

**Gurkha Pension Scheme:
implementing
the
7th CPC**

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FOREWORD



Gurkhas have made an outstanding contribution to the UK through their years of dedicated service to the Crown and are held in high esteem by the British Army and public alike. We are hugely proud that Gurkhas continue to serve in the British Army.

The Government is committed to ensuring the continued provision of a fair and positive standard of living in Nepal for our Gurkha veterans, and that the Gurkha Pension Scheme is sustainable and fair alongside other UK public sector pensions.

In March 2019, we announced how the Government intended increase pension rates for the Gurkha Pension Scheme, following the report by the Government of India on their 7th Central Pay Commission. Although the Department considered the issue extremely carefully and thoroughly, no formal consultation on the options took place. Some Gurkha veterans disagree with the Government's decision and have argued that a consultation would have allowed them to consider the issue and provide their views and information which might have led to a different outcome. After consideration, I have agreed to a public consultation on the options for

implementing the 7th Central Pay Commission changes in relation to the Gurkha Pension Scheme. This public consultation aims to set out the options in sufficient detail to inform those affected so that they are able to contribute to the decision-making process. We welcome the views and comments of anyone with an interest in this consultation.

The Rt Hon Ben Wallace MP
Secretary of State for Defence

SECTION 1

EXECUTIVE SUMMARY

Context

In March 2019, the Minister for the Armed Forces announced that the government had considered the implication of the Indian Government's 7th Central Pay Commission (CPC) for the Gurkha Pension Scheme (GPS) and agreed a change in policy on how Gurkha pension rates should be increased. The doubling policy (whereby GPS rates were set at double those of the comparable Indian Army rates at the start of each CPC period) was no longer considered appropriate given changes since it had been introduced in 2000. Instead, Ministers considered various options, and then announced that the GPS rates would be increased to 140% of the comparable Indian Army rate, with a minimum 10% increase for those pension rates which were already close to or over that value. The increases were backdated to 1 January 2016, the effective date of the 7th CPC.

Three Gurkha pensioners subsequently challenged this decision, and, having considered their representations and following discussions with them and other representatives (Regimental Associations of Nepal), the Ministry of Defence (MOD) has now agreed to look afresh at this question. In order to do so, the MOD is consulting those who are affected by any change from the doubling policy. In order to do so, the aim of this consultation document is to explain the key factors at stake in this decision making, to outline a number of different ways of implementing the 7th CPC having regard to these factors, including the option which the MOD currently prefers, and to ask for views on these and any alternative ways of implementing the 7th CPC.

Aim

The aim of this consultation is to seek the views of GPS members on various proposals for implementing the recommendations of the Indian Government's 7th CPC in the GPS.

We would welcome views from any interested individuals or organisations, GPS scheme members, veterans, regimental and veterans' groups, charities and any others with an interest in these matters.

The responses to the consultation will inform a fresh decision on the implementation of the 7th CPC to be made by Ministers, after careful consideration of all views and supporting evidence received.

Structure of the Consultation

The Executive Summary forms Section 1 of the Consultation, providing a brief overview of the contents of the document and its purpose.

Section 2 sets out the background to the GPS and how rates have been revised by reference to the Indian Government's CPC over the years. This includes a summary of the Ministerial Examination in 1999, the implementation of the 6th CPC (2006) and the recommendations of the 7th CPC (2016). The Section also provides some detail of the additional investment in healthcare for Gurkha veterans by the Army, by way of a grant to the Gurkha Welfare Trust, and briefly discusses benefits in kind received by Indian Army veterans.

Section 3 sets out various options for implementation of the 7th CPC under consideration by the MOD.

Section 4 sets out brief details of other options considered by the MOD, but which it is not currently minded to pursue.

Section 5 sets out the MOD's approach to the One Rank One Pension (OROP) policy and explains its position on implementing that policy.

Section 6 contains a series of questions, linked to the options set out in this consultation.

Section 7 contains:

- Tables setting out details of how each option affects the pension rate, by rank and date;
- Copy of the Report of the 1999 Ministerial Examination;
- Copy of Evidence to the APPG 2014 as to value of the GPS pension in Nepal.

Section 8 contains procedural information about how we consult and freedom of information.

How to respond

This consultation will be open for twelve weeks and there will be two virtual meetings in late January 2021 to explain the process and how to engage with the consultation. Details will be passed out through MOD Gurkha websites and ex-servicemen's organisations. The closing date for responses will be 12 March 2021. It would be very helpful if you could respond in English where possible, as this will assist us to process the responses. We will accept responses in Nepali but translating these may result in a delay to the response to the consultation.

This consultation document contains five questions, and provides the opportunity to comment on, or provide further information in support of your answers. You do not need to answer all questions unless you wish to do so.

You can respond by email or post, to the addresses given below. Please ensure that you include the following information at the beginning of your response:

- Whether you are a GPS member, or relative of such a pensioner;
- Whether you live in Nepal, or in the United Kingdom, or elsewhere in the world;
- Whether you are responding as an individual or on behalf of an organisation (please state the name of the organisation).

By email to:

ArmySec-Gurkha-Consult-Multi@mod.gov.uk

By post to:

Gurkha Pension Scheme Consultation Team
Army Secretariat
IDL 24, Army Headquarters
Blenheim Building, Floor 2
Marlborough Lines
ANDOVER
Hampshire SP11 8HJ
UNITED KINGDOM

Response to the Consultation

All responses to this consultation will be carefully analysed and Ministers will make a fresh decision on how to implement the 7th CPC in the GPS.

SECTION 2 : BACKGROUND

History

In 1947, the governments of the United Kingdom, India and Nepal entered into a Tripartite Agreement which remains the basis upon which Nepali citizens (Gurkhas), continue to join and serve in the British Army with the full support of the Government of Nepal.

Under the terms of the 1947 Tripartite Agreement, Gurkha pay and pensions were linked to, and derived from, the Indian Army to provide parity of treatment with Indian Army Gurkhas. Appendix VI Section IV of the Tripartite Agreement states that:

“The payment of Gratuities and Pensions will be admissible to Gurkha soldiers, NCOs, WOs and King’s Gurkha Commissioned Officers with reckonable service in the Indian or British Armies under the Pensions Regulations for the Army in India, 1940, applicable to VCOs and IORs, as amended from time to time....”

The GPS was created by Royal Warrant on 19 December 1949 to reflect the terms of the Tripartite Agreement. It states:

“Our will and pleasure is that, subject to exceptions and special provisions set out in the Schedule attached hereto, such awards as aforesaid may be made at the rates and subject to the conditions which were on 1st January 1948 applicable to Gurkha personnel of the Indian Army of equivalent rank; ...”

The GPS is now a 'closed' pension scheme, meaning that it is not open to new entrants. The last entrants joined the scheme in 2006 and the last member began receiving their pension in 2013. There are currently around 22,000 pensioner members of the GPS; this figure consists of around 15,000 service pensioners and around 7,000 widows or family members.

The GPS was designed, and is administered, on the basis of:

- the Tripartite Agreement;
- the Royal Warrant creating the GPS; and
- the policies adopted by the UK Government in relation to the GPS over the years since 1947.

The key principle underlying the UK Government's policy relating to the GPS is that it was designed to provide a fair standard of living in Nepal, as traditionally Gurkhas returned there after their service ended. Up until 1st July 1997, the Brigade of Gurkhas was based in Hong Kong, and Gurkhas returned to Nepal after discharge.

The GPS paid a pension for life to Gurkhas who had served for at least fifteen years, payable from date of discharge. Accordingly, most members of the GPS will have been receiving a pension since their mid-thirties. The rules regarding family pensions were aligned to rules in the Indian Army.

The link to the Indian Army pension rates has continued, although in slightly different forms, over the years. The Indian Government reviews the pay, pensions and allowances of its employees every ten years by way of a Central Pay Commission

(CPC). Each CPC has traditionally formed the basis for a review of the GPS rates, by reference to the highest comparable pension bands in the Indian Army. In addition, in between the ten-year reviews, the GPS rates are currently increased annually by the rate of inflation in Nepal (the Consumer Price Index from the Nepali central bank).

Ministerial Examination 1999

In 2000, the then UK Government concluded a Ministerial Examination of Gurkha Pensions and Gratuities. The Examination considered the whole pension package provided to Indian Army ex-servicemen, which included a number of benefits in kind¹, which could not be replicated due to prohibitive costs.

The Examination concluded it would be 'wrong' to attempt to put a cash value on each element of the Indian Army package of benefits in kind and therefore that it could not attach a precise financial figure to the benefits package, and decided:

“... on the basis of an assessment of the impact of the facilities on the quality of life of ex-Indian Gurkhas, that the effect of their availability was approximately to double the standard of living that the Indian Pension would otherwise have delivered.”

The UK Government therefore agreed to provide a “... *welfare-related cash uplift of around 100% of the existing basic pension...*” to reflect the absence of the wider benefits available to an Indian Gurkha. This was the basis of the GPS 'doubling' policy as it has stood since then.

¹ access to spare capacity in military hospitals; franchises for oil and petroleum products; travel concessions; telephone concessions; educational scholarships; loans for entrepreneur schemes; access to subsidised military Canteens; employment after discharge with State paramilitary forces.

6th CPC (2006)

The Indian Government changed its pension arrangements for ex-servicemen in the 6th CPC, and introduced new pension arrangements (and rates) for those who retired after 1 January 2006. Those who had retired before that date remained on the previous terms and rates. As the GPS was a closed scheme by the time the 6th CPC reported in 2008, the MOD implemented it on the basis of the Indian arrangements for pensioners in the pre-2006 scheme. This was in accordance with the UK Government's long held policy presumption that retrospective improvements should not be made to pensions already in payment. GPS rates were reviewed and, where necessary, were increased to 200% of the comparable Indian rate.

Since the 6th CPC reported, the Indian Government has made a number of additional retrospective changes to its pension arrangements for ex-servicemen, outside of the CPC process. The general effect of these was to harmonise the pre-2006 and post-2006 arrangements, by increasing the rates payable to those in the pre-2006 scheme.

7th CPC (2016)

The 7th CPC, which reported in late 2016, noted that pension parity between old and new pensioners was a principal demand, and contained two recommendations on revaluing pensions. After considering feasibility, the Indian Government decided to revalue pensions by fixing them at the new rates set in the 6th CPC and multiplying by a factor of 2.57. This factor of 2.57 represents a percentage increase on 6th CPC rates of 157%, of which 119% was the accumulated (Indian) inflation increases over the period of 6th CPC from 2006 and 38% was the 7th CPC increase.

In 2017, alongside its consideration of the 7th CPC, the UK Government, the Government of Nepal and representatives of Gurkha veterans met in a Technical Committee to discuss various Gurkha grievances. In response to representations about pensions, the UK Government stated:

“... The Government is committed to ensuring that the pensions Gurkhas accepted at the time they joined the British Army remain fair. This is why measures have been taken in the past to reflect wider benefits such as the different levels of access to healthcare support available to Indian veterans, in arrangements for Gurkha pensions. In considering the matter of pensions, the Government must balance the fairness of pensions for Gurkha veterans, the arrangements set out for them in the Tripartite Agreement and consistency with those policies which are applicable across the wider UK public sector in relation to pensions. Principal among these is that the arrangements for a pension are determined at the time of an individual’s service. They are not ordinarily altered subsequently by making retrospective changes to those pension arrangements. ...”

The 7th CPC rates as set by the Indian Government reflect the impact of several retrospective changes made between 2010 and 2015 by the Indian Government to its own pension arrangements. At the heart of the MOD’s consideration of how to implement the 7th CPC in the GPS is the question of whether it remains appropriate and affordable to simply double the Indian Army rate, in the light of changed circumstances in Nepal and the UK, and where the Indian rates reflect retrospective changes which would not normally have been possible within the United Kingdom, due

to the longstanding policy presumption against retrospective changes to pensions in payment.

In the period since the Ministerial Examination in 1999, annual inflation increases alone have increased the GPS by 385%. In this same timeframe the Armed Forces Pension Scheme (AFPS) has only increased by around 55%. In 2013, data from the Government Actuary's Department (GAD), prepared for a case at the European Court of Human Rights on Gurkha pensions, shows that around 80% of Gurkhas received the same, or better, value from the GPS over the course of their lives than those in the AFPS with the same rank and length of service. In 2019, GAD was asked to update the 2013 report and this showed that the percentage of those receiving more than their direct AFPS counterpart had increased further to around 90% because of the greater rate of growth of the GPS compared to the AFPS.

The cumulative effect of the impact of the policy since 2000 to periodically set pension rates at double the Indian rates, inflation increases and the scale of CPC increases since 2000, means that individual GPS pensioners have seen their pensions increase by between 900% to 1,200% during this period.

Increase in Value (£) of GPS Since 1999

Rank	Annual Pension Rate (£)			Pension Increase (%)
	1999	2000	2018	
Below Cpl	277.83	644.56	3461.74	1146%
Cpl	277.83	656.61	3554.63	1179%
Sgt	343.73	855.69	4197.41	1121%
CSgt	374.66	928.83	4539.91	1112%
WO2	404.61	1005.98	4903.11	1112%
WO1	448.89	1129.89	5476.95	1120%
Lt(QGO)	597.35	1566.48	7066.96	1083%
Capt(QGO)	748.08	2104.83	9495.7	1169%

Maj(QGO)	856.64	2160.73	9747.88	1038%
Hon Capt	871.02	2257.48	10184.36	1069%
Hon Maj	1089.39	2496.02	11260.51	934%
Capt(GCO)	1062.30	2730.51	12318.39	1060%
Maj(GCO)	1239.33	3171.19	14306.46	1054%

Common Exchange Rate: £1: 91.71 Indian Rupees

All GPS pensions were still higher than the comparable Indian Army rates after the 7th CPC, although in some cases the difference was not initially large. However, the differential has increased already, due to the annual cost of living increases.

**Figure 1: GPS excess over Indian Rates at 1 January 2016 & 1 April 2020
(after 7th CPC implementation)**

RANK	INCREMENT	GPS % (BEFORE 7 TH CPC) ABOVE INDIAN (AFTER 7 TH CPC) RATES @ 1 JANUARY 2016	GPS % (AFTER 7 TH CPC) ABOVE INDIAN (AFTER 7 TH CPC) RATES @ 1 APRIL 2020
Below Cpl	15	19%	60%
Cpl	15	5%	60%
Sgt	18	16%	60%
CSgt	19	24%	64%
WO2	20	52%	69%
WO1	22	49%	87%
Lt(QGO)	24	56%	96%
Capt(QGO)	28	77%	153%
Maj(QGO)	28	77%	122%

Benefits in Kind – 1999 and 2016

It remains the case that Indian Army veterans receive benefits in kind which are not available to British Army veterans in Nepal. However, the nature of the benefits has changed, particularly the way in which healthcare is delivered to both cohorts of veterans.

The Ministerial Examination in 1999 records the fact that benefits in kind were offered to Indian army veterans, but concluded that these could not be assigned precise financial values. Records suggest that the benefits in kind at the time included:

- access to spare capacity in military hospitals in India;
- access to subsidised military shops;
- the option of post-discharge employment with State paramilitary forces in India;
- 8% of petroleum, diesel, kerosene and LPG franchises reserved for veterans or dependants;
- loans for entrepreneur schemes;
- travel and telephone concessions - disabled veterans and widows;
- educational scholarships - disabled veterans and widows.

A key benefit was the access to healthcare, which would presumably be of use to all pensioners, while other benefits would have varying rates of uptake.

Research by the MOD, while limited, indicates that the benefits in kind available in 2016 to Indian Army veterans were much the same, apart from healthcare. The way in which the Indian Army provides healthcare to its veterans has changed significantly. In 2000, this was provided by giving veterans access to spare capacity in military

hospitals: by 2016, Indian ex-servicemen, and their dependents could pay a one-off fee (with some exceptions as to who could join without charge) for access to medical treatment (primary, secondary and medicine) funded by the Indian Government.

Grant to Gurkha Welfare Trust for Medical Support

At the time of the original decision on implementing the 7th CPC, we considered the original purpose of the cash uplift - to provide a welfare related uplift - which would allow British Army veterans to enjoy a similar standard of living as Indian Army veterans at that time, given that the United Kingdom could not replicate the benefits in kind provided by the Indian Government. We considered the current package of benefits, insofar as we were able to ascertain the details, and noted again that it is difficult to put a precise financial value on them, as some relate to additional employment opportunities after discharge, and others are now provided following one-off payments (for healthcare).

As in 1999, we concluded that it was not possible to put a precise financial value on the different elements of the whole Indian package. However, if we exclude healthcare, we consider that the value of the additional benefits received by Indian Army veterans can be fairly reflected by an increase in the cash pension of 40% over the comparable Indian Army rates.

A charity, the Gurkha Welfare Trust (GWT), currently provides subsidised access to primary and secondary healthcare for British Army veterans. As part of our ongoing consideration of Gurkha veterans' issues, the Army has committed to provide an additional £25 million over the next ten years, for the purpose of providing a new medical support package for Gurkha veterans in Nepal. This funding will be provided to the Gurkha Welfare Trust, who will deliver the new support as an extension of their existing medical provision.

This proposal was agreed separately from the decision concerning the increase to the GPS rates and we do not consider it to be part of the 7th CPC implementation. This funding commitment cannot be, and is not being, revisited as part of this consultation process. However, given the importance of healthcare in the basket of goods considered for the purposes of the welfare uplift, it is relevant to the consideration of where to set the level of increase.

SECTION 3 –Options under consideration

In considering how to implement the 7th CPC, we are looking again at the purpose of the cash uplift which gives British Army veterans more cash than Indian Army veterans receive. As set out previously, this uplift is intended to ensure that British Army veterans are able to maintain a similar standard of living to that enjoyed by Indian Army veterans. We have examined in broad outline the benefits in kind provided to Indian Army veterans in 1999 and today. It is not possible to provide precise figures for comparisons, not least because the value of each benefit will vary from pensioner to pensioner, depending on whether it is relevant to them.

In 2017/2018, before the implementation of the 7th CPC, the total cost of the GPS was around £89 million. This is the baseline cost which has been used to consider the impact of various options. Other factors which the UK Government considers are relevant include:

- the purpose of the GPS, which was designed to provide a pension in Nepal;
- the previous doubling policy and expectations of GPS members that this would continue;
- the context of long-term restraint in the wider UK public service pensions sector;
- the need to be fair to GPS pensioners;
- a desire to deliver higher increases at the lower end of the pension scale (lowest ranks);
- the changed situation in Nepal as regards healthcare, with a renewed focus on this by the GWT;

- the need to ensure that GPS rates are affordable and sustainable in a challenging fiscal context. Increases of this nature, not linked to the costs of living and unique in the public service pensions sector, must be funded from the Army's own budget, and not central government.
- the need to be fair to AFPS pensioners. Even before 7th CPC increases around 90% of GPS pensioners received better value over their lifetime from their pensions than AFPS pensioners with the same rank and length of service.

UK Government's Preferred Option

Our current preferred proposal for the implementation of the 7th CPC is as follows:

- GPS rates are increased to at least 140% of the top comparable Indian Army rate², with a minimum individual increase of at least 10%.
- this equates to increases for Other Ranks (below WO1) of between 10% to 34% and increases for WO1 and Officers of at least 10%.

The effect of this is that GPS members would receive at least 40% more as cash pension than the top rate payable to their Indian Army comparator. We believe that this meets the original purpose of the cash uplift: the objective of matching Indian benefits.

This option would result in an increase in the cost of the GPS by around £15 million per year, to a total of around £105 million. This level of increase would be sustainable

² The relevant Indian rates are as at 1 January 2016 which incorporate the effect of the changes since the 6th CPC, including the OROP changes.

and affordable within the Defence budget, which is subject to significant financial constraints. Although the level of some increases is high compared to most in the context of UK public service pensions, particularly as GPS pensions will continue to be increased every year by the rate of inflation, this is considered to be justified in the historical context.

This proposal would ensure that every GPS member will receive an increase of at least 10%. In doing so, and with all potential options, we are balancing a number of factors. At this stage, our current view is that this option is likely to provide a fair outcome for both GPS members and the UK Government.

GPS Rates of Pension Before and After the Implementation of 7 CPC

Rank	Qualifying Service - Years	Pension Before 7 CPC³	Pension After 7 CPC⁴	Current Monthly Rates in ICR⁵
Below Cpl	15	21,918.00	25,708.20	34,287.28
Cpl	15	22,506.11	30,133.60	40,189.49
Sgt	18	26,575.87	32,113.20	42,829.71
CSgt	19	28,744.44	33,558.23	44,756.95
WO2	20	31,044.05	34,564.98	46,099.66
WO1	22	34,677.26	38,144.99	50,874.36
Hon Lt(QGO)	22	41,661.70	45,827.87	61,121.10
Lt(QGO)	24	44,744.46	49,218.91	65,643.77
Capt(QGO)	28	60,121.96	66,134.16	88,203.80

³ Reference: Army HQ/Sec/15/01 dated 18 March 2015.

⁴ Reference: Army HQ/Sec/15/01 dated 5 November 2019.

⁵ Reference: Army HQ/Sec/15/01 dated 25 March 2020.

Maj(QGO)	28	61,718.65	67,890.52	90,546.28
Capt(QGO) Hon Lt(GCO) and Hon Capt	28	64,482.21	70,930.44	94,600.66
Capt(QGO) Hon Capt(GCO)	28	66,631.62	73,294.79	97,754.02
Maj(QGO) Hon Lt(GCO)	28	68,995.91	75,895.51	101,222.61
Maj(QGO) Hon Capt(GCO) and Hon Maj	28	71,295.84	78,425.43	104,596.79
Capt(GCO)	20	77,993.79	85,793.17	114,423.23
Maj(GCO)	22	90,581.27	99,639.40	132,890.08

Our current thinking is that a cash uplift of 40% (at a minimum), with a minimum individual increase of 10%, would broadly reflect the value of additional benefits received by Indian Gurkhas, although it is not possible to put a precise monetary benefit on these. In addition, the investment into additional medical support through the GWT will result in British Gurkhas gaining access to further subsidised medical support, delivered through a trusted partner.

We do recognise that there will be different views about whether this cash uplift is sufficient to reflect the value of additional benefits received by Indian Army veterans. We invite views on all these issues.

Other Feasible Options Considered

180 % of Indian Rate

If GPS rates were set at 180% of the comparable Indian rates, this would ensure that all ranks would receive an automatic increase, in some degree. Adopting this approach would see increases of between 2-72% across the rank spectrum, with different impacts across the different ranks.

However, this option would increase the annual cost of the GPS by around £37 million, to a total of around £126 million, excluding the annual cost of living increases. This is a significant increase which is not considered affordable within the Defence budget. In addition, such significant percentage increases in individual pension rates is difficult to justify domestically.

150% of Indian Rate, with minimum increase of 10%

This option would set GPS rates at 150% above Indian rates, which is the lowest point at which all Other Ranks would receive an automatic increase. The percentage increase for the highest-ranking non-commissioned officers (WO1) would be 10%, and all officers would receive the same percentage increase (10%).

This approach would ensure that all GPS pensioners received an appreciable level of increase – set at a minimum of 10%. Taking this option, GPS rates would increase by between 10% (WO1 and Officers) and 43% (all other ranks). This would therefore slightly reduce the current imbalance in the GPS whereby rates of pension payable to officers and Warrant Officers are significantly ahead of those at lower ranks.

This option would increase the annual cost of the GPS by around 23% per year, approximately £21 million per annum, bringing the total annual cost to £110 million, excluding the annual cost of living increases. As with the option immediately above, this is a significant increase which is not considered affordable within the Defence budget. The percentage increases in individual pension rates is also still difficult to justify domestically.

SECTION 4 – Other possible Options considered

200% of Indian Rate (doubling)

This would be the status quo option, as it would maintain the doubling policy introduced in 2000 and followed for the implementation of the 6th CPC.

This approach would see increases of between 13-91% for individual pensioners. However, it would increase the annual cost of the GPS by £49 million per year (over 50%) to £138 million, which is not considered affordable for the Defence budget, without significantly impacting on capability and training in other areas. Individual pension increases of this magnitude are also out of step with the wider fiscal approach adopted in relation to public sector pensions in recent years, for example in the AFPS.

170% of Indian Rate

This option would not automatically result in an increase for all GPS pensioners. Those at the rank of Queen's Gurkha Officer Captain and Major would not receive an increase at all, as they are already receiving pension at a rate which is greater than this. Other pensioners would receive an increase of between 4% to 62%.

This option would more than double the additional cost of the GPS to £120 million, which is neither affordable nor sustainable. In addition, this would not result in an increase for all GPS pensioners, which does not meet one of our policy aims – that of ensuring that all members receive at least some form of increase.

Parity with Indian Rates

We also considered whether the situation had changed to such an extent since 1999, particularly in view of the over 870% increase in the cost of the GPS over that period, to justify a return to the historical position of simply maintaining parity with Indian rates, rather than paying any additional cash uplift.

However, we acknowledge that there are benefits in kind available to Indian Army veterans which cannot be replicated for British Army veterans, and the original purpose of the welfare uplift is thus still relevant.

SECTION 5 : One Rank One Pension

As set out previously, the Indian Government has introduced a number of changes to its pension policy for veterans between 2006 and 2016. One of these was the introduction of the “One Rank One Pension” (OROP) policy in 2016, with arrears paid from 1 July 2014. This change was not related to either the 6th CPC or the 7th CPC, and was implemented separately by the Indian Government.

Historically, the MOD has reviewed GPS rates following each CPC, and does not review them again, other than to increase by the cost of living allowance every year. It has never been our policy to track Indian Army pension rates in between each CPC. As set out previously in this document, the UK Government has a long-held policy presumption against making retrospective improvements to pensions in payment.

The Table below compares the difference between GPS and Indian Army rates as at 1 July 2014. GPS rates were still in excess of the Indian Army rates, but we acknowledge that the difference was not large in some cases.

Indian rates in ICR per month compared to GPS rates as at 1 July 2014

Rank	Increment	IA OROP Rates	GPS
Below Cpl	15	14,791	20,484.12
Cpl	15	17,337	21,033.75
Sgt	18	18,475	24,837.27
CSgt	19	18,744	26,863.97
WO2	20	18,744	29,013.14

WO1	22	18,744	32,408.66
Hon Lt(QGO)	22	21,791	38,936.17
Lt(QGO)	24	23,056	41,817.26
Capt(QGO)	28	27,356	56,188.75 *
Maj(QGO)	28	28,132	57,680.99 *
Hon Capt	28	33,307	60,263.75
Hon Maj	28	35,211	66,631.63
Capt(GCO)	20	31,274	72,891.40 #
Maj(GCO)	22	49,298	84,655.40

** more than double IA rate.*

historic position relative to Maj(GCO) protected and new IA rate not used.

It is worth noting that the review of GPS rates against the top comparable Indian Army rates for the purpose of implementing the 7th CPC is based on the Indian Army rates including the benefit of OROP, where this has been implemented by the Indian Government. Thus, pensioners will receive the benefit of OROP with effect from the 1 January 2016 (date on which the 7th CPC is implemented).

We have considered whether we should pay arrears of OROP for the period between 1 July 2014 and 31 December 2015. However, as explained above, this would not be line with our usual policy of only reviewing the GPS rates following a CPC. It is also a clear UK Government policy presumption against making retrospective changes to pensions in payment and to backdate a pension increase in this way would breach this policy.

SECTION 6 – QUESTIONS

- 1. Do you agree with the Ministry of Defence’s preferred option, or another proposed option? Please explain why.**

- 2. Do you have any information about the benefits in kind currently available to Indian Army veterans, and a view on whether an assessment of their value (excluding healthcare) at around 40% is broadly accurate? Please provide evidence to support your view.**

- 3. Do you have any comments on the other alternatives considered? If you consider any of these more appropriate, please explain why.**

- 4. Please provide any other comments or evidence that you wish us to consider, relating to the proposals and issues contained in this consultation.**

- 5. Are there any other options we have not considered, which you believe would meet our policy objectives, and remain deliverable within the Defence budget?**

SECTION 7

Table 1 : Percentage increases by rank for each uplift option as at 1 January 2016

Rank\Uplift	140% + 10%	150% + 10%	170%	180%	200%	Numbers Affected	Monthly Pension @ 31/12/2015 £	Annual Pension @ 31/12/2015 £	Post 7th CPC Annual Pension £
Below Cpl	17	26	42	50	68	6450	288.48	3462	4362.12
Cpl	34	43	62	72	91	4200	296.22	3555	5083.65
Sgt	21	29	46	55	73	1617	349.78	4197	5414.13
CSgt	17	25	42	50	67	823	378.33	4540	5675.00
WO2	11	19	35	43	59	760	408.59	4903	5834.57
WO1	10	10	25	32	47	54	456.41	5477	6024.70
Lt(QGO) and Hon Lt(QGO)	10	10	9	15	28	342	588.91	7067	7773.70
Capt(QGO)	10	10	-	2	13	343	791.31	9496	10445.6
Maj(QGO)	10	10	-	2	13	6	812.32	9748	10722.8
Capt(QGO) Hon Lt(GCO)/Hon Capt	10	10	9	15	28	69	848.70	10,184	11202.40
Capt(QGO) Hon Capt(GCO)	10	10	7	13	26	2	876.99	10,524	11576.40
Maj(QGO) Hon Lt(GCO)	10	10	6	12	25	51	908.10	10,897	11986.70
Maj(QGO) Hon Capt(GCO)/Hon Maj	10	10	4	10	23	39	938.38	11,261	12387.10
Capt(GCO)	10	10	15	22	35	2	1026.53	12,318	13549.80
Maj(GCO)	10	10	15	22	35	7	1192.20	14,306	15736.60

Table 2 : 140% +10% Comparisons

Rank	Qualifying Service In Years	GPS Before 7 CPC 31 Dec 2015	7 CPC Rates 1 Jan 2016		GPS % of IA Rate	7 CPC Rates 1 Apr 2020		GPS % of IA Rate
			IA	GPS		IA	GPS	
Below Cpl	15	21,918.00	18,363.00	25,708.20	140	21,484.71	34,287.28	160
Cpl	15	22,506.11	21,524.00	30,133.60	140	25,183.08	40,189.49	160
Sgt	18	26,575.87	22,938.00	32,113.20	140	26,837.46	42,829.71	160
CSgt	19	28,744.44	23,272.00	33,558.23	144	27,228.24	44,756.95	164
WO2	20	31,044.05	23,272.00	34,564.98	149	27,228.24	46,099.66	169
WO1	22	34,677.26	23,272.00	38,144.99	164	27,228.24	50,874.36	187
Hon Lt(QGO)	22	41,661.70	27,055.00	45,827.87	169	31,654.35	61,121.10	193
Lt(QGO)	24	44,744.46	28,625.00	49,218.91	172	33,491.25	65,643.77	196
Capt(QGO)	28	60,121.96	33,963.00	66,134.16	195	39,736.71	88,203.80	222
Maj(QGO)	28	61,718.65	34,927.00	67,890.52	194	40,864.59	90,546.28	222
Capt(QGO) Hon Lt(GCO)/Hon Capt	28	64,482.21	41,352.00	70,930.44	161	48,381.84	94,600.66	196
Capt(QGO) Hon Capt(GCO)¹	28	66,631.62	42,140.00	73,294.79	163	49,303.80	97,754.02	198
Maj(QGO) Hon Lt(GCO)¹	28	68,995.91	42,928.00	75,895.51	177	50,225.76	101,222.61	202
Maj(QGO) Hon Capt(GCO)/Hon Maj	28	71,295.84	43,716.00	78,425.43	179	51,147.72	104,596.79	204
Capt(GCO)²	20	77,993.79	52,636.30	85,793.17	163	61,584.47	114,423.23	186
Maj(GCO)	22	90,581.27	61,205.00	99,639.40	163	71,609.85	132,890.08	186

1. No direct IA comparator rates.
2. Based on Maj(GCO) IA comparator rate.

Table 3 : 150% +10% Comparisons

Rank	Qualifying Service In Years	GPS Before 7 CPC 31 Dec 2015	7 CPC Rates 1 Jan 2016		GPS % of IA Rate	7 CPC Rates 1 Apr 2020		GPS % of IA Rate
			IA	GPS		IA	GPS	
Below Cpl	15	21,918.00	18,363.00	27,544.50	150	21,484.71	36,736.38	171
Cpl	15	22,506.11	21,524.00	32,286.00	150	25,183.08	43,060.17	171
Sgt	18	26,575.87	22,938.00	34,407.00	150	26,837.46	45,888.97	171
CSgt	19	28,744.44	23,272.00	35,955.24	155	27,228.24	47,953.87	176
WO2	20	31,044.05	23,272.00	37,033.90	159	27,228.24	49,392.49	181
WO1	22	34,677.26	23,272.00	38,144.99	164	27,228.24	50,874.36	187
Hon Lt(QGO)	22	41,661.70	27,055.00	45,827.87	169	31,654.35	61,121.10	193
Lt(QGO)	24	44,744.46	28,625.00	49,218.91	172	33,491.25	65,643.77	196
Capt(QGO)	28	60,121.96	33,963.00	66,134.16	195	39,736.71	88,203.80	222
Maj(QGO)	28	61,718.65	34,927.00	67,890.52	194	40,864.59	90,546.28	222
Capt(QGO) Hon Lt(GCO)/Hon Capt	28	64,482.21	41,352.00	70,930.44	161	48,381.84	94,600.66	196
Capt(QGO) Hon Capt(GCO)¹	28	66,631.62	42,140.00	73,294.79	163	49,303.80	97,754.02	198
Maj(QGO) Hon Lt(GCO)¹	28	68,995.91	42,928.00	75,895.51	177	50,225.76	101,222.61	202
Maj(QGO) Hon Capt(GCO)/Hon Maj	28	71,295.84	43,716.00	78,425.43	179	51,147.72	104,596.79	204
Capt(GCO)²	20	77,993.79	52,636.30	85,793.17	163	61,584.47	114,423.23	186
Maj(GCO)	22	90,581.27	61,205.00	99,639.40	163	71,609.85	132,890.08	186

1. No direct IA comparator rates.
2. Based on Maj(GCO) IA comparator rate.

Table 4: 170% Comparisons

Rank	Qualifying Service In Years	GPS Before 7 CPC 31 Dec 2015	7 CPC Rates 1 Jan 2016		GPS % of IA Rate	7 CPC Rates 1 Apr 2020		GPS % of IA Rate
			IA	GPS		IA	GPS	
Below Cpl	15	21,918.00	18,363.00	31,217.10	170	21,484.71	41634.57	1.94
Cpl	15	22,506.11	21,524.00	36,590.80	170	25,183.08	48801.52	1.94
Sgt	18	26,575.87	22,938.00	38,994.60	170	26,837.46	52007.50	1.94
CSgt	19	28,744.44	23,272.00	40,749.27	175	27,228.24	54347.72	2.00
WO2	20	31,044.05	23,272.00	41,971.75	180	27,228.24	55978.15	2.06
WO1	22	34,677.26	23,272.00	43,230.90	186	27,228.24	57657.49	2.12
Hon Lt(QGO)	22	41,661.70	27,055.00	45,993.50	170	31,654.35	61342.00	1.94
Lt(QGO)	24	44,744.46	28,625.00	48,662.50	170	33,491.25	64901.67	1.94
Capt(QGO)	28	60,121.96	33,963.00	60,121.96	177	39,736.71	80185.27	2.02
Maj(QGO)	28	61,718.65	34,927.00	61,718.65	177	40,864.59	82314.79	2.01
Capt(QGO) Hon Lt(GCO)/Hon Capt	28	64,482.21	41,352.00	70,298.40	170	48,381.84	93757.69	1.94
Capt(QGO) Hon Capt(GCO)¹	28	66,631.62	42,140.00	71,638.00	170	49,303.80	95544.33	1.94
Maj(QGO) Hon Lt(GCO)¹	28	68,995.91	42,928.00	72,977.60	170	50,225.76	97330.97	1.94
Maj(QGO) Hon Capt(GCO)/Hon Maj	28	71,295.84	43,716.00	74,317.20	170	51,147.72	99117.61	1.94
Capt(GCO)²	20	77,993.79	52,636.30	89,481.71	170	61,584.47	119342.67	1.94
Maj(GCO)	22	90,581.27	61,205.00	104,048.50	170	71,609.85	138770.55	1.94

1. No direct IA comparator rates.
2. Based on Maj(GCO) IA comparator rate.

Table 5 : 180% Comparisons

Rank	Qualifying Service In Years	GPS Before 7 CPC 31 Dec 2015	7 CPC Rates 1 Jan 2016		GPS % of IA Rate	7 CPC Rates 1 Apr 2020		GPS % of IA Rate
			IA	GPS		IA	GPS	
Below Cpl	15	21,918.00	18,363.00	33,053.40	180	21,484.71	44,083.66	2.05
Cpl	15	22,506.11	21,524.00	38,743.20	180	25,183.08	51,672.20	2.05
Sgt	18	26,575.87	22,938.00	41,288.40	180	26,837.46	55,066.76	2.05
CSgt	19	28,744.44	23,272.00	43,146.29	185	27,228.24	57,544.65	2.11
WO2	20	31,044.05	23,272.00	44,440.68	191	27,228.24	59,270.99	2.18
WO1	22	34,677.26	23,272.00	45,773.90	197	27,228.24	61,049.12	2.24
Hon Lt(QGO)	22	41,661.70	27,055.00	48,699.00	180	31,654.35	64,950.35	2.05
Lt(QGO)	24	44,744.46	28,625.00	51,525.00	180	33,491.25	68,719.42	2.05
Capt(QGO)	28	60,121.96	33,963.00	61,133.40	180	39,736.71	81,534.24	2.05
Maj(QGO)	28	61,718.65	34,927.00	62,868.60	180	40,864.59	83,848.49	2.05
Capt(QGO) Hon Lt(GCO)/Hon Capt	28	64,482.21	41,352.00	74,433.60	180	48,381.84	99,272.85	2.05
Capt(QGO) Hon Capt(GCO)¹	28	66,631.62	42,140.00	75,852.00	180	49,303.80	101,164.59	2.05
Maj(QGO) Hon Lt(GCO)¹	28	68,995.91	42,928.00	77,270.40	180	50,225.76	103,056.32	2.05
Maj(QGO) Hon Capt(GCO)/Hon Maj	28	71,295.84	43,716.00	78,688.80	180	51,147.72	104,948.06	2.05
Capt(GCO)²	20	77,993.79	52,636.30	94,745.34	180	61,584.47	126,362.83	2.05
Maj(GCO)	22	90,581.27	61,205.00	110,169.00	180	71,609.85	146,933.52	2.05

1. No direct IA comparator rates.
2. Based on Maj(GCO) IA comparator rate.

Table 6 : 200% Comparisons

Rank	Qualifying Service In Years	GPS Before 7 CPC 31 Dec 2015	7 CPC Rates 1 Jan 2016		GPS % of IA Rate	7 CPC Rates 1 Apr 2020		GPS % of IA Rate
			IA	GPS		IA	GPS	
Below Cpl	15	21,918.00	18,363.00	36,726.00	200	21,484.71	48,981.84	228
Cpl	15	22,506.11	21,524.00	43,048.00	200	25,183.08	57,413.56	228
Sgt	18	26,575.87	22,938.00	45,876.00	200	26,837.46	61,185.29	228
CSgt	19	28,744.44	23,272.00	47,940.32	206	27,228.24	63,938.49	235
WO2	20	31,044.05	23,272.00	49,378.53	212	27,228.24	65,856.65	242
WO1	22	34,677.26	23,272.00	50,859.89	219	27,228.24	67,832.35	249
Hon Lt(QGO)	22	41,661.70	27,055.00	54,110.00	200	31,654.35	72,167.06	228
Lt(QGO)	24	44,744.46	28,625.00	57,250.00	200	33,491.25	76,354.91	228
Capt(QGO)	28	60,121.96	33,963.00	67,926.00	200	39,736.71	90,593.60	228
Maj(QGO)	28	61,718.65	34,927.00	69,854.00	200	40,864.59	93,164.99	228
Capt(QGO) Hon Lt(GCO)/Hon Capt	28	64,482.21	41,352.00	82,704.00	200	48,381.84	110,303.17	228
Capt(QGO) Hon Capt(GCO)¹	28	66,631.62	42,140.00	84,280.00	200	49,303.80	112,405.10	228
Maj(QGO) Hon Lt(GCO)¹	28	68,995.91	42,928.00	85,856.00	200	50,225.76	114,507.02	228
Maj(QGO) Hon Capt(GCO)/Hon Maj	28	71,295.84	43,716.00	87,432.00	200	51,147.72	116,608.95	228
Capt(GCO)²	20	77,993.79	52,636.30	105,272.60	200	61,584.47	140,403.14	228
Maj(GCO)	22	90,581.27	61,205.00	122,410.00	200	71,609.85	163,259.47	228

1. No direct IA comparator rates.
2. Based on Maj(GCO) IA comparator

Report of the 1999 Ministerial Examination - pdf attached

Evidence as to value of the GPS in Nepal

Taken from the Response to the All Party Parliamentary Group Gurkha Welfare Inquiry, in 2014:

In the context of the cost of living in Nepal, therefore, the level of Gurkha pensions make Gurkha pensioners amongst the highest “earners” in Nepal. To put GPS pension rates into perspective in Nepal a range of service pensions including the highest and lowest, and the lowest widows’ pension, are shown below against the rates of selected Government salaries in Nepal. Rates shown are Nepali rupees per month, the exchange rate on 1 February 2014 was NPR163.30 to £1:

GPS Pensioner	Nepali Salaries	Rate per Month
Major (Gurkha Commissioned Officer ⁶)		122800
	President	109410
Major (Queen’s Gurkha Officer ⁷)		83671
Lieutenant (Queen’s Gurkha Officer)		60659
	Prime Minister	56200
	Minister	44330
	Parliamentarian	40160
Sergeant		36028
	Nepali Army Brigadier General	33259
Riflemen, Lance Corporal		29714
	Nepali Army Lieutenant Colonel	28535
	Primary School Teacher (top grade)	24900
Widow Riflemen, Lance Corporal		21230
	Nepali Army Recruit	11800

GPS pension rates are as at 1 April 2013. The source of the salary rates in Nepal was the Kathmandu Post of 3 August 2013 which quoted documents released by the Ministry of Finance:

⁶ Gurkha Commissioned Officers were selected from the most able Queen’s Gurkha Officers for wider employment in the Army outside the Brigade of Gurkhas.

⁷ In the British Army Queen’s Gurkha Officers were unique to the Brigade of Gurkhas and served almost exclusively in Brigade units.

<http://www.ekantipur.com/the-kathmandu-post/2013/08/02/nation/how-much-salary-do-our-government-officials-draw/251897.html>

Certain employments in Nepal attract additional bonuses and benefits, and so a strict comparison is difficult, but to balance that, GPS pensions in Nepal are paid with no deduction of tax.

In general economic terms, according to World Bank data the Gross National Income per capita in Nepal is \$700, compared to the UK which is \$38670. World Bank data is available at: <http://data.worldbank.org/indicator/NY.GNP.PCAP.CD>

From these answers it can be seen that the GPS is a very generous scheme which was constructed, and is maintained, to give Gurkha pensioners a very good standard of living in Nepal.

SECTION 8: INFORMATION ABOUT THIS CONSULTATION

How we consult

This consultation is being conducted in line with Cabinet Office consultation principles published in March 2018. These principles give clear guidance to government departments on conducting public consultations. If you have any comments about the consultation process (as opposed to comments about the issues we are consulting on), including if you feel that consultation does not adhere to the values expressed in the consultation principles or that the process could be improved, please respond to the address provided in the Executive Summary.

Freedom of Information and Data Protection

Information provided during this consultation, including personal information, may be published or disclosed in accordance with access to information regimes, primarily the Freedom of Information Act 2000 and the Data Protection Act 2018. If you want the information you provide to be treated confidentially, please be aware that, in accordance with the Freedom of Information Act, public authorities are required to comply with a statutory code of practice which deals, amongst other things, with obligations of confidence. In view of this, it would be helpful if you could explain to us why you wish that information to be treated confidentially. If we receive a request for disclosure of that information, we will take account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances.

We will process your personal data in accordance with the Data Protection Act 2018 (and the General Data Protection Regulation) and, in most circumstances, this will

mean that your personal data will not be disclosed to third parties. Details of the MOD's Personal Information Charter can be found at:

<https://www.gov.uk/government/organisations/ministry-of-defence/about/personal-information-charter>