

PENSIONS POLICY INSTRUCTION

Pensions Offer to Transfer to serving and retired Gurkhas

CONTENTS

	<u>Page</u>
Introduction.....	4
 <u>Serving GOTT</u>	
1. Eligibility.....	5
2. Timing of decisions under the GOTT.....	5
3. Which AFPS is a serving Gurkha allowed to join?.....	5
4. Transfer rules.....	6
5. Calculation of qualifying and reckonable service in AFPS...	9
6. Calculation of AFPS 75 pension.....	10
7. Calculation of AFPS 05 pension and Early Departure Payments.....	12
8. Short Service Commission (Gurkha) – SSC(G).....	17
9. Pension sharing on divorce.....	18
 <u>Retired GOTT</u>	
1. Eligibility.....	19
2. Timing of decisions and payments under the GOTT.....	19
3. Which AFPS is a retired Gurkha allowed to join?.....	21
4. Transfer rules.....	22
5. Calculation of qualifying and reckonable service in AFPS.....	24
6. Calculation of AFPS 75 pension.....	25

7.	Calculation of AFPS 05 pension and Early Departure Payments.....	33
8.	Next of kin of eligible deceased Gurkhas.....	44
9.	Disability and invaliding pensioners.....	47
10.	Retired Gurkhas who left without a pension.....	50
11.	Re-employed Gurkha Officers (RGOs).....	51
12.	Short Service Commission (Gurkha) – SSC(G).....	57
13.	Gurkha Commissioned Officers (GCOs) and Honorary Ranks.....	57
14.	Pension sharing on divorce.....	59
Annex A	Scheme Actuary tables showing AFPS 75 preserved pension value remaining at age 60.....	60
Annex B	Scheme Actuary letter describing approach to calculation of benefits for next of kin and individual service credits.....	63
Annex C	Service credits by rank for those transferring to an AFPS 75 service invaliding pension.....	72
Annex D	GPS Payments - currency for assessment and payment.....	73
Annex E	Glossary of common terms used in this PPI.....	74

LIST OF TABLES

Table 1 -	Pension schemes available to serving Gurkhas.....	6
Table 2 -	Serving Gurkha transfer terms.....	7
Table 3 -	Service credit for serving Gurkhas for service before 1 July 1997.....	9

Table 4 -	Pension schemes available to retired Gurkhas.....	22
Table 5 -	Retired Gurkha transfer terms.....	23
Table 6 -	Service credit for retired Gurkhas for service before 1 July 1997.....	23
Table 7 -	Service credits for retired Gurkhas transferring to AFPS 05 and qualifying for Early Departure Payments....	36
Table 8 -	Service credits for retired Gurkhas transferring to AFPS 05 and qualifying for a pension from age 65.....	40
Table 9 -	Individuals discharged on the Gurkha Chronic Conditions List.....	49
Table 10 -	Gurkhas who left without a pension.....	50
Table 11 -	Service credits for GCOs and Honorary Ranks.....	57

Introduction

The following sets out the rules of the two Gurkha Offer to Transfer (GOTT) pensions exercises for use by the Service Personnel and Veterans Agency (SPVA), in amending legislation and in internal (JSP 764) explanatory material. The principles of the two exercises – one for serving Gurkhas and the other for retired Gurkhas - are largely the same, but the rules are different in key areas, reflecting the fact that the retired population is already drawing pension value and has no opportunity for longer service in the Army.

For convenience and to avoid confusion the rules for the two groups have been split into two sections. The annexes at the end include a range of material from the scheme actuary (GAD). There is also a glossary of pension words at the end of this PPI.

The individuals and teams involved in the GOTT are listed below:

SP Pol Pensions

[REDACTED]

LF Sec Gurkha

[REDACTED]

SPVA (Glasgow)

[REDACTED]

SPVA (Worthy Down) – GOTT Service Centre

[REDACTED] – Project Manager
[REDACTED] – Deputy Project Manager

HQBG

[REDACTED]

**Pensions, Compensation and Veterans
July 2009**

RULES FOR SERVING GOTT

1. Eligibility

The following conditions must apply for a Gurkha to have been able to transfer his pension benefits from the Gurkha Pension Scheme (GPS) to one of the two Armed Forces Pension Schemes (AFPS, either 75 or 05):

- Served in the Army on or after 1 July 1997 and was still serving on 1 October 2007; but
- excluding those who joined the Army on or after 6 April 2006 (known as the 2007 intake) who joined AFPS 05 on entry.

2. Timing of decisions under the GOTT

- Gurkhas decided to remain in the GPS or to transfer to the AFPS of their choice from 1 October 2007, known as the Member Transfer Date (MTD);
- The decision is irrevocable unless the individual can show that he was misled by the information provided by the Ministry of Defence (MOD) in the personal benefit statement.

3. Which AFPS is a serving Gurkha allowed to join?

There were restrictions on the choice available to a Gurkha depending on when he joined the Army.

The important date for this group is 6 April 2005, when new entrants to the Army joined AFPS 05. In summary:

- If a Gurkha joined the Army before 6 April 2005 and was serving on 1 October 2007, he could stay in GPS or transfer his benefits into either AFPS 75 or AFPS 05;
- If he joined on or after 6 April 2005 but before 6 April 2006, AFPS 75 membership was not available, as that scheme was closed to new entrants from 6 April 2005. He was able to stay in GPS or transfer into AFPS 05 only;
- New entrants on or after 6 April 2006 were not eligible for the GOTT; both AFPS 75 and GPS were closed schemes, and they therefore joined on AFPS 05 terms.

Table 1 summarises the position.

Table 1 – pension schemes available to serving Gurkhas

	Gurkha groups	Pension schemes available
1.	In service on 1 October 2007 – joined before 6 April 2005	GPS, AFPS 75 or AFPS 05
2.	In service on 1 October 2007 – joined on or after 6 April 2005 but before 6 April 2006 (the 2006 intake)	GPS or AFPS 05
3.	New entrants joining on or after 6 April 2006 (the 2007 and later intakes)	Already in AFPS 05 – not part of GOTT

4. Transfer rules

There are a number of rules associated with the transfer of service from the GPS to the AFPS. These are specific to the GOTT and have no relevance to any other personnel or circumstances. They depend on dates of joining or leaving the Army. Serving Gurkha soldiers who joined the Army as part of the 1994, 1995, 1996 or 1997 intakes were given a higher service credit for their service before 1 July 1997, compared with their retired colleagues, as they face potential early discharge on the Open Engagement.

The details are below.

- GPS service on or after 1 July 1997 transferred into AFPS was given a 100%, or year-for-year, pension credit. This meant that, say, 10 years' pensionable service in GPS was given 10 years' pensionable service in AFPS;
- Soldiers who joined the Army on or after 1 October 1993 (the 1994 intake and later) were given a year-for-year credit for all their service. This was because, on transfer to AFPS 75, they moved from the Gurkha engagement to the wider Army's Open Engagement and face the risk of early discharge at a manning control point. If they are discharged early, they would fail to get to the 22 year immediate pension point in AFPS 75. Instead they would get benefits at preserved pension age. The higher credit was therefore intended to

balance the risk of early discharge. This was not extended to Gurkha officers who received a service credit below 100% for all service before 1 July 97;

- Service before 1 July 1997 for all officers and soldiers who joined the Army before 1 October 1993 was converted to reckonable service in AFPS to give benefits broadly equal in value to the GPS benefits that were earned up to 1 July 1997. GPS service was converted to AFPS reckonable service using a service credit on a rank by rank basis (see table 3 on page 9).

The position is summarised in table 2:

Table 2 – serving Gurkha transfer terms

	Gurkha groups	Percentage value of GPS service in AFPS
1.	All soldiers and officers joining on or after 1 July 1997	100%, that is one year of GPS service earns a credit of one year, if transferred into AFPS 75 or AFPS 05
2.	Soldiers who joined on or after 1 October 1993	Each year of service completed <u>before</u> 1 July 1997 is converted to a year of service in AFPS. An individual who joined in 1994 will therefore have a year-for-year credit for all his service, if he transfers to AFPS
3.	Soldiers who joined before 1 October 1993 and all officers who joined before 1 July 1997	All service before 1 July 1997 will be given a value by the scheme actuary on a rank-by-rank basis designed to give the individual broadly equivalent pension benefits in AFPS to those earned in GPS – see table 3 on page 9

For personnel in groups 1 and 2 in table 2, all their service in GPS will be converted into equivalent years and days of service in AFPS. This is shown in the following examples:

Example group 1: a Gurkha who joined the Army on 1 January 1999 and was a Corporal at 1 October 2007 had 8 years and 9 months' service before 1 October 2007. He gets 8 years and 9 months' reckonable service in AFPS, if he transfers from GPS.

Example group 2: a Gurkha who joined the Army on 1 January 1995 and was a Sergeant at 1 October 2007 had 2 years and 6 months' service before 1 July 1997. He gets 2 years and 6 months' reckonable service in AFPS, added to the year-for-year for his 10 years 3 months' service on or after 1 July 1997, if he transfers from GPS. This gives a total of 12 years and 9 months' service in AFPS.

For personnel in group 3 in table 2 (page 7), service completed before 1 July 1997 will be converted at the rates in table 3 (page 9), as calculated by the scheme actuary.

To convert years and days of service before 1 July 1997 in the GPS into broadly equivalent AFPS service, take the appropriate figure from table 3 and multiply it by the GPS service up to 1 July 1997. Part years of service count towards the calculation. This is shown in the following examples:

Example group 3: a Gurkha who joined the Army on 1 January 1993 and was a Corporal at 1 October 2007 had 4 years 6 months' GPS service before 1 July 1997. This gave 1.35 ($4.5 \times 30\%$) years of reckonable service to transfer to AFPS on top of the year-for-year service from 1 July 1997.

For an officer, the calculation of the AFPS value of service before 1 July 1997 is the same as that for a soldier whose service began before 1 October 1993.

Example: a Captain with 15 years 6 months' service before 1 July 1997 would have the equivalent of 4.3 ($15.5 \times 28\%$) reckonable years credited on transfer to AFPS on top of his year-for-year service from 1 July 1997.

Table 3 – service credit for serving Gurkhas for service before 1 July 1997

Rank at 1 October 2007 (member transfer date)	GPS credit for service before 1 July 1997
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%
Soldiers who joined on or after 1 October 1993	100%

5. Calculation of qualifying and reckonable service in AFPS

A Gurkha starts earning pension in the GPS from age 17. In AFPS 75, the starting age for reckonable service is age 21 for officers and age 18 for soldiers. However, there are special rules for a Gurkha who transfers his service from GPS to AFPS, in terms of the calculation of his AFPS-equivalent reckonable service for pre-1 July 1997 service.

Calculation of reckonable service in AFPS 75

The treatment of any service before age 18/21 will be as follows:

- Service on or after 1 July 1997 will get a credit of one year in AFPS 75 for every year in GPS, but any service before age 21 (officers) or before age 18 (other ranks) does not count for pension;
- All GPS pensionable service before 1 July 1997 will be taken into account in the calculation of AFPS 75 reckonable service, even if it was before age 18 or 21. However, a Gurkha will not be given a credit in

AFPS 75 that is higher than the amount of service given from age 21 (officers) or age 18 (other ranks) before 1 July 1997.

Example: a Major joined the Army at age 20 in 1990 and has 7 years' service before 1 July 1997, but only 6 years from age 21. With his service credit of 23%, his 7 years' service is worth 1.61 (7 x 23%) reckonable years in AFPS 75. This is below the 6 years' service he completed from age 21, so he gets 1.61 years' service in AFPS 75.

The appropriate service credit from table 3 will be used to work out the AFPS reckonable service, bearing in mind that soldiers who joined service on or after 1 October 1993 receive a credit of year-for-year (100%).

Qualifying and reckonable service which counts for AFPS 05 pension

An individual earns pension from the first day of paid service in AFPS 05, so the constraints around age 18/21 described above do not apply. The calculation of any AFPS-equivalent service before 1 July 1997 uses the service credits in table 3.

6. Calculation of AFPS 75 pension

Sections 4 and 5 show how GPS service was converted into AFPS qualifying and reckonable service under the transfer rules of the GOTT. This section shows how the AFPS 75 pension itself is calculated.

The information needed to calculate the pension for a serving Gurkha is:

- AFPS 75 reckonable service. This figure was calculated on transfer at 1 October 2007, member transfer date, in line with the GOTT rules;
- How many qualifying years' service he completed when he left the Army. Has the Gurkha completed enough service to get immediate benefits, 16 years from age 21 for an officer and 22 years from age 18 for a soldier? If not, he gets a preserved pension paid from age 60 (age 65 for service on or after 6 April 2006).

The following examples describe the principles of how a pension is calculated for a Gurkha leaving with immediate or preserved benefits. His rank and years of joining/leaving will determine his pension precisely.

Example for a Gurkha soldier eligible for AFPS 75 immediate benefits: he completes 22 years' qualifying service from age 18 on leaving the Army in 2010 (joined 1988) and is therefore eligible for an immediate pension. However, he has only 16 AFPS reckonable years' service because a service credit (from table 3 on page 9) has been applied to his GPS service before 1 July 1997. The AFPS 75 IP is therefore calculated as the relevant proportion of the full 22 year pension rate for that year of exit and rank; for this individual, that is $16 \div 22$.

Example for an officer eligible for AFPS 75 immediate benefits: he completes 24 years' service from age 18 on leaving the Army in 2010 (joined 1986) and is therefore eligible for an immediate pension. However, he has only 16 AFPS reckonable years' service because a service credit (from table 3 on page 9) has been applied to his GPS service before 1 July 1997. Reckonable service for an officer in AFPS 75 starts from age 21 so the pension is based on 21 (not 24) years. The AFPS 75 IP is therefore calculated as the relevant proportion of the full 21 year pension rate for that rank and year of leaving; for this individual, that is $16 \div 21$.

Example for a Gurkha soldier eligible for AFPS 75 preserved benefits: he completes 18 years' service from age 18 on leaving the Army in 2010 (joined 1992) and is therefore eligible for preserved benefits paid from age 60 (age 65 for service on or after 6 April 2006). However, he has only 15 AFPS reckonable years' service because a service credit (from table 3 on page 9) has been applied to his GPS service before 1 July 1997.

The AFPS 75 preserved pension is therefore calculated as the relevant proportion of the full 18 year pension rate for that year and rank; for this individual, that is $15 \div 18$. This pension is not paid in full until age 65; the rate paid from age 60 is the pension earned before 6 April 2006.

There is therefore, as usual for someone with service on or after 6 April 2006, a two-part calculation to take account of the fact that this service earns pension paid from age 65 not age 60.

The pension from age 60 is based on the 11 years' reckonable service before 6 April 2006 and calculated in the usual way, as follows:

$11 \times 2.75\% \times$ appropriate 37 year pension rate for rank and year of exit

From age 65 – the full rate due is paid, as follows

$15 \times 2.75\% \times$ appropriate 37 year pension rate for rank and year of exit.

In both cases, the pension is increased in the normal way from payment.

Ill-health pensions

A Service Invaliding Pension (SIP) is calculated in the same way as the Immediate Pension example above; that is, calculate the individual's reckonable service, taking account of pre-1 July 1997 service, and use this to

work out the relevant proportion of the full SIP figure for the rank and year of exit.

A Service Attributable Pension (SAP) is calculated on the basis of rank and degree of disability, so pre-1 July 1997 service is not an issue in the calculation. This means that a Gurkha sergeant with 12 years' service and a 30% disability gets the same SAP as a non-Gurkha sergeant in the same circumstances.

Widow and child benefits

The driver of pension benefits for the widow and any children is the pension earned or being paid to the member in AFPS. This figure has been adjusted by the lower pension value of service before 1 July 1997 so no further adjustment is necessary.

The wife of a currently serving Gurkha who dies non-attributably in service gets 50% of her husband's pension (with any child benefits calculated in the usual way) and a tax-free lump sum of three times pensionable pay. If he dies after leaving Service, his widow gets 50% of the pension due to him and a tax-free lump sum of three times the pension. If he dies in retirement (ie. with a pension in payment), his widow gets 50% of the pension, but no lump sum. Any child benefits will be calculated in the usual way.

The usual AFPS 75 rules apply, if the death is due to service, with increased benefits paid to the widow and any children.

7. Calculation of AFPS 05 pension and Early Departure Payments

Sections 4 and 5 show how GPS service was converted into AFPS qualifying and reckonable service under the transfer rules of the GOTT. This section shows how the AFPS 05 pension itself is calculated.

The information needed to calculate the benefits for a serving Gurkha is:

- AFPS 05 reckonable service. This figure was calculated on transfer at 1 October 2007, member transfer date, in line with the GOTT rules;
- Final pensionable pay defined in the usual way;
- He qualifies for Early Departure Payments (EDP) if he completes at least 18 years' service AND leaves on or after age 40. Both conditions must be met to be eligible for EDP otherwise he gets a preserved pension paid from age 65.

There are four groups:

- i. Those who leave at age 55 or later or who leave on ill-health grounds and get their pension paid immediately;

- ii. Those who leave before age 55, but qualify for Early Departure Payments (EDP) before their pension from age 65;
- iii. Those who do not qualify for EDP, but leave with a minimum two years' service and get a pension from age 65;
- iv. Next of kin.

Group i – immediate pensioners including those leaving with ill-health

A Gurkha who leaves service at age 55 or later will get his pension paid immediately. The pension is based on the usual formula of $1/70^{\text{th}}$ of final pensionable pay multiplied by reckonable service. The service credits in table 3 must be used to convert pre-1 July 1997 service into AFPS equivalent service as explained in sections 4 and 5. Reckonable service was calculated at Member Transfer Date (1 October 2007); this is added to service from that date up to retirement (valued at year-for-year) to give the total reckonable service figure used to work out AFPS 05 pension.

Those leaving on ill-health grounds will have their tier 1, 2 or 3 pension award calculated in line with the usual rules:

- a tier 1 payment of a lump sum of between 6 and 24 months' pensionable pay on leaving with a pension from age 65; or
- a tier 2 or 3 pension payment based on an enhancement to his reckonable service of one-third (tier 2) or one-half (tier 3) of the time remaining up to age 55, with a minimum 20 years for a tier 3 pension.

Group ii – leave before age 55 but qualify for EDP and pension from age 65

The calculation of EDP uses qualifying (strictly "relevant service" but for this purpose it is the same) not reckonable service. It does not therefore take account of any service credits for service before 1 July 1997. Instead, at the 18/40 point, when the individual is both age 40 and has completed 18 years' service (both conditions must apply), the EDP income is the usual formula of $18/140$ of final pensionable earnings. The lump sum is $3/70^{\text{th}}$ of final pensionable pay multiplied by qualifying service. This is shown in the following example.

Example EDP calculation at the 18/40 point where individual has 18 qualifying years' service

Sergeant with 18 years' service from age 22 leaves service in 2008 at the EDP 18/40 point with pensionable pay of £33,000 a year. His EDP income is calculated as:

$$£33,000 \times \frac{18}{140} = £4,243 \text{ a year}$$

This payment continues until age 55 when it increases by 50% to

$$£4,243 \times 1.5 = £6,364 \text{ a year}$$

and is index-linked from the last day of service and every year thereafter. From age 65, pension replaces EDP – see group iii example for calculation of pension.

The tax-free EDP lump sum is $\frac{3}{70}^{\text{th}}$ of his final pensionable pay multiplied by his years of service:

$$£33,000 \times \frac{3}{70} \times 18 = £25,457$$

The example above shows an individual leaving at the EDP 18/40 point. Gurkhas tend to join the Army before age 20, so are likely to have more than 18 years' service when qualifying for EDP. In this case, the EDP income uses the higher qualifying service as the basis of the income calculation. So for an individual who joined at, say, age 20, instead of age 22 as in the example above, the EDP income is calculated as in the following example.

Example EDP calculation at the 18/40 point where individual has 20 years' qualifying service

Sergeant with 20 years' service from age 20 leaves service in 2008 with pensionable pay of £33,000 a year. His EDP income is calculated as:

$$\text{£}33,000 \times \frac{20}{140} = \text{£}4,714 \text{ a year}$$

This payment continues until age 55 when it increases by 50% to:

$$\text{£}4,714 \times 1.5 = \text{£}7,071 \text{ a year}$$

and is index-linked from the last day of service and every year thereafter. From age 65, pension replaces EDP – see group iii example for calculation of pension.

The tax-free EDP lump sum is $\frac{3}{70}$ ^{ths} of his final pensionable pay multiplied by his years of service:

$$\text{£}33,000 \times \frac{3}{70} \times 20 = \text{£}28,286$$

Finally, there may be times when a Gurkha completes additional years' service beyond the EDP 18/40 point. Every complete year of service beyond this point earns extra income at the rate of 3.3334% of the basic EDP figure. The following example shows the benefit of longer service.

Example EDP calculation where individual completes extra years of service beyond the 18/40 point

Staff Sergeant with 24 years' service from age 20 leaves service in 2008 with pensionable pay of £38,000 a year. He has 20 years' service at the EDP point. His EDP income is calculated as:

$$\frac{£38,000 \times 24}{140} = £6,514 \text{ a year (known as the basic amount)}$$

plus

as he has completed 4 extra years' service since the EDP 18/40 point, he has additional income calculated as:

$$4 \times 3.3334\% \times £6,514 = £869 \text{ a year}$$

giving total EDP income of $£6,514 + £869 = £7,383$ a year

This payment continues until age 55 when the basic amount at the EDP 18/40 point (not the figure including the extra years' service) is increased by 50% to:

$$£6,514 \times 1.5 = £9,771 \text{ a year}$$

and is index-linked from the last day of service and every year thereafter. From age 65, pension replaces EDP – see group iii example for calculation of pension.

The tax-free EDP lump sum is $3/70^{\text{ths}}$ of his final pensionable pay multiplied by his years of service:

$$£38,000 \times \frac{3}{70} \times 24 = £39,086$$

Group iii – preserved pensioners

If a Gurkha leaves before the EDP point, having completed at least two years' service, he is eligible for a preserved pension from age 65. In line with the usual rules, this is calculated as $1/70^{\text{th}}$ of final pensionable pay for every year of service. Any service before 1 July 1997 must be converted to AFPS equivalent reckonable service through the service credits in table 3 (page 9). The preserved pension calculation is shown in the following example, using the figures in the final EDP case above. In this case, he gets EDP paid until age 65, but the approach works for anyone who gets a pension from age 65.

Example preserved pension from age 65 calculation

Staff Sergeant with 24 years' service from age 20 leaves service in 2008 with pensionable pay of £38,000 a year. He gets EDP on retirement until age 65, calculated as shown earlier in this section. From age 65, EDP is replaced by his preserved pension, calculated as follows. He has 13 years' service before 1 July 1997 which converts to 3.5 pensionable years' service in AFPS using the service credit of 27% giving him 14.5 years (3.5 + 11) in total.

$$£38,000 \times \frac{14.5}{70} = £7,871 \text{ a year}$$

This payment is index-linked from the last day of service to age 65 and then every year thereafter.

The tax-free pension lump sum is 3 times the pension:

$$£7,871 \times 3 = £23,613$$

Group iv – next of kin

The widow of a Gurkha in AFPS 05 has her own accrual rate. If her husband were to die in service, she would get a tax-free lump sum of four times pensionable pay plus a pension based on the better of:

- 1/112 of his pensionable pay for each year of his pensionable service or
- a pension calculated as if the Gurkha had been medically discharged with a tier 3 award (pension enhanced by one half of service remaining to age 55) on the day of his death.

His years of pensionable service were calculated on transfer to AFPS 05 on 1 October 2007. Any children's pensions are calculated in the usual way.

If the Gurkha dies after leaving Service, his widow gets her pension and lump sum calculated in the usual way (see example in section 7 in retired chapter).

8. Short Service Commission (Gurkha) – SSC(G)

SSC(G) officers were re-employed Gurkha officers. They were not on a pension earning appointment, but earned a gratuity at the end of their engagement. There was no break in service between the end of their Queen's Gurkha Officer (QGO) service and the start of their SSC(G) appointment. Their QGO pension did not come into payment until after the end of their SSC(G) post.

For GOTT purposes, there were two groups of SSC(G) – serving and retired (see section 12, in the retired part of this PPI).

The serving group was more straightforward than the retired group. For those serving SSC(G) who transferred to AFPS 75, both periods of service were joined together and treated as one period of service, effectively ignoring the fact that the officer was on gratuity earning terms as a SSC(G). The appropriate pension code for the rank and year of leaving is used to calculate the pension, with service credits (from table 3 on page 9) applied to service before 1 July 1997 to calculate AFPS reckonable service. In all cases the SSC(G) rank was equivalent to the rank as a QGO.

Example serving Captain SSC(G)

A Captain QGO, joined the Army in 1978, has 27 years' service and 3 years' SSC(G) service as a Captain leaving in 2008.

Convert his 19 years' service before 1 July 1997 into AFPS reckonable service:

$$19 \times 28\% = 5.32$$

Add this to his 8 years at year-for-year from 1 July 1997 to give 13.32 AFPS years of reckonable service.

His 3 years' service as Captain SSC(G) is added to his QGO service to give a total of 16.32 AFPS years' reckonable service.

AFPS 75 pension for Captain with 30 years' qualifying service leaving in 2007-08 is £19,035. Gurkha Captain's pension is relevant proportion of this figure calculated as

$$\frac{16.32}{30} \times 19,035 = \text{£}10,355 \text{ a year}$$

There were no AFPS 05 transferees.

9. Pension sharing on divorce

The information needed to meet a pension sharing order (PSO) for a serving Gurkha transferring to AFPS is the same as that for others in AFPS. The value of the pension benefits earned at the date the PSO comes into effect is calculated taking account of the service credits for pre-1 July 1997 service.

Complications may arise in the calculation of pension benefit values for a PSO. The scheme actuary should therefore be consulted about any case.

RULES FOR RETIRED GOTT

1. Eligibility

The following conditions must apply for a Gurkha to have been able to transfer his pension benefits from the Gurkha Pension Scheme (GPS) to one of the two Armed Forces Pension Schemes (AFPS, either 75 or 05):

- Left the Army on or after 1 July 1997 and before 1 October 2007 (if a Gurkha left on or after 1 October 2007 he was part of the serving GOTT);
- Gurkhas who left service before 1 July 1997 with condoned service, whose normal exit date was on or after 1 July 1997. "Condoned service" was an administrative convenience, which allowed the Army to discharge Gurkhas before their due end date, with the service foregone counting for pension purposes in the GPS. Condoned service counts as qualifying service in AFPS, but is not reckonable;
- A Gurkha given a credit of service as part of a redundancy package who left the Army before 1 July 1997 was not eligible for the GOTT. However, a Gurkha who left on redundancy on or after 1 July 1997 was eligible. The terms of the redundancy package will not be revisited in the light of the GOTT.

2. Timing of decisions and payments under the GOTT

Although retired Gurkhas were required to make their pension scheme choice by 29 February 2008, most were able to transfer to a preserved pension only in AFPS from age 60 or 65. This is because most retired Gurkhas did not have enough service to be eligible for immediate benefits in AFPS:

- If they decided to transfer to AFPS, therefore, most Gurkhas continued to receive their GPS pension until preserved pension age. For this reason, they are not proper preserved pensioners, as they become AFPS members only from age 60 or 65. If they should die before age 60 (or age 65 if they transfer to AFPS 05), their dependants are paid family benefits from GPS, as they remain members of that scheme;
- Gurkhas who qualified for an AFPS 75 immediate pension (normal or ill-health) and transferred to that scheme had their payments backdated to their last day of Army service, with the GPS pension payments received to the point of calculation deducted from the AFPS arrears payments due; this is known as netting off. Arrears of pension which arose after netting off were paid;
- An AFPS pension lump sum was not paid, as this was not allowed by Her Majesty's Revenue and Customs (HMRC) tax rules, but a higher

pension was paid instead using the formula in sections 6 and 7, on calculation of AFPS 75 and 05 pensions. For preserved pensioners, the service credits calculated by the scheme actuary take account of the fact that there is no AFPS lump sum¹;

- Gurkhas who qualified for Early Departure Payments in AFPS 05 and transferred to that scheme had their payments backdated to their last day of Army service, with the GPS pension payments (but not the pension lump sums) deducted from the EDP arrears payments due. Arrears of EDP income were paid. An EDP lump sum was paid, as EDP is not a pension and is not affected by HMRC rules on second pension lump sums;
- The next of kin of eligible, deceased Gurkhas were given the opportunity to transfer to AFPS dependants' benefits, with payments backdated to the death of the member. The GPS payments made since the member's death were deducted from the AFPS back payments due. In most cases, a tax-free lump sum was not paid, as HMRC rules restricted the payment of an AFPS defined benefit death benefit lump sum to deaths on or after 1 March 2006; that is within two years of the 29 February 2008 decision date. The balance of lump sums for deaths occurring before 1 March 2006 was paid as part of the arrears and was taxable. The "better of" rule in the wider Armed Forces OTT is effective for deaths in service between 6 April 2005 and 5 April 2006, so that the individual's family is paid the best available benefits from GPS, AFPS 75 or AFPS 05.

The SPVA, which administers and pays AFPS pensions, will write to all retired Gurkhas to tell them the AFPS benefits to be paid to them. The letter will explain for those with AFPS benefits from age 60 or age 65 the basis of the pension calculation that will be made to them (see section 6), although not the pension figure itself, as this depends on future UK inflation. It will also explain what they need to do to claim the pension when the time comes. The content of these letters has been agreed between SP Pol Pensions, SPVA and HQBG.

Elections received after 29 February 2008 were not accepted by SPVA (apart from a small group for whom additional time was given). However, a Gurkha who considered that his election should be allowed after this date could write to the JPAC, SPVA, Glasgow to make a case for special treatment. The presumption was that such an approach would be rejected, but if SPVA considered that there were grounds for special treatment the case should be referred to SP Pol Pensions for a final decision. "Special treatment" would not be given to elections delayed in the post or to those who said that they had not heard of the GOTT.

¹ From April 2006, HMRC did not allow an individual to benefit from two pension lump sums for the same period of service. This includes individuals transferring between pension schemes, as in the GOTT. When a Gurkha left the Army, he was paid a pension lump sum by the GPS, so cannot be given a pension lump sum from AFPS.

3. Which AFPS is a retired Gurkha allowed to join?

There were restrictions on the choice available to a Gurkha depending on when he left the Army.

The important date for this group is 6 April 2006, when personnel in the wider Army were allowed to transfer pension benefits from AFPS 75 to AFPS 05 under their pensions OTT.

In summary:

- A Gurkha who left service before 6 April 2006 but was in service on or after 1 July 1997 could stay in the GPS or transfer his pension benefits into AFPS 75;
- A Gurkha who left service on or after 6 April 2006 but before 1 October 2007 could stay in the GPS or transfer his benefits into AFPS 75 or AFPS 05. Those without enough service to qualify for immediate AFPS benefits remain members of the GPS, drawing their GPS benefits, until they become AFPS members at age 60 (AFPS 75) or 65 (AFPS 05). If they die before age 60 or 65, their family would receive death benefits from GPS;
- The next of kin of an eligible, deceased Gurkha (someone who died on or after 1 July 1997 but before 1 March 2008) were offered AFPS dependants' benefits on the same basis as a living, retired Gurkha, but with an immediate pension from the date of the member's death.

Table 4 summarises the position.

Table 4 - pension schemes available to retired Gurkhas

	Gurkha groups	Pension schemes available
1.	Left service before 6 April 2006 but on or after 1 July 1997	GPS or AFPS 75
2.	Left service on or after 6 April 2006 but before 1 October 2007	GPS, AFPS 75 or AFPS 05
3.	Next of kin of eligible deceased Gurkhas (died on or after 1 July 1997 but before 1 March 2008)	As above: GPS or AFPS 75 death benefits if the member died before 6 April 2006; GPS, AFPS 75 or AFPS 05 death benefits if the member died on or after 6 April 2006. Appropriate scheme benefits paid depending whether the death was in service or retirement. "Better of" GPS, AFPS 75 or AFPS 05 benefits, if death in service between 6 April 2005 and 5 April 2006

4. Transfer rules

There are a number of rules associated with the transfer of service from the GPS to the AFPS. These are specific to the GOTT and have no relevance to any other personnel or circumstances. They depend on dates of leaving the Army.

The service credits for retired Gurkhas for their pre-1 July 1997 service are the same as for serving personnel. However, unlike the serving GOTT, retired Gurkha soldiers who joined on or after 1 October 1993 were **NOT** given a year-for-year service credit. All of their service before 1 July 1997 was given the lower value service credits for their rank, as in table 6. This is because the pension benefits for this group are certain; and there is no opportunity for longer service or the possibility of early discharge from the Army.

A summary of the transfer terms is in table 5.

Table 5 – retired Gurkha transfer terms

	Gurkha groups	Percentage value of GPS service in AFPS
1.	All soldiers and officers joining on or after 1 July 1997	100%, that is one year of GPS service earns a credit of one year, if transferred into AFPS 75 or AFPS 05
2.	All eligible soldiers and officers who joined before 1 July 1997	Service given a value by the scheme actuary on a rank-by-rank basis designed to give the individual broadly equivalent pension benefits in AFPS to those earned in GPS – see table 6. Service on or after 1 July 1997 gets a year-for-year credit.

The service credits for converting service before 1 July 1997 to broadly equivalent AFPS reckonable service are shown in table 6.

Table 6 – service credit for service before 1 July 1997 for retired Gurkhas eligible for immediate AFPS benefits

Rank at retirement	GPS credit for service before 1 July 1997
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%

The factors in table 6 do not apply to Gurkha Commissioned Officers (GCOs) and Honorary Ranks, which have their own (higher) credits (see section 13). There are also different service credits for disability pensioners and those transferring to AFPS 05 (see later sections and annexes). It is unlikely that an individual will be eligible for two different service credits, for example because as an honorary rank (but without a GPS disability pension for which there is a separate service credit) he later becomes eligible for a SIP in AFPS 75. However, if this were to happen, the individual should be given the arrangement which gives him a better overall benefit.

5. Calculation of qualifying and reckonable service in AFPS

A Gurkha starts earning pension in the GPS from age 17 or the date of joining, if later. In AFPS 75, the starting age for reckonable service is age 21 for officers and age 18 for soldiers. However, there are special rules for a Gurkha who transfers his service from GPS to AFPS, in terms of the calculation of his AFPS-equivalent reckonable service for pre-1 July 1997 service.

Calculation of reckonable service in AFPS 75

Almost all retired personnel have service before 1 July 1997. The example below shows how their AFPS reckonable service is converted into years and days of service in AFPS.

Example: a Gurkha who joined the Army on 1 January 1990 and retired as a Corporal at 31 December 2006 with 17 years' service has 7 years and 6 months' service before 1 July 1997 and 9 years 6 months from that date.

His service before 1 July 1997 is converted to broadly equivalent AFPS reckonable service using the appropriate factor from table 6:

$$7.5 \times 30\% = 2.25 \text{ years}$$

This is added to his service from 1 July 1997 which gets a year-for-year service credit of 9 years and 6 months to give total AFPS pensionable service of:

$$2.25 + 9.5 = 11.75 \text{ years}$$

The treatment of any service before age 18/21 will be as follows:

- Service on or after 1 July 1997 will get a credit of one year in AFPS 75, but any service before age 21 (officers) or before age 18 (other ranks) does not count for pension;

- GPS pensionable service before 1 July 1997 will all be taken into account in the calculation of AFPS 75 pensionable service, even if it was before age 18 or 21. However, a Gurkha will not be given a credit in AFPS 75 that is higher than the amount of service given from age 21 (officers) or age 18 (other ranks) before 1 July 1997 – see following example.

Example: a Major joined the Army at age 20 in 1990 and has 7 years' service before 1 July 1997, but only 6 years from age 21. With his service credit of 23%, his 7 years' service is worth 1.61 (7 x 23%) pensionable years in AFPS 75. This is below the 6 years' service he completed from age 21, so he gets 1.61 years' service in AFPS 75.

Qualifying service which counts for AFPS 75 pension

For a retired Gurkha, the AFPS 75 rule about pension being earned from age 18 (soldier) and age 21 (officer) applies. For example, a Lieutenant who completed 23 years' service from age 18 in the GPS (15 years before 1 July 1997 and 8 years after) has 20 years' qualifying service in AFPS 75 (service from age 21). Pension is therefore based on the 20 year rate for his year of departure. Condoned service counts as qualifying, but not reckonable, service in AFPS (see section 1).

Qualifying and reckonable service which counts for AFPS 05 pension

An individual earns pension from the first day of paid service in AFPS 05, so the constraints around age 18/21 described above do not apply. The calculation of any AFPS-equivalent service before 1 July 1997 uses the service credits in table 6.

6. Calculation of AFPS 75 pension

Sections 4 and 5 show how GPS service was converted into AFPS qualifying and reckonable service under the transfer rules of the GOTT. This section shows how the pension itself, including the widow's pension, is calculated. It also explains how MOD proposes to recover overpayments of pension arising in certain circumstances involving commutation and the tax implications arising from new HMRC tax arrangements introduced in April 2006.

There are four groups eligible for different AFPS 75 benefits:

- i. Those who have enough service to qualify for immediate pension benefits;
- ii. Those who do not have enough service to qualify for immediate benefits, but have a GPS pension;
- iii. Those who do not have enough service to qualify for immediate benefits, do not have a GPS pension but have a minimum two years' service to be eligible for benefits in AFPS (see section 10);
- iv. Future widows.

Groups i and ii – immediate and preserved benefits

The calculation of AFPS 75 pension for the retired group is more complicated than for serving Gurkhas. This is because almost all retired Gurkhas are drawing a GPS pension, which must be taken into account before AFPS payments are made. It means less is available to them from age 60 because of the GPS pension payments made from as early as age 33. As an immediate pensioner, too, the GPS pension payments must be taken away, replaced by AFPS payments, with arrears of pension paid as appropriate.

To get an immediate pension, a Gurkha needs to complete 16 years from age 21 for an officer and 22 years from age 18 for a soldier, otherwise he gets a preserved pension paid from age 60 (with an actuarial reduction for any service on or after 6 April 2006²). Most Gurkhas did not complete enough service to qualify for immediate pension benefits in AFPS 75, so are eligible only for benefits paid from age 60. Until then, they remain members of GPS. They are not therefore proper preserved pensioners, as they are eligible to transfer to AFPS 75 only from age 60.

HMRC rules do not allow payment of a second pension lump sum to Gurkhas who transfer to AFPS (Gurkhas received their first pension lump sum from the GPS when they left the Army). For immediate AFPS 75 pensioners, the AFPS lump sum less the GPS lump sums already paid will be converted into additional pension at the rate of £4.25 a year for every £100 of lump sum owed. For those getting an AFPS 75 preserved pension, the service credit reflects that no pension lump sum is paid.

For GPS pensioners eligible for AFPS 75 payments from age 60, the largest group, therefore, the scheme actuary has provided a table of factors for each rank (annex A) which show for different exit dates and different ages the percentage of AFPS preserved pension left from age 60. These percentages take account of three factors:

- The value of GPS payments made since leaving the Army;
- The service credit for service before 1 July 1997;
- The fact that a pension lump sum cannot be paid, with higher pension paid instead.

When the individual reaches age 60, the pension paid to him will be the percentage in the table multiplied by the full AFPS 75 pension value from the relevant pension code table for the rank and year of exit. There is no need to adjust the pension for any service on or after 6 April 2006, benefits for which would normally be paid at age 65, as the scheme actuary has taken this into account in the percentage figures in the tables in annex A.

² Service on or after 6 April 2006 earns pension payable from age 65 so, if it is paid earlier from age 60, it is reduced in value.

The same approach applies to a Gurkha who left on redundancy on or after 1 July 1997. His AFPS pension, if he transferred under the GOTT, will be calculated on the basis of qualifying and reckonable service at the time of leaving. The terms of his redundancy package will not be revisited nor will the special capital payment given as part of the package be taken into account in the calculation of arrears.

No pension reduction allowed under tax rules

The current HMRC tax rule that a scheme is not allowed to reduce a pension in payment applies to a Gurkha who transfers to AFPS 75 and is eligible only for a pension from age 60. The GPS pension continues until then, at which point it will stop and be replaced by an AFPS 75 pension. However, if at age 60 the GPS pension is above the AFPS 75 pension due under the scheme rules and taking account of the service credits calculated by the scheme actuary, the value of the GPS pension will continue to be paid from the AFPS 75 scheme, but on an ex-gratia basis. The Gurkha would be a member of AFPS 75 and his widow would get benefits from that scheme after his death. Upratings of pension would be in line with AFPS increases.

The following example shows how pension is calculated from age 60.

Example of AFPS 75 pension remaining from age 60:

Rifleman age 40 on 1 March 2008 who left the Army in 2000-01 with 15 years' service. The full AFPS 75 preserved pension for a soldier who did all his service in AFPS is £4,046. However, the Rifleman has service before 1 July 1997 and will have been drawing GPS pension up to age 60. He therefore needs an adjustment applied to calculate the value of his AFPS pension that remains from age 60.

The actuarial factor from the table in annex A makes this adjustment. The appropriate factor is 35%, which if applied to the full pension figure gives the amount of the preserved pension figure available from age 60 after taking account of GPS payments made, the service credit for pre-1 July 1997 service (table 6) and the higher pension value given because there is no second pension lump sum. The pension available from age 60 is therefore £1,416 (£4,046 x 35%).

Indexation of the pension figure applies in the usual way for AFPS pensions.

For immediate pensioners, mainly officers and some senior NCOs, the calculation of pension is more straightforward. Provided the individual has completed at least 16 qualifying years of service from age 21 (officer) or 22 qualifying years of service from age 18 (soldier), he qualifies for an AFPS 75 Immediate Pension.

The pension calculation for an officer therefore needs to work out AFPS reckonable service from age 21. This is done by adding together the year-for-year service credit for service on or after 1 July 1997 to the adjusted figure for pre-1 July 1997 using the appropriate service credits from table 6. The calculation also needs to take account of the fact that HMRC rules do not allow the payment of a second pension lump sum. This is shown in the following example.

Example of immediate pension calculation in AFPS 75:

Lieutenant with 25 years' service from age 19 leaving in 2007-08. He has 15 years before 1 July 1997 and 10 years after.

Apply the service credit of 27% to the 15 years' service before 1 July 1997 to get a broadly equivalent pension value in AFPS, which is 4.05 pensionable years' service.

Add this to the 10 years' service converted at year-for-year in the later period to get total reckonable service of 14.05 AFPS years.

The starting point for the AFPS 75 calculation is the pension figure for 23 years' qualifying service from age 21 for his year of exit in 2007-08 (£15,302). This is then divided by 23 and multiplied by 14.05, the total years of AFPS reckonable service, to give the adjusted pension figure for this officer. Thus, his pension is:

$$\frac{\pounds 15,302}{23} \times 14.05 = \pounds 9,347.53$$

$$\text{Lump sum is } 3 \times \text{pension} = \pounds 28,042.59$$

The AFPS 75 pension is backdated to the last day of Army service. The GPS pension payments made are replaced by the higher AFPS 75 payments, so arrears of pension are due. The arrears calculation will compare the actual GPS pension payments received with the AFPS pension payments due, with a permanent addition to pension arising from the difference between the AFPS lump sum due and the GPS lump sums paid (see below). The actual exchange rates over the period would need to be used to convert any GPS lump sums to £ sterling, but the GPS pension payment (which uses Indian Currency Rupees and Nepalese Currency Rupees) should be converted to £ sterling using annual average exchange rates. This information is at annex D (provided by LF Sec F&C).

An AFPS pension lump sum is due, but cannot be paid because of the tax rules. Instead the balance of the lump sum due, that is the difference between the AFPS lump sum and the GPS lump sums (excluding any commutation lump sum – see later) paid on exit from the Army, will be converted into pension in the ratio £4.25 a year extra pension for every £100 of lump sum due to the member. This will then be paid for life as a permanent addition to pension.

A soldier with 22 qualifying years of service qualifies for payment of an Immediate Pension. The pension calculation is the same as that for an officer described in the preceding paragraphs.

Commutation

Many retired Gurkhas took commutation when they left with a GPS pension. This works in broadly the same way as commutation in AFPS 75. However, it lasts for a period of 15 years in GPS, whereas in AFPS 75 it runs only until age 55. Thus, the pension of a Gurkha officer leaving the Army at, say, age 45 with commutation would not return to its full value until he reached age 60, whereas the pension of his non-Gurkha equivalent in AFPS 75 would do so from age 55.

Immediate pensioners who transfer to AFPS who have taken commutation from GPS will need to have the higher lump sum at retirement taken into account as part of the arrears calculation. The following approach has been adopted solely for GOTT purposes and has no relevance anywhere else.

Most eligible, retired Gurkhas will have arrears of pension owing to them as a result of giving up their GPS pension in return for an AFPS 75 pension. The much higher AFPS pension due since retirement is larger than the GPS pension paid. However, this is not always the case where an individual takes commutation, where they are effectively taking more of their pension value upfront. There are therefore some individuals who retired in recent years (perhaps from around mid-2005) whose arrears of AFPS pension payments are below the sum of GPS pension payments and the commutation lump sum made. In other words, they owe the Department a sum of "overpaid" pension. Such individuals will have to agree with SPVA how to repay this sum over a reasonable period.

The broad approach will be that Gurkhas in this position will make repayments at a rate of four days gross pension or their current recovery rate under GPS, whichever is the greater. However, no Gurkha will be put in a worse financial position than he is under GPS, that is with a lower overall pension income, and the repayments will therefore be reduced to ensure this is the case. Tax is due in the normal way on the AFPS pension payments due.

The following example shows how to work out whether an individual has arrears owing or owes the Department, as a result of taking commutation and transferring to AFPS 75. It is not based on a real case, but uses the earlier example of a Lieutenant as the basis of the calculation, together with GPS pension and commutation lump sum figures which are made up but are broadly of the right order of magnitude.

This individual is shown to owe the Department some £9,500 and will have to agree with SPVA how to repay this sum. This should not be too difficult or painful for the individual, whose AFPS pension is well above the GPS pension it replaces.

The earlier an individual retired, the higher the AFPS pension payments owed and the more likely it is that the MOD would owe the individual arrears of pension. However, as noted above, for retirements from around mid-2005, the position is likely to be reversed, with the individual owing progressively higher sums to the MOD.

Example of calculation of arrears where individual has taken commutation:
Lieutenant with 25 years' service from age 19 leaving in 1 July 2007. Takes maximum commutation allowed under GPS rules.

Calculate AFPS 75 immediate pension due as shown earlier = £9,348
with an AFPS lump sum of £28,043

Difference between AFPS lump sum due and GPS lump sums (excluding the commutation lump sum) paid of, say, £10,000 is £18,000. We cannot pay the balance as a lump sum because of HMRC rules so it needs to be converted into a permanent addition to pension using the GAD formula of £4.25 a year for every £100 of lump sum. Thus:

$$\frac{18,000}{100} \times 4.25 = £765 \text{ a year}$$

The annual AFPS 75 pension is therefore = £9,348 + 765 = £10,113

The AFPS pension is backdated to the last day of service. With the GOTT effective from 1 Dec 08, 17 months of back payments are due (from 1 July 07 to 30 Nov 08). In total, this means AFPS owes the individual

$$\frac{£10,113}{12} \times 17 = £14,327$$

This needs to be set against the GPS pension and commutation payments made. The commutation lump sum in this example is, say, £21,000 while the net pension paid of, say, £2,000 a year (that is after allowing for the repayment of the commutation lump sum) in the 17 months is £2,833, making total GPS pension payments in the period of

$$£21,000 + 2,833 = £23,833$$

The net position is therefore

$$£23,833 \text{ (paid in GPS)} - 14,327 \text{ (due from AFPS)} = £9,507$$

The individual owes the Department £9,507, which would need to be repaid over a reasonable period and at a rate to be agreed with SPVA. The general approach is that repayments will be made at a rate of four days gross pension or the Gurkha's current recovery rate under GPS, whichever is the greater. However, no Gurkha is to be put in a worse financial position than he is under GPS; that is with a lower overall pension income.

There is not an arrears problem for those eligible to transfer from age 60 (preserved pension age). Their 15 year GPS commutation period will have ended before they reach that age, and their pension will have returned to its pre-commutation level. In other words, they will have repaid the commutation lump sum.

Abatement of AFPS pension on re-employment by the Armed Forces

Gurkhas re-employed by the Armed Forces do not have their GPS pension abated. However, Gurkhas transferring to AFPS 75 with enough service for an immediate pension will, if they are re-employed by the Armed Forces, have that pension abated in line with the usual rules. It was made clear to Gurkhas during the GOTT that this would be the case if they transferred to an AFPS pension.

If a retired Gurkha had already been re-employed in the Armed Forces at the time of transferring to AFPS, the abatement of their AFPS pension is to be calculated from 1 March 2008, or the date of their re-employment, if later. In these circumstances, the Gurkhas affected will have been overpaid pension for the period concerned, which MOD will reclaim after discussion with the individual.

Group iv – future widows

There are two groups here.

First, the widow of an immediate pensioner (either IP or ill-health pension recipient) will have her benefits calculated in line with normal AFPS 75 rules. She gets 50% of the member's entitlement.

Second, the widow of a "preserved pensioner", a Gurkha who transfers to AFPS 75 only from age 60 and in the meantime remains a member of the GPS:

- i. if he dies before age 60, his widow gets benefits paid from GPS in line with normal rules;
- ii. if he dies after transferring to AFPS, age 60 or later, family benefits are calculated in line with normal AFPS rules. The widow again gets 50% of her late husband's entitlement. This entitlement will be calculated in line with the approach described earlier in this section.

Taxation of pensions – the Life Time Allowance

Lifetime Allowance (LTA) is the tax limit on the amount of pension savings on which tax relief will be given. Sums in excess of the LTA will be subject to tax charges. Further information on the LTA and other pensions tax implications can be found on www.hmrc.gov.uk or alternatively from an individual's local tax office.

Before MOD can process a pension award, it is required to check whether other non-AFPS/Reserve Forces Pension Scheme benefits may affect an individual's overall LTA, including AFPS benefits. No retired Gurkha will get near the 2008-09 annual limit of £1.65m solely on the basis of his pension from the GPS or AFPS (it would require a pension of around £70,000 a year). However, an individual may have moved into civilian employment and have earned significant pension benefits which may put him at or above this limit. Hence, the need for a check.

The MOD therefore asked retired Gurkhas eligible for immediate benefits in AFPS to complete and return a declaration form, so that it may then process the AFPS pension award. MOD is in effect asking for details of any other pension benefits a Gurkha may have crystallised since leaving the Army. While it is most unlikely that any Gurkha will be liable for any tax charges under LTA, it is a process the MOD is required by law to follow.

7. Calculation of AFPS 05 pension and Early Departure Payments

There are four groups:

- i. Those who qualify for EDP;
- ii. Those who do not qualify for EDP, but have a GPS pension;
- iii. Those with at least two years' service, but no GPS pension. One individual was in this group, but did not come forward to participate in the GOTT, so there is no one eligible. For details of other "no liability" leavers see section 10;
- iv. Future widows.

Group i – qualify for Early Departure Payments (EDP)

The calculation of EDP uses qualifying (strictly "relevant service" but for this purpose it is the same) not reckonable service. An individual needs therefore to have completed 18 years' service in the Army and have reached at least age 40 on leaving to qualify for EDP. At the EDP 18/40 point, the EDP income is the usual formula of 18/140 of final pensionable earnings. The lump sum is $3/70^{\text{ths}}$ of final pensionable pay multiplied by qualifying service.

There is a small group of retired Gurkhas (9) who are eligible for EDP and who transferred to AFPS 05. The scheme actuary has calculated service credits specifically for this group (shown in table 7). If any others come to light, SPVA will need to ask the scheme actuary in each case about the service credits to be used to calculate the preserved pension from age 65.

GPS pension payments (but not the GPS lump sums) made since the last day of service must be taken into account before EDP payments are made. The GPS lump sums paid when the individual left service are not to be offset against the EDP lump sum. As the EDP lump sum is not a pension, it is paid in full in the usual way (unless there are arrears owed by the individual after offsetting EDP income payments against GPS pension payments and any commutation lump sum, in which case the arrears should be deducted from the EDP lump sum before payment). The service credits calculated by the scheme actuary take this into account. The GPS pension lump sum is the one pension lump sum allowed under current tax rules, so a second pension lump sum cannot be paid at age 65. As a result, the service credit has been increased so that a higher AFPS pension is paid instead.

The next three examples show calculations, as follows:

- annual EDP income and lump sum of someone leaving after 18 years' service and age 40 - the EDP 18/40 point:
- an individual with more than 18 years' service leaving at the EDP 18/40 point; and
- an individual with extra service beyond the EDP 18/40 point.

Example EDP income and lump sum at the 18/40 point

Sergeant with 18 years' service from age 22 left service in 2007 with pensionable pay of £30,000 a year. His EDP income is calculated as:

$$£30,000 \times \frac{18}{140} = £3,857 \text{ a year}$$

This payment continues until age 55 when it increases by 50% to:

$$£3,857 \times 1.5 = £5,786 \text{ a year}$$

and is index-linked from the last day of service and every year thereafter. From age 65, pension replaces EDP – see group ii example for calculation of pension.

The tax-free lump sum is $\frac{3}{70}^{\text{ths}}$ of his final pensionable pay multiplied by his years of service:

$$£30,000 \times \frac{3}{70} \times 18 = £23,143$$

The example above shows an individual leaving at the EDP 18/40 point. If the individual has more than 18 years' qualifying service at the EDP 18/40 point the higher figure is used in the calculation of the income figure. So for an individual who joined at age 20, instead of age 22 as in the example above, the EDP income is calculated as in the following example.

Example EDP calculation at the 18/40 point where individual has 20 years' qualifying service

Sergeant with 20 years' service from age 20 left service in 2007 with pensionable pay of £33,000 a year. His EDP income is calculated as:

$$£33,000 \times \frac{20}{140} = £4,714 \text{ a year}$$

This payment continues until age 55 when it increases by 50% to:

$$£4,714 \times 1.5 = £7,071 \text{ a year}$$

and is index-linked from the last day of service and every year thereafter. From age 65, pension replaces EDP – see group ii example for calculation of pension.

The tax-free lump sum is $\frac{3}{70}^{\text{ths}}$ of his final pensionable pay multiplied by his years of service:

$$£33,000 \times \frac{3}{70} \times 20 = £28,286$$

There is a further example that is needed for this group to show the EDP income of an individual who completes extra years of service beyond the EDP 18/40 point. Additional service is calculated by working out when the individual was both age 40 and had completed 18 years' service – both conditions must apply. Every extra year of service beyond the 18/40 point earns an additional 3.3334% of EDP income (part years do not count). The following example shows the benefit of longer service.

Example EDP calculation where individual has four extra years' service beyond the EDP point

Sergeant with 24 years' service from age 20 left service in 2007 with pensionable pay of £36,000 a year. His EDP income is calculated as:

$$£36,000 \times \frac{24}{140} = £6,171 \text{ a year (known as the basic amount)}$$

plus

as he has completed 4 extra years' service after the EDP 18/40 point, he has additional income calculated as:

$$4 \times 3.3334\% \times £6,171 = £823$$

giving total EDP income of $£6,171 + £823 = £6,994$

This payment continues until age 55 when the basic amount at the EDP 18/40 point (not the figure including the extra years' service) is increased by 50% as follows:

$$£6,171 \times 1.5 = £9,256.50 \text{ a year}$$

and is index-linked from the last day of service and every year thereafter. From age 65, pension replaces EDP – see example later in this section for calculation of pension.

The tax-free lump sum is $\frac{3}{70}^{\text{th}}$ of his final pensionable pay multiplied by his years of service:

$$£36,000 \times \frac{3}{70} \times 24 = £37,029$$

Preserved pension replaces EDP from age 65. The calculation of preserved pension for this group is based on $\frac{1}{70}^{\text{th}}$ of final pensionable pay multiplied by his reckonable service multiplied by final pensionable pay. There is an upward adjustment to the pension to take account of the fact that the tax rules do not allow the payment of a second pension lump sum. The factors from the scheme actuary to be used to calculate preserved pension for this group

of Gurkhas who qualify for EDP are in table 7. They have been calculated individually; different ages and length of service are reflected in different service credits.

Table 7 – Service credits for retired Gurkhas transferring to AFPS 05 and qualifying for Early Departure Payments

Name and service number	Rank	Pre-1/7/97 service credit	Post-1/7/97 service credit
		49%	102%
		60%*	103%*
		32%	103%
		37%**	103%**
		32%	103%
		33%	103%
		28% ***	105% ***
		28%	105%
		50%	102%

* his service credit for a tier 2 award, which he has been awarded, is 66% and for a tier 3 award is 65%, both figures for his whole period of service. The service credit for a SIP is 42% for pre-July 97 service and 100% for post-July 97 service. For a SAP, the service credit is 100% for all service

** his ill-health condition is tier 1 so he will be offered EDP which is better. The service credit for a SIP is 26% for pre-July 97 service and 100% for post-July 97 service. For a SAP, the service credit is 100% for all service

*** his ill-health condition is tier 1 so EDP is better. The service credit for an AFPS 75 SIP is 26% for pre-July 97 service and 100% for post-July 97 service. For an AFPS 75 SAP, the service credit is 100% for all service

██████████ has a medical discharge and a 100% War Disablement Pension from SPVA (Norcross). As a result, the GPS invaliding pension he was getting was changed to a disability pension. He was awarded an AFPS 05 tier 2 pension, which is worth more than the EDP he would have got if he had been awarded a tier 1 payment. Although he has been given a tier 2 award, service credits for other levels of award have been left in table 7 for the sake of completeness.

██████████ is a GPS disability pensioner without a medical discharge (he is being considered retrospectively for this). His medical condition was placed in tier 1 (lump sum and AFPS 05 pension from age 65). As this PPI was being finalised, he is being considered for a War Disablement Pension by SPVA (Norcross). If a WDP is awarded, he would be eligible for an AFPS 75 SAP (attributable) instead of a SIP (non-attributable). His choice is therefore effectively between the more valuable EDP in AFPS 05 and an ill-health pension in AFPS 75 (provided his medical condition pre-dated 6 April 2005).

There is one other case from table 7 which needs to be flagged here.

██████████ has a medical discharge and was given a 40% War Disablement Pension by SPVA (Norcross) in June 2008. His GPS invaliding pension was therefore changed to a disability pension. His medical condition was placed in tier 1. On the same basis as ██████████ above, his choice is therefore between the more valuable EDP in AFPS 05 and an AFPS 75 SAP (provided his medical condition pre-dates the introduction of AFPS 05 in April 2005).

The following example uses a pair of service credits from table 7 and applies them to a fictitious individual to show how the AFPS 05 pension is worked out to be paid from age 65 when EDP stops.

Example pension calculation of Staff Sergeant at the 18/40 point

He joined in 1989 at age 22 and left service in 2007 at the EDP 18/40 point with final pensionable pay of £30,000 a year. He has 8 years' service before and 10 years' service after 1 July 1997.

His AFPS 05 reckonable service is calculated as follows:

Before 1 July 1997	= 8 x 36%	=	2.88
On or after 1 July 1997	= 10 x 103%	=	<u>10.3</u>
Total AFPS 05 reckonable service		=	<u>13.18</u>

His pension from age 65 is calculated in the usual way, as follows:

$$\frac{13.18}{70} \times \text{£}30,000 = \text{£}5,649 \text{ a year}$$

This sum will be index-linked from his retirement to the date of payment and then index-linked annually thereafter in the usual way. There is no tax-free lump sum. A higher pension is paid instead, which is allowed for in the service credits.

His EDP income and lump sum are calculated as in the earlier example of an individual with 18 years' service at the EDP 18/40 point.

Commutation

See comments and example in section 6 about the impact of commutation on the calculation of the sums owing to an individual. Those eligible for EDP should be viewed in the same way as immediate pensioners in AFPS 75. Thus, if they transfer to AFPS 05 and they have taken commutation from GPS, the commutation lump sum at retirement will need to be taken into account with the GPS pension (but not the lump sum) payments made to calculate the arrears owed to the individual. As the EDP lump sum is paid in full (it is not a pension lump sum so payment is allowed under the tax rules), it is unlikely that there will be anyone in the position of owing the Department

pension, unlike the position in AFPS 75. However, if a case were to arise, SPVA would need to work out with the individual how to recoup the sum over a reasonable period.

The broad approach will be that Gurkhas in this position will make repayments at a rate of four days gross pension or their current recovery rate under GPS, whichever is the greater. However, no Gurkha will be put in a worse financial position than he is under GPS, that is with a lower overall pension income, and the repayments will therefore be reduced to ensure this is the case. Tax is due in the normal way on the AFPS pension payments due.

Abatement of EDP on re-employment by the Armed Forces

Gurkhas re-employed by the Armed Forces do not have their GPS pension abated. However, Gurkhas transferring to AFPS 05 with enough service for an EDP will, if they are re-employed by the Armed Forces, have the EDP income suspended in line with the usual rules. It is reinstated when they leave service again. It was made clear to Gurkhas during the GOTT that this would be the case if they transferred to AFPS 05. The rules also provide for repayment of a proportion of the EDP lump sum if the individual rejoins service within around 9 months of leaving at the 18/40 point.

If a retired Gurkha had already been re-employed in the Armed Forces at the time of transferring to AFPS 05, the EDP income paid since 1 March 2008, or the date of their re-employment, if later, would be clawed back, as would the relevant proportion of the EDP lump sum. In these circumstances, the Gurkha will have been overpaid for the period concerned, which MOD will reclaim after discussion with the individual.

Group ii – “preserved” pensioners

The majority of retired Gurkhas did not complete 18 years' service, so do not qualify for EDP. However, most of this group completed the required 15 years' minimum service to get a pension in GPS. They will continue to draw their GPS pension until age 65 and remain in that scheme for the purpose of any family benefits that might become due before age 65. They are not therefore proper preserved pensioners, as they are eligible to transfer to AFPS 05 only from age 65 and in the meantime may not transfer benefits out of the scheme or claim pension early.

The calculation of AFPS 05 pension for this group is more complicated than for serving Gurkhas. This is because they are all drawing pension, which means less is available to them as AFPS 05 preserved pensions are paid from age 65 (so they draw their GPS pension for five years more than under AFPS 75). The other issue that needs to be reflected in the calculation is that HMRC rules do not allow payment of a second pension lump sum to Gurkhas who transfer to AFPS. The effect of both features – GPS pension payments to age 65 and no lump sum - is combined in the single service credit in table 8.

For GPS pensioners eligible only for AFPS 05 payments from age 65 (that is they do not qualify also for EDPs), the Department explained to Gurkhas who elected for AFPS 05 that the service credits will in most, if not all, cases be significantly below those in AFPS 75. The MOD therefore wrote in February 2008 to advise them that this was the case and to invite them to reconsider their decision. Two decided to transfer instead to AFPS 75, while two confirmed their AFPS 05 decision. The rest did not reply and therefore remained in AFPS 05, in line with their original election. The scheme actuary has worked out individual service credits for this group, which are shown in table 8.

No pension reduction allowed under tax rules

The current HMRC tax rule that a scheme is not allowed to reduce a pension in payment applies to a Gurkha who transfers to AFPS 05 and is eligible only for a pension from age 65. The GPS pension continues until then, at which point it will stop and be replaced by an AFPS 05 pension. However, if at age 65 an individual's GPS pension is above the AFPS 05 pension he is due under the scheme rules, after taking account of the service credits calculated by the scheme actuary, the value of the GPS pension will continue to be paid from the AFPS 05 scheme, but on an ex-gratia basis. In these circumstances, the Gurkha will be a member of AFPS 05, in accordance with his election in the GOTT, and his widow will get benefits from that scheme after his death. Upratings of pension will be made in line with AFPS, not GPS, rules.

The figures in table 8 indicate that there are likely to be a number of cases where an individual's GPS pension will be above the AFPS pension due at age 65. All those with a percentage credit of 3% or less are likely to fall into this group. Even those with a service credit of around 35% may fall into this group when the likely faster annual growth of a GPS pension compared with an AFPS pension is allowed for up to age 65.

Table 8 – service credits for retired Gurkhas transferring to AFPS 05 and qualifying for a pension from age 65

Name and service number	Rank	Service credit (to be applied to total AFPS qualifying service)
[REDACTED]	[REDACTED]	See note 2
[REDACTED]	[REDACTED]	41%
[REDACTED]	[REDACTED]	36%
[REDACTED]	[REDACTED]	35%
[REDACTED]	[REDACTED]	25%
[REDACTED]	[REDACTED]	19%
[REDACTED]	[REDACTED]	22%
[REDACTED]	[REDACTED]	3%
[REDACTED]	[REDACTED]	0%
[REDACTED]	[REDACTED]	3%
[REDACTED]	[REDACTED]	0%
[REDACTED]	[REDACTED]	0%
[REDACTED]	[REDACTED]	0%
[REDACTED]	[REDACTED]	0%
[REDACTED]	[REDACTED]	0%
[REDACTED]	[REDACTED]	0%
[REDACTED]	[REDACTED]	3%
[REDACTED]	[REDACTED]	0%

Notes

1. The service credits have been calculated using AFPS 75 representative pay rather than using individual pay data. Actual benefits would be calculated using the individual’s pay records.

2. [REDACTED] has a 50% GPS disability pension and a 40% War Disability pension. He was awarded a tier 1 AFPS 05 ill health lump sum with a pension paid from age 65. If he is given a medical discharge retrospectively (for which SPVA has applied), he will be offered either the AFPS 05 tier 1 award or an AFPS 75 SIP or SAP whichever is the higher (see section 9 and comments on ill-health individuals eligible for EDP in table 7). In this case, his total service credit for his AFPS 05 pension from age 65 is 0% (there is nothing left for him in AFPS 05 from age 65). His tier 1 lump sum service credit is 46% (he gets that percentage of the amount). In AFPS 75, his pre-July 1997 for a SIP is 26% and for a SAP is 100% for all his service. To complete the picture, in case of any future changes to his position, his service credits for other tier awards are 61% (for a tier 2 award) and 60% (for a tier 3 award) applied to his total service. If he gets a tier 2 or 3 award, his pension (backdated to his last day of service) will be worked out using the appropriate service credit.

The following example uses the service credits in table 8 to calculate the AFPS 05 reckonable service and preserved pension from age 65.

Example AFPS 05 pension from age 65 calculation

Corporal joined in Nov 1988 and left service in 2006 with 18 years' service and with final pensionable pay of £28,000 a year. His GPS pension is £1,735. He has a service credit of 35% to be applied to all his qualifying service.

His AFPS 05 reckonable service is calculated as follows:

$$\text{Qualifying service} \times 35\% = 18 \times 35\% = 6.3 \text{ years}$$

His AFPS pension from age 65 is calculated in the usual way, as follows:

$$\frac{6.3}{70} \times £28,000 = £2,520 \text{ a year}$$

This is above his current GPS pension of £1,735 (which continues in payment until age 65, receiving annual increases in the usual way). Whether this is still the case at age 65 depends on how much faster his GPS pension grows above the AFPS pension between now and retirement. The scheme actuary has assumed a GPS pension grows by 1½% a year faster than an AFPS pension, but the difference may turn out to be larger or smaller than this. If the GPS pension is above the AFPS pension at age 65, the individual would continue to receive the value of his GPS pension, but it would be paid from AFPS 05, with future annual upratings based on AFPS, not GPS, rules. He would therefore transfer to AFPS 05, in line with his GOTT decision. When he dies, his family would get benefits paid from AFPS 05.

There is no AFPS tax-free lump sum, as this is not allowed by the tax rules. A higher pension is paid instead, which is allowed for in the service credit.

Arrears calculation for an individual eligible for EDP

A C Sergeant with 20 years 7 months' service leaving in Aug 2007 with maximum GPS commutation (assumes SPVA implements change from end-March 2009)

GPS payments made:

Commutation lump sum	= £13,570
Pension from retirement to end-March 09	= <u>£ 2,407</u>
Total GPS payments made	= <u>£15,977</u>

EDP payments due:

EDP lump sum (tax-free)	= £29,640
Income from retirement to end-March 09	= <u>£ 7,946</u>
Total EDP payments due	= <u>£37,586</u>

In this example, arrears of EDPs of £21,609 (£37,586 – 15,977) are due as the individual has been paid less GPS pension and commutation lump sum than the EDP lump sum and income payments due.

If a case emerged that showed an individual owed the Department, SPVA would have to agree with the individual how he proposed to repay the sum owed over a reasonable period. The general approach is that repayments will be made at a rate of four days gross pension or the Gurkha's current recovery rate under GPS, whichever is the greater. However, no Gurkha is to be put in a worse financial position than he is under GPS, that is with a lower overall pension income.

Group iii – “no liability” leaver (see also section 10)

The one individual in this group did not make an election, so there is no one eligible for an AFPS 05 pension who does not currently have a GPS pension.

Group iv – future widows

The approach to the calculation of a future widow's pension in AFPS 05 is different from that in AFPS 75. In the former, the widow has her own accrual rate based on the member's reckonable service, while in the latter her pension is based on a percentage of his pension entitlement.

There may be two groups of widows in AFPS 05 in future.

The widow of an immediate benefit recipient (either EDPs or ill-health pension recipients) will have her benefits calculated in line with normal AFPS 05 rules. She gets a pension based on the formula

$$\frac{\text{reckonable service}}{112} \times \text{final pensionable pay}$$

Reckonable service was calculated at the time of the member's transfer to AFPS 05 using the published service credits for immediate pensioners for pre-1 July 1997 service and year-for-year for service from that date.

The second group is the widow of a "preserved pensioner", a Gurkha who transfers to AFPS 05 only from age 65 and in the meantime remains a member of the GPS:

- i. if he dies before age 65, his widow gets benefits paid from GPS in line with normal rules;
- ii. if he dies after transferring to AFPS, age 65 or later, family benefits are calculated in line with normal AFPS rules. The widow again gets benefits calculated in line with the formula

$$\frac{\text{reckonable service}}{112} \times \text{final pensionable pay}$$

Reckonable service is calculated using the published service credits for immediate pensioners for pre-1 July 1997 service and year-for-year for service from that date.

This approach does not therefore use the service credits in table 8 to calculate the member's AFPS 05 pension. These take into account the GPS payments made to the individual from retirement to age 65, as well as other factors. This is not an appropriate basis for the calculation of the widow's pension when there is a separate accrual rate based on the reckonable service of the member. The service credits for immediate pensioners who transferred to AFPS 75 are used instead (see table 6). If the Gurkha dies within five years of drawing his pension, his estate would be paid the balance of five years' worth of pension less the value of the pension lump sum he has already received (paid from GPS). This payment would be tax-free.

An example of how the widow's pension is calculated is below.

Future widow's pension for AFPS 05 preserved pensioner

A Corporal leaves in July 2004 with 17 years' service - 10 years before July 97 and 7 years after. He dies after age 65 having transferred to AFPS 05.

He has AFPS equivalent reckonable service of

$$10 \times 30\% = 3 \text{ years for service before 1 July 97}$$

$$+ \underline{7 \text{ years}}$$

$$= 10 \text{ years}$$

The widow's pension is based on the AFPS 05 formula giving

$$\frac{10}{112} \times \text{final pensionable pay}$$

With final pensionable pay of, say, £26,167, this gives a widow's pension of £2,336. This figure is index linked from the member's last day of service.

The service credit used is taken from table 6. The reason for this is explained in the paragraph just before this example.

8. Next of kin of eligible deceased Gurkhas

The wife and any children of deceased Gurkhas who met the eligibility criteria in section 1 on page 19 were given the offer to transfer from GPS to AFPS family benefits. The scheme actuary calculated individual credits reflecting the circumstances of each case. The text of his letter of 18 January 2008 setting out the approach and the credits used in the individual letters which are at annex B.

SPVA staff were closely involved in the calculation of the AFPS 75 figures included in these letters, which were sent in early 2008. The figures should be used for all those who elect to transfer to AFPS 75 (or AFPS 05 in a few cases) and increased in line with normal indexing arrangements from April 2008 (the offer letters were sent in Jan/Feb 08, ie. before the April 2008 uprating).

The main points about the approach to these benefits are:

- The AFPS 75 family pensions are calculated by applying the credit supplied by the scheme actuary in annex B to the pre-1 July 1997 service to get a revised reckonable service figure and then adding that to the year-for-year figure for service on or after 1 July 1997 to get a total reckonable service figure (see the two examples at the end of this section);
- If the widow was receiving an attributable pension in GPS – known either as a liberalised service pension or a special family pension - then she was offered attributable benefits in AFPS 75. Otherwise non-attributable AFPS 75 benefits were offered;
- Separate children's pensions are not paid in GPS, but are available in AFPS 75 in line with the existing scheme rules;
- Those who transfer to AFPS 75 benefits have these payments backdated to the death of the Gurkha, with the GPS pension payments that had been made stripped out from the same date. Arrears of pension were therefore paid, as appropriate;
- A second pension lump sum was not paid unless the death was on or after 1 March 2006, within two years of the retired GOTT decision date (a tax rule). For deaths before 1 March 2006, the AFPS 75 lump sum due was paid in the form of a temporary higher widow's pension. The tax rules are clear that a widow's pension may be increased or reduced at any time and that such a change does not constitute an unauthorised payment. Nor do the tax rules lay down a minimum (or maximum) period over which such an arrangement should apply. For GOTT purposes, therefore, the period over which this higher pension is paid is deemed to be the death of the member and the date when the transfer to AFPS is effected, which means that the AFPS lump sum due is effectively paid as part of the arrears calculation. As it is not paid as a lump sum, it is taxable. The consequence of this approach is that there was no need for the scheme actuary to consider the lump sum when determining the service credits.

There was one widow who failed to reply by 9 May 2008 to a number of approaches from SPVA and HQBG. She was told clearly in a letter from HQBG in mid-April that, if there was no contact from her by this date, the MOD would presume that she was content to remain with her GPS benefits. If she later decides that she would like to participate in the GOTT, she should be told that this is not now possible, unless there is evidence to support a claim that she was unable to give an earlier decision (perhaps because she was incapacitated in some way throughout the period of the GOTT). SP Pol Pensions should be consulted, if this were to happen.

Calculation of widow's pension for attributable death in service

A Colour Sergeant dies attributably in June 1999 after 14 years and 5 months' service. The scheme actuary gave a service credit of 100%, as an AFPS 75 attributable pension is not linked to length of service.

The widow therefore gets the same pension as a non-Gurkha widow in the same circumstances

Widow's pension at date of death	=	£10,198
Indexed to Feb 08 (when letter issued)	=	<u>£12,239.75</u>
Children's pension at date of death	=	£2,497
Indexed to Feb 08	=	<u>£3,036.10</u>

Short-term family pension (STFP) of 6 months' pay is also paid as member died in service.

Member's pay at death	=	£22,185.12
STFP	=	£11,092.56

Calculation of widow's pension for non-attributable death in retirement

A Rifleman dies non-attributably in Jan 2001 after 15 years and 356 days' service. The scheme actuary gave a service credit of 68% for the service before 1 July 1997. Service on or after 1 July 1997 gets 100%. The widow gets a pension of 50% of the member's pension.

Reckonable service after credits	=	12 years 3 days
Member's AFPS 75 pension at date of death would have been	=	£2,686.65
Widow's pension at 50% of member's and indexed to Feb 08	=	<u>£1,493.86</u>
Children's pension at 50% of widow's	=	<u>£746.93</u>

A lump sum is payable as part of the taxable arrears - uprated to date of death by pension increases. See annex C for an explanation of why this payment may be made in this form

	=	£8,498.31
--	---	-----------

9. Disability and invaliding pensioners

There are two different ill-health pensions within the GPS: a disability pensioner gets more than the normal GPS pension, reflecting the fact that the individual's condition was caused by service (attributable); while an invaliding pensioner gets the same GPS pension as a "normal health" pensioner, as his condition was not caused by Army service and, typically, he was kept in service at least to the 15 year pension point. There is different treatment in the GOTT for the two groups. In addition, a few Gurkhas who were discharged on the Gurkha Chronic Conditions List, are to be treated like the disability pensioners.

GPS disability pensioner

Disability pensioners were offered an AFPS 75 service invaliding pension (SIP) or the appropriate AFPS 05 ill-health award. A SIP is paid to someone who leaves with a condition not caused by Army service (non attributable). If a retired Gurkha, having transferred to an AFPS 75 SIP, is later assessed as attributable under the AFPS arrangements, he would instead get a service attributable pension (SAP), if this was higher. The service credit used for a SAP case is 100%. Individual service credits were calculated for those getting AFPS 05 benefits.

The pre-1 July 1997 service credits for the disability group are at annex C. They are slightly lower than for the normal health immediate retirees at the higher ranks. This reflects the fact that the AFPS 75 SIP increases in payment immediately, rather than from age 55 for normal health retirees, and therefore makes the SIP relatively more valuable. There are no comparable figures for the lower ranks as they would only have received preserved benefits from AFPS at the particular service lengths.

For those who transfer to AFPS 75, the same general approach is being taken as for the immediate pensioners, with AFPS 75 benefits replacing the GPS payments made from the last day of service. Arrears of pension are therefore due. If the AFPS 75 lump sum paid as part of the pension is above the GPS lump sums paid, the difference will be converted to a taxable pension at the rate of £4.25 a year for each £100 lump sum due and paid with the SIP.

The GPS allows an individual to claim a disability pension up to 7 years after leaving service. If an individual is awarded such a pension, his circumstances under the GOTT will need to be reviewed, with the scheme actuary, to see whether any changes are needed. He will now be entitled to an AFPS 75 SIP, as described earlier in this section, with the appropriate service credit. If this is more beneficial than his existing pension (eg. if he is transferring to AFPS 75 only from age 60 and is continuing to draw his GPS pension) his pension will need to be recalculated. GPS payments made will have to be netted off AFPS 75 SIP payments due, with any arrears paid.

Example GPS disability pensioner transferring to AFPS 75 SIP

Sergeant with 12 years' service from age 19, 8 years before 1 July 1997 and 4 years after leaving in 2001-02.

Calculation of reckonable service:

- apply the service credit of 29% to the 8 years of service before 1 July 1997 to get a broadly equivalent pension value in AFPS, which is 2.32 pensionable years' service;
- add this to the 4 years' service on or after 1 July 1997 converted at year-for-year to get total service of 6.32 AFPS pensionable years.

The starting point for the AFPS 75 calculation is the appropriate SIP pension figure for a 12 year Sergeant who left in 2001-02 (£5,503). This is multiplied by 6.32 and divided by 12 to give the adjusted pension figure for this soldier.

The pension is therefore: $£5,503 \times 6.32 \div 12 = £2,898.25$

GPS invaliding pensioner

Most invaliding pensioners were treated the same in the GOTT as a Gurkha who retired under normal (that is, not on ill-health) circumstances. There is no additional GPS pension for this group, as they were normally held in at least to the 15 year pension point and their injury or illness was not considered to be attributable to, or aggravated by, service. As the SPVA records were unable to identify these individuals, an invitation was promulgated widely to invite anyone in this position to make themselves known to the GOTT Service Centre, if they felt that their circumstances were such that they would qualify for a SIP in AFPS 75. A MOD medical adviser would then consider whether, if they had been in AFPS 75 at the time they left the Army, they would have qualified for a SIP. No cases came to light during the GOTT process.

If a case comes to light and, as a result of further consideration by the medical adviser an invaliding pensioner were to transfer to an AFPS 75 SIP, SPVA should seek the scheme actuary's advice, which is that, in general, the service credits for the invaliding group would be slightly lower than for the disability group. This reflects that they have lower benefits in GPS, but are moving to the same SIP benefit in AFPS – see GCCL section.

Gurkha Chronic Conditions List

A few individuals were discharged on the Gurkha chronic conditions list (GCCL – see list in table 9). Four were paid a disability pension, with the rest receiving invaliding pensions. Under the GOTT, they get a SIP if they elect

for AFPS 75. The service credits for those getting a GPS invaliding pension have been calculated individually by the scheme actuary and are shown in table 9; they are different from those in table 6 (page 23) and those used for the disability pensioners in annex C. If SPVA(N) later decides to award a War Disablement Pension as a result of its consideration, the case should be looked at in the usual way by the Pensions Awarding Branch in Glasgow to see whether the AFPS 75 pension should be changed from a SIP to a SAP (if this is higher). The service credit used for a SAP case would be 100%.

The scheme actuary has calculated a range of service credits for the individuals who elected for AFPS 05 (to cover a range of award outcomes). Details of two are in table 7, as both individuals are eligible for EDPs. Details of another, [REDACTED] are in table 8. If a tier 1 award is made and the medical condition pre-dated 6 April 2005, SPVA would offer the choice of an AFPS 75 SIP instead.

Table 9 – individuals discharged on the Gurkha Chronic Conditions List

Name, rank and service number	GPS award	GOTT election	Service credits	
			Pre 1/7/97	Post 1/7/97
[REDACTED]	Disability	AFPS 75	100%	100%
[REDACTED]	Disability	AFPS 05	*	*
[REDACTED]	Invaliding	AFPS 75	34%	100%
[REDACTED]	Invaliding	Default GPS	NA	NA
[REDACTED]	Invaliding	AFPS 75	37%	100%
[REDACTED]	Disability	AFPS 75	Annex C	Annex C
[REDACTED]	Invaliding	AFPS 75	34%	100%
[REDACTED]	Disability	AFPS 05	*	*

* see table 7, Early Departure Payments, for details of these two individuals

The above were all medically discharged P8. The following two were discharged P7.

[REDACTED]	Invaliding	AFPS 75	31%	100%
[REDACTED]	Invaliding	AFPS 75	24%	100%

10. Retired Gurkhas who left without a pension (“no liability leavers”)

A Gurkha who leaves service without completing 15 years’ service does not get a pension from the GPS, just three lump sum payments, if he completes a minimum five years’ service. However, he is eligible for an AFPS preserved pension provided he completed a minimum of two years’ service. There were 19 retired Gurkhas in this position. By 29 February 2008, only five of the group had identified themselves. All elected to join AFPS 75. The details are shown in table 10.

Table 10 – Gurkhas who left without a pension

Name (service number) and exit date	GOTT decision	Service credit	AFPS reckonable service (approx) – pension to be worked out at 2.75% of the 37 year OR3 rate for every year.
██████████	AFPS 75	Qualifying service of 14 yrs + 50 days. Gets nothing for pre-1 July 97 service: 100% of service from 1 July 97. Tax-free AFPS RG of £604 due after netting off GPS payments made	2 yrs 9 months service on or after 1 July 97 x 100% = 2 yrs and 9 months
██████████	AFPS 75	Qualifying service of 8 yrs + 27 days. Gets nothing for pre-1 July 97 service: 62% of service from 1 July 97	5 months service on or after 1 July 97 x 62% = 3.1 months
██████████	AFPS 75	Qualifying service of 9 yrs + 245 days. Gets nothing for pre-1 July 97 service: 81% of service from 1 July 97	4 yrs 3 months service on or after 1 July 97 x 81% = 41.3 months
██████████	AFPS 75	Qualifying service of 2 yrs + 271 days. All service is on or after 1 July 97. No GPS payments made on retirement so GPS pensionable service of 2 yrs 271 days is converted at 100%.	2 yrs 271 days
██████████	AFPS 75	Qualifying service of 11 yrs + 230 days. Gets nothing for pre-1 July 97 service: 130 days for service from 1 July 97	130 days

The calculations in the final column of table 10 show (approximately) the reckonable service each individual will get in AFPS 75.

The scheme actuary calculated the value of the AFPS 75 preserved pension remaining from age 60 on an individual basis. The calculation takes account of the value of the various GPS lump sums paid on leaving the Army and any service on or after 6 April 2006, for which preserved pension is paid from age 65. A retired Gurkha in these circumstances is eligible for an AFPS pension lump sum at age 60, as the GPS lump sums paid on his retirement were not paid with pension and do not therefore count as pension lump sums. The individuals received a GPS value for any service before 1 July 1997 service, in the form of lump sums paid in accordance with the rules, so no value is due in AFPS.

The exception to this is [REDACTED] who is eligible for a resettlement grant in AFPS 75 as he completed the minimum required 12 years' service. The scheme actuary has calculated that, after taking account of the GPS lump sums made on leaving service, he is owed a lump sum of £604, payable tax-free immediately. His preserved pension is payable in the usual way based on 100% of his service on or after 1 July 1997.

The scheme actuary's calculations mean that two of the individuals in table 10 have pensions which are less than 1% of HMRC's lifetime allowance which is the level at which AFPS offers to commute the pension into a lump sum. If the pension is less than £100 a year SPVA will not need to check what other pensions are in payment but, if it is more than £100 a year, the normal enquiries will have to be made to ensure that pensions from other sources do not breach the 1% limit. If the individual is entitled to take advantage of trivial commutation, the first 25% of the lump sum will be tax free and the remainder taxable. The individuals affected are: [REDACTED] and [REDACTED], both of whom have AFPS reckonable service of around 4 or 5 months (see final column in table 10).

As a preserved pensioner, a retired Gurkha may transfer his pension value to another scheme or apply for the early payment of preserved pension under the usual AFPS 75 rules. Providing deferred benefits are not transferred out of AFPS 75, any subsequent dependants' benefits will be paid in accordance with the usual AFPS 75 rules.

11. Re-employed Gurkha Officers (RGO)

All RGOs ended their period of service in the Army as a Queen's Gurkha Officer (QGO) and completed an appointment with the Gurkha Welfare Scheme, outside the Army, before being appointed as a RGO, typically for 3-5 years. The gap between the two periods of service was anything from 18 months to a few years, during which time the individual drew his QGO pension from the GPS. The treatment in the GOTT of the QGO and RGO

periods of service depends on whether they ended before or on or after 1 July 1997. All RGO contracts ended on 31 December 2007.

Some RGOs held honorary rank. In this case, the service credit to convert service before 1 July 1997 should be taken from table 11.

GOTT treatment

An eligible RGO is one whose service ended on or after 1 July 1997. There are two groups of eligible RGOs:

- i. QGO service ended before 1 July 1997 and does not therefore count in the GOTT;
- ii. QGO service ended on or after 1 July 1997 and counts in the GOTT.

The treatment of the two groups is described below. The principles are the same as for other retired Gurkhas (sections 5-7). Service before 1 July 1997 is converted to reckonable service in AFPS using the service credits in table 6 designed to give broadly equivalent pension value to that earned in the GPS in that period. Service on or after 1 July 1997 gets a year-for-year credit in AFPS.

If a RGO has enough service to qualify for immediate benefits, these payments will be backdated to the last day of Army service. He would only have enough service if his QGO service was also eligible under the GOTT (ii above). If a RGO does not have enough service to qualify for immediate benefits (i above), he gets preserved benefits only. In this case, he remains a member of GPS, and his GPS payments continue until AFPS payments replace them at age 60 (in AFPS 75) or age 65 (in AFPS 05).

UK tax rules do not allow the payment of a second pension lump sum for the same period of employment, if an individual has already retired and taken pension benefits including a lump sum. However, RGOs were not paid a GPS lump sum when they left service so are entitled to payment of tax-free pension lump sum for their RGO service, if they take an AFPS pension.

The GOTT also needs to take account of the fact that all but one of the RGOs in group i above completed at least 28 years' service as a QGO to earn maximum pension benefits under the GPS. This meant they earned no more pension in GPS for their RGO service, which further simplifies the calculation of preserved pension, as there are no payments from GPS to take into account from age 60/65.

The calculation of pension for the two groups is discussed in the next two sections.

(i) QGO service ended before 1 July 1997 with RGO service ending on or after 1 July 1997

The QGO service was not eligible for the GOTT as it ended before 1 July 1997. The RGO service was eligible to be transferred into AFPS, earning a preserved pension from age 60/65. All but one of the RGOs in this group earned the maximum possible pension in the GPS for their QGO service and did not therefore gain additional payments (pension or lump sum) for their RGO service. This means, for them, that there is no GPS value to take into account before making AFPS payments. As a pension lump sum is due for this group, the AFPS pension is therefore calculated in line with the usual rules. The only caveat is that service before 1 July 1997 service must be converted to AFPS pensionable service using the service credits in table 6.

The exception in this group, [REDACTED], earned additional GPS pension of one year for part of his RGO service (up to the GPS maximum). This has been taken into account in the service credit of 92% calculated by the scheme actuary, as he will be paid pension until age 60 (he is eligible to transfer to AFPS 75 only). This gives him 3.68 years of AFPS reckonable service. This factor was noted on the individual's record and will be used to calculate the value of the preserved pension (and lump sum) at age 60 that would be payable. He remains in the GPS until then and, if he dies before age 60, his dependants would be paid benefits from that scheme.

The AFPS pension for the group excluding [REDACTED] is worked out as follows:

- calculate AFPS equivalent reckonable service for RGO appointment in the usual way, using the service credits for the rank for any pre-1 July 1997 service (table 6). Service on or after 1 July 1997 gets a year-for-year credit;
- in AFPS 75, the preserved pension is calculated in the usual way for an officer – 3% for every year of reckonable service multiplied by the 34 year pension rate for that rank for the year of exit. Service on or after 6 April 2006 earns preserved pension from age 65. A pension lump sum of three times pension is paid in the usual way to all these RGOs, as none was paid a pension lump sum for his GPS service.

This is set out in the following examples.

Example – AFPS 75 preserved pension with all RGO service converted at year-for-year

A Captain or Lieutenant (pension code the same) leaves in 2000-01 with 3 years' service.

Pension at age 60 is: $3 \times 3\% \times \text{£}16,839 = \text{£}1,515.51$ a year

Tax-free lump sum is 3 times pension = $\text{£}4,546.53$

The pension is taxable and is increased in value by UK inflation since the last day of service before it is paid.

Example – AFPS 75 preserved pension with RGO service split around 1 July 1997

A Major leaving in 1998-99 with 4 years' service, say 3 years before and 1 year on or after 1 July 1997.

First calculate AFPS reckonable service by adjusting the pre-1 July 1997 service by 23% (service credit for a Major from table 6)

$$3 \times 23\% = 0.69 \text{ AFPS pensionable years}$$

Add this to the 1 year on or after 1 July 1997 to give AFPS pensionable service of 1.69 years.

Pension at age 60 is: $1.69 \times 3\% \times \text{£}18,531 = \text{£}939.52$ a year

Tax-free lump sum is 3 times pension = $\text{£}2,818.57$

The pension is taxable and is increased in value by UK inflation since the last day of service before it is paid.

- in AFPS 05, the preserved pension paid from age 65 is calculated in the usual way – $1/70^{\text{th}}$ of the best consecutive 365 days' pensionable pay in the last 3 years of service multiplied by the reckonable service figure (adjusted for any pre-1 July 1997 service). A pension lump sum of three times pension is paid in the usual way to all these RGOs, as none was paid a pension lump sum for his GPS service. One individual is eligible only for AFPS 05;

Example – AFPS 05 preserved pension with all RGO service converted at year-for-year

A Lieutenant leaves in July 2007 with 2 years' service and final pensionable pay of £30,000.

His preserved pension in AFPS 05 from age 65 is calculated as:

$2/70$ of final pensionable pay

His preserved pension is calculated as:

$2/70 \times £30,000 = £857.14$ a year

with a tax-free lump sum of $3 \times \text{pension} = £2,571.43$

The pension is taxable and is increased in value by UK inflation since the last day of service before it is paid.

Those who did not earn additional pension benefits in GPS for their RGO service – that is all but [REDACTED] - became preserved pensioners in AFPS, if they transferred. They are entitled to transfer out their pension value and to apply for the early payment of preserved pension in line with the rules of the AFPS to which they have transferred. If they die before age 60 (or 65), their dependants would be paid benefits from their chosen AFPS.

ii QGO service ended on or after 1 July 1997 with RGO service also ending on or after 1 July 1997

Both the RGO and the QGO periods of service count in the retired GOTT. If the RGO decided to transfer to AFPS, the GPS payments made since retirement must be taken away from the AFPS payments that are due.

The QGO service of all RGOs ended before 6 April 2006, so this can be transferred only into AFPS 75.

The transfer options for the RGO service depend on when it began and ended:

- into AFPS 75 only, if the RGO service ended before 6 April 2006. It would be too generous to add the two periods of service together and give a pension based on the pension code for the later RGO period of service. The pensions for the two periods of service are therefore to be calculated separately, based on a maximum combined period of 34 years' service, as in the example below.

Example of AFPS 75 pension calculation where both RGO and QGO service are on or after 1 July 1997

A Captain with 24 years' QGO service leaves in 2000-01 with 20 years' service before 1 July 1997 and 4 years' service after. He rejoins as Lieutenant RGO in 2002-03 and leaves in 2006-07 as Captain RGO with 4 years' service. The AFPS 75 pension is calculated on the basis of a 2-part calculation, as follows:

QGO service pension

AFPS reckonable service is calculated using a service credit of 28% to convert pre-1 July 1997 service = $20 \times 28\%$ = 5.6 years

Added to 4 years' at year-for-year since 1 July 1997 = 9.6 years

24 year AFPS 75 Captain's pension for 2000-01 = £12,597

Adjust for reckonable service value = $9.6 \div 24$ = £5,038.80

This pension will need to be increased to take account of the fact that the individual is not allowed an AFPS pension lump sum – calculation is the difference between GPS lump sums paid and AFPS lump sum due x 4.25/100 (see section 6).

RGO service pension

Pension calculation for 4 years' RGO service is calculated as a proportion of the 28 years' (that is the total service of the officer) pension code for Captain leaving in 2006-07

$4 \div 28$ of £17,383 = £2,483.29

With a tax-free lump sum of 3 x pension = £7,449.87

This gives a total pension of £5,038.80 + £2,483.29 = £7,522.09

Most RGOs are re-employed at the same rank as their QGO rank. However, this approach also works if the RGO rank is above or below

- into AFPS 75 or AFPS 05, if the RGO service ended on or after 6 April 2006. If the RGO transferred his RGO service to AFPS 05, he qualifies for a preserved pension paid from age 65. The pension is calculated in the usual way, as described above where QGO service does not count in the GOTT;

- into AFPS 05 only if RGO service started on or after 6 April 2005. The preserved pension paid from age 65 is calculated in the usual way, as described above where QGO service does not count in the GOTT.

Less than two years' service

A few RGOs had less than two years' service when their engagements ended on 31 December 2007 and are not eligible for the GOTT.

12. Short Service Commission (Gurkha) (SSC(G))

SSC(G) officers were re-employed Gurkha officers. Unlike RGOs, however, they were not on a pension earning appointment, but earned a gratuity at the end of their engagement. For GOTT purposes, there were two groups of SSC(G) – retired and serving (see section 8). The retired SSC(G) group was paid a gratuity, but no pension, at the end of the SSC(G) appointment. Retired SSC(G) individuals were not therefore members of the GPS for this period of service and were not therefore eligible for the GOTT. However, their QGO service is eligible for the GOTT provided it was completed on or after 1 July 1997.

13. Gurkha Commissioned Officers (GCOs) and Honorary Ranks

This group gets a higher GPS pension, which was reflected in a higher service credit for the equivalent rank. The principles of the GOTT are, however, the same.

Table 11 shows the factors for GCOs and those with Honorary Rank that will be used to convert GPS to AFPS entitlement for service prior to 1 July 1997 for those that elect to transfer to AFPS. The factors show the additional pension value that GCOs and Honorary ranks have over the normal rate of pension for the individual's substantive rank.

The factor for those with a disability pension is slightly lower to reflect the additional value from an AFPS 75 Service Invaliding Pension which is index-linked from date of payment, whereas the normal AFPS immediate pension is not index-linked until the age of 55.

Table 11 – service credits for GCOs and Honorary Ranks

GCO and Honorary Ranks	% factor service pension	% factor disability pension
Major GCO	34	-
Captain GCO	36	-
Major(QGO)Honorary Captain(GCO) and Honorary Major	27	26
Major(QGO) Honorary Lieutenant(GCO)	26	25
Captain(QGO) Honorary Captain(GCO)	31	30
Captain(QGO) Honorary Lieutenant(GCO) and Honorary Captain	30	29
Warrant Officer Class 1 Honorary Lieutenant (QGO)	28	27
Warrant Officer Class 2 Honorary Lieutenant (QGO)	29	28
Colour Sergeant Honorary Lieutenant (QGO)	29	28
Sergeant Honorary Lieutenant (QGO)	31	30

Example of AFPS 75 pension calculation for Honorary Captain

He has 28 years' combined service as Captain QGO and Honorary Captain and left in 2003-04. He has 22 years' service before July 1997 and 6 years' service after that date.

The total period of service is used to calculate the pension, adjusting for service before 1 July 1997 using the service credits in table 11. Thus:

AFPS reckonable service = 22 x 30% = 6.6 years

Add 6 years' at year-for-year since 1 July 1997 = 12.6 years

28 year AFPS 75 Captain's pension for 2003-04 = £15,983

Adjust for pensionable service value = 12.6/28 = £7,192.35

14. Pension sharing on divorce

The information needed to meet a pension sharing order (PSO) or to provide a cash equivalent transfer value for a retired Gurkha transferring to AFPS is the same as that for others in AFPS. Those with enough service to get an Immediate Pension in AFPS 75 will need the value of this split in line with the PSO. Those with EDPs and a preserved pension from age 65 in AFPS 05 will need the value of their benefits set out for the Court.

The majority of retired Gurkhas who continue with GPS will have that pension value to split. The AFPS benefits must be included in the calculation instead of the GPS pension from age 60 (when AFPS 75 pension starts) or age 65 (when AFPS 05 pension starts). The scheme actuary will have to be involved in every case.

Annex A

Percentage of AFPS 75 preserved pension for retired Gurkhas not eligible for immediate benefits on transfer

These service credits are to be applied to all pensionable GPS service, ie both pre- and post- 1 July 1997 service.

Rifleman & Lance Corporal (OR 3)											
Age at Mar 08	Exit Year (financial years)										
	97/98	98/99	99/00	00/01	01/02	02/03	03/04	04/05	05/06	06/07	07/08
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%		

Corporal (OR 4)											
Age at Mar 08	Exit Year (financial years)										
	97/98	98/99	99/00	00/01	01/02	02/03	03/04	04/05	05/06	06/07	07/08
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%			

Sergeant (OR 6)											
Age at Mar 08	Exit Year (financial years)										
	97/98	98/99	99/00	00/01	01/02	02/03	03/04	04/05	05/06	06/07	07/08
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%					

Staff Sergeant (OR 7)											
Age at Mar 08	Exit Year (financial years)										
	97/98	98/99	99/00	00/01	01/02	02/03	03/04	04/05	05/06	06/07	07/08
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%					

Warrant Officer 2 (OR 8)											
Age at Mar 08	Exit Year (financial years)										
	97/98	98/99	99/00	00/01	01/02	02/03	03/04	04/05	05/06	06/07	07/08
All Ages	38%	40%	42%	44%	45%	47%	50%	52%	54%	55%	60%

Warrant Officer 1 (OR 9)											
Age at Mar 08	Exit Year (financial years)										
	97/98	98/99	99/00	00/01	01/02	02/03	03/04	04/05	05/06	06/07	07/08
All Ages	36%	38%	40%	42%	44%	47%	50%	53%	55%	58%	61%

**LETTER FROM THE GOVERNMENT ACTUARY'S DEPARTMENT ABOUT
SERVICE CREDITS FOR NEXT OF KIN**

██████████ SP Pol (Pensions)
Floor 7, Zone I
Ministry of Defence
Main Building
Whitehall
London
SW1A 2HB

18 January 2008

Dear ██████████

Retired Gurkha Offer to Transfer – Service Credits for Next of Kin

I am writing regarding the pre 1 July 1997 service credits that are to be offered to the next of kin of those Gurkhas who served in the army after 1 July 1997 and have since died in service or in retirement.

The data that we received showed that there were 19 death in service cases and 14 death in retirement cases, giving 33 in total. Given the relatively small number of cases, the large variability in service credits between them and that you intend to write personalised letters to each next of kin, we agreed that GAD would produce service credits on an individual basis.

I have set out the death in service credits in appendix 1 and the death in retirement service credits in appendix 2 to this letter. There are four outstanding death in retirement cases, that require further work and so we will write to you separately regarding these cases.

General approach

Your general high level approach to providing AFPS benefits for those next of kin that elect to transfer to AFPS will be as follows:

- The AFPS benefits will be delivered by assuming that they had come into payment on the day that the member had died. Therefore, for deaths in retirement you are not going to consider benefits payable between retirement from the GPS and the date of death.
- An 'arrears' calculation will then be performed to establish how much money the next of kin are due in respect of benefits that would have been payable from the AFPS in the past, with a deduction for the amount they have actually received from the GPS.

- Going forwards the AFPS benefits would be payable, rather than the GPS benefits.

This is the same general approach that you adopted for the GPS retirees who would qualify for immediate benefits.

Specific approach for death in service cases

On death in service there are potentially four different benefits payable from AFPS 75:

- A lump sum multiple of salary.
- A short term pension, equal to the member's salary for a fixed period (eg 182 days if there are eligible children).
- A long term widow's pension.
- A children's pension.

Your approach for each of these benefits is summarised below.

Lump sum

The lump sum is not to be treated as a service related benefit, with it being a multiple of the member's salary at the time of death. As such you will pay this benefit in full (less any lump sum already received), with no pre 97 service reduction being applicable. For attributable deaths I understand that the same lump was paid as would have applied under AFPS and therefore no additional lump sum is likely to be due.

You have been in correspondence with HMRC about the criteria for paying the lump sum such that it remains an authorised payment. You have concluded that you can pay the tax free lump sum if the member died within the last 2 years; that is on, or after, 1 March 2006. Otherwise you have to pay this as a taxable pension, although you will use the opportunity to pay this as a temporary pension, in which case you will deem it to have been payable between death and the current time so it can be paid as part of the arrears payment.

The consequence of this approach is that there is then no need for us to consider the lump sum when determining the service credits.

Short term pension

Like the lump sum, this is not to be treated as a service related benefit, with it being equal to the member's salary for the period of payment. Therefore, you will pay this benefit in full, with no pre 97 service reduction being applicable.

This can then be ignored when determining pre 97 service credits.

Widow's long term pension and the children's pension

The approach to widow's and children's pensions will depend on whether the death was attributable, because the same attributable pension is paid regardless of service length. This means that you could take the view that these attributable pensions are not service related.

Attributable death in service:

The widow's and children's pensions are not to be treated as service related and therefore you will pay both of these pensions in full, ie a 100% service credit for both pre and post 1997 service will apply.

Non-attributable death in service:

The widow's and children's pensions are to be treated as service related and therefore a service credit will apply to the pre 1 July 1997 service.

In the GPS, there is no separate children's pension payable. There is just a family pension which would normally be payable to the widow in the 1st instance, but would pass on to any children on her death and be payable to them while they remain eligible (generally until age 23).

However, in AFPS 75 there are separate pensions payable to widows and to children. You decided that the following approach would be taken:

Where a widow is in receipt of a GPS family pension (in all but one case):

We will calculate the percentage of the AFPS 75 widow's pension that is equivalent in value to the GPS family pension and this will be used as a pre 1 July 97 credit when calculating the amount of an AFPS 75 widow's pension that is due.

As there is no separate children's pension in the GPS, the pre 97 credit should be 0% when calculating the amount of an AFPS 75 children's pension that is due.

Where a child is in receipt of a GPS family pension, ie there is no widow (just one case of [REDACTED]):

There will be no widow's pension payable from AFPS 75.

We will calculate the percentage of the AFPS 75 children's pension that is equivalent in value to the GPS family pension payable to the child and this will be used as a pre 97 credit when calculating the amount of an AFPS 75 children's pension that is due.

Specific approach for death in retirement cases

On death in retirement there are potentially four different benefits payable from AFPS 75:

- A lump sum of 3 times the preserved pension.
- A short term pension, equal to the member's pension for a fixed period (eg 182 days if there are eligible children).
- A long term widow's pension.
- A children's pension.

Your approach to each of these benefits is summarised below.

Lump sum

For those Gurkhas who completed enough service to qualify for an immediate pension in AFPS 75, no lump sum is payable from AFPS 75, so no lump sum is due.

For those Gurkhas who only completed sufficient service to qualify for preserved benefits in AFPS 75, a lump sum of 3 times the preserved pension is payable from AFPS 75. Given that this is entirely related to the amount of service completed, this lump sum will be treated as a service related benefit.

Therefore, you will only pay the post 1 July 1997 element of the lump sum, less the post 1 July 1997 element of any lump sum already received. No lump sum is then due in respect of pre 1 July 1997 service, ie the pre 1 July 1997 service credit is 0% for the lump sum.

You have been in correspondence with HMRC about the criteria for paying the lump sum such that it remains an authorised payment. You have concluded that you can pay the tax-free lump sum if the member died within the last 2 years; that is on, or after, 1 March 2006. Otherwise you have to pay this as a taxable pension, although you will use the opportunity to pay this as a temporary pension, in which case you will deem it to have been payable between death and the current time so it can be paid as part of the arrears payment.

The consequence of this approach is that there is then no need for us to consider the lump sum when determining the service credits.

Short-term pension

For those Gurkhas who completed enough service to qualify for an immediate pension in AFPS 75, a short-term pension is payable from AFPS 75 equal to the member's pension. Given that this is entirely related to the amount of service completed, this short-term pension will be treated as a service related benefit.

Therefore, you will only pay the post 1 July 1997 element of the short-term pension. No short-term pension is then due in respect of pre 1 July 1997 service, ie the pre 1 July 1997 service credit is 0% for the short-term pension.

For those Gurkhas who only completed sufficient service to qualify for preserved benefits in AFPS 75, no short term pension is payable from AFPS 75, so no short term pension is due.

Widow's long term pension and the children's pension

The same approach will be taken as for deaths in service, but noting that all death in retirement cases are non-attributable.

Assumptions

We have used the same actuarial assumptions as have been used for the rest of the GOTT, but please note the following assumptions which we have made that are more relevant for the next of kin cases.

Generally, both GPS widow's pensions and AFPS widow's pensions cease on remarriage, but GPS pensions continue if the widow marries her dead husband's brother. We have made a marginal allowance for this slightly beneficial aspect of the GPS when calculating the service credits.

Information about the date of birth of the widow was not easily available and we have therefore assumed that widows were 3 years younger than the member at death. This is similar to the assumption used when determining the cost of the AFPS for SCAPE purposes, but a simplified version.

Results

The pre 1 July 1997 service credits are set out in the Appendices. Appendix 1 shows death in service cases and Appendix 2 shows death in retirement cases.

You will see that in some cases the pre July 1997 credits are a lot higher than you will have seen for other groups in the GOTT. This is because, on the death of the member, the GPS pension is much closer to AFPS pension than is the case for the pension payable on retirement.

I have shown an example in the table below, which is for a Rifleman after 10 years service and uses pension codes from the year 07/08 with an exchange rate of 85 ICR to the £ sterling.

Pension scheme	Pension payable on non-attributable ill health £ pa	Pension payable on death in service £ pa
GPS	1,502	1,261 for 5 years and then 1,073
AFPS 75	4,173	2,087
GPS as a % of AFPS 75	36%	60% for 5 years and then 51%

As you can see, the GPS pension compares more favourably when the death in service pension is considered.

Please let me know if you have any questions.

Yours sincerely




Appendix 1 – GOTT, Deaths in Service

ID Num	Name	Rank	Attributable	Pre 1 July 1997 Service Credit for AFPS 75 Widow's Pension
██████	██████████	████	No	N/A (no pension payable as less than 2 years service)
██████	██████████	████	No	N/A, no pension payable as less than 2 years service
██████	██████████	████	No	N/A, no pension payable as less than 2 years service
██████	██████████	████	No	83%
██████	██████████	████	No	28%
██████	██████████	████	No	56%
██████	██████████	████	No	44%
██████	██████████	████	Yes	100%
██████	██████████	████	No	76%
██████	██████████	████	Yes	N/A, no pension payable as less than 2 years service
██████	██████████	████	No	N/A, RGO service is post 97 only
██████	██████████	████	No	58%
██████	██████████	████	No	74%
██████	██████████	████	No	100% (for child's pension)
██████	██████████	████	Yes	100%
██████	██████████	████	No	57%
██████	██████████	████	Yes	100%
██████	██████████	████	No	N/A, post 97 service only.
██████	██████████	████	No	N/A, no pension payable as no dependants

Notes:

1. The service credits shown for death in service cases above should only be applied when calculating the amount of the long term widow's pension that is payable from AFPS 75 and should be applied to pre 1 July 1997 service. Post 1 July 1997 service counts at 100%.
2. Attributable children's pension should be paid in full, ie with no reduction applied in respect of pre 1 July 1997 service. Non-attributable children's pension should be calculated using just post 1 July 1997 service (ie with a pre 1 July 1997 service credit of 0%), with the exception of ██████████ for whom 100% should be used for both pre and post 1 July 1997 service.
3. The lump sum and short term pension should be paid in full, ie with no reduction applied in respect of pre 1 July 1997 service.

4. The percentages should be applied to all reckonable pre 1 July 1997 GPS service, ie including any pre 18/21 service that is reckonable in GPS.
5. A separate table and approach should be used for death in retirement cases – see Appendix 2.

Appendix 2 – GOTT, Deaths in Retirement

ID Num	Member's Name	Rank	Pre-1 July 1997 Service Credit for AFPS 75 Widow's Pension
████	██████████	████	33%
████	██████████	████	64%
████	██████████	████	68%
████	██████████	████	34%
████	██████████	████	61%
████	██████████	████	39%
████	██████████	████	N/A, no beneficiaries
████	██████████	████	45%
████	██████████	████	49%
████	██████████	████	76%
████	██████████	████	70% (applies only to benefits payable to eligible children of second wife)
████	██████████	████	43%
████	██████████	████	41%
████	██████████	████	20% for first widow of half GPS pension (second widow's half left in GPS)

Notes:

- The service credits shown for death in retirement cases above should only be applied when calculating the amount of the long term widow's pension that is payable from AFPS 75 and should be applied to pre 1 July 1997 service. Post 1 July 1997 service counts at 100%.
- Any of the following benefits that may be due should be calculated using just post 1 July 1997 service, ie with a pre 1 July 1997 service credit of 0%:
 - Children's pension
 - Short term pension (only relevant for Gurkhas who would have been receiving an immediate AFPS 75 pension at death)
 - Lump sum (only relevant for Gurkhas who would not have been receiving an immediate AFPS 75 pension at death)
- The percentages should be applied to all reckonable pre 1 July 1997 GPS service, ie including any pre 18/21 service that is reckonable in GPS.
- A separate table and approach should be used for death in service cases – see Appendix 1.

Annex C

Pre-1 July 1997 service credits calculated by the scheme actuary for Gurkhas eligible for a Service Invaliding Pension in AFPS 75 on transfer and receiving a disability addition to their GPS pension

The table below shows the percentage to be applied to pre-1 July 1997 GPS service when calculating the amount of pre-1 July 1997 invaliding benefits available on transfer to AFPS 75. Post-1 July 1997 GPS service converts at 100% or year-for-year. The percentages should be applied to all reckonable pre-1 July 1997 GPS service, ie including any pre 18/21 service that is reckonable in GPS.

Rank		Pre-1 July 1997 service credit
Rifleman & L.Corporal	If disability less than 40%	38%
	If disability either 40% or 50%	40%
	If disability at least 60%	42% (or 53% if less than 10 years' service)
Corporal		30% (or 34% if disability at least 60%)
Sergeant		29%
Staff Sergeant		26%
WO2		26%
WO1		25%
Lieutenant		26%
Captain		27%
Major		22%

Annex D

GPS Payments - currency for assessment and payment

Breakdown showing the currency that payments were assessed in and how they would have been paid depending on location.

Location Paid \ Benefit & Currency	RG - NCR	DCRG - £	Commutation - ICR	Pension - ICR
UK	To £ at FFR	-	To £ at GAR	To £ at GAR
Nepal	-	To NCR at FFR	To NCR at Peg Rate of 1.6	To NCR at Peg Rate of 1.6

Notes:

1. RG and DCRG payment details are not held on the NPPS.
2. Pension and commutation only paid after discharge, but RG and DCRG was payable after the re-orientation course which could be up to 6 months prior to discharge.

AVERAGE GAR RATE FOR EACH FINANCIAL YEAR

Financial Years	96/97	97/98	98/99	99/00	00/01	01/02	02/03	03/04	04/05	05/06	06/07	07/08
ICR Average	55.91	60.55	69.49	69.85	67.49	68.17	74.25	77.41	82.72	79.38	85.14	81.28

Notes:

1. NPPS holds payment details in ICR.
2. Payments can also be held in NCR as well but these are calculated using the peg rate of 1.6 and the FFR should not be used to convert values to £.
3. Average taken as the mean of the 12 months Apr to Mar for each financial year.

FFR RATE FOR NCR

Effective Date	Apr 97	Jan 98	Aug 98	Jul 01	Nov 01	Aug 02	Feb 04	Aug 05	Jul 06	Jan 08
NCR for £1	94.75	103.71	111.07	103.93	110.91	121.00	134.65	125.30	136.00	127.15

Note:

1. For payment of Resettlement Grant (RG) in UK or Death-Cum-Retirement Gratuity (DCRG) in Nepal only.
2. ICR = Indian Currency Rupees: NCR = Nepalese Currency Rupees

Glossary of common terms used in this PPI

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

A compensation scheme for all members of the regular and reserve forces. It provides compensation for all injuries, ill-health and deaths due (attributable) to, or made worse by, 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.

BG

Brigade of Gurkhas

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.

Dependants

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

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.

Disability Element (GPS only)

This is part of a disability pension awarded for an injury or illness that was accepted as being caused or made worse by service where the degree of disablement was assessed as being 20% or more.

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 and an income payment equal to at least 50% of the preserved pension.

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.

Family pension (GPS only)

Paid to widows, eligible children up to age 23, siblings up to age 23 in certain circumstances, and parents.

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.

Invaliding

When an individual leaves the Army for medical reasons.

LFP - Liberalised Family Pension (GPS only)

The type of family pension paid to dependants of a member of the GPS who dies from attributable causes on an operation or on preparatory training prior to an operation.

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 an individual's will (which is usually completed on enlistment) and they must be 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 an individual leaves the Army, the information detailing 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 two 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. A terminal grant is also paid worth 3 times the pension.
- 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 and tax-free lump sum are paid for more serious conditions under tiers 2 and 3.

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)

A one-off lump sum (tax-free) equal to 3 times the annual pension awarded. The pension lump sum is paid in addition to the pension when the pension first comes into payment. 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 of 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 and are 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.

Scheme Actuary

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

Terminal Grant (AFPS 75 only)

A one-off tax-free lump sum equal to 3 times the annual pension awarded. This is paid in addition to the pension when the pension first comes into payment. Tax rules do not allow for a second tax-free payment.

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 – see above).