

CHAPTER 44

REDUNDANCY - COMPENSATION TERMS**SECTION 1 - GENERAL CONDITIONS****3170.***Sponsor: SPP(Pens)*

- (1) Instructions will be issued as and when necessary on the scope of redundancy, the selection procedures and the extent to which applications may be made for premature release on redundancy terms.
- (2) Compensation will take the form of a tax free lump sum payment known as a special capital payment. In addition where an appropriate period of service has been given an immediate pension (or retired pay) and Terminal grant may be paid.
- (3) Qualifying Service means full pay service from age 18. Reckonable Service means full pay service from age 18 for servicemen and age 21 for officers, whilst a member of the AFPS. Additionally, for the purposes of calculating the rate of pension and terminal grant, notional years of service which have been bought under the Purchase of Added Years Scheme and actual service brought into the AFPS by way of a Transfer Value may be included as reckonable, but not qualifying. Contracted out service means full pay service during which contracted out rates of National Insurance contributions were paid.

SECTION 2 - OFFICERS SERVING ON PERMANENT COMMISSIONS**3171. Special Capital Payments.***Sponsor: SPP(Pens)*

- (1) The amount of the special capital payment will be equivalent to a number of months pay as follows:

- (a) Officers with at least 13 years qualifying service:

Uncompleted portion of career to normal retiring age	Special capital payment (Note 1)
Years	Months pay
5 or more	18
4	15
3	11
2	7
1	3
Less than 1 year	See Note 2

Note 1. The payments shown are for whole years of uncompleted service. Each further calendar month of uncompleted service will attract a payment of 1/12th of the extra compensation for a further whole year of uncompleted service, subject to a maximum of 18 months pay.

- (b) Officers with 12 years or more, but less than 13 years qualifying service:

Years of qualifying Service	Special capital payment (see Note 2)
12 years	15 months pay

(c) Officers with less than 12 years qualifying service:

Years of qualifying Service Years	Special capital payment (Note 3) Months pay
11	19
10	17
9	15
8	14
7	12
6	10
5	9
4	7
3	5
2	3
1	1

Note 2. For periods of less than 1 year, each calendar month will attract a payment of 1/12th of the compensation for 1 year of uncompleted service.

Note 3. The payment shown is for 12 whole years of qualifying service. Each further calendar month of service will attract a payment of 1/12th of the extra compensation for a further complete year of service subject to a maximum of 18 months pay.

(2) Special capital payments will be assessed as follows:

(a) Pay will be the basic military salary in issue on the last day of full pay service or, if more favourable, the rate appropriate to any paid acting rank held on conclusion of the last appointment before retirement, excluding all forms of additional pay and allowances in either case. For flight lieutenant specialist aircrew only, pay will be the standard rate of pay plus the difference between the middle rate of flying pay and the rate of specialist flying pay in issue.

(b) A month's pay will be calculated by multiplying the daily rate by 365 and dividing by 12.

3172. Retired Pay and Terminal Grants.

Sponsor: SPP(Pens)

(1) Officers prematurely retired as redundant who have less than 16 years reckonable service but at least 12 years qualifying service, will receive retired pay calculated as a proportion of the 16 year rate according to their lengths of reckonable service. Therefore, for example, an officer with 13 years reckonable service will receive 13/16th of the 16 year rate of retired pay rate for his rank. The normal rule requiring two years service in the substantive rank will be waived.

(2) Where 16 years reckonable service has been completed, retired pay will be determined under the normal rules except that the requirement of two years service in the substantive rank will be waived.

(3) Where retired pay has been awarded under (1) or (2) a terminal grant of three times its annual value will be paid.

(4) Officers who complete two years contracted-out service, but less than 12 years qualifying service will be eligible for preserved benefits normally payable at age 60, at the rates shown in AP 3392, Leaflet 1815. Those officers with at least nine years but less than 12 years reckonable service will receive in addition a resettlement grant subject to completion of satisfactory service.

SECTION 3 - OFFICERS SERVING ON SHORT SERVICE COMMISSIONS

3173.

Sponsor:SP(Pens)

- (1) In the event of premature termination of service owing to redundancy, an officer serving on a Short Service Commission will, in addition to the gratuity or preserved pension award due in respect of the period of service completed, be awarded a tax-free special capital payment calculated on the following basis:
- (a) One month's pay for each year of service completed, or
 - (b) One month's pay for each year by which service is shortened, plus one month's pay, whichever is the less.
- (2) For each further calendar month in addition to full years of completed or uncompleted service, an adjustment will be made of 1/12th of the difference, if any, between the payment for the complete years and the payment for the next complete year.
- (3) In cases where there is less than one year of completed service, each complete calendar month will attract a payment of 1/12th of the compensation rate for one year. In cases where there is less than one year of uncompleted service remaining, each whole uncompleted calendar month will attract a payment of 1/12th of the compensation rate for one year.
- (4) The payment under sub para (1)(a) or (b) above will be assessed in accordance with para 3171(2).

SECTION 4 - SERVICEMEN

3174. **Special Capital Payments.***Sponsor:SPP(Pens)*

- (1) Provided, there is no evidence that they would not have engaged for, or would have been refused, an extension to complete 22 years reckonable service, a special tax free capital payment will be granted on discharge by reason of redundancy to airmen serving on pensionable engagements or engagements in excess of 12 years.
- (2) The amount of the special capital payment will be as set out below:
- (a) Servicemen with 16 years or more qualifying service:

Uncompleted period of engagement	Special capital payment (Note 4)
Years	Months pay
5 or more	18
4	15
3	11
2	7
1	3
Less than 1 year	See Note 6

Note 4. The payments shown are for complete years of service. Each further calendar month of service will attract a payment of 1/12th of the extra compensation for a further complete year, subject to a maximum of 19 months pay.

(b) Servicemen with at least 12 and less than 16 years qualifying service:

Years of complete service Years	Special capital payment (see Note 5) Months pay
15	15
14	
13	13
12	

Note 5. The payments shown are for whole years of uncompleted service. Each further calendar month of uncompleted service will attract a payment of 1/12th of any extra compensation for a further whole year of uncompleted service, subject to a maximum of 18 months pay.

(c) Servicemen with less than 12 years qualifying service:

Years of complete service Years	Special capital payment (Note 6) Months pay
11	19
10	17
9	15
8	14
7	12
6	10
5	9
4	7
3	5
2	3
1	1

Note 6. For periods of less than 1 year, each calendar month will attract a payment of 1/12th of the compensation for 1 year of uncompleted service.

(3) A serviceman who does not qualify for a special capital payment under para **3174(1)** or **3174(2)** will, if discharged prematurely by reason of redundancy, be granted a special capital payment as follows:

- (a) One month's pay for each year of service completed or,
- (b) One month's pay for each complete year by which service is shortened, plus one month's pay, whichever is the less.
- (c) For each further calendar month of service, in addition to the full years of completed or uncompleted service, an adjustment will be made of 1/12th of the difference, if any, between the payment for the complete years and the payment for the next complete year.
- (d) In cases where there is less than one year of completed service, each complete calendar month will attract a payment of 1/12th of the compensation rate for one year. In cases where there is less than one year of uncompleted service remaining, each whole uncompleted calendar month will attract a payment of 1/12th of the compensation rate for one year.

(4) Special capital payments will be assessed as follows:

- (a) Pay will be the rate of pay in issue on the last day of full paid service, or if more favourable, the rate appropriate to any paid acting rank held on conclusion of the last appointment, before discharge. Length of service increments will be included but all other forms of additional pay and allowances will be excluded.

- (b) A month's pay will be calculated by multiplying the daily rate by 365 and dividing by 12.

3175. Pensions and Terminal Grants.

Sponsor: SPP(Pens)

- (1) Servicemen eligible for a special capital payment under the terms of para 3174:
- (a) Who have less than 22 years reckonable service, but at least 12 years qualifying service will receive a pension calculated as a proportion of the 22 year rate according to their lengths of reckonable service. Thus a serviceman with 13 years reckonable service would receive 13/22nd of the 22 year rate of pension;
- (b) Where 22 years reckonable service has been completed, a pension will be calculated at the normal rate payable according to length of reckonable service given;
- (c) Airmen with less than 12 years reckonable service but at least 2 years contracted-out service will be eligible for preserved benefits normally payable at age 60, at the rates shown in AP 3392, Leaflet 1815;
- (d) Where it is to the advantage of the individual, redundancy terminal benefits may be assessed on the substantive rank held at the time of discharge, regardless of the length of time that rank has been held.
- (2) Where a pension has been awarded under Clause 1(a) and (b) above a terminal grant of three times its annual value will be paid.

3176. General Provisions.

Sponsor: SPP(Pens)

Once selected for redundancy officers and servicemen will not be eligible for further acting or substantive promotion whether granted by selection or otherwise; but subject to their occupying a post which justifies its retention, they may retain until final retirement or discharge any acting rank held when selected for redundancy.

3177. Recovery of Special Capital Payment.

Sponsor: SPP(Pens)

- (1) Where an officer or serviceman who has received a Special Capital Payment under the provisions of Chapter 44 is, within 5 years of redundancy, re-employed on full pay in any one of HM Armed Forces he shall be required to refund a proportion of the Special Capital Payment received. The refund will be calculated as follows:

$$\frac{a-b}{a} \times \text{Special Capital Payment}$$

Where a=5 years or the uncompleted period of service on redundancy, whichever is the less, and b=the break in service. In cases of b being greater than a there is no refund.

- (2) If an officer or serviceman who has received a Special Capital Payment under the terms of Chapter 46 takes up, within 2 years of redundancy, an appointment which is reserved for former members of the Armed Forces (including a Retired Officer or similar post in the MOD or other Government Department or an established appointment in the Home Civil Service or Foreign Service under special schemes which reserve vacancies for former members of the Armed Forces), or an appointment made by, or on the recommendation of a Minister of the Crown other than a business appointment where it is required that the application should be so approved, he shall be required to refund part of the Special Capital Payment in accordance with the following formula and associated limitations:

$$\text{Refund} = \left(1 - \frac{A}{24}\right) \times \frac{2B}{3}$$

where A=the number of complete months elapsed since redundancy and B=the annual rate of salary (excluding London Weighting or equivalent supplement) on appointment to the new post.

The associated limitations are that:

- (I) in no case will the amount of Special Capital Payment be reduced by the refund to less than a sum equivalent to 3 month's military salary at the rate defined for the purposes of assessing the Special Capital Payment awarded;
- (ii) where the Special Capital Payment awarded was less than 3 month's military salary as defined, no refund will be required.

- (3) Refunds under sub paras (1) and (2) above are due immediately on taking up employment.

3178-3182. *(Omitted)*