12](#) or [14](#)) can be found on [www.gov.uk](http://www.gov.uk) under *Veterans UK Armed Forces Pensions Forms*.

### Annual Benefits Information Statement

Each year shortly after your birthday, a benefits information statement will be sent to you. This contains information about the pension benefits you have built up or are currently entitled to.

## 14. Opting Out

You can opt out of AFPS 05 at any time. However, your Armed Forces pension is a valuable benefit, and you should carefully consider all your options, comparing any costs and the value of the many benefits provided by AFPS 05. If you are considering opting out, it is also worth taking advice from an independent financial advisor.

To opt out, you will need to inform DBS Veterans UK in writing. An application form ([Form 16](#)) can be found on [www.gov.uk](http://www.gov.uk) under *Veterans UK Armed Forces Pensions Forms*.

Even if you opt-out of AFPS 05, your entitlement to an Early Departure Payment, Redundancy, or a Resettlement Grant still remains valid.

If you opt to leave AFPS 05, but later decide that you want to re-join the Scheme, you can do so by writing to DBS Veterans UK. You can do this once in any 12-month period, providing you are still in Service, and under age 55 (*normal pension age*). If you do decide to opt back in, then the period that you were out of AFPS 05 does not count towards any benefits.

## 15. Dispute and Complaints Resolution

If you are not satisfied with how the rules of AFPS 05 have been interpreted and applied by the Scheme Administrator (DBS Veterans UK), you can use the Internal Disputes Resolution Procedures (IDRP) to resolve an issue. Disputes can be disagreements concerning fact or law or maladministration of a pension award. You must have reason to believe that the decision was not properly made or implemented.

If you wish to make a complaint you should, in the first instance, write to DBS Veterans UK at the following address:

**Pay Allowances Casework & Complaints Cell**

DBS Mail Point 600  
 Kentigern House  
 65 Brown Street  
 Glasgow  
 G2 8EX

Tel (civ): 0141 224 2605

Tel (mil): 94561 2605

Email: [DBSMilPers-MilOps-PACCC-Group@mod.uk](mailto:DBSMilPers-MilOps-PACCC-Group@mod.uk)

DBS will aim to acknowledge your complaint within 2 working days of receipt and respond within ten working days where possible.

### Internal Dispute Resolution Procedures

IDRP is a formal procedure set up to resolve disagreements between the Scheme Administrator and individuals who have an interest in the scheme, such as members, spouses/civil partners, or dependants. It provides the opportunity to complain to the Scheme Administrator about matters relating to the pension scheme and maximise the opportunity to resolve the disagreement internally.

The IDRP is a single stage process which looks at all aspects of a complaint, along with any additional information or evidence provided. There is no appeal stage, but if there is anything that you have not understood, DBS Veterans UK will be happy to assist. If you wish to seek independent advice or assistance during or after a complaint, you may contact The Pensions Advisory Service (TPAS).

### The Pensions Advisory Service

TPAS is an independent body, financed in part by the Department for Work and Pensions. You may contact TPAS for advice at any stage during the IDRP, but you must have raised your complaint in writing to DBS before contacting TPAS for assistance. A TPAS advisor is available to assist you and your dependants through the process to help resolve any difficulties you have failed to resolve with DBS.

The contact details are:



**TPAS**  
120 Holborn  
London  
EC1N 2TD

Tel: 0800 011 3797

Website: [www.pensionsadvisoryService.org.uk/online-enquiry](http://www.pensionsadvisoryService.org.uk/online-enquiry)

## Pensions Ombudsman

The Pensions Ombudsman has the power to investigate any complaints and settle disputes between a pension scheme and a complainant. They will usually only become involved if the IDRPs and the TPAS have been unable to address the problem. Complaints must normally go to the Ombudsman within 3 years of whatever event caused the dispute. The Ombudsman cannot investigate a dispute once formal legal proceedings have begun.

The contact details are:

**The Office of the Pensions Ombudsman**  
10 South Colonnade  
Canary Wharf  
London  
E14 4PU

Tel: 0800 917 4478

Email: [enquiries@pensions-ombudsman.org.uk](mailto:enquiries@pensions-ombudsman.org.uk)

Website: [www.pensions-ombudsman.org.uk](http://www.pensions-ombudsman.org.uk)

## The Pensions Regulator

TPR is able to intervene in the running of pension schemes where the management of the scheme has failed to comply with the law.

The contact details are:

**The Pensions Regulator**  
Napier House  
Trafalgar Place  
Brighton  
BN1 4DW

Tel: 020 606 3636

Email: [customersupport@thepensionsregulator.gov.uk](mailto:customersupport@thepensionsregulator.gov.uk)

Website: [www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.uk)

## 16. Further Information

If you have any queries about the basic principles of AFPS 05, you can obtain further guidance from DBS Veterans UK. They are responsible for the assessment, award, payment and maintenance of all Armed Forces pensions. Correspondence in relation to pensions should be clearly headed as such and sent to the following address:

**DBS Veterans UK**  
Joint Personnel Administrative Centre (JPAC)  
Veterans UK Pension Division  
Mail Point 480  
Kentigern House  
65 Brown Street  
Glasgow, G2 8EX

Website: <https://www.gov.uk/government/organisations/veterans-uk>

Tel (Civ): 0800 085 3600  
Tel (Mil): 94560 3600  
Tel (overseas): 0044 141 224 3600

Email: [DBS-PensionsHelp@dbspv.mod.uk](mailto:DBS-PensionsHelp@dbspv.mod.uk)

There is also further information about AFPS 05 and related benefits as well as information about legacy Armed Forces pension schemes on [www.gov.uk](http://www.gov.uk).

## Appendix I – Time Limits

Some of the actions you might wish to take are time-limited.

Action	Time Limit
Inverse commutation of lump sum to create pension.	Within the <b>6 months</b> before drawing your pension.
Claim deferred pension.	No limit, but you are advised to submit your claim to DBS Veterans UK at least <b>3 months</b> before your pension is due for payment at age 65 ( <i>pension benefit age</i> ).
Claiming deterioration of ill-health.	Within <b>5 years</b> from your date of discharge.

## Appendix II – Technical Terms

<b>Abatement</b>	If you re-join the Armed Forces and have a pension in payment, it may be suspended or reduced to ensure that your pension and new salary combined does not exceed your previous salary.
<b>Added Years</b>	These are essentially extra years of Service which count in the calculation of your final pension and lump sum. This is done in order to increase either your retirement benefits and/or your dependants' benefits.
<b>Armed Forces Attributable Benefits Scheme (AFAB) Scheme</b>	If your injury or illness is attributable to Service before 6 <sup>th</sup> April 2005, you may receive a payment under the Armed Forces Attributable Benefits Scheme as part of your compensation package. To be considered under AFAB, your injury or illness must also have been found to be attributable under the WPS.
<b>Armed Forces Compensation Scheme (AFCS)</b>	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 <sup>th</sup> April 2005. More information about the Scheme can be found <a href="#">here</a> .
<b>Armed Forces Pension Scheme 1975 (AFPS 75)</b>	The Pension Scheme for Regular Service personnel, introduced in April 1975 and closed to new entrants from 6 <sup>th</sup> April 2005.
<b>Armed Forces Pension Scheme 2005 (AFPS 05)</b>	The Pension Scheme for Regular Service personnel who joined the Armed Forces from 6 <sup>th</sup> April 2005, and from 6 <sup>th</sup> April 2006 for Regular Service personnel who elected to transfer as a result of the Offer to Transfer. AFPS 05 closed to new members from 1 <sup>st</sup> April 2015 onwards, with the exception of members with transitional protection.
<b>Armed Forces Pension Scheme 2015 (AFPS 15)</b>	The Pension Scheme for Regular and Reserve Service personnel who join the Armed Forces from 1 <sup>st</sup> April 2015, and those Service personnel who were already in Service on that date and did not qualify for transitional protection.
<b>Aggregation</b>	When two or more separate periods of qualifying service are added together.
<b>Allocation</b>	When a member chooses to allocate a proportion of their annual pension to one or more nominated dependants who must be financially dependent on the member in order for them to receive an income for life.
<b>Annual Allowance</b>	The limit on what can be added each tax year to the value of the pension without tax charge. The rule is that, when added together, the increase in the value of an individual's pension savings in any input period may not exceed the Annual Allowance. Any amount over the Annual Allowance is taxed at 40%, which is due as a lump sum when the tax liability is calculated.
<b>Attachment Order</b>	A Court Order made as part of a divorce or dissolution settlement to pay all or part of a Scheme members' pension benefits to the member's former spouse or civil partner.
<b>Attributable</b>	The term used to describe a death, injury, or illness which was caused, hastened or significantly aggravated by Service in the Armed Forces.
<b>Civil Partner</b>	A person of the same sex with whom there is a legally recognised partnership.
<b>Consumer Price Index</b>	This measures the change in price levels in the UK. It is the method currently used to increase the value of pensions in April every year.

<b>Dependants</b>	A Scheme member's spouse, civil partner, eligible partner, or eligible children.
<b>Earmarking Order</b>	A Court Order under Scottish law, made as part of a divorce or dissolution settlement, to pay all or part of a member's pension to the member's former spouse or civil partner.
<b>Early Departure Payment (EDP) Scheme</b>	A payment made to members of AFPS 05 who leave the Regular Armed Forces before age 55, after a minimum of 18 years' qualifying service AND who are at least age 40.
<b>Eligible Child</b>	A natural child or any child, who is financially dependent on the scheme member and who is under 18; 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 death.
<b>Eligible Partner</b>	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.
<b>Final Pensionable Earnings</b>	The greatest amount of the member's total pensionable earnings in the best 365 consecutive days of their final 3 years of Service.
<b>Full Time Reserve Service Pension Scheme 1997 (FTRS 97)</b>	The Pension Scheme applicable to Reserve Service personnel who gave Full Time Reserve Service before 6 <sup>th</sup> April 2005. The Scheme was closed to new entrants and those starting new commitments from 6 <sup>th</sup> April 2005.
<b>Inverse Commutation</b>	When a Scheme member exchanges some or all of a pension lump sum for an increase in the amount of taxable pension.
<b>Lifetime Allowance (LTA)</b>	The Lifetime Allowance is the maximum amount of pension savings that a person can build up over their life from all registered pension schemes before incurring a tax charge. From April 2020, LTA is £1.073M.
<b>Member</b>	An individual who has joined AFPS 05 and is earning benefits under the Scheme (active member), has a deferred pension under the Scheme (deferred member), or is receiving a pension from the Scheme (pensioner member).
<b>The Reserve Forces Non-Regular Permanent Staff Pension Scheme (NRPS)</b>	The Pension Scheme for members of the Reserve Forces who serve on a full-time basis in units or posts responsible for the Army Reserve.
<b>Normal Pension Age</b>	The earliest age at which a person is entitled to an unreduced pension payable immediately on leaving Service. The NPA for AFPS 05 is 55.
<b>Opting Out</b>	This occurs when an individual chooses not to become a member of AFPS 05, or chooses to leave the Scheme, if already a member.
<b>Pension Benefit Age</b>	This is the age at which your deferred pension benefits are paid. The PBA for AFPS 05 is 65.
<b>Pension Credit Member</b>	A former spouse or civil partner who becomes a member of a pension scheme in their own right as a result of a Court Order which decrees that a percentage of the value of a Scheme members' pension benefits are transferred to them permanently.
<b>Pension Debit Member</b>	A Scheme member whose pension is reduced as a result of a Court Order which decrees that a percentage of the value of their pension benefits are transferred to their former spouse or civil partner.

<b>Pensionable Earnings</b>	Basic pay, but excluding allowances, expenses, bonuses, financial incentives, Loan Service Pay, and any form of Recruitment and Retention Pay.
<b>Pension Pot</b>	Your pension pot is the total amount of pension contributions that your employer has made to save for your retirement.
<b>Pension Sharing Order</b>	An Order made by the Court on divorce or dissolution of a civil partnership. It creates pension benefits for a former spouse or civil partner and they become a member of the Scheme in their own right
<b>Qualifying Service</b>	Qualifying service refers to the amount of time you have been a member of AFPS 05. It is the calendar days that you are in receipt of pensionable earnings or assumed earnings in AFPS 05. Hypothetically, if you worked 1 day a week for 2 years, your qualifying service would still be 2 years. As the name suggests, qualifying service qualifies you for certain benefits.
<b>Reckonable Service</b>	Reckonable service refers to the actual years and days that count towards your pension. It is reckonable service that counts in the calculation of the amount of your benefits under AFPS 05. Hypothetically, if you worked 2.5 days a week for 2 years, your reckonable service would only be 1 year. In general, it is likely that your qualifying service will be the same as your reckonable service. But for some people, their qualifying service will be more than their reckonable service.
<b>Resettlement Grant</b>	A lump sum payable to Regular Service personnel who do not qualify for an EDP or ill-health benefits, but who have completed more than 12 years' Service.
<b>Reserve Forces Pension Scheme 2005 (RFPS 05)</b>	The pension scheme for Reserve Service personnel starting or renewing a Full Time Reserve Service (FTRS) commitment, including those on Additional Duties Commitment (ADC) terms on or after 6 <sup>th</sup> April 2005.
<b>Scheme Administrator</b>	Defence Business Services – Veterans UK is the Scheme Administrator for all Armed Forces Pension Schemes.
<b>Spouse</b>	A legally married partner of the Scheme member.
<b>Substantial Relationship</b>	To establish whether a relationship is substantial, various factors are taken into consideration, such as; children, financial dependence or inter-dependence, 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).
<b>Transfer Value</b>	The sum of money that a member requests to transfer between two pension schemes.
<b>War Pension Scheme (WPS)</b>	The WPS provides no-fault compensation for all ex-Service personnel where illness, injury or death is caused by Service before 6 <sup>th</sup> April 2005. More information about the Scheme can be found <a href="#">here</a> .

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