

## **Pensions & Compensation Policy Instruction**

**The Armed  
Forces Pension  
Schemes**

**PCPI 04/15**

**2015**

Reference: CDP Remuneration – AFPS75 – Pensions - OCFRs

### **Officers Commissioned From the Ranks Changes to Rank Addition and Commissioned Service Addition – Immediate Pension only**

Which schemes are affected:	AFPS 75
Who should read this:	Veterans UK MOD Authority
Date of Issue:	24 February 2015
When it takes effect:	1 April 2015
Review date:	Not Applicable
Contact points:	Pers Trg-Rem-AFPS Pol 2

#### **INTRODUCTION / ISSUE**

1. This PCPI announces changes to the AFPS 75 rules for Rank Addition (RA) and Commissioned Service Addition (CSA) for Officers Commissioned from the Ranks (OCFR). The amendments are effective from 1 April 2015.
2. The following rules are amended (see Annex A):
  - a. D5 – Amount of Immediate Pension Other Officers
  - b. D6 – Amount of Immediate Pension Other Ranks
  - c. D14 – Rank Addition – other ranks

#### **POLICY INTENT - RANK ADDITION**

3. RA is intended for members promoted within the same rank structure, and is not to be applied across the rank structure i.e. promoted from Other Rank to Officer. An OCFR member is not entitled to RA on leaving service within two years of being commissioned.

#### **POLICY INTENT – COMMISSIONED SERVICE ADDITION**

4. The qualification period for a CSA is reduced from two years to one year. OCFR entitlement to a CSA is as follows:

<b>Period Served as an OCFR</b>	<b>CSA Entitlement</b>
Officer Service less than one year	No Entitlement
Officer Service more than one year but less than two years	Substantive pension rank (OR scale) (see example Annex B) plus CSA for the OR rank pro rata for time as an Officer.
Officer Service more than two years but less than five with PVR retirement	Pension calculated as a OR9 plus CSA pro rata for time as an Officer

5. In the event of an OCFR member being made redundant or retiring due to ill health before reaching the two year point, the pension rank shall be that held on the last day of service, i.e. the Officer rank without the addition of RA or CSA.

6. A OCFR who voluntarily leaves before they have served two years commissioned service and does not qualify for an immediate pension (22 years service) shall become a deferred member. On award of pension, at age 60 or age 65, there is no entitlement to a CSA or RA.

#### **RATIONALE FOR CHANGE**

7. A RA is worth approximately double the value of a CSA. The rules have been amended to deal with OCFRs leaving before they reach the two year point who would otherwise gain a significant pension advantage on being awarded a RA compared to those serving more than two years who would leave with a pension calculated as an OR9 plus a CSA. This amendment removes the possibility of an OCFR being awarded an RA (which is a higher value than CSA) instead of a CSA and prevents the member from receiving both

#### **ACTION REQUIRED**

8. Veterans UK procedures will need to be amended to reflect the following changes in regulations:

- a. Restrict RAs to the same rank structure, either OR or Officer and ensure that they are not applicable to OCFR with less than two years commissioned service.
- b. Reduce the qualifying period for a CSA from two years to one year.
- c. A set of new CSA rates in the pension codes for Tri-service, Special Forces and Gibraltar Regt that have a CSA for each rank below OR9 will be produced as part of the 2015/2016 pension code. The rates will need to be updated as part of the normal update process to the pension codes

## **Distribution**

### CDP Remuneration:

AF Pensions AHd

### Pay Colonels

Navy Pers-PPA SO1

Army PersSvcs-PS10-AD

Air-COSPers-Pol PayAllces DACOS

### Veterans UK - MOD Authority:

DBS Vets-Pensions-C1

DBS Vets-OPPT-C1-2

DBSVets-Pensions C2-3

DBS Vets-Pensions-C2-5

DBSVets-Pensions C2-1

DBSVets-Pensions C2-2

DBS Vets-OPPT-D-23

Government Actuaries Department

### Annexes

A. Amendments to AFPS 75 Rules

B. Example CSA Calculation

**AMENDMENTS TO AFPS 75 RULES**

Amendments to the rules are highlighted

- a. Naval and Marine (Armed Forces Pension Scheme 1975 and Attributable Benefits Scheme) (Amendment) Order 2010
- b. Army (Armed Forces Pension Scheme 1975 and Attributable Benefits Scheme) (Amendment) Warrant 2010
- c. Air Force (Armed Forces Pension Scheme 1975 and Attributable Benefits Scheme) (Amendment) Order 2010

**D.5 Amount of immediate pension: other officers**

(1) This rule applies if—

- (a) a member is entitled to a pension under rule D.1 or D.1A;
- (b) the member's pension rank is that of OF-1 or above;
- (c) rule D.4 (officers of or above OF-7 rank) does not apply; and
- (d) the ill-health condition is not met.

(2) Subject to the following provisions of this rule and rule D.10 (increase at age 60 or 65), the annual amount of the pension is the aggregate of—

- (a) the amount specified, for a person of the member's pension rank with the number of whole years' reckonable service that the member has, in the relevant table in the pension code in force on the member's last day of pensionable service; and
- (b) if rule D.8 (reckonable service in excess of whole years), D.13 (rank addition) or D.15 (professional supplement) applies, an additional amount calculated in accordance with that rule.

(3) If the member—

- (a) ceases service—
  - (i) at the end of the period for which the member's terms and conditions of commission commit the member to serve, or
  - (ii) on or after reaching the member's normal retirement age,
- (b) is called upon to retire for reasons outside the member's control, or
- (c) is notified by the Defence Council that the member is to be treated for the purposes of AFRS as having become redundant,

for the purposes of paragraph (2)(a) the relevant table is that setting out rates of pension paid on compulsory retirement for officers.

(4) If paragraph (3) does not apply, for the purposes of paragraph (2)(a) the relevant table is that setting out rates of pension paid on premature voluntary retirement for officers.

(5) If the member—

- (a) was serving in a permanent cadre of the special forces immediately before ceasing service, or
- (b) served in such a cadre for a period of at least two years, or two or more periods amounting in total to at least two years, within the period of five years ending with the member's last day of pensionable service,

in paragraph (2)(a) “the pension code” means the pension code for the special forces.

(6) If—

~~(a) the member has not completed five years’ qualifying service as an officer, and~~

(a) the member has completed more than two but less than five years’ qualifying service as an officer; and

(b) the member ceases service at the member’s own request,

the annual amount of the pension is calculated under rule D.6, and not this rule, as if the member had been discharged with the pension rank of OR-9 on the day on which the member ceased service.

#### **D.6 Amount of immediate pension: other ranks**

(1) This rule applies if—

(a) a member is entitled to a pension under rule D.1;

(b) the member’s pension rank is that of OR-9 or below; and

(c) the ill-health condition is not met.

(2) Subject to the following provisions of this rule and rule D.10 (increase at age 60 or 65), the annual amount of the pension is the aggregate of—

(a) the amount specified, for a person of the member’s pension rank with the number of whole years’ reckonable service that the member has, in the relevant table in the pension code in force on the member’s last day of pensionable service;

(b) if rule D.8 (reckonable service in excess of whole years), D.14 (rank addition) or D.15 (professional supplement) applies, an additional amount calculated in accordance with that rule; and

(c) if the member served as an officer for a period of ~~at least two years~~, **at least one year**, an additional amount calculated in accordance with paragraph (8).

(3) Unless paragraph (4) applies, for the purposes of this rule the relevant table is that setting out standard rates of service pension for ratings and other ranks.

(4) If the member is discharged in accordance with a sentence of dismissal with disgrace passed by the Court Martial, for the purposes of this rule the relevant table is that setting out lower rates of service pension for ratings and other ranks.

(5) If the member’s pension rank is one from which the member was reduced by way of punishment for an offence, paragraph (2)(a) applies as if the member’s pension rank were that held on the member’s last day of pensionable service, unless—

(a) rule D.7 (ill-health pension) applies; or

(b) the Defence Council directs that this paragraph shall not apply.

(6) For the purposes of paragraph (5) a reduction in the member’s rank under section 293 of the Armed Forces Act 2006<sup>(1)</sup> (effect of custodial sentence or sentence of detention) is to be treated as a reduction by way of punishment.

(7) If—

(a) the member—

(i) was serving in a permanent cadre of the special forces immediately before ceasing service, or

(ii) served in such a cadre for a period of at least two years, or two or more periods amounting in total to at least two years, within the period of five years ending with the member’s last day of pensionable service, and

(b) the member was not an officer before joining the special forces,

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(1) 2006 c. 52.

in paragraph (2)(a) “the pension code” means the pension code for the special forces.

(8) The additional amount mentioned in paragraph (2)(c) is the product of—

- (a) the number of years for which the member served as an officer; and
- (b) the amount of the annual commissioned service addition specified in the pension code in force on the last day of the member’s pensionable service.

(9) If—

- (a) at a time when the member has at least 22 years’ qualifying service that were served after the member reached the age of 18, the member begins to serve in a lower rank, and
- (b) the alternative amount given by paragraph (10) is greater than that given by paragraph (2),

the annual amount of the pension is that alternative amount.

(10) The alternative amount is that given by the formula

$$A + \frac{(B - C) \times y}{15},$$

where—

A is the amount that would be given by paragraph (2) if the member had ceased pensionable service instead of beginning to serve in the lower rank;

B is the amount specified, for a person whose pension rank is the lower rank and who has 37 years’ reckonable service, in the relevant table in the pension code in force on the member’s last day of pensionable service;

C is the amount specified, for a person whose pension rank is the lower rank and who has 22 years’ reckonable service, in the relevant table in the pension code in force on the member’s last day of pensionable service; and

y is the number of years for which the member serves in the lower rank.

#### **D.14 Rank addition: other ranks**

(1) This rule applies if—

- (a) a member is entitled to a pension under rule D.1 or D.11;
- (b) the member’s pension rank is that of OR-9 or below; and
- (c) the member has held a substantive or paid acting rank, higher than the member’s pension rank—
  - (i) for a single period of which at least one year (but less than two years) fell within the qualifying period; or
  - (ii) for two or more periods of which at least one year in total (but less than two years) fell within that period.

(2) The amount of the rank addition is that given by the formula

$$(Y - X) \times \frac{Z}{730}$$

where—

X is the amount that would be given by rule D.6, D.7 or D.12 (as the case may be) if references to this rule were disregarded;

Y is what that amount would be if the member’s pension rank were—

- (a) if during the qualifying period the member was reduced in rank on grounds of misconduct, one rank higher than the member’s pension rank;
- (b) otherwise, the higher rank mentioned in paragraph (1); and

Z is the number of days (within the qualifying period) for which the member held that higher rank.

(3) Paragraphs (4) to (6) apply if—

- (a) the member has held two ranks, both higher than the member's pension rank; and
- (b) the aggregate of the periods for which the member has held those ranks (within the qualifying period) is at least one year.

(4) If the member has held the higher of those ranks for less than one year within the qualifying period, this rule applies as if the lower of those ranks had been held for the aggregate of the periods for which either rank was held.

(5) But, if the lower of those ranks is a substantive rank and the higher is a paid acting rank, in paragraph (4) the reference to the aggregate of the periods for which either rank was held does not include any period for which the substantive rank was not held.

(6) If the member has held the higher of those ranks for at least one year within the qualifying period—

- (a) this rule applies in relation to the lower of those ranks, even if the member held that rank for less than one year within that period; but
- (b) the period for which the higher of those ranks was held is to be disregarded in calculating the amount of the rank addition in respect of the lower.

(7) In this rule—

“the amount of the rank addition” means the additional amount mentioned in rule D.6(2)(b), D.7(2)(b) or D.12(1)(b)(ii) (as the case may be);

“the qualifying period” means the qualifying period.

(8) Members commissioned from the ranks are not entitled to any rank addition, under this rule, if they leave service within two years of being commissioned.

In this rule “commissioned from the ranks” means a member whose pension rank is OR-9 or below who is promoted to OF-1 or above.

**Example CSA Calculation**

An Officer retires on 30 Apr 14.

- He was commissioned from the ranks on 26 Jan 13, from an OR4, and
- Served 1 year 95 days of his commission in the rank of OF2

On his retirement, he is entitled to OR4 pension plus a CSA as follows:

<b>Reckonable service from age 18</b>	<b>OR4 pension rates</b>	<b>CSA Rate of CSA per annum x period served as a OCFR</b>	<b>Final OR4 pension</b>
<b>30 years</b>	<b>£12,564</b>	<b>£146.92 pa x 1.2602 = £185.12</b>	<b>£12,564 + £185.12 = £12,749.12</b>