

**Pensions & Compensation
Policy Instruction**

**The Armed
Forces Pension
Schemes**

PCPI 09/14

2014

Reference: Armed Forces Pensions – Increasing Benefits

**Additional Voluntary Contributions (AVCs) for Added Years - Refunds and
Conversion to Survivor Benefits**

Which schemes are affected:	AFPS 75
Who should read this:	DBS Veterans UK
Date of Issue	20 August 2014
When it takes effect:	20 August 2014
Review date:	20 August 2016
Contact points:	MB 84354 PersTrg-Rem-AFPSPol2@mod.uk

Issue

1. Options for members of AFPS75 who have made Additional Voluntary Contributions (AVCs) to purchase Added Years that will exceed the maximum benefits available under the scheme – including members who transfer to AFPS 15 with an AFPS 75 AVC contract in place.

Policy - Refund or Conversion of Surplus AVCs

2. Contributions that are paid by a member will not normally be refunded, except in certain exceptional circumstances:

a. Departmental Request to Extend Service

When the member's terms and condition of service are changed by the Department so that the reckonable service with the enhancement of Added Years exceeds the maximum allowable under the scheme rules, the member may be offered enhanced survivor benefits to the value of the over-funding, or a refund of contributions after the repayment of any tax relief that the member benefitted from.

b. Extension of Service at Member's Own Request

A personal request to extend service is not considered to be an exceptional circumstance. Although the application to extend may be endorsed by the Services, the member makes the choice in the

knowledge that by completing further service they may have reckonable service in excess of that required for a full career pension at the point of retirement. No refund of contributions is made, however, any excess contributions can be converted to enhance survivors' pension benefits.

Members Transferring to AFPS 15

3. For members who transfer to AFPS 15 on 1 April 2015, Added Years AVCs purchased before April 2015 will continue unchanged in accordance with AFPS 75 AVC rules. Members will continue to pay their AVCs and the added years' service will be added to the individual's AFPS75 benefits when they leave the Armed Forces. The options to refund or convert set out in 2a and b above will also apply to these members, but the option to convert will be limited to enhanced survivor benefits and cannot be converted to Added Pension under the AFPS15.

Factors used in conversion to survivor benefits

4. The rates published in the factor tables at the time the AVC was purchased will apply, which may convert to a lower rate for survivor benefits than current factors.

Background

5. The Armed Forces Pension Scheme 1975 (Amendment) 2010 rules that came into force on 3 Jan 2011 (the scheme rules) do not contain any express provision to allow for Added Years AVCs to be refunded or converted when a member continues in Service beyond age 55.

6. Active members of AFPS 75 may purchase Added Years to increase reckonable service for pension purposes. The option to purchase Added Years provides a guaranteed benefit payable at retirement. More than one Added Years contract may be entered into. However, additional contributions must not exceed the scheme limit of 15% of pensionable income each tax year and the member's current period of service (or earlier period that has been aggregated) must have started before their 46th birthday.

7. The ability to purchase Added Years is also limited in respect of the number of reckonable years service until normal retirement age, which is age 55 in most cases. Reckonable service starts from age 21 for Officers and age 18 for Other Ranks and includes periods of previous service and service that has been transferred in from other schemes. Added Years can be bought as whole or part years.

8. Members transferring to AFPS 15 must have entered into a contract to purchase AFPS75 Added Years AVCs before 31 March 2015.

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:

DBSVets-Pensions-AH

DBSVets-Pensions C1

DBSVets-Pensions C2-1

DBSVets-Pensions C2-2

DBSVets-Pensions C2-3

DBSVets OPPT C1-2

DBSVets OPPT D-23

GAD: