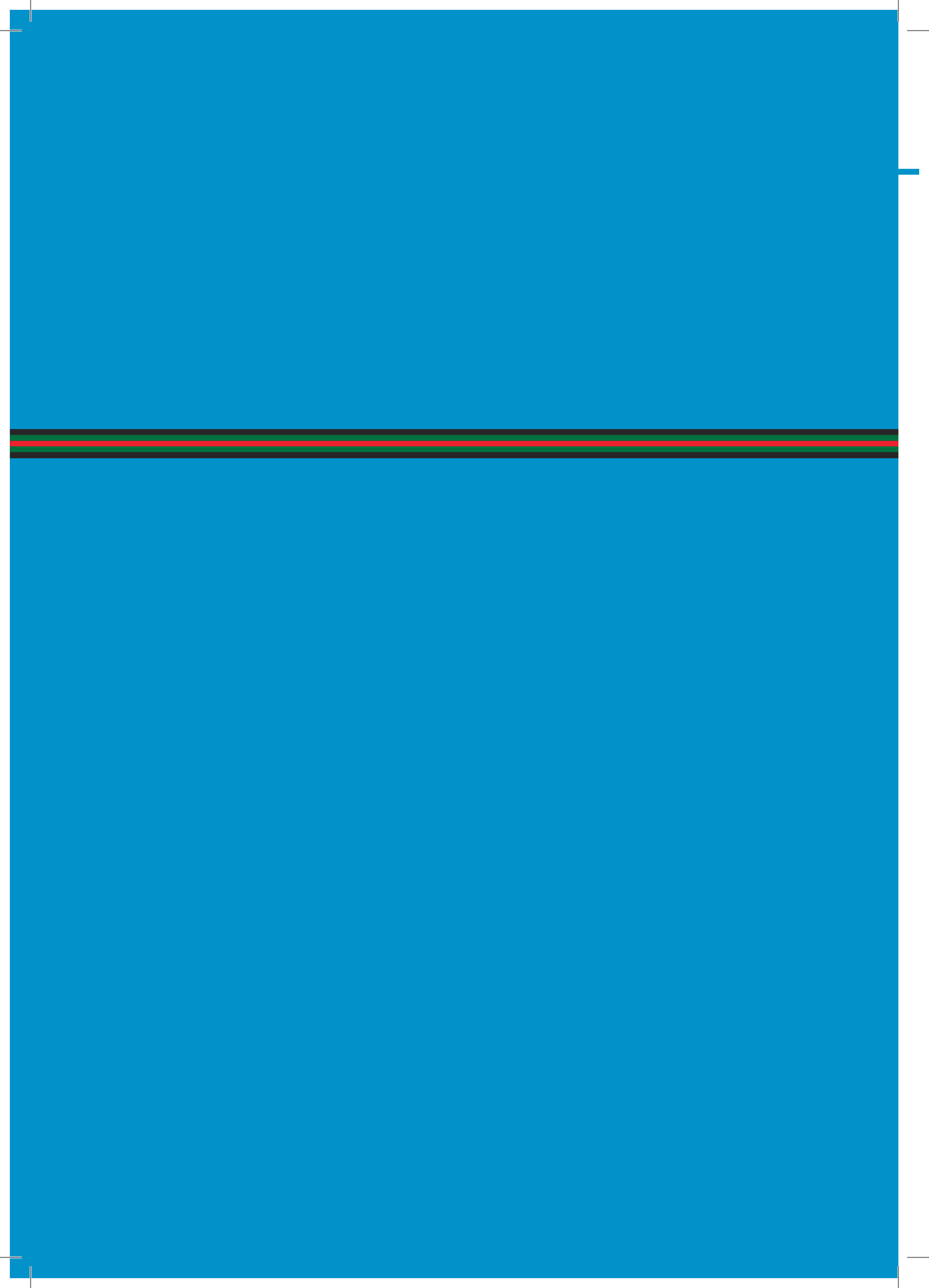


Gurkha Offer To Transfer (GOTT)

A guide to making your pension scheme choice,
if you are no longer serving in the Brigade of Gurkhas

Essential pension information for Gurkhas who
served in the British Army on or after 1 July 1997



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WHAT IS THIS BOOKLET FOR?

GUIDE TO MAKING A DECISION ABOUT YOUR PENSION

Introduction

If you left the Army on or after 1 July 1997 and before 1 October 2007, with or without immediate pension benefits, you have an important decision to make: whether to stay in the Gurkha Pension Scheme (**GPS**) or to transfer your pension benefits to one of the two Armed Forces pension schemes (AFPS). This process is known as the Gurkha Offer to Transfer (GOTT).

The choice will depend on how much service you completed, as this will determine whether you qualify for benefits paid immediately in AFPS. It also depends on when you left the Army, as this will determine which AFPS you may join. You have until 29 February 2008 to make your decision.

Aim

The aim of this booklet is to:

- ensure you understand the benefits of the different pension schemes, in particular ill-health and family (death) benefits, and tell you where to find information;
- explain the actions that you need to take to give us your decision.

It will help you to decide whether you should remain in the **GPS** or transfer your pension benefits to one of the AFPSs. Please read it carefully.

Information about the different schemes is in three booklets: the **GPS "Your Pension Scheme Explained"**, **AFPS 75 "Your Pension Scheme Explained"** and **AFPS 05 "Your Pension Scheme Explained"**. Most retired Gurkhas are not eligible for **AFPS 05** membership, as they left service before 6 April 2006 when this scheme was made available to serving soldiers. These booklets are on the MOD internet site (see page 45), but you have all been sent copies of the

GPS and **AFPS 75** booklets. It is important that you read and understand them.

Who may transfer?

All eligible retired Gurkhas may transfer their pension benefits in the **GPS** into **AFPS 75**; those who left service on or after 6 April 2006 may alternatively choose to transfer to **AFPS 05**. Those who have enough service¹ will be able to have their benefits in AFPS paid immediately. If you do not have enough service to qualify for the immediate payment of AFPS benefits, you may transfer to an AFPS pension paid from age 60 (**AFPS 75**) or 65 (**AFPS 05**). You will continue to receive your **GPS** pension until this time.

While almost all retired Gurkhas receive pension benefits from the **GPS**, those who left the British Army without a pension are also eligible for the GOTT provided they have a minimum of two years' service in the Army. Those receiving ill-health pensions and the families of those who served on or after 1 July 1997 and who have died are also eligible. The issues involved for these groups are sometimes not easy to understand but are explained in detail in the "What is important to you?" section of this booklet.

If you left the Army before 1 July 1997, you do not qualify for the GOTT.

However, some Gurkhas have been given condoned service of up to six months as a soldier or up to 12 months as an officer. If your given exit date was on or after 1 July 1997, but the condoned service meant you left the Army before this date, then you qualify for the GOTT. Those who left on redundancy terms before 1 July 1997, with a credit of service to allow them to qualify for a pension and a Special Capital Payment, are not eligible for the GOTT.

¹ In AFPS 75 an Immediate Pension requires 22 years' service from age 18 for soldiers and 16 years' service from age 21 for officers. In AFPS 05, Early Departure Payments require a minimum of 18 years' service and you must have been at least age 40 when you left the Army.

If you do not want to transfer your pension benefits, you may keep them in the **GPS**.

Treatment of service before 1 July 1997

Before 25 October 2004, when the new UK Immigration Rule was introduced, Gurkhas were recruited in Nepal, served as Nepalese citizens and were discharged as Nepalese citizens, in Nepal. The effect of the Immigration Rule change was backdated to 1 July 1997, when the Brigade of Gurkhas became UK-based following the withdrawal from Hong Kong. Gurkhas discharged on or after this date will therefore have had the opportunity to develop close physical ties with the UK and are, increasingly, choosing to settle in the UK. Pension benefits in the **GPS** before and after 1 July 1997 are therefore being treated differently.

What action must I take?

You must do the following:

CHECK you have the **GPS** and **AFPS 75** booklets. **AFPS 05** has not been sent as few retired Gurkhas are eligible for this scheme, but it is on the MOD internet site. If you would like a copy, ask the GOTT Service Centre (GOTT SC) (contact details on page 45);

RETURN the receipt form to the GOTT SC in the envelope provided. If the only contact address we hold for you is in Nepal, you will collect your pack from your Pension Paying Office (PPO). In this case, the receipt should be returned also through the PPO;

LEARN - study the information available and learn about the schemes, seeking information, as necessary;

DECIDE - make the decision to which scheme you want to belong;

SEND - complete the election form and send it direct to the GOTT SC or through your PPO in Nepal.

Information you need

Which Armed Forces pension scheme can I join?

The details of which scheme you can join are explained on page 15. Most retired Gurkhas are eligible to transfer into **AFPS 75** only. Only those who left the Army on or after 6 April 2006 are eligible to transfer to **AFPS 75** or **AFPS 05**.

How much service can I transfer? If you decide to transfer your pension benefits, you must normally transfer all your service. The value of the pension benefits you have been paid since you left the Army will be taken into account. The different circumstances are explained in the "What is important to you?" section.

Comparison of scheme benefits The main differences between the three schemes are described on pages 20 to 23.

Remember that if you left service before 6 April 2006, you may transfer your pension benefits to **AFPS 75** only.

Compensation for injury or illness caused by service

Your choice of pension scheme does not affect your eligibility for compensation from either the War Pensions Scheme or the **Armed Forces Compensation Scheme**.

War Pensions Scheme (WPS) If your injury or illness was caused or made worse by service on or after 1 July 1997 and before 6 April 2005 you may be eligible for a War Disablement Pension or a gratuity awarded by the Service Personnel and Veterans Agency (SPVA).

You may qualify for a War Disablement Pension in addition to your **GPS** benefits or, if you decide to transfer, your **AFPS 75** benefits. You may also qualify for a War Disablement Pension if you developed a condition after leaving the Army and the SPVA accepts it is due to service on or after 1 July 1997. Gurkhas who left the Army with an ill-health pension have been sent a letter explaining that they may be eligible for WPS benefits and inviting them to apply to SPVA. If you are getting ill-health benefits and have not received a letter, you should contact the GOTT SC.

If you want to know more about the current rates of War Disablement Pensions, allowances and gratuities, please see WPA (Leaflet 9 - Rates of War Pensions and Allowances), available from the SPVA, see page 45, and from any War Pensioners' Welfare Office. Alternatively, visit the SPVA website at www.veterans.uk.info, select publications, then leaflets.

In addition to any WPS payments, you may also be eligible for attributable benefits under **AFPS 75** if you decide to transfer your pension scheme benefits. Attributable benefits are also paid in **GPS**.

Armed Forces Compensation Scheme (AFCS) The **AFCS** covers all Service personnel for injury, illness or death caused by service on or after 6 April 2005. Few retired Gurkhas are therefore likely to be eligible for payments from this scheme. Details are in a booklet, "**AFCS - Your Compensation Scheme Explained**", which is available on the MOD internet site (for address see page 45).

Administration

If you need more information, you should look at the MOD internet site, as this has more material, including questions and answers and examples. You will also find here the **GPS**, the **AFPS 75** and **AFPS 05** booklets explaining in more detail the different benefits available to scheme members. The GOTT SC (telephone and email

contact details are on page 45) will be able to answer your questions.

You have a limited time to make your decision. Your election form needs to be returned to the GOTT SC by 29 February 2008. If it is not returned by this date, you will stay in the **GPS** or, if you did not serve long enough to earn benefits in the **GPS**, you will not be able to join **AFPS**.

After you have returned your election form, you will be sent a letter from the GOTT SC confirming which pension scheme you are in. Your decision is binding; you can only change it if it is later found that the information we gave caused you to take that decision on a false basis.

There are many pension terms that you need to understand: you can find them on pages 9 to 12 and refer to them as you go along. They appear in bold italics when they first appear on a page.

Conclusion

We cannot tell you whether the **GPS**, **AFPS 75** or **AFPS 05** is the best scheme for you, as your personal circumstances mean that some benefits will matter more to you than others. You should read this booklet carefully and ask for further information, if you need it. There will be some briefings during 2007 and 2008, which you should attend if you are able to do so. Your pension scheme choice is among the most important financial decisions you will make. Take time to consider what is important to you before making your decision, as you will not be able to change it later.

WHAT DO YOU NEED TO DO NOW?

The OTT pack gives you information that will help you to reach a decision on whether to remain in the **GPS** or to transfer your pension scheme benefits to **AFPS 75** or **AFPS 05**. The following describes what you need to do now.

Confirm receipt

The first thing you must do is complete and post the receipt form (in the pre-addressed envelope provided), which you will find in your pack, to the GOTT SC or hand it in to your Pension Paying Office. This is important, as it will confirm that you have received your individual pack. Please let the GOTT SC have an up-to-date address, so that we know how to contact you in the future.

Check you have the information you need

You should check against the list below that you have everything you need. In addition to this booklet, you should have received the following:

- A receipt form and pre-addressed envelope;
- A green booklet called "**GPS - Your Pension Scheme Explained**";
- Most Gurkhas are eligible to transfer to **AFPS 75** only and will get a purple booklet called "**AFPS 75 - Your Pension Scheme Explained**";
- An election form and pre-addressed envelope;
- Those receiving ill-health pensions from the **GPS** and the next of kin of a deceased Gurkha (as defined in the Kindred Roll) who served on or after 1 July 1997 will have a separate letter in their packs.

If you left the Army on or after 6 April 2006, you have a choice between **AFPS 75** and **AFPS 05**. A gold booklet called "**AFPS 05 - Your Pension Scheme Explained**" is available on the MOD internet site. You may also ask the GOTT SC to send you a copy.

A summary of the main benefits in the three pension schemes is given in this booklet (pages 16 to 19).

If there are items missing from your pack, you should telephone or email the GOTT SC immediately to tell them. Copies of all booklets and other information are on the MOD internet site. Contact details and the internet address are on page 45.

Understanding the GOTT

You should read this GOTT booklet carefully, in particular the sections "What is important to you?" on pages 22 to 44, the pensions terms you need to understand on pages 9 to 12 and the benefits comparison table on pages 20 to 23.

There are examples in the "What is important to you?" section to show what benefits could be paid if you were to transfer to the AFPS scheme for which you are eligible. Look at these carefully. They aim to help you understand the different level of benefits paid in various circumstances.

Comparing benefits between the three pension schemes

Almost all retired Gurkhas left the Army with a pension and cash lump sums paid immediately from the **GPS**. It is important you understand the benefits that are available from **AFPS 75** (and from **AFPS 05** for those eligible) and the value of the benefits paid under the **GPS**. The **GPS** pays a pension after a minimum of 15 years' service from age 18. Most retired Gurkha soldiers left the Army at the rank of Corporal or below with pension and lump sum payments based on 15 to 18 years' service. This is not enough service to qualify for immediate benefits in **AFPS 75** (Immediate Pension requires 22 years' service from age 18). A soldier in the wider Army who leaves with less than 22 years' service in **AFPS 75** gets a preserved pension paid from age 60 (age 65 for service from 6 April 2006).

In **AFPS 05**, no pension is paid immediately if you leave before age 55, and the pension is preserved until age 65. Early Departure Payments are paid after 18 years' service and age 40 (both conditions must be met) at between 50% and 75% of the value of the pension, until age 65 when the pension is paid.

You should read the "What is important to you?" section later in this booklet to help you understand what value, and if so how much, there could be in AFPS. The **GPS** is a good pension scheme, which pays a pension much earlier than AFPS. For many retired Gurkhas, therefore, there may be little or no value left in AFPS from age 60.

In comparing benefits between the schemes as a **Corporal or below**, you need to understand that by the time you reach the relevant AFPS pension age you will have been drawing pension from your **GPS** pension "pot" for perhaps 25 years or more, while a soldier in the wider Army who retired before completing 22 years' service would not have taken any value from his AFPS pension "pot". Leaving aside lump sum payments, a Rifleman who began drawing his pension at age 33 would have received some £40,000 by age 60. A soldier in the wider Army would not have drawn any pension at all in this time.

It is possible that future increases in AFPS and **GPS** pensions before you reach age 60 could mean that a transfer to AFPS becomes either more or less valuable. However, you have to make up your mind now on the basis of the information given to you. There is a table in the "What is important to you?" section to help you make up your mind. There is a calculator on the MOD internet site which should also be helpful.

In summary, the main points are:

- **if you have less than 22 years' service as a soldier**, you will continue to receive **GPS** payments until a preserved pension is paid in AFPS. The position at that time will vary depending on your rank when you left the Army. The value of your **GPS** payments will be taken into account before any payments are made from AFPS;
- the scheme actuary has assumed that a **GPS** pension rises by 1½% a year more than an AFPS pension. This assumption has been used to estimate how much AFPS pension value might be available for you at age 60. This is because annual increases in a **GPS** pension are linked to an arrangement which includes pay increases in Nepal, while AFPS is linked solely to UK prices. The comparison table on pages 20 to 21 explains this;
- if you were a **Lance Corporal or Rifleman**, there is unlikely to be any value left in AFPS at age 60. For this group, your **GPS** pension paid after 15 years' service is likely to be worth more over your lifetime than an AFPS pension paid from age 60 (or 65). You should therefore consider your decision carefully;
- if you were a **Corporal**, the **GPS** benefits paid over a lifetime are broadly the same as AFPS benefits. An important point for you therefore will be, first, the view you take of future increases in **GPS** and AFPS pensions and, second, whether **GPS** or AFPS family (death) benefits best meet your personal needs;
- if you were a **Sergeant or higher rank**, AFPS benefits from age 60 are likely to be worth more than your **GPS** benefits.

Where you can get help

You will not be sent a personal benefit statement. However, there is a dedicated GOTT helpline to answer any queries you may have. This is on +44(0)141 224 3600 (key option 5). There is also a UK-only free phone number on 0800 085 3600 (option 5). You can email a question about the OTT process to: gurkha-ott@spva.mod.uk.

You should also refer to the MOD internet site (address on page 45), where you will find a list of frequently asked questions and a calculator to help you work out the value of AFPS pension benefits from age 60.

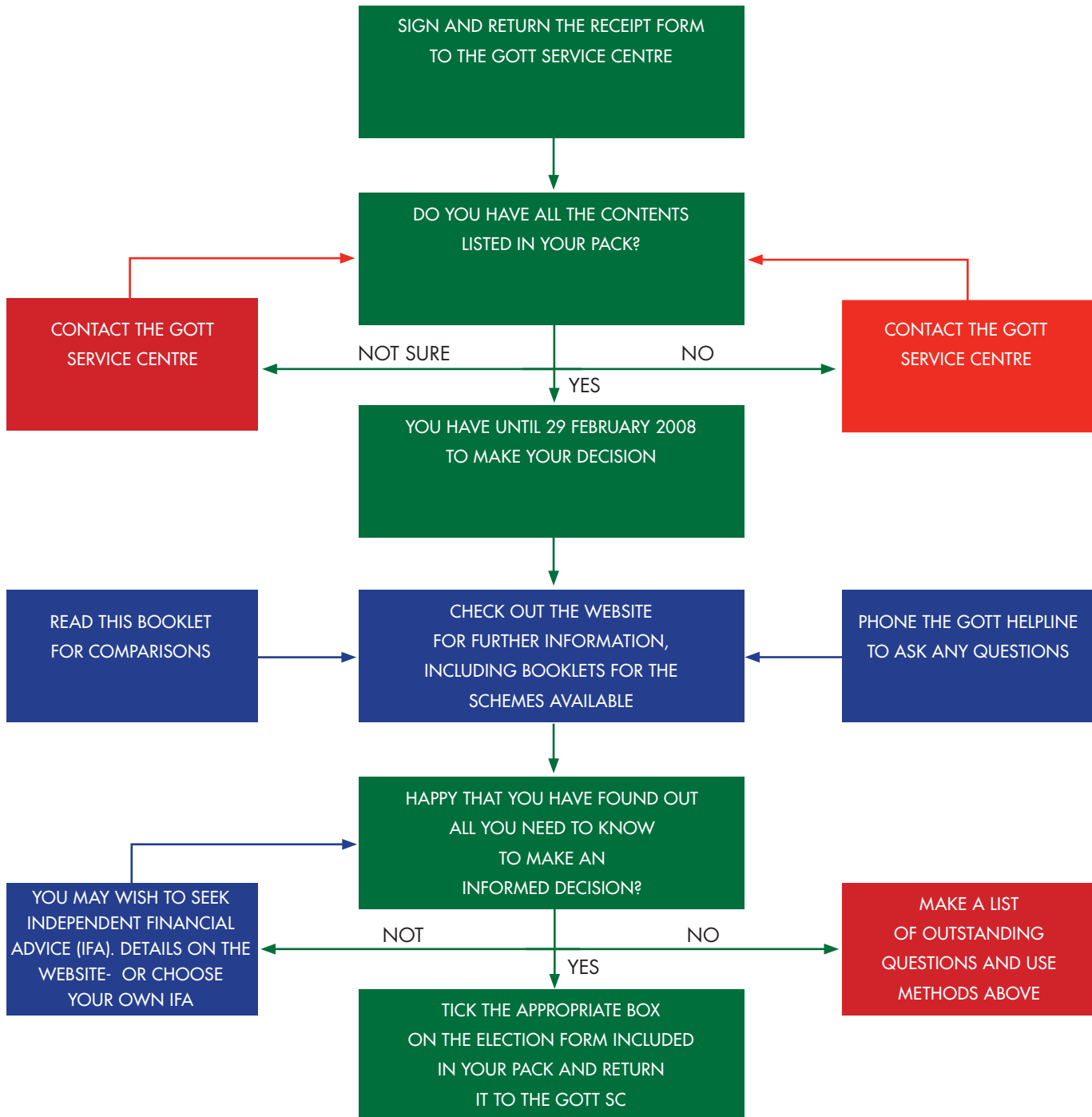
If you think that you need financial advice to help you make your choice, you should go to an Independent Financial Adviser (IFA), although you will normally have to pay for this. The MOD will not pay for any financial advice. The MOD internet site and the GOTT SC have a list of IFAs from which you can choose, or you may choose any other IFA you like. Be careful, however, as not all IFAs are qualified to give pensions advice nor are they likely in most cases to understand the **GPS**.

Tell us your decision

Once you have made up your mind you **must** tell the GOTT SC. To do this you must complete the election form and return it to the Service Centre by 29 February 2008. The GOTT SC will write to confirm your decision. This letter is an important document, which you should keep in a safe place. A separate record of your decision will be retained by the SPVA (which will also need your bank account details and your national insurance number).

If you do not make an election by 29 February 2008, you will stay in the **GPS**, with the benefits of that scheme; if you did not serve long enough to earn benefits in the **GPS**, you will remain outside any Armed Forces pension scheme.

SUMMARY - WHAT DO YOU NEED TO DO NOW?



TERMS YOU NEED TO UNDERSTAND

AFPAA - Armed Forces Personnel Administration Agency
See SPVA.

AFPS 75 - Armed Forces Pension Scheme 1975
This is the pension scheme for Service personnel which was introduced in 1975 and closed to new entrants (other than those transferring as a result of the Gurkha Offer to Transfer) from 6 April 2005.

AFPS 05 - Armed Forces Pension Scheme 2005
This is the pension scheme for Regular Service personnel which was introduced on 6 April 2005. Also available to former members of AFPS 75 who transferred their benefits under their Offer to Transfer.

AFCS - Armed Forces Compensation Scheme
This is a compensation scheme for all members of the Regular and Reserve Forces, including Gurkhas. It provides compensation for all injuries, ill-health and deaths due (attributable) to service, the cause of which occurred on or after its introduction on 6 April 2005.

Attributable
The term used to describe where:

- an injury or illness was caused or significantly aggravated by service in the Army;
- a death was caused or significantly hastened by service in the Army.

Attributable Benefits
Attributable benefits are paid under the Gurkha Pension Scheme (GPS) and AFPS 75. They are NOT paid under AFPS 05. Benefits are paid under 2 schemes depending on the date when the injury or condition was caused.
See also AFCS and WPS.

Civil Partner
An individual who has formed a legally recognised partnership with another person of the same sex under the procedure provided by the Civil Partnership Act (CPA) 2004. If the civil partnership is legally dissolved, the former civil partner is not entitled to benefits.

Condoned service (GPS only)
A member who was unable to complete his contracted period of service may, in certain circumstances, have had the outstanding period added to his service to enable him to reach the 15 years immediate pension point or next pension increment.

Death Gratuity (GPS only)
This is the death element of the Death cum Retirement Gratuity (DCRG) that all Gurkhas who die in service are entitled to, if they do not qualify for the death in service gratuity. It is based on length of service, with weightage for those with at least 5 years' service, and Indian Army pay. It is also paid to pensioners who die within 5 years of discharge.

Dependants
For GPS members - a member's wife, eligible children, brothers and sisters up to age 23 in certain circumstances, and parents. More details are in the GPS booklet.

For AFPS 75 members - a member's wife, civil partner or eligible children. For attributable benefits only, this may include eligible partners.

For AFPS 05 members - a member's wife, civil partner, eligible partner or eligible children.

EDP - Early Departure Payments Scheme (AFPS 05 only)

Payments to personnel who leave service before age 55, after a minimum of 18 years' service AND who are at least age 40 (the EDP 18/40 Point). Payments are made up of a tax-free lump sum equal to 3 times the value of the preserved annual pension and a taxable income payment equal to at least 50% of the preserved pension.

More details are in the AFPS 05 booklet.

Eligible partner (AFPS 75 and AFPS 05 only)

Someone with whom a member is cohabiting, in an exclusive (ie neither partner is married or a civil partner to someone else) and substantial relationship with financial and wider interdependence, provided they are not prevented from marrying or forming a civil partnership. See scheme booklets for details about eligible partners' qualification for benefits.

GPS - Gurkha Pension Scheme

This is the pension scheme for Gurkhas and was closed to new entrants on 5 April 2006.

IP - (Immediate Pension) (AFPS 75 only)

A pension paid immediately on leaving the Army after 16 years' reckonable service as an officer or 22 years' reckonable service as an other rank.

Index-linking

For GPS members - pensions in payment are increased by the better of the percentage rate of Nepal inflation or the percentage rate of increase from the Locally Employed Civilian pay review.

For AFPS 75 and AFPS 05 members - Annual increase in pension and EDP values in line with movements in the UK Retail Prices Index (RPI). Changes are made in April, using the previous September's annual headline rate of inflation. All ill-health pensions, full career pensions and dependants' pensions are index-linked from the date

of payment. Preserved pensions are index-linked using prices since the date of leaving service. EDP and IP are index-linked from age 55.

Member

A person who has joined AFPS 75, AFPS 05 or GPS and who is earning/has earned benefits under the scheme; has a preserved pension under AFPS 75, or AFPS 05, or is receiving a pension from the schemes.

Next of Kin (GPS only)

Heirs to pension, known as next of kin, are detailed in your will (which is usually completed on enlistment) and they must be your dependent relatives. It is normal for the will to refer to the Kindred Roll for the exact precedence of heirs. Since the Will Form is destroyed when you leave the Army, the information detailing your heir to pension is then taken direct from the Kindred Roll.

Non-Attributable ill-health benefits

Paid where the medical condition or death was not mainly caused or significantly aggravated by service in the Army.

For GPS members - a pension is payable only if the member has at least 10 years' service. A Gurkha with at least 10 but less than 15 years' service gets a proportion of the 15 year pension rate or the minimum rate of pension whichever is greater. A Gurkha with at least 15 years' service gets the normal pension due to him.

For AFPS 75 and AFPS 05 members - payable if a member is discharged from the Army on ill-health grounds with a minimum of 2 years' reckonable service. These benefits can only be awarded at the time of medical discharge from the Army.

- AFPS 75 members - A Service Invaliding Pension is paid based on rank and length of service. For those with more than 5 years' reckonable service

this is enhanced. More details are in the AFPS 75 booklet.

- AFPS 05 members - there is a 3 tier arrangement depending on the severity of the condition. Only a cash lump sum is paid for a tier 1 (minor) condition. A taxable pension is paid for more serious conditions under tiers 2 and 3.

More details are in the AFPS 05 booklet.

Pensionable Pay

For GPS members - Indian Army pay elements including Group X Basic (IA) pay, Length of Service Increment, Good Service Pay and Extra Duties Allowance, but excluding allowances, bonuses, financial retention incentives, loan service pay and any form of specialist pay.

For AFPS 75 and AFPS 05 members - basic pay including the X factor but excluding allowances, bonuses, financial retention incentives, loan service pay and any form of specialist pay.

Pension Lump Sum (AFPS 05 only)

UK tax rules do not allow for a second tax-free payment.

Preserved Pension (AFPS 75 and AFPS 05 only)

Benefits due to a member leaving the Army after a minimum of 2 years' service but before becoming eligible to receive a pension immediately.

For AFPS 75 members – the preserved pension is payable from the age of 60 for service before 6 April 2006 and from age 65 for service after that date.

For AFPS 05 members - the preserved pension is payable from age 65.

Qualifying Service

This includes paid service in the Army, which is from:

- age 18 or from date of enlistment, whichever is later in the GPS;
- age 21 for officers and 18 for other ranks in AFPS 75;
- from first day of paid service in AFPS 05.

Qualifying service is not affected by the treatment of any pre-1997 service, so every year of qualifying service counts towards the Immediate Pension Point in AFPS 75 and the Early Departure Payments Point in AFPS 05. For officers, service as an other rank counts towards qualifying service.

Reckonable Service

Reckonable service is the service which counts towards a member's pension.

For GPS members - for all ranks this starts from age 17 or the first day of paid service in the Army, whichever is later, but may not exceed 33 years.

For AFPS 75 members - for officers this starts from the age of 21 for a maximum of 34 years and for other ranks this starts from the age of 18 for a maximum of 37 years.

For AFPS 05 members - for all ranks this starts from the first day of paid service in the Army, but may not exceed 40 years.

Certain absences are not reckonable for AFPS pension purposes, such as a period of detention, unauthorised absence, unpaid leave, or condoned service.

Representative Pay (AFPS 75 only)

Unlike most final salary-related pensions, AFPS 75 pensions for members below one star level are not based on individual earnings but on a representative rate of pay for each rank. This "all of one company" principle means that all those of the same rank with the

same length of service retiring in the same year receive the same rate of pension, irrespective of their actual earnings.

Resettlement Grant

GPS members - paid to personnel who leave with at least 4 years' service. It is based on the Home Savings Element which formed part of the old Hong Kong Addition. Rates for those with between 4 years' and less than 15 years' service are based on length of service regardless of rank. For those with more than 15 years' service, resettlement grants are based on rank held at discharge.

AFPS 75 members – a tax-free lump sum payable to officers after 9 years' reckonable service and other ranks after 12 years' reckonable service who are not eligible for benefits under the pension scheme, apart from a preserved pension.

AFPS 05 members - a tax-free lump sum payable to all ranks after 12 years' reckonable service if leaving the Army with no other immediate pension or EDP benefits.

Retirement Gratuity (GPS only)

This is the retirement element of the Death cum Retirement Gratuity that all Gurkhas with at least 5 years' service are entitled to. It is based on a proportion of Indian Army pay multiplied by length of service, with up to 5 years' weightage.

Scheme Actuary

The Government Actuary's Department provides actuarial advice to the Armed Forces pension schemes, including the GPS.

Service Element (GPS only)

This is the service pension element or part that makes up a disability pension. The other part is the disability element.

Service Gratuity (GPS only)

This is given to those Gurkhas with at least 5 years' service but who do not receive an immediate pension. It is based on length of service and Indian Army pay.

SPVA - Service Personnel and Veterans Agency

They are the GPS and AFPS administrators. From April 2007, AFPAA merged with the VA to form the Service Personnel and Veterans Agency.

Substantial Relationship (AFPS 75 and AFPS 05 only)

To establish whether a relationship is substantial various factors are taken into consideration, such as: whether there are children of the relationship, financial dependence or interdependence, shared commitments such as a mortgage, whether one partner is the prime beneficiary of the other's will, shared accommodation, the length of the relationship and whether the relationship is exclusive, that is, there is no spouse or civil partner (on either side).

Terminal Grant (AFPS 75 only)

UK tax rules do not allow for a second tax-free payment.

VA - Veterans Agency

See SPVA.

WPS - War Pensions Scheme Benefits

The WPS may pay benefits to an individual when they have left the Army, where an injury, illness or death was caused or made worse by service in the Army after 1 July 1997 (when the Brigade of Gurkhas became a UK-based force), and before 6 April 2005 (when the AFCS was introduced).

ABBREVIATIONS

This is a list of the most commonly used abbreviations in this booklet:

AFPS	Armed Forces Pension Scheme
EDP	Early Departure Payments scheme (within AFPS 05)
GOTT	Gurkha Offer To Transfer
GOTT SC	Gurkha Offer To Transfer Service Centre
GPS	Gurkha Pension Scheme
IA	Indian Army
ICR	Indian Currency Rupees
IP	Immediate Pension (within AFPS 75)
MTD	Member transfer date
NCR	Nepalese Currency Rupees
PPO	Pension Paying Office
SAP	Service Attributable Pension
SIP	Service Invaliding Pension
SPVA	Service Personnel and Veterans Agency
WPS	War Pensions Scheme

CHECKLIST

- Immediately sign and return receipt form to Gurkha Offer to Transfer Service Centre (GOTT SC)

- Immediately check contents of GOTT pack

- Read 'Your Gurkha Pension Scheme Explained'

- Read AFPS 75 Your Pension Scheme Explained (and AFPS 05, if you are eligible)

- Read 'A guide to making your pension scheme choice, if you are no longer serving in the Brigade of Gurkhas'

- Look at the MOD internet pages for the frequently asked questions and examples and the calculator to help you compare benefits to age 60

- Complete election form and return to GOTT SC by 29 February 2008

WHICH ARMED FORCES PENSION SCHEME CAN I JOIN?

You do not have to transfer your pension benefits out of the **GPS**. However, if you decide to do so, the pension scheme choice available to you depends on when you left the Army:

- If you left before 6 April 2006, you may transfer your benefits into **AFPS 75** only;
- If you left on or after 6 April 2006, you may transfer your benefits into either **AFPS 75** or **AFPS 05**. This cut-off date is used because Regulars and Reserves in the wider Army were allowed to transfer to **AFPS 05** on this date under their OTT;
- Retired Gurkhas who left service before 1 July 1997 are not eligible to transfer their **GPS** benefits into the AFPS as part of the GOTT. However, you are eligible for the GOTT, if you were given **condoned service** (which is not pensionable in AFPS) of up to 6 months (soldiers) or 12 months (officers) to your normal exit date which was on or after 1 July 1997. Those given a credit of service as part of a redundancy package and who left before 1 July 1997 are not eligible for the GOTT.

The table below summarises the position:

	Gurkha groups	Pension scheme available
1	Left the Army before 6 April 2006 but on or after 1 July 1997	GPS or AFPS 75
2	Left the Army on or after 6 April 2006 but before 1 October 2007	GPS, AFPS 75 or AFPS 05
3	Left the Army before 1 July 1997	<u>Not</u> eligible for GOTT unless you had condoned service which meant you left before your due discharge date which should have been on or after 1 July 1997

DIFFERENCES BETWEEN GPS, AFPS 75 & AFPS 05

Introduction

There are a number of important differences between the three pension schemes. These affect retired Gurkhas or the **Next of Kin** of deceased Gurkhas in different ways. Most Gurkhas will have left the Army without enough service to qualify for the payment of immediate benefits in either AFPS and most are eligible to transfer into **AFPS 75** only (see page 15 for details).

This means that if you decide you want to transfer your pension benefits, you will only be able to do so from age 60, when a **preserved pension** is paid in **AFPS 75** (age 65 in **AFPS 05**). However, you must make your pension scheme decision by 29 February 2008.

If you have enough **qualifying service** to get payments immediately in AFPS and decide you want to transfer your pension benefits from the **GPS**, your payments from the **GPS** will be replaced by those from your chosen AFPS as soon as the **SPVA** is able to make the change after the member transfer date, with payments backdated to when you left the Army. This may take up to six months to happen. The different periods of service needed to qualify for benefits are as follows:

- **AFPS 75** - pension for soldiers after 22 years from age 18 and for officers 16 years from age 21;
- **AFPS 05** - Early Departure Payments after a minimum 18 years' service AND at least age 40 when you left the Army.

The differences between the three pension schemes are summarised in the table "What you need to consider" on pages 20 to 23. More details are in the scheme booklets you have been given, which are available on the MOD internet site (address on page 45).

The main benefits in each scheme are described briefly in the following paragraphs.

Gurkha Pension Scheme (GPS) - relevant to all, see scheme booklet

- The same pension is paid to the same rank with the same length of service no matter when you leave the Army;
- Pension increases are applied annually in April, a process known as **index-linking**. Increases are applied to pensions as soon as they are in payment (but not until age 55 in AFPS). They are indexed by the better of the Locally Employed Civilian (LEC) pay review or the inflation figure from the Nepal Rastra Bank. The rates are expressed in Indian Currency Rupees (ICR) and then exchanged into Nepalese Currency Rupees (NCR) when the pension is paid in Nepal and the local currency when paid in Brunei, Hong Kong or the UK;
- **Non-attributable ill-health benefits** are paid, as follows;
 - at 15 years' qualifying service gets the pension due;
 - more than 10 but less than 15 years' qualifying service gets a proportion of the 15 year rate or the minimum rate of pension, whichever is the greater;
 - less than 10 years' qualifying service gets a gratuity of one month's basic pay for every year of service.
- There are additional payments from the **GPS** and War Pensions Scheme (**WPS**), if the ill-health condition (disability) occurred before 6 April 2005 and was caused by Army service. From that date, you may be eligible for payments from the **Armed Forces Compensation Scheme (AFCS)**, which replaced the WPS;

- A widow's pension is paid when you die:
 - 120% of your pension (if your death is from a condition due to service for which you are in receipt of a disability pension) or:
 - 60% of your pension (if your death is from a condition not due to service);
 - In addition, a **death gratuity** is paid, provided the death is within five years of leaving the Army. Payments are made to the person(s) nominated to receive your estate on your Kindred Roll, normally your wife if you are married;
 - Eligible children or parents are also entitled to benefits;
 - Pension can be enhanced by the awarding of Honorary rank. However, it is the underlying substantive rank that determines the pension entitlement in any transfer to the AFPS. So a WO1 granted Hon Lieutenant (QGO) would not gain any benefit from either the rank or the pension increment, if he transferred to AFPS. However, the higher pay rate would be reflected in the pension paid in **AFPS 05**.
- worth approximately 30% of **representative pay** at this point;
- If you do not have enough qualifying service to get IP, you get a **preserved pension** paid from age 60 for service up to 5 April 2006. Those with service from 6 April 2006 will get a reduced value pension paid from age 60 to reflect the fact that pension is payable from age 65 for this period. The UK tax rules do not allow the payment of a second tax free **pension lump sum** in these circumstances;
 - The scheme uses representative pay for the rank to calculate the pension. You must have at least two years' **reckonable service** to qualify for pension benefits;
 - A **non-attributable** ill-health pension, is paid based on length of service and rank. Pension is normally increased, where there is qualifying service of more than five years;
 - There are additional payments from the **WPS** and from the pension scheme for conditions due to service arising before 6 April 2005 and from the **Armed Forces Compensation Scheme (AFCS)** for conditions arising on or after 6 April 2005;

Armed Forces Pension Scheme 1975 (AFPS 75) - relevant to all, see scheme booklet

- Generally, pension is higher for the same rank and length of service, if you leave in a later year;
- Immediate Pension (**IP**) is paid to officers with 16 years' **qualifying service** from age 21 and other ranks with 22 years' qualifying service from age 18. For officers, this includes service as a soldier. The taxable pension is

- When you die, a short term family pension worth 100% of your pension is paid for up to nine months. After that, a widow's pension is paid of 50% of your pension. This is lost if your wife remarries or lives with someone else (unless your pension is for ill-health caused by service, when your widow keeps it for life);
- The Kindred Roll does not apply if you transfer to **AFPS 75**;
- Eligible children (but not parents) are also entitled to benefits, but not children born of a post-retirement marriage;
- If you married after leaving the Army, your widow gets benefits based only on service on or after 1 April 1978;
- Service up to 31 March 1973, earns a widow's pension of one-third, not one-half, of the member's pension;
- If an **IP** is paid before age 55, the payment is fixed; that is it does not change until you are age 55 (a **GPS** pension is **index-linked** every year after payment). From age 55, the pension is increased by the annual September increase in the UK inflation rate for the period since your last day of service and every year thereafter.

Armed Forces Pension Scheme 2005 (AFPS 05)

- only those who left service on or after 6 April 2006 and before 1 October 2007 are eligible to transfer to this scheme, see scheme booklet

- There is no pension paid if you leave the Army before age 55. Instead there is an **EDP** Scheme for anyone who left service before age 55 after a minimum of 18 years' service AND having reached age 40. So, for example, if you joined the Army at age 20, you would qualify for an EDP after 20 years' service when you had reached age 40. If you joined at age 18, you would need to have 22 years' service to qualify for EDP. EDP is paid in the form of a taxable, monthly income of at least 50% of the annual **preserved pension** calculated at the time you left the Army, and a tax-free EDP lump sum of three times the preserved pension. The pension is paid at age 65;
- EDP is paid at the same cash level until age 55, when it is increased to 75% of preserved pension and index-linked from the last day of service;
- Pension benefits are based on your final **pensionable pay**. Pension is earned at the rate of 1/70th of final pensionable pay for each year of service, so 15 pensionable years of service gives a pension worth 15/70th (or 21½%) of final pensionable pay. You must have at least two years' **reckonable service** to qualify for pension benefits (which almost all retired Gurkhas have);

- **Non-attributable ill-health benefits** are paid under one of three tiers relating to the seriousness of the condition:
 - Tier 1 for minor conditions, a cash lump sum only, with a preserved pension paid from age 65;
 - Tier 2 for more serious conditions pays a pension based on your service plus a top-up;
 - Tier 3 for the most serious conditions pays a pension based on a minimum of 20 years' service;
- There are additional payments from the **WPS** and from the pension scheme for conditions due to service arising before 6 April 2005 and from the **Armed Forces Compensation Scheme (AFCS)** for those with service on or after 6 April 2005 for conditions arising on or after this date;
- When you die, your widow gets 62½% of your pension paid for life;
- If you die before age 65, there is in addition the tax-free pension lump sum of three times your pension which you would not have received. This payment will be made to your nominee, someone you have said you want the payment to go to. **Eligible partners** may also receive a pension, provided they can show that the relationship is substantial, perhaps through shared finances or by having children together. The Gurkha Kindred Roll does not apply if you transfer to **AFPS 05**;
- Eligible children (but not parents) are also entitled to benefits;
- Pension is increased every year from age 55 by the annual September rate of UK inflation (using the Retail Prices Index).

WHAT YOU NEED TO CONSIDER - A COMPARISON OF BENEFITS

BENEFIT	GPS																		
When do pension benefits start to build up?	From age 17 or date of joining, if later																		
Pension increases when in payment?	Pension increases are applied on payment, a process known as index-linking. They are indexed by the better of the Locally Employed Civilian (LEC) pay review or the inflation figure from the Nepal Rastra Bank																		
When do I get my pension?	Pension paid immediately from age 33 after 15 years' service																		
What pension do I get if I left before the 15 year point (GPS), Immediate Pension Point (AFPS 75) or Early Departure Payments Point (AFPS 05)?	No preserved pension, but 3 lump sums: retirement gratuity (with minimum 5 years' service), service gratuity (5 years' service) and resettlement grant (4 years' service)																		
Resettlement grants	<p>Different amounts payable depending on length of service²:</p> <table border="0"> <tr> <td>4-6 years</td> <td>£1,006</td> </tr> <tr> <td>7-9 years</td> <td>£1,803</td> </tr> <tr> <td>10-12 years</td> <td>£2,545</td> </tr> <tr> <td>13-14 years</td> <td>£3,073</td> </tr> <tr> <td>15 years plus</td> <td></td> </tr> <tr> <td>Cpl and below</td> <td>£3,817</td> </tr> <tr> <td>Sgt and above</td> <td>£5,090</td> </tr> <tr> <td>Lt (QGO) and Capt (QGO)</td> <td>£6,362</td> </tr> <tr> <td>Maj (QGO)</td> <td>£7,634</td> </tr> </table>	4-6 years	£1,006	7-9 years	£1,803	10-12 years	£2,545	13-14 years	£3,073	15 years plus		Cpl and below	£3,817	Sgt and above	£5,090	Lt (QGO) and Capt (QGO)	£6,362	Maj (QGO)	£7,634
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Sgt and above	£5,090																		
Lt (QGO) and Capt (QGO)	£6,362																		
Maj (QGO)	£7,634																		
Ill-health benefits	<p>A Gurkha with at least 15 years' qualifying service gets the pension due to him.</p> <p>A Gurkha with more than 10 but less than 15 years' qualifying service gets a proportion of the 15 year rate or the minimum rate of pension, whichever is the greater</p> <p>A Gurkha with less than 10 years' qualifying service gets a gratuity of one month's IA pay for every year of service</p>																		

² Converted to sterling at exchange rate of 136 NCRs/£1 as at 1 September 2007

AFPS 75 - all eligible	AFPS 05 - only those with service on or after 6 April 2006 are eligible
From age 21 for officers and from age 18 for other ranks or date of joining, if later	First day of paid service in the Armed Forces for all ranks regardless of age
Retail Prices Index (RPI) increases: IP - from age 55 Preserved pension - on payment Invaliding pension - on payment	RPI increases: EDP - from age 55 Pension - on payment Preserved pension - on payment Ill-health pension - on payment
IP paid after 16 years' service for officers (from age 21) and after 22 years for other ranks (from age 18). For officers, this includes service as an other rank. Note that UK tax rules do not allow payment of a second pension lump sum.	EDP is not a pension. All ranks must have served 18 years AND reached at least age 40 when they left the Army to qualify for an EDP of a tax-free EDP lump sum worth 3 times pension and income worth at least half annual preserved pension. EDP ceases at age 65 (min 2 years service required), when preserved pension starts.
Preserved pension paid from age 60 (adjusted for any service from 6 April 2006) (min 2 years' service required). Resettlement grant paid immediately (provided at least 9 years' service as an officer or 12 years' service as a soldier)	Preserved pension paid from age 65 (min 2 years' service required). Resettlement grant paid immediately (provided at least 12 years' service)
Not paid if other pension benefits are given. Officers - £13,531 (2007 rate) after 9 years' reckonable service Other ranks - £9,249 (2007 rate) after 12 years' service	Not paid if other pension or EDP benefits are given. For all ranks £9,576 (2007 rate) after 12 years' service
Service Invaliding Pension based on length of service and rank and is normally enhanced (if service longer than 5 years)	Three tier system dependent on seriousness of condition: Tier 1 - lump sum related to salary and number of reckonable years served and preserved pension from age 65 Tier 2 - pension enhanced by one-third of remaining service to age 55 Tier 3 - pension enhanced by half of remaining service to age 55 (with minimum pension based on 20 years)

BENEFIT**GPS**

Attributable ill-health benefits

GPS benefits paid and in addition:

For injuries caused before 6 April 2005 -
WPS - see scheme booklet for further information

For injuries caused on or after 6 April 2005
Attributable compensation will be provided by the AFCS -
see scheme booklet for further information

What pension would my wife/civil partner/eligible partner receive if I die in retirement (but not due to service)?

60% of your pension at the normal maximum service point for each rank paid for life unless your wife remarries (not payable to partners)

Children's pensions

Payable in accordance with the normal precedence and kindred roll, up to age 23

AFPS 75

Service Invaliding Pension, and in addition:

For injuries caused before 6 April 2005

Attributable compensation will be provided by the WPS - see scheme booklets for further information

For injuries caused on or after 6 April 2005

Attributable compensation will be provided by the AFCS - see scheme booklet for further information

Normally 50% of your preserved pension or pension in payment but ceases if spouse/civil partner lives with someone else or remarries. Short term family pension payable at level of your pension rate for up to 9 months. Unmarried partners are not eligible. Service up to 31 March 1973, earns a widow's pension of one-third, not one-half, of the member's pension. If you married after leaving the Army, your widow gets benefits based only on service on or after 1 April 1978

Children's pensions payable up to age 23, but not to children of post-retirement marriages

Compensation may also be paid if death of member is due to service - the date of the cause of the death determines the scheme(s) paid under

AFPS 05

Ill-health benefits listed on page 21 paid and in addition:

For injuries caused before 6 April 2005

Attributable compensation will be provided by the pension scheme and WPS - see scheme booklets for further information

For injuries caused on or after 6 April 2005

Attributable compensation will be provided by AFCS - see scheme booklet for further information

62.5% of your preserved pension or pension in payment, paid for life

Children's pensions payable up to age 23 and include pensions for children born after you left the Armed Forces

Compensation may also be paid if death of member is due to service – the date of the cause of the death determines the scheme(s) paid under

WHAT IS IMPORTANT TO YOU?

The amount and timing of the benefits paid from the schemes depend on the amount of service you completed when you left the Army and your personal circumstances. It is important that you understand the differences between the schemes and what you may get from them, so you can decide between the pension schemes available to you. For most retired Gurkhas, that is a choice between **GPS** and **AFPS 75**. Only those who left service on or after 6 April 2006 are, alternatively, eligible to transfer to **AFPS 05**.

The basic approach in the following sections is that **GPS** service before 1 July 1997 is converted into AFPS pensionable service to give broadly equivalent pension benefits. Service on or after 1 July 1997 gets a year-for-year pension credit in AFPS.

When are the benefits paid?

Immediate benefits are payable from the **GPS** after 15 years' service. However, in **AFPS 75** immediate pension benefits are not payable until the completion of 16 years' service from age 21 for officers and 22 years' service from age 18 for other ranks. This is known as the **IP** point.

A few retired Gurkhas have enough service to get **EDPs** in **AFPS 05**, payable if you left after at least 18 years' service AND you were at least age 40 when you retired.

If you left with more than two years' **reckonable service** you receive a pension paid from age 60 (adjusted for any service from 6 April 2006) in **AFPS 75** and age 65 in **AFPS 05**. This is known as a **preserved pension**. If you transferred your pension benefits to AFPS, you would continue as a member of the **GPS**, receiving pension and any other benefits from the **GPS** until your preserved pension in AFPS becomes payable.

The preserved pension is paid from age 60 or 65 depending on your choice of AFPS. At this point, your **GPS** pension would stop and, instead, your chosen AFPS would pay you benefits. The value of your **GPS** payments since you left the Army would be taken into account before any AFPS payments are made.

It is very important, therefore, that you know how much service you completed and understand whether you are entitled to benefits paid immediately from AFPS.

The table below gives a summary.

GPS	AFPS 75	AFPS 05
SECTION A - PRESERVED BENEFITS		
No preserved pension if you left with less than 15 years' service	If you left before <u>officers</u> 16 years' service from age 21 or <u>other ranks</u> 22 years' from age 18 with at least 2 years' reckonable service, pension paid from age 60 (age 65 for service on or after 6 April 2006)	If you left with at least 2 years' service before age 55, pension paid from age 65
SECTION B - IMMEDIATE BENEFITS		
Paid from age 33 if you left after minimum 15 years' service	Paid after <u>officers</u> 16 years' service from age 21 or <u>other ranks</u> 22 years' from age 18	No immediate pension before age 55 <u>except</u> in the event of medical discharge. But EDPs are paid after at least 18 years' service provided you were at least age 40 when you retired

Remember that only those with service on or after 1 July 1997 qualify for the GOTT. This includes those who were given condoned service, but not redundancy, which meant they left before their planned exit date, which would have been on or after 1 July 1997.

How do pensions increase each year?

The annual increases to **GPS** and AFPS pensions are described in detail under the heading “**Index-linking**” on page 10. It is important to be aware of the different way in which pensions increase in **GPS** and AFPS when making your decision.

There are three reasons why the rate of **GPS** pension increase will differ from the rate of AFPS pension increase, which are:

- Nepalese inflation is usually different from UK inflation;
- the exchange rate usually changes over time;
- after leaving service, **GPS** pensions increase by the same amount as **GPS** pensions for those who retire later. This means that **GPS** pensions will maintain a general link with pay levels even after leaving service. This is not the case with AFPS pensions, which lose the link with pay levels after leaving service.

The first two reasons above may well approximately cancel each other out in the long term, although this may not always be the case, especially in the short term.

The third reason means that a **GPS** pension may be more valuable than an AFPS pension that is currently a similar annual amount, because it may increase at a faster rate in the future. You should take this into account when making your decision. Examples have been provided to show the effect of this.

Different groups of retired Gurkhas

Retired Gurkhas can be divided into five groups, depending on length of service and other factors. The following sections look at each in turn, with examples to help you understand what the GOTT means for you. The different groups are:

- Group 1 Relevant to soldiers only. Not enough service in **GPS** to qualify for the payment of immediate benefits in **AFPS 75** (or **AFPS 05** for those who left the Army on or after 6 April 2006 and were below the age of 55) - benefits paid under section A in table on page 24;
- Group 2 Enough service in **GPS** to qualify for the payment of immediate benefits in **AFPS 75** (or **AFPS 05** for those who left the Army on or after 6 April 2006) including all officers and some senior ranks - benefits paid under section B in table on page 24;
- Group 3 No **GPS** pension;
- Group 4 Those receiving an ill-health pension from the **GPS**;
- Group 5 The **next of kin** of Gurkhas who served on or after 1 July 1997 and who died, either in service or in retirement.

Group 1 Relevant to soldiers only - not enough service in **GPS** to qualify for the payment of immediate benefits in **AFPS 75** or **AFPS 05**

The overwhelming majority of retired Gurkhas are in Group 1. If you are in this group, you would be entitled to a **preserved pension** in AFPS, as you do not have enough service to qualify for the immediate payment of AFPS benefits. You will continue to receive your **GPS** pension and have a choice of:

- staying in the **GPS** for the rest of your life. When you die, the benefits paid to your next of kin will be from this scheme;

- transferring your benefits to;
 - **AFPS 75** from age 60 (adjusted for any service from 6 April 2006, see page 17); or
 - **AFPS 05** from age 65, but only if you left service on or after 6 April 2006.

Before you can decide which of these choices to make, you will need to know whether there will be anything left in your pension “pot” when you get to age 60 or 65. The tables later in this section may help you make up your mind. If you decide to transfer to AFPS, you should know that no further tax-free **pension lump sum** will be paid. Tax rules do not allow you to receive more than one such payment, if you do not earn further pension to support it.

There is an easy-to-use calculator available on the MOD internet site to help you work out how much **AFPS 75 preserved pension** might be available to you at age 60 and how this might compare to your **GPS** pension. Part of the calculation can allow for a **GPS** pension to grow each year by more than an **AFPS 75** pension.

You can try a variety of different factors when using the calculator. You may want to look at the effect of using a 1½% a year allowance for higher **GPS** increases, which is the assumption used by the **scheme actuary** when calculating broadly equivalent benefits for pre-1 July 1997 service. However, this can only be an estimate of an uncertain future, and the actual difference may not turn out to be 1½% a year, so you should also look at the effect of using other factors. The higher the allowance made for **GPS** pension increases to be greater than **AFPS 75** pension increases, the more valuable the **GPS** pension becomes.

The other point to remember is what happens to pension benefits from age 60, because the potentially different

pension increases will still apply after that age. If your **GPS** pension grows 1½% a year more quickly than an **AFPS 75** preserved pension after age 60, it will rise by 16% more than **AFPS 75** over the 10 years to age 70. The view you take about the future relative growth of **GPS** and **AFPS 75** pensions up to age 60 and beyond is an important factor in your decision about whether to transfer. The calculator on the MOD internet site allows you to make your own assumptions. There are examples later in this section which should also help you to see the effect.

When considering the different pension increases, you should note that there is no guarantee that **GPS** pensions will increase at a faster rate than **AFPS 75** pensions.

Everyone will need to think carefully about the different family (death) benefits paid under the three pension schemes to ensure their future needs are likely to be met (see the scheme booklets and the comparison table earlier in this booklet). Remember that any benefits paid before age 60 will be from the **GPS**. It is only the benefits payable from age 60 that will be affected by your pension scheme choice.

Summary of the position by rank:

If you were a Lance Corporal or a Rifleman when you left the Army after 15 years’ service at, say, age 33, the tables later in this section show that the current value of a **GPS** pension is a little above the **AFPS 75** preserved pension from age 60. However, if your **GPS** grows faster than an **AFPS 75** pension, the **GPS** would be significantly higher by age 60. However, this is just one example; you should use the tables given and the calculator on the MOD internet site based on your own personal circumstances. For example, the **GPS** pension may not be higher for those who completed longer service and left at a higher age.

If you were a Corporal or higher rank with less than 22 years' service, the **AFPS 75** pension available from age 60 is higher (in the examples shown) than your current **GPS** pension, even after allowing for faster growth in **GPS** compared with **AFPS 75** (1½% a year in the example).

Group 2 Enough service in **GPS** to qualify for the payment of immediate benefits in **AFPS 75** or **AFPS 05**

All officers left the Army with enough service to qualify for immediate benefits in AFPS. Some soldiers, mainly WO1s, WO2s and Staff Sergeants, also have enough service. If you wish to do so, you may transfer your pension benefits from **GPS** into **AFPS 75** or **AFPS 05** (if eligible) and receive payments backdated to your last day of service in the Army. The **GPS** pension payments you have received will be taken into account before AFPS payments are made.

In all cases, the AFPS will pay more than you are currently receiving from the **GPS**. However, before deciding that you want to transfer your benefits, you should consider the differences in family benefits (see scheme booklets and comparison table earlier in this booklet) to ensure that the AFPS of your choice would meet the needs of your family after your death. You need also to remember that an **AFPS 75** pension remains at the same cash level until age 55, from which age it is **index-linked**.

You should also note that the **terminal grant** paid as part of the transfer would not be available. This is because you received your tax-free pension lump sum when you left the Army, and the UK tax rules do not allow the payment of another tax-free lump sum, if no more pension is being earned in AFPS.

EDP is not a pension. If you transfer to **AFPS 05**, therefore, you would receive the EDP lump sum paid tax-free.

Group 3 Those who left without a **GPS** pension

If you are one of the few Gurkhas who left the Army on or after 1 July 1997 with less than the required minimum 15 years' service to qualify for a pension paid from the **GPS**, you are eligible for the GOTT. Provided you have at least two years' service, you are eligible for a **preserved pension** paid from age 60 in **AFPS 75** (adjusted for any service from 6 April 2006) or age 65 in **AFPS 05** (if eligible). The AFPS pension paid to you would be adjusted by the value of any cash lump sum payments you received at discharge - **resettlement grant** (minimum of four years' service), **retirement gratuity** (five years) and **service gratuity** (four years).

If you have less than two years' service, you may still join AFPS but you would not qualify for a preserved pension. However, the AFPS would pay a cash sum into a private or stakeholder pension scheme of your choice, representing the pension value of your service.

Group 4 Receiving an ill-health pension from the **GPS**

A letter is enclosed with your GOTT pack explaining your position in more detail.

Gurkhas may transfer their pension benefits into **AFPS 75** or (a few only) into **AFPS 05**. If you decide to transfer, you would receive a non-attributable ill-health pension (called a service invaliding pension or SIP). A SIP is based on rank and length of service and is increased every year in line with the annual September increase in UK prices. The payments made to you from the **GPS** up to the date of change would be taken into account before **AFPS 75** payments are made.

If you left the Army on or after 6 April 2006, you are eligible for **AFPS 05** ill-health benefits. In **AFPS 05**, your condition is placed into one of three tiers based on the medical evidence (see scheme booklet for details).

It is not therefore possible to say in advance what payment would be made to you, but you should bear in mind that, if your condition is put into tier 1, you would receive a lump sum only, with an ill-health pension paid from age 65.

Group 5 Next of kin of Gurkhas who served on or after 1 July 1997 and who died in service or in retirement

A letter is enclosed with your GOTT pack explaining your position in detail.

How to work out AFPS 75 preserved pension value from age 60 - relevant to Group 1 (applies to soldiers only)

As a retired soldier, you are in a different position from a serving Gurkha; you are getting your pension and have left the Army. The value of your pension "pot" is therefore certain, as it is based on the GPS pension you have earned from the service you have completed. It is possible to compare your GPS pension with the alternative AFPS pension paid from age 60. Certain assumptions have been made by the *scheme actuary* about future increases in GPS and AFPS 75 pensions.

It may be beneficial to have a sterling-based bank account so that your AFPS payments can be made to you. While it is possible to have a foreign currency account, say in Nepalese Currency Rupees, the Paymaster Agency which pays pensions for MOD would charge you every time it made a payment, and you would also have an exchange rate risk. Please provide details of your bank account and National Insurance number when you return your election form.

Value of AFPS 75 preserved benefits

You will find four tables in the next few pages for each rank from Rifleman to WO1. These should help you work out how much **AFPS 75 preserved pension** is left at age 60, taking account of the fact that you will have been drawing your GPS pension over many years, and allow you to make a reasonable comparison with your GPS.

The first table shows you the **AFPS 75** preserved pension that would be paid to a Gurkha soldier with different lengths of service leaving in each year from 1997-98 to 2007-08. The preserved pension values shown have been calculated in the usual way: for every year of service, you get 2.75% of the 37 year pension rate of pension for your rank. For example, if you have 15 years' service, you get 41.25% (15 x 2.75) of the 37 year pension rate. Past years' figures are indexed in the usual way to bring them up to 2007-08 levels.

The second table shows you the percentage of an **AFPS 75** preserved pension available to a Gurkha soldier based on his age at 1 March 2008 (member transfer date) and the year he left the Army. The figures have been calculated by the scheme actuary, using **AFPS 75** pension values and taking account of the value of GPS pension paid by age 60. The timing of your retirement from the Army after 1 July 1997 is also important. Generally, the older you were when your pension started, the higher the percentage value remaining in **AFPS 75** from age 60; and the more of your service you completed on or after 1 July 1997, the higher the pension **AFPS 75** value remaining at age 60, although this is not always the case.

To help you decide whether you may be better off by transferring your pension benefits to **AFPS 75** you need to take the appropriate percentage figure for your age (at 1 March 2008) and year of leaving from the second table and multiply it by the appropriate **preserved pension** figure for your length of service and year of leaving the Army in the first table. This will give you the current annual amount of **AFPS 75** preserved pension that may be available from age 60, if you were to transfer.

You need then to compare this **AFPS 75** figure with what you are currently receiving from the **GPS** (see tables with some 2007-08 pension rates). If you took any commutation when you retired from the **GPS**, you need to allow for this in your comparison by considering the level of your **GPS** pension had you not taken any commutation, because your **GPS** pension will have been restored to its full amount by the time you reach age 60.

If you are to make a fair comparison, you can also adjust the **GPS** pension to make an allowance for the potentially higher pension increases in the period until you are age 60. To do this, you can increase the annual amount of the **GPS** pension by the appropriate factor for your age at 1 March 2008 from the third table, called "Effect of different pension increases up to age 60". Look at the examples for each rank to see how this factor is applied.

This comparison allows you to compare, at current prices, your **GPS** pension and the **AFPS 75** preserved pension that may be available to you from age 60.

The examples shown use an assumption of 1½% a year faster growth of the £ sterling equivalent of your **GPS** pension compared with **AFPS 75**, which is the assumption currently used by the **scheme actuary** when calculating broadly equivalent benefits for service

before 1 July 1997. This can only be an estimate of an uncertain future. The actual difference may turn out not to be 1½%. As a result, it is not certain that an **AFPS 75** preserved pension at age 60 would be higher than your **GPS** pension.

You can do some "What if?" calculations of your own to see the effect of different future growth rates of your **GPS** pension compared with an **AFPS 75** pension. For example, if you think the £ sterling equivalent of your **GPS** pension is likely to grow by 2% a year faster than an **AFPS 75** preserved pension, you should take the factor from the appropriate (2% a year in this case) column in the table and multiply it by your **GPS** pension. Now compare this with the **AFPS 75** preserved pension figure.

If the £ sterling equivalent of the difference in increases in the **GPS** and **AFPS 75** pensions turns out differently from the 1½% a year used in the examples, you cannot change your GOTT decision at a later date.

The calculation of the **AFPS 75** pension available at age 60 requires a number of assumptions to be made about the future. Inevitably, they do not take account of every individual's circumstances. It is important therefore that you consider your and your family's circumstances before deciding the pension scheme from which you want to take your pension benefits in future.

RIFLEMAN AND LANCE CORPORAL

AFPS 75 preserved pension increased to the year 2007-08, £ a year

Rifleman & Lance Corporal											
Length of service	Year of leaving										
	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
15	3,834	3,815	3,920	4,046	4,129	4,218	4,302	4,298	4,294	4,313	4,303
16	4,091	4,069	4,182	4,316	4,404	4,499	4,590	4,585	4,580	4,600	4,590
17	4,346	4,323	4,442	4,586	4,679	4,780	4,876	4,872	4,867	4,888	4,877
18	4,601	4,578	4,704	4,855	4,955	5,061	5,162	5,158	5,153	5,176	5,164
19	4,858	4,832	4,966	5,125	5,230	5,343	5,450	5,444	5,439	5,463	5,451
20	5,113	5,086	5,227	5,395	5,505	5,624	5,736	5,730	5,725	5,751	5,738
21	5,368	5,341	5,489	5,664	5,780	5,905	6,023	6,018	6,011	6,038	6,024

Notes:

1. Preserved pension figures increased by UK inflation to 2007-08, based on rank, length of service and year of leaving.
2. A full year's pension increase has been applied to the preserved pension at the April following the year of leaving. In practice, figures are likely to be a little different, depending on when you left service. The year of leaving runs from 1 April to 31 March of the following year.
3. The preserved pensions shown are at 2007-08 rates. The rates paid from age 60 will be based on rises in UK inflation between now and then.
4. The pension figures shown are for exact years of service. In practice you would be awarded a pension that allowed for any part year of service completed.

Percentage of AFPS 75 preserved pension left at age 60 for Rifleman and Lance Corporal

Rifleman & Lance Corporal											
Age at 1 Mar 08	Year of leaving										
	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
33											26%
34										29%	32%
35									31%	35%	37%
36								33%	36%	40%	43%
37							37%	38%	42%	45%	48%
38						37%	43%	44%	47%	50%	53%
39					37%	43%	48%	49%	52%	55%	57%
40				35%	44%	48%	53%	54%	57%	58%	59%
41			36%	40%	49%	53%	57%	58%	60%	61%	62%
42		37%	42%	46%	54%	57%	58%	60%	62%	63%	64%
43	42%	43%	47%	51%	56%	58%	59%	62%	64%	65%	67%
44	47%	48%	52%	56%	57%	59%	61%	64%	66%	67%	69%
45	52%	53%	57%	59%	58%	60%	62%	65%	68%	69%	71%
46	57%	58%	60%	59%	58%	61%	63%	67%	70%	71%	
47	60%	61%	60%	60%	58%	62%	64%	68%	71%		

Example - GPS v AFPS 75 comparison

Rifleman age 40 at 1 March 2008 who left the Army in 2000-01 with 15 years' service

- Current **GPS** = £1,502 a year (gross) - see table later
- AFPS 75** preserved pension available from age 60 = £4,046 a year
- Amount of **AFPS 75** remaining at age 60 = 35%
- Multiply (b) by (c) = £1,416 a year (taxable)
- From table "Effect of different pension increases up to age 60" increase line (a) by 1.35 = £2,028 gives **GPS** pension at age 60 to compare with **AFPS 75** pension in line (d) at current prices.
- Remember that this is an illustration only. If the difference in the £ sterling equivalent annual indexation of the **GPS** and **AFPS 75** payments before age 60 turns out to be above or below the 1½% a year assumed in the example, the balance between **GPS** and **AFPS 75** would change. You can use a different factor from the table "Effect of different pension increases up to age 60" to do your own "What if?" calculations. The calculator on the MOD internet site should also be helpful.

See: <http://www.mod.uk/DefenceInternet/AboutDefence/CorporatePublications/PersonnelPublications/Pensions/GOTT/RetiredGurkhaCalculator.htm>

Effect of different pension increases up to age 60

Rifleman & Lance Corporal						
Age at 1 March 08	Annual difference between GPS and AFPS pension increases					
	0.5% pa	1.0% pa	1.5% pa	2.0% pa	2.5% pa	3.0% pa
33	1.14	1.31	1.49	1.71	1.95	2.22
34	1.14	1.30	1.47	1.67	1.90	2.16
35	1.13	1.28	1.45	1.64	1.85	2.09
36	1.13	1.27	1.43	1.61	1.81	2.03
37	1.12	1.26	1.41	1.58	1.76	1.97
38	1.12	1.24	1.39	1.55	1.72	1.92
39	1.11	1.23	1.37	1.52	1.68	1.86
40	1.10	1.22	1.35	1.49	1.64	1.81
41	1.10	1.21	1.33	1.46	1.60	1.75
42	1.09	1.20	1.31	1.43	1.56	1.70
43	1.09	1.18	1.29	1.40	1.52	1.65
44	1.08	1.17	1.27	1.37	1.48	1.60
45	1.08	1.16	1.25	1.35	1.45	1.56
46	1.07	1.15	1.23	1.32	1.41	1.51
47	1.07	1.14	1.21	1.29	1.38	1.47
48	1.06	1.13	1.20	1.27	1.34	1.43
49	1.06	1.12	1.18	1.24	1.31	1.38
50	1.05	1.10	1.16	1.22	1.28	1.34
51	1.05	1.09	1.14	1.20	1.25	1.30
52	1.04	1.08	1.13	1.17	1.22	1.27
53	1.04	1.07	1.11	1.15	1.19	1.23
54	1.03	1.06	1.09	1.13	1.16	1.19
55	1.03	1.05	1.08	1.10	1.13	1.16

GPS pension rates for 2007-08 - £ a year

Rifleman & Lance Corporal	2007-08 pension (£ a year)
Years of service	
15	1,502
16	1,562
17	1,622
18	1,682

Notes:

1. Details of the latest GPS pension rates are on the MOD internet site. The pension figures in this table include the increases announced in summer 2007, which have not yet been put into payment. The new rates will be applied as soon as possible.
2. An exchange rate of 85 ICRs to the £ sterling has been used to convert GPS pension into £ a year.

AFPS 75 preserved pension increased to the year 2007-08, £ a year

Corporal											
Length of service	Year of leaving										
	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
15	4,885	4,865	4,976	5,112	5,304	5,407	5,567	5,552	5,548	5,563	5,551
16	5,211	5,189	5,307	5,452	5,658	5,769	5,938	5,922	5,918	5,934	5,921
17	5,536	5,513	5,638	5,793	6,011	6,129	6,309	6,292	6,287	6,305	6,291
18	5,863	5,838	5,970	6,134	6,365	6,490	6,680	6,663	6,657	6,676	6,661
19	6,189	6,162	6,302	6,475	6,719	6,850	7,052	7,033	7,026	7,047	7,031
20	6,514	6,486	6,634	6,816	7,073	7,210	7,423	7,403	7,397	7,418	7,401
21	6,840	6,811	6,965	7,157	7,426	7,571	7,794	7,773	7,767	7,789	7,771

Notes:

1. Preserved pension figures increased by UK inflation to 2007-08, based on rank, length of service and year of leaving.
2. A full year's pension increase has been applied to the preserved pension at the April following the year of leaving. In practice, figures are likely to be a little different, depending on when you left service. The year of leaving runs from 1 April to 31 March of the following year.
3. The preserved pensions shown are at 2007-08 rates. The rates paid from age 60 will be based on rises in UK inflation between now and then.
4. The pension figures shown are for exact years of service. In practice you would be awarded a pension that allowed for any part year of service completed.

Percentage of AFPS 75 preserved pension left at age 60 for Corporal

Corporal											
Age at 1 Mar 08	Year of leaving										
	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
33											42%
34										45%	47%
35									48%	49%	50%
36								49%	51%	52%	53%
37							50%	51%	53%	54%	56%
38						50%	51%	53%	55%	57%	58%
39					50%	51%	51%	54%	57%	59%	61%
40				50%	51%	51%	52%	56%	59%	61%	63%
41			51%	51%	51%	51%	53%	57%	61%	63%	65%
42		52%	52%	52%	51%	52%	54%	58%	63%	65%	67%
43	51%	52%	52%	52%	51%	53%	55%	60%	64%	67%	69%
44	51%	52%	52%	53%	51%	54%	56%	61%	66%	69%	71%
45	50%	51%	52%	53%	52%	54%	57%	62%	67%	70%	73%
46	50%	51%	52%	53%	52%	55%	58%	63%	69%	72%	
47	49%	51%	52%	53%	53%	55%	59%	64%	70%		
48	48%	51%	52%	54%	53%	56%	59%	65%			

Example - GPS v AFPS 75 comparison

Corporal age 38 at 1 March 2008 who left the Army in 2003-04 with 15 years' service

- Current **GPS** = £1,606 a year (gross) - see table later
- AFPS 75** preserved pension available from age 60 = £5,938 a year
- Amount of **AFPS 75** remaining at age 60 = 51%
- Multiply (b) by (c) = £3,028 a year (taxable)
- From table "Effect of different pension increases up to age 60" increase line (a) by 1.39 = £2,232 gives **GPS** pension at age 60 to compare with **AFPS 75** pension in line (d) at current prices.
- Remember that this is an illustration only. If the difference in the £ sterling equivalent annual indexation of the **GPS** and **AFPS 75** payments before age 60 turns out to be above or below the 1½% a year assumed in the example, the balance between **GPS** and **AFPS 75** would change. You can use a different factor from the table "Effect of different pension increases up to age 60" to do your own "What if?" calculations. The calculator on the MOD internet site should also be helpful.

See: <http://www.mod.uk/DefenceInternet/AboutDefence/CorporatePublications/PersonnelPublications/Pensions/GOTT/RetiredGurkhaCalculator.htm>

Effect of different pension increases up to age 60

Corporal						
Age at 1 March 08	Annual difference between GPS and AFPS pension increases					
	0.5% pa	1.0% pa	1.5% pa	2.0% pa	2.5% pa	3.0% pa
33	1.14	1.31	1.49	1.71	1.95	2.22
34	1.14	1.30	1.47	1.67	1.90	2.16
35	1.13	1.28	1.45	1.64	1.85	2.09
36	1.13	1.27	1.43	1.61	1.81	2.03
37	1.12	1.26	1.41	1.58	1.76	1.97
38	1.12	1.24	1.39	1.55	1.72	1.92
39	1.11	1.23	1.37	1.52	1.68	1.86
40	1.10	1.22	1.35	1.49	1.64	1.81
41	1.10	1.21	1.33	1.46	1.60	1.75
42	1.09	1.20	1.31	1.43	1.56	1.70
43	1.09	1.18	1.29	1.40	1.52	1.65
44	1.08	1.17	1.27	1.37	1.48	1.60
45	1.08	1.16	1.25	1.35	1.45	1.56
46	1.07	1.15	1.23	1.32	1.41	1.51
47	1.07	1.14	1.21	1.29	1.38	1.47
48	1.06	1.13	1.20	1.27	1.34	1.43
49	1.06	1.12	1.18	1.24	1.31	1.38
50	1.05	1.10	1.16	1.22	1.28	1.34
51	1.05	1.09	1.14	1.20	1.25	1.30
52	1.04	1.08	1.13	1.17	1.22	1.27
53	1.04	1.07	1.11	1.15	1.19	1.23
54	1.03	1.06	1.09	1.13	1.16	1.19
55	1.03	1.05	1.08	1.10	1.13	1.16

GPS pension rates for 2007-08 - £ a year

Corporal	2007-08 pension (£ a year)
Years of service	
15	1,542
16	1,606
17	1,670
18	1,735

Notes:

1. Details of the latest GPS pension rates are on the MOD internet site. The pension figures in this table include the increases announced in summer 2007, which have not yet been put into payment. The new rates will be applied as soon as possible.
2. An exchange rate of 85 ICRs to the £ sterling has been used to convert GPS pension into £ a year.

SERGEANT

AFPS 75 preserved pension increased to the year 2007-08, £ a year

Sergeant											
Length of service	Year of leaving										
	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
15	5,420	5,389	5,511	5,661	5,883	5,999	6,104	6,087	6,082	6,099	6,086
16	5,782	5,749	5,877	6,039	6,276	6,398	6,510	6,493	6,487	6,506	6,491
17	6,143	6,108	6,245	6,417	6,668	6,798	6,917	6,899	6,892	6,912	6,897
18	6,505	6,468	6,613	6,794	7,060	7,199	7,324	7,305	7,298	7,319	7,303
19	6,866	6,826	6,980	7,171	7,453	7,598	7,731	7,710	7,703	7,725	7,708
20	7,228	7,185	7,347	7,549	7,845	7,998	8,138	8,116	8,109	8,133	8,114
21	7,589	7,545	7,714	7,927	8,237	8,398	8,545	8,522	8,514	8,539	8,520

Notes:

1. Preserved pension figures increased by UK inflation to 2007-08, based on rank, length of service and year of leaving.
2. A full year's pension increase has been applied to the preserved pension at the April following the year of leaving. In practice, figures are likely to be a little different, depending on when you left service. The year of leaving runs from 1 April to 31 March of the following year.
3. The preserved pensions shown are at 2007-08 rates. The rates paid from age 60 will be based on rises in UK inflation between now and then.
4. The pension figures shown are for exact years of service. In practice you would be awarded a pension that allowed for any part year of service completed.

Percentage of AFPS 75 preserved pension left at age 60 for Sergeant

Sergeant											
Age at 1 Mar 08	Year of leaving										
	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
36								48%	49%	50%	51%
37							48%	49%	50%	52%	53%
38						48%	49%	50%	52%	53%	55%
39					47%	48%	50%	51%	53%	55%	57%
40				48%	47%	48%	50%	52%	55%	57%	59%
41			49%	48%	47%	48%	51%	53%	56%	58%	60%
42		49%	49%	46%	47%	49%	52%	54%	57%	60%	62%
43	48%	49%	46%	47%	48%	50%	52%	55%	58%	61%	63%
44	47%	46%	46%	47%	48%	50%	53%	56%	60%	62%	65%
45	44%	45%	46%	47%	49%	51%	54%	57%	61%	63%	66%
46	43%	45%	46%	47%	49%	52%	55%	58%	62%	65%	
47	43%	45%	46%	47%	49%	52%	55%	59%	63%		
48	42%	44%	46%	48%	50%	52%	56%	60%			
49	42%	44%	46%	48%	50%	53%	56%				
50	41%	44%	46%	48%	50%	53%					

Example - GPS v AFPS 75 comparison

Sergeant age 39 at 1 March 2008 who left the Army in 2004-05 with 18 years' service

- Current **GPS** = £1,821 a year (gross) - see table later
- AFPS 75** preserved pension available from age 60 = £7,305 a year
- Amount of **AFPS 75** remaining at age 60 = 51%
- Multiply (b) by (c) = £3,726 a year (taxable)
- From table "Effect of different pension increases up to age 60" increase line (a) by 1.37 = £2,495 gives **GPS** pension at age 60 to compare with **AFPS 75** pension in line (d) at current prices.
- Remember that this is an illustration only. If the difference in the £ sterling equivalent annual indexation of the **GPS** and **AFPS 75** payments before age 60 turns out to be above or below the 1½% a year assumed in the example, the balance between **GPS** and **AFPS 75** would change. You can use a different factor from the table "Effect of different pension increases up to age 60" to do your own "What if?" calculations. The calculator on the MOD internet site should also be helpful.

See: <http://www.mod.uk/DefenceInternet/AboutDefence/CorporatePublications/PersonnelPublications/Pensions/GOTT/RetiredGurkhaCalculator.htm>

Effect of different pension increases up to age 60

Sergeant						
Age at 1 March 08	Annual difference between GPS and AFPS pension increases					
	0.5% pa	1.0% pa	1.5% pa	2.0% pa	2.5% pa	3.0% pa
33	1.14	1.31	1.49	1.71	1.95	2.22
34	1.14	1.30	1.47	1.67	1.90	2.16
35	1.13	1.28	1.45	1.64	1.85	2.09
36	1.13	1.27	1.43	1.61	1.81	2.03
37	1.12	1.26	1.41	1.58	1.76	1.97
38	1.12	1.24	1.39	1.55	1.72	1.92
39	1.11	1.23	1.37	1.52	1.68	1.86
40	1.10	1.22	1.35	1.49	1.64	1.81
41	1.10	1.21	1.33	1.46	1.60	1.75
42	1.09	1.20	1.31	1.43	1.56	1.70
43	1.09	1.18	1.29	1.40	1.52	1.65
44	1.08	1.17	1.27	1.37	1.48	1.60
45	1.08	1.16	1.25	1.35	1.45	1.56
46	1.07	1.15	1.23	1.32	1.41	1.51
47	1.07	1.14	1.21	1.29	1.38	1.47
48	1.06	1.13	1.20	1.27	1.34	1.43
49	1.06	1.12	1.18	1.24	1.31	1.38
50	1.05	1.10	1.16	1.22	1.28	1.34
51	1.05	1.09	1.14	1.20	1.25	1.30
52	1.04	1.08	1.13	1.17	1.22	1.27
53	1.04	1.07	1.11	1.15	1.19	1.23
54	1.03	1.06	1.09	1.13	1.16	1.19
55	1.03	1.05	1.08	1.10	1.13	1.16

GPS pension rates for 2007-08 - £ a year

Sergeant	2007-08 pension (£ a year)
Years of service	
17	1,748
18	1,821
19	1,894

Notes:

1. Details of the latest GPS pension rates are on the MOD internet site. The pension figures in this table include the increases announced in summer 2007, which have not yet been put into payment. The new rates will be applied as soon as possible.
2. An exchange rate of 85 ICRs to the £ sterling has been used to convert GPS pension into £ a year.

STAFF SERGEANT

AFPS 75 preserved pension increased to the year 2007-08, £ a year

Staff Sergeant											
Length of service	Year of leaving										
	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
15	6,170	6,134	6,273	6,446	6,701	6,833	6,952	6,934	6,928	6,947	6,932
16	6,581	6,544	6,691	6,875	7,147	7,288	7,416	7,396	7,389	7,412	7,394
17	6,992	6,953	7,109	7,305	7,594	7,743	7,879	7,859	7,851	7,875	7,856
18	7,404	7,361	7,528	7,735	8,041	8,200	8,343	8,320	8,313	8,338	8,318
19	7,815	7,771	7,946	8,164	8,487	8,655	8,806	8,782	8,775	8,801	8,781
20	8,227	8,180	8,363	8,594	8,934	9,110	9,269	9,245	9,236	9,264	9,243
21	8,638	8,588	8,782	9,024	9,381	9,566	9,734	9,707	9,698	9,727	9,705

Notes:

1. Preserved pension figures increased by UK inflation to 2007-08, based on rank, length of service and year of leaving.
2. A full year's pension increase has been applied to the preserved pension at the April following the year of leaving. In practice, figures are likely to be a little different, depending on when you left service. The year of leaving runs from 1 April to 31 March of the following year.
3. The preserved pensions shown are at 2007-08 rates. The rates paid from age 60 will be based on rises in UK inflation between now and then.
4. The pension figures shown are for exact years of service. In practice you would be awarded a pension that allowed for any part year of service completed.

Percentage of AFPS 75 preserved pension left at age 60 for Staff Sergeant

Staff Sergeant											
Age at 1 Mar 08	Year of leaving										
	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
37							48%	50%	51%	52%	53%
38						47%	48%	50%	52%	53%	55%
39					47%	47%	48%	50%	52%	55%	56%
40				46%	46%	47%	49%	51%	54%	56%	58%
41			46%	46%	46%	47%	49%	52%	55%	57%	59%
42		46%	45%	45%	46%	47%	50%	53%	56%	58%	61%
43	45%	45%	44%	44%	45%	48%	50%	53%	57%	59%	62%
44	44%	43%	44%	44%	46%	48%	51%	54%	58%	60%	63%
45	42%	43%	43%	44%	46%	49%	52%	55%	59%	61%	64%
46	41%	41%	43%	44%	46%	49%	52%	56%	59%	62%	
47	39%	41%	43%	44%	47%	49%	53%	56%	60%		
48	38%	41%	43%	44%	47%	50%	53%	57%			
49	38%	40%	42%	45%	47%	50%	54%				
50	37%	40%	42%	45%	47%	50%					

Example - GPS v AFPS 75 comparison

Staff Sergeant age 49 at 1 March 2008 who left the Army in 1997-98 with 19 years' service

- Current **GPS** = £1,969 a year (gross) - see table later
- AFPS 75** preserved pension available from age 60 = £7,815 a year
- Amount of **AFPS 75** remaining at age 60 = 38%
- Multiply (b) by (c) = £2,970 a year (taxable)
- From table "Effect of different pension increases up to age 60" increase line (a) by 1.18 = £2,323 gives **GPS** pension at age 60 to compare with **AFPS 75** pension in line (d) at current prices.
- Remember that this is an illustration only. If the difference in the £ sterling equivalent annual indexation of the **GPS** and **AFPS 75** payments before age 60 turns out to be above or below the 1½% a year assumed in the example, the balance between **GPS** and **AFPS 75** would change. You can use a different factor from the table "Effect of different pension increases up to age 60" to do your own "What if?" calculations. The calculator on the MOD internet site should also be helpful.

See: <http://www.mod.uk/DefenceInternet/AboutDefence/CorporatePublications/PersonnelPublications/Pensions/GOTT/RetiredGurkhaCalculator.htm>

Effect of different pension increases up to age 60

Staff Sergeant						
Age at 1 March 08	Annual difference between GPS and AFPS pension increases					
	0.5% pa	1.0% pa	1.5% pa	2.0% pa	2.5% pa	3.0% pa
33	1.14	1.31	1.49	1.71	1.95	2.22
34	1.14	1.30	1.47	1.67	1.90	2.16
35	1.13	1.28	1.45	1.64	1.85	2.09
36	1.13	1.27	1.43	1.61	1.81	2.03
37	1.12	1.26	1.41	1.58	1.76	1.97
38	1.12	1.24	1.39	1.55	1.72	1.92
39	1.11	1.23	1.37	1.52	1.68	1.86
40	1.10	1.22	1.35	1.49	1.64	1.81
41	1.10	1.21	1.33	1.46	1.60	1.75
42	1.09	1.20	1.31	1.43	1.56	1.70
43	1.09	1.18	1.29	1.40	1.52	1.65
44	1.08	1.17	1.27	1.37	1.48	1.60
45	1.08	1.16	1.25	1.35	1.45	1.56
46	1.07	1.15	1.23	1.32	1.41	1.51
47	1.07	1.14	1.21	1.29	1.38	1.47
48	1.06	1.13	1.20	1.27	1.34	1.43
49	1.06	1.12	1.18	1.24	1.31	1.38
50	1.05	1.10	1.16	1.22	1.28	1.34
51	1.05	1.09	1.14	1.20	1.25	1.30
52	1.04	1.08	1.13	1.17	1.22	1.27
53	1.04	1.07	1.11	1.15	1.19	1.23
54	1.03	1.06	1.09	1.13	1.16	1.19
55	1.03	1.05	1.08	1.10	1.13	1.16

GPS pension rates for 2007-08 - £ a year

Staff Sergeant	2007-08 pension (£ a year)
Years of service	
18	1,894
19	1,969
20	2,045

Notes:

1. Details of the latest GPS pension rates are on the MOD internet site. The pension figures in this table include the increases announced in summer 2007, which have not yet been put into payment. The new rates will be applied as soon as possible.
2. An exchange rate of 85 ICRs to the £ sterling has been used to convert GPS pension into £ a year.

WARRANT OFFICER 2

AFPS 75 preserved pension increased to the year 2007-08, £ a year

Warrant Officer 2											
Length of service	Year of leaving										
	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
15	6,410	6,375	6,518	6,696	6,825	7,122	7,314	7,295	7,396	7,418	7,401
16	6,838	6,799	6,952	7,142	7,280	7,597	7,802	7,781	7,888	7,912	7,894
17	7,266	7,224	7,386	7,589	7,735	8,071	8,290	8,268	8,382	8,406	8,387
18	7,693	7,649	7,821	8,035	8,191	8,546	8,778	8,754	8,875	8,901	8,881
19	8,120	8,074	8,255	8,482	8,646	9,021	9,265	9,240	9,368	9,395	9,374
20	8,547	8,499	8,690	8,928	9,101	9,496	9,753	9,727	9,861	9,890	9,868
21	8,974	8,924	9,125	9,375	9,556	9,971	10,240	10,213	10,354	10,385	10,361

Notes:

1. Preserved pension figures increased by UK inflation to 2007-08, based on rank, length of service and year of leaving.
2. A full year's pension increase has been applied to the preserved pension at the April following the year of leaving. In practice, figures are likely to be a little different, depending on when you left service. The year of leaving runs from 1 April to 31 March of the following year.
3. The preserved pensions shown are at 2007-08 rates. The rates paid from age 60 will be based on rises in UK inflation between now and then.
4. The pension figures shown are for exact years of service. In practice you would be awarded a pension that allowed for any part year of service completed.

Percentage of AFPS 75 preserved pension left at age 60 for Warrant Officer 2

Warrant Officer 2											
Age at 1 Mar 08	Year of leaving										
	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
All Ages	38%	40%	42%	44%	45%	47%	50%	52%	54%	55%	60%

Example - GPS v AFPS 75 comparison

Warrant Officer 2 age 43 at 1 March 2008 who left the Army in 2004-05 with 20 years' service

- Current **GPS** = £2,127 a year (gross) - see table later
- AFPS 75** preserved pension available from age 60 = £9,727 a year
- Amount of **AFPS 75** remaining at age 60 = 52%
- Multiply (b) by (c) = £5,058 a year (taxable)
- From table "Effect of different pension increases up to age 60" increase line (a) by 1.29 = £2,744 gives **GPS** pension at age 60 to compare with **AFPS 75** pension in line (d) at current prices.
- Remember that this is an illustration only. If the difference in the £ sterling equivalent annual indexation of the **GPS** and **AFPS 75** payments before age 60 turns out to be above or below the 1½% a year assumed in the example, the balance between **GPS** and **AFPS 75** would change. You can use a different factor from the table "Effect of different pension increases up to age 60" to do your own "What if?" calculations. The calculator on the MOD internet site should also be helpful.

See: <http://www.mod.uk/DefenceInternet/AboutDefence/CorporatePublications/PersonnelPublications/Pensions/GOTT/RetiredGurkhaCalculator.htm>

Effect of different pension increases up to age 60

Warrant Officer 2						
Age at 1 March 08	Annual difference between GPS and AFPS pension increases					
	0.5% pa	1.0% pa	1.5% pa	2.0% pa	2.5% pa	3.0% pa
33	1.14	1.31	1.49	1.71	1.95	2.22
34	1.14	1.30	1.47	1.67	1.90	2.16
35	1.13	1.28	1.45	1.64	1.85	2.09
36	1.13	1.27	1.43	1.61	1.81	2.03
37	1.12	1.26	1.41	1.58	1.76	1.97
38	1.12	1.24	1.39	1.55	1.72	1.92
39	1.11	1.23	1.37	1.52	1.68	1.86
40	1.10	1.22	1.35	1.49	1.64	1.81
41	1.10	1.21	1.33	1.46	1.60	1.75
42	1.09	1.20	1.31	1.43	1.56	1.70
43	1.09	1.18	1.29	1.40	1.52	1.65
44	1.08	1.17	1.27	1.37	1.48	1.60
45	1.08	1.16	1.25	1.35	1.45	1.56
46	1.07	1.15	1.23	1.32	1.41	1.51
47	1.07	1.14	1.21	1.29	1.38	1.47
48	1.06	1.13	1.20	1.27	1.34	1.43
49	1.06	1.12	1.18	1.24	1.31	1.38
50	1.05	1.10	1.16	1.22	1.28	1.34
51	1.05	1.09	1.14	1.20	1.25	1.30
52	1.04	1.08	1.13	1.17	1.22	1.27
53	1.04	1.07	1.11	1.15	1.19	1.23
54	1.03	1.06	1.09	1.13	1.16	1.19
55	1.03	1.05	1.08	1.10	1.13	1.16

GPS pension rates for 2007-08 - £ a year

Warrant Officer 2	2007-08 pension (£ a year)
Years of service	
19	2,048
20	2,127
21	2,206

Notes:

1. Details of the latest GPS pension rates are on the MOD internet site. The pension figures in this table include the increases announced in summer 2007, which have not yet been put into payment. The new rates will be applied as soon as possible.
2. An exchange rate of 85 ICRs to the £ sterling has been used to convert GPS pension into £ a year.

WARRANT OFFICER 1

AFPS 75 preserved pension increased to the year 2007-08, £ a year

Warrant Officer 1											
Length of service	Year of leaving										
	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
15	7,122	7,082	7,241	7,440	7,538	7,757	7,893	7,872	7,864	7,888	7,869
16	7,598	7,554	7,724	7,935	8,040	8,274	8,419	8,396	8,388	8,413	8,394
17	8,073	8,026	8,207	8,431	8,542	8,792	8,946	8,922	8,913	8,940	8,918
18	8,547	8,498	8,690	8,928	9,045	9,308	9,471	9,446	9,436	9,465	9,443
19	9,022	8,970	9,172	9,423	9,548	9,825	9,998	9,970	9,961	9,991	9,968
20	9,496	9,442	9,656	9,919	10,050	10,342	10,523	10,496	10,485	10,516	10,492
21	9,972	9,914	10,138	10,416	10,553	10,859	11,050	11,020	11,010	11,043	11,017

Notes:

1. Preserved pension figures increased by UK inflation to 2007-08, based on rank, length of service and year of leaving.
2. A full year's pension increase has been applied to the preserved pension at the April following the year of leaving. In practice, figures are likely to be a little different, depending on when you left service. The year of leaving runs from 1 April to 31 March of the following year.
3. The preserved pensions shown are at 2007-08 rates. The rates paid from age 60 will be based on rises in UK inflation between now and then.
4. The pension figures shown are for exact years of service. In practice you would be awarded a pension that allowed for any part year of service completed.

Percentage of AFPS 75 preserved pension left at age 60 for Warrant Officer 1

Warrant Officer 1											
Age at 1 Mar 08	Year of leaving										
	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
All Ages	36%	38%	40%	42%	44%	47%	50%	53%	55%	58%	61%

Example - GPS v AFPS 75 comparison

Warrant Officer 1 age 48 at 1 March 2008 who left the Army in 2000-01 with 21 years' service

- Current **GPS** = £2,294 a year (gross) - see table later
- AFPS 75** preserved pension available from age 60 = £10,416 a year
- Amount of **AFPS 75** remaining at age 60 = 42%
- Multiply (b) by (c) = £4,375 a year (taxable)
- From table "Effect of different pension increases up to age 60" increase line (a) by 1.20 = £2,753 gives **GPS** pension at age 60 to compare with **AFPS 75** pension in line (d) at current prices.
- Remember that this is an illustration only. If the difference in the £ sterling equivalent annual indexation of the **GPS** and **AFPS 75** payments before age 60 turns out to be above or below the 1½% a year assumed in the example, the balance between **GPS** and **AFPS 75** would change. You can use a different factor from the table "Effect of different pension increases up to age 60" to do your own "What if?" calculations. The calculator on the MOD internet site should also be helpful.

See: <http://www.mod.uk/DefenceInternet/AboutDefence/CorporatePublications/PersonnelPublications/Pensions/GOTT/RetiredGurkhaCalculator.htm>

Effect of different pension increases up to age 60

Warrant Officer 1						
Age at 1 March 08	Annual difference between GPS and AFPS pension increases					
	0.5% pa	1.0% pa	1.5% pa	2.0% pa	2.5% pa	3.0% pa
33	1.14	1.31	1.49	1.71	1.95	2.22
34	1.14	1.30	1.47	1.67	1.90	2.16
35	1.13	1.28	1.45	1.64	1.85	2.09
36	1.13	1.27	1.43	1.61	1.81	2.03
37	1.12	1.26	1.41	1.58	1.76	1.97
38	1.12	1.24	1.39	1.55	1.72	1.92
39	1.11	1.23	1.37	1.52	1.68	1.86
40	1.10	1.22	1.35	1.49	1.64	1.81
41	1.10	1.21	1.33	1.46	1.60	1.75
42	1.09	1.20	1.31	1.43	1.56	1.70
43	1.09	1.18	1.29	1.40	1.52	1.65
44	1.08	1.17	1.27	1.37	1.48	1.60
45	1.08	1.16	1.25	1.35	1.45	1.56
46	1.07	1.15	1.23	1.32	1.41	1.51
47	1.07	1.14	1.21	1.29	1.38	1.47
48	1.06	1.13	1.20	1.27	1.34	1.43
49	1.06	1.12	1.18	1.24	1.31	1.38
50	1.05	1.10	1.16	1.22	1.28	1.34
51	1.05	1.09	1.14	1.20	1.25	1.30
52	1.04	1.08	1.13	1.17	1.22	1.27
53	1.04	1.07	1.11	1.15	1.19	1.23
54	1.03	1.06	1.09	1.13	1.16	1.19
55	1.03	1.05	1.08	1.10	1.13	1.16

GPS pension rates for 2007-08 - £ a year

Warrant Officer 1	2007-08 pension (£ a year)
Years of service	
20	2,212
21	2,294

Notes:

1. Details of the latest GPS pension rates are on the MOD internet site. The pension figures in this table include the increases announced in summer 2007, which have not yet been put into payment. The new rates will be applied as soon as possible.
2. An exchange rate of 85 ICRs to the £ sterling has been used to convert GPS pension into £ a year.

AFPS 05 preserved pension value from age 65 - relevant to a few in Group 1 (applies to soldiers only)

A small number of retired Gurkhas are eligible for **AFPS 05**, as they left the Army on or after 6 April 2006 (when the scheme was made available to serving members of the Army who joined before 6 April 2005). Unless you left at age 55 or later, you do not qualify for a pension paid immediately. A few retired Gurkhas have enough service to qualify for **EDPs** (a minimum 18 years' service and at least age 40 when you left the Army), with a **preserved pension** from age 65, and an example of how to calculate these payments is shown in the section for Group 2.

If you do not qualify for a pension paid immediately, a preserved pension would be paid from age 65, five years later than is the case in **AFPS 75**. The option of transferring to **AFPS 05** rather than **AFPS 75** for those who do not qualify for EDPs is therefore unlikely to be attractive, although there are better (family) death benefits paid in **AFPS 05**. Look at the comparison table on pages 20 to 23 for the details.

AFPS 75 and AFPS 05 benefits for those with enough service to qualify for immediately paid benefits - relevant to Group 2

If you have enough service to qualify for AFPS benefits paid immediately (see table on page 24) and you choose to transfer, **SPVA** will arrange for the appropriate AFPS benefits to be paid instead of your **GPS** benefits, backdated to your last day of Army service. There could be large back payments for some. The process may take up to six months to put into effect.

It may be beneficial to have a sterling-based bank account so that your AFPS payments can be made to you. While it is possible to have a foreign currency account, say in Nepalese Currency Rupees, the Paymaster Agency which pays pensions for MOD would charge you every time it made a payment, and you would also have an exchange rate risk. Please provide details of your bank account and National Insurance number when you return your election form.

Value of **AFPS 75** immediate pension benefits

The table opposite shows the percentage to be applied to service before 1 July 1997 to convert **GPS** pensionable service into broadly equivalent **AFPS 75** pensionable service. Service on or after 1 July 1997 converts into **AFPS 75** service at 100%, or year-for-year.

The UK tax rules do not allow payment of a second tax-free **pension lump sum** in these circumstances. If you decide to transfer to **AFPS 75**, you should therefore note that there would not be a pension lump sum.

If you decided to transfer your pension benefits, the **GPS** payments made since you left the Army would be taken away from the **AFPS 75** payments that are due.

An example of how to calculate the **AFPS 75 IP** available to you is shown in the example below.

Rank at leaving	Credit for pre-1 July 97 service %
Rifleman	36
Lance Corporal	36
Corporal	30
Sergeant	29
Staff Sergeant	27
Warrant Officer 2	27
Warrant Officer 1	26
Lieutenant	27
Captain	28
Major	23

Example - calculation of **AFPS 75** Immediate Pension (IP)

Lieutenant with 23 years' service - 15 years before 1 July 1997 and 8 years after

- Service from 1 July 1997 = 8 pensionable years in **AFPS 75**
- Pre-1 July 1997 service in **GPS** converts to **AFPS 75** using a service credit of 27% = $15 \times 0.27 = 4.05$ pensionable years
- Total **AFPS 75** service = (a) + (b) = 12.05 pensionable years
- To calculate **AFPS 75** annual IP look at the 23 year pension figure for your year of leaving the Army (all pension tables available on MOD internet site) and multiply that figure by 12.05/23
- There is no pension lump sum allowed by UK tax rules on your transfer to **AFPS 75**.
The taxable pension payments at (d) above would therefore be increased by an additional annual payment to take account of this. The size of this additional annual payment would depend on your individual circumstances. For example, if you have taken commutation from the **GPS**, this additional amount will be much smaller because more **GPS** lump sum will need to be deducted from the amount due to you.

Value of **AFPS 05** Early Departure Payments (**EDP**)

EDPs are made up of a tax-free lump sum of three times the **preserved pension** (calculated at the date you left the Army) and a regular, taxable income of between 50-75% of preserved pension paid until age 65, when the preserved pension is paid (see scheme booklet for details).

UK tax rules do not allow the payment of a second tax-free **pension lump sum** to individuals who have already received one tax-free lump sum and who are not earning further pension to support the payment of a second lump sum.

The **AFPS 05** preserved pension is calculated as follows:

$$\frac{\text{AFPS 05 pensionable service}}{70} \times \text{Final pensionable pay}$$

“Final pensionable pay” is the best consecutive 365 days’ pay in your final three years of service, usually earned in your last 12 months of service.

Example - calculation of Early Departure Payments

If pensionable service is, say, 18 years* and final pensionable pay is £20,000 a year, **AFPS 05** preserved pension is

$$\frac{18}{70} \times 20,000 = \text{£5,143 a year}$$

EDP payments are calculated as follows:

$$\text{EDP lump sum (tax-free)} = 3 \times \text{pension} = \text{£15,429}$$

$$\text{EDP income (taxable) at 18/40 point} = \text{£5,143} \times 50\% = \text{£2,572 a year}$$

The EDP income does not change in value until you reach age 55 when it increases to 75% of preserved pension (= £3,857 in the above example) and is then index-linked back to your last day of service and every year thereafter. EDP income stops at age 65 when preserved pension is paid. The pension of £5,143 calculated when you left the Army, say at age 40, is index-linked by UK price rises since the last day of service before it is paid. UK tax rules do not allow the payment of a second tax-free pension lump sum in these circumstances.

* Remember that pre-1 July 1997 service is converted to broadly equivalent AFPS pensionable service using the service credits on page 43. You should therefore use your own total of AFPS pensionable years instead of the figure of 18 years used in this example. If this is lower than 18, then the preserved pension and EDP benefits would also be lower than those shown in the calculation.

USEFUL INFORMATION

Website

Internet: www.armedforcespensions.mod.uk

GOTT Service Centre

GOTT Service Centre,
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Gould House
AGC Centre
Worthy Down
Winchester
Hampshire
SO21 2RG
United Kingdom

Telephone: +44(0)141 224 3600 (option 5)

Fax: +44(0)1962 887167

Free phone (UK only): 0800 085 3600 (option 5)

Email: gurkha-ott@spva.mod.uk

Opening hours: 0830 - 1630

Service Personnel and Veterans Agency - for the Armed Forces Compensation Scheme and War Pensions Scheme

Veterans Agency
Thornton-Cleveleys
Lancs
FY5 3WP
United Kingdom

Freephone (UK only): 0800 169 2277

Free Minicom: 0800 169 3458

Telephone: +44 (0)1253 866043

E-mail: help@veteransagency.gsi.gov.uk

VA's Website: www.veterans-uk.info

Independent Financial Advice

There is a list of Service accredited providers of independent financial advice which can be provided by the GOTT Service Centre (available also through the MOD internet website). Alternatively, you may use an adviser of your choice. The MOD will not pay for any financial advice.

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