

# The Armed Forces pension schemes

## Pensions Policy Instruction

**PPI 4/05**

Version 2.3

**September 2005**

What this is about:	The transitional ex-gratia arrangements for deaths-in-service from 6 April 2005 until 5 April 2006.
Which pension schemes are affected:	Armed Forces Pensions Scheme 1975 (AFPS 75) and Armed Forces Pension Scheme 2005 (AFPS 05)
Who should read this:	AFPAA Glasgow pensions staff, AFPAA - AFPS PM (Transition), AFPAA (JPA), VA - PLG
When it takes effect:	6 April 2005
Cancellation date:	5 April 2006
Contact points:	86339MB or 89352MB

## Transitional year ex-gratia arrangements

### Purpose

1. The purpose of this instruction is to clarify the rules for payment of widows/widowers or unmarried partner benefits during this transitional year whilst scheme members are considering the Offer to Transfer to AFPS 05. The overriding principle that has been agreed between HM Treasury and the Department is that should a member die in service, either attributable or non-attributably, on or after 6 April 2005 and on or before 5 April 2006 their widow/widower/or unmarried partner (where appropriate) will be given the better of benefits under either the AFPS 75 or the AFPS 05 rules. This does not affect deaths in retirement as, for the transition year, they will still be linked to the rights that the deceased person had on his last day of paid service. (Those who opted out of the AFPS or served on gratuity earning terms are not entitled to non-attributable benefits under either scheme; they are entitled to attributable benefits, under whichever arrangements are appropriate to the date of causation).

### Regulations

2. This instruction includes arrangements, which are not embodied in the three Prerogative Instruments. This is because they are transitional and ex-gratia. The default should be to pay AFPS 75 benefits, as individuals are entitled to these under the regulations. Where AFPS 05 benefits would be better, these will be offered as an ex gratia top up.

## **General Principles**

3. The following general principles will apply:
  - a) Either AFPS 75 or AFPS 05 pension benefits will be paid, whichever is the better ;
  - b) Once attributability has been considered, the spouse, partner or child should be provided with a comparison table (Annex A) of the benefits under AFPS 75 and AFPS 05 and be asked to choose the scheme they want to apply to them. Copies of the AFPS 75 and AFPS 05 booklets titled 'Family Pension Benefits' should also be provided to enable an informed choice. In some cases there will no option eg non-attributable benefits are not paid to a partner under AFPS 75, or where the cause of death is prior to 6 April 2005. In these circumstances the individual should be provided with an explanation rather than a choice of benefits.
  - c) Where there is only one family unit, the surviving widow/widower or partner may choose between the two scheme but the child/children of the surviving adult must receive benefits under the same scheme as the surviving adult;
  - d) Where there is more than one family unit, the principle at c) applies but each unit can be paid the better pension benefits, ie one unit could receive AFPS 05 and one AFPS 75, if this were the better;
  - e) The amount of children's pension will be a proportion of the chosen scheme but will be calculated under each scheme by the total number of children, not just by the number of children who have chosen benefits under that scheme. For example, one child in one family unit and two children in another, the maximum benefit for each child is a third of the benefits for each scheme.
  - f) Reckonable service will be calculated according to each schemes rules.
  - g) Only one death-in-service lump sum can be paid regardless of the number of family units but, if appropriate, this may be split between the family units;
  - h) For parentless families, the administrator should choose the best package, but allow an option to appeal if required.

## **Procedure**

4. The attached matrix (Table 1) shows how to proceed in each circumstance.
5. The final package of benefits cannot be determined until the Veterans Agency (VA) have ruled on whether the death falls under the War Pensions Scheme (WPS) or the Armed Forces Compensation Scheme (AFCS) jurisdiction, and whether for the purpose of the AFPS 75 scheme, the death is deemed attributable. In order to provide some early financial benefits to the survivors, the minimum package should be paid initially, and then topped up, if necessary, once the VA has made their decision. The attached matrix shows which benefits should be paid initially. Where

the death is attributable, the VA will need to know the final decision on occupational pension benefits as this may affect the package which is paid under WPS or AFCS. The procedure is therefore:

**Step One:** Pay minimum benefits according to matrix.

**Step Two:** Pass files to VA for decision on jurisdiction and attributability.

**Step Three:** Following VA decisions, if jurisdiction under WPS, AFPAA or DAP to determine attributability under AFPS 75

**Step Four:** Following completion of jurisdiction/decisions on attributability, provide comparison table of benefits and pension booklets to each family unit to enable them to decide which scheme is best for them. In some instances there will be no option available– in these cases the matrix should be followed.

**Step Five:** When family unit advise which scheme they have chosen, pay final award of pension benefits. In all attributable cases, advise VA of the final decision on pension benefits.

### **Death in Service Lump Sum**

6. Only one death in service lump sum may be paid. In some cases the death in service lump sum will be divided proportionately between the children of more than one family. The amount will be a proportion of the chosen scheme but will be calculated in each scheme by the total number of children, not just by the number of children who have chosen benefits under that scheme.

#### **Example:**

Major (Representative Pay £45,410 – Pensionable Pay £44,501) leaves a partner with a dependent child and an ex-spouse with 2 dependent children. The child of the partner receives 33.33% of the AFPS 05 lump sum and the children of the satellite family receive 33.33% each (66.66% total) of the AFPS 75 rate calculated as follows:

Partner and child – AFPS 05 -  $4 \times 44,501 \div 3 \times 1 = £59,335$

Ex-spouse and 2 children – AFPS 75 -  $3 \times 45,410 \div 3 \times 2 = £90,820$

7. Where a member paid death-in-service AVCs up until end-March 2005, the death-in-service lump sum will be the better of three times representative pay or four times pensionable pay, whichever pension package is paid.

### **Childrens**

8. The amount of children's pension will be a proportion of the chosen scheme but will be calculated under each scheme by the total number of children, not just by the number of children who have chosen benefits under that scheme. For example, one child in one family unit and two children in another, the maximum benefit for each child is a third of the benefits for each scheme.

## Example

Chief Tech RAF – eligible partner with 1 child and ex-spouse with 2 children.

Pensionable Pay = £33,329.08 **A**

Representative Pay = £32,543.00

Reckonable Service= 28 years 136 days (28.3726) **B**

Service from day after death until the age of 55 yrs=6 years 169 days (6.4630) **C**

Service credit = 6yrs 169 days ÷ by 2 = 3.2315 yrs **D**

**Total service to be used for pension purposes = B + D = 31.6041 E**

### Calculation of Partner/children's benefits under AFPS 05

Partner  $\frac{A \times E}{112} = (\text{£}33,329.08 \times 31.6041) \div 112 = \text{£}9404.78$

Partners child's pension

$\frac{A \times E}{70} \times 37.5\% = (((\text{£}33,329.08 \times 31.6041) \div 70) \times (37.5\%)) \div 3 = \text{£}1,880.96 (x1)$

### Calculation of ex-spouse's/children's benefits under AFPS 75

Ex-spouse's pension =nil (notional pension for calculation purposes £6781.59)

Child's Pension = 6781.59 ÷ 3 = £2260.53 (x 2)

## Adjustments

9. In cases where it is necessary to make adjustments, this will mostly involve increasing payments to eligible survivors. Overpayments of children's pensions may occur in a few cases that meet the following criteria:

- the death was attributable and came under the WPS jurisdiction, and the member had long service and there were only 1 or 2 children.

In these circumstances, the attributable children's pension may be lower than the non-attributable pension. In this case the children's pension should be reduced and any overpayment written off. If an attributable spouse's pension is paid then any overpayment of the children's pension can be offset against the spouse's as this will always be higher.

10. Where it is necessary to compare the two pension schemes, widow/widower/partner benefits should be assessed over 5 years, and children's up until their 17<sup>th</sup> birthday. The reckonable service used to calculate AFPS 05 benefits should include pre 18 or pre 21 service, normal age restrictions should be applied to AFPS 75 calculations.

11. Where an adjustment from AFPS 75 to AFPS 05 is needed it should be calculated as follows:

A=AFPS 05 death-in-service lump sum at 4 times pensionable pay (using AFPS05 definition of pensionable pay)

B= AFPS 75 death-in-service lump sum at 3 times Representative Rate of

Pay( Representative pay for rank at normal retirement rates, based on complete years of service), plus the Widow's/ Widower's Attributable Gratuity (but see para 7)

C= Total value of widow/widower's/children's pension, including the Short Term Family Pension, paid to date of adjustment under AFPS 75

D= Total rate of widow/widower's/children's pension that would have been paid under AFPS 05

**Adjustment = (A+D) – (B+C)**

12. Any novel or contentious case should be forwarded to SP Pol Pens 3.

### **Appeals**

13. Cases where attributability is initially rejected may of course be appealed either to the PAT or to the DAAP, as appropriate. Some time may have elapsed before the appeal has been lodged and then heard. The decision on which pension scheme is better should be made and implemented ahead of the appeal being heard. The pension should then, if necessary be adjusted in line with the outcome of the appeal

**TABLE TO SHOW COMPARISON OF DEPENDANTS PENSION BENEFITS**

**Financial statement of benefits under AFPS 1975**

<b>Year \ Benefit</b>	<b>Lump Sum</b>	<b>Short-term pension<sup>1</sup></b>	<b>Long-term widow(er)s pension<sup>2</sup></b>	<b>Long-term childrens pension<sup>3</sup></b>	<b>TOTAL</b>
(Year 1) 00/00/00 – 00/00/00				[child's pension stops on 00/00/00 <sup>4</sup> ]	£00.00
(Year 2) 00/00/00 – 00/00/00					£00.00
(Year 3) 00/00/00 – 00/00/00					£00.00
(Year 4) 00/00/00 – 00/00/00					£00.00
(Year 5) 00/00/00 – 00/00/00					£00.00
<b>TOTAL</b>					<b>£00.00</b>

**Financial statement of benefits under AFPS 2005**

<b>Year \ Benefit</b>	<b>Lump Sum</b>	<b>Short-term pension<sup>5</sup></b>	<b>Long-term widow(er)s/ partners pension<sup>6</sup></b>	<b>Long-term childrens pension<sup>7</sup></b>	<b>TOTAL</b>
(Year 1) 00/00/00 – 00/00/00				[child's pension stops on 00/00/00 <sup>8</sup> ]	£00.00
(Year 2) 00/00/00 – 00/00/00					£00.00
(Year 3) 00/00/00 – 00/00/00					£00.00
(Year 4) 00/00/00 – 00/00/00					£00.00
(Year 5) 00/00/00 – 00/00/00					£00.00
<b>TOTAL</b>					<b>£00.00</b>

<sup>1</sup> The short-term pension is paid for 91, 182 or 273 days, depending on the number of children etc.

<sup>2</sup> The AFPS 75 long-term widow(er)'s pension is not paid for life, it stops if you remarry or cohabit with a man as his wife/woman as her husband. Pensions are not paid to partners.

<sup>3</sup> The normal rate of childrens pension under AFPS 75 is based on 50% of the members invaliding rate, with no child receiving more than one-quarter. Where no widows pension is paid this increases to 100% of the members invaliding rate with no one child receiving more than one-third.

<sup>4</sup> Under the AFPS 75 the children's pension is paid whilst the child is under 16 or in full-time education (although there is no specific upper age limit for full-time education, each case is considered on its merits taking into account the length of the course etc).

<sup>5</sup> The AFPS 05 does not pay a short-term pension.

<sup>6</sup> The AFPS 05 long-term widow(er)'s pension is paid for life, it does not stop if you remarry or cohabit. Pensions are paid to partners as well as widows/widowers.

<sup>7</sup> The normal rate of childrens pension under AFPS 05 is based on 37.5% of the members invaliding rate, with no child receiving more than one-quarter. Where no widows or partners pension is paid, this increases to 100% of the members invaliding rate, with no one child receiving more than one-third.

<sup>8</sup> Under the AFPS 05 the children's pension is paid whilst the child is under 18 or in full-time education and under 23.

**Table 1 – Action to be followed for deaths occurring on or after 6 April 2005 until 1 April 2006.**

Dependants	Action or pension to be put into payment:			
	before attributability is assessed	when death is not found attributable to service by WPS/AFCS or AFPS75	when attributability is found under the WPS <u>and</u> AFPS 75 (death due to causes on or before 5 April 2005)	when attributability is found under the AFCS(death due to causes on or after 6 April 2005)
Spouse only	Pay AFPS 75 non-attributable benefits: short-term pension + d-i-s lump sum (3 x rep pay <sup>1</sup> )	Produce comparison tables <sup>2</sup> and offer choice <i>Probable best option - AFPS 05 ex-gratia top-up - increase pension &amp; adjust using formula<sup>3</sup></i>	No comparison required. Pay AFPS 75 attributable pensions to replace non-attributable pensions and Attributable Gratuity	Produce comparison tables <sup>2</sup> and offer choice <i>Probable best option - AFPS 05<sup>4</sup></i>
Spouse & child (or children) of spouse	Pay AFPS 75 non-attributable benefits: short-term pension + d-i-s lump sum (3 x rep pay <sup>1</sup> )	Produce comparison tables <sup>2</sup> and offer choice <i>Probable best option AFPS 05 ex-gratia top-up - increase pension &amp; adjust using formula<sup>3</sup></i>	No comparison required. Pay AFPS 75 attributable pensions to replace non-attributable pensions and Attributable Gratuity	Produce comparison tables <sup>2</sup> and offer choice <i>Probable best option - AFPS 05<sup>4</sup></i>
Spouse & dependent children from other satellite family	Pay AFPS 75 non-attributable benefits: <i>Spouse</i> - short-term pension + d-i-s lump sum (3 x rep pay <sup>1</sup> ) <i>Child (Satellite)</i> – short-term pension	Produce comparison tables <sup>2</sup> for each family unit and offer choice to each. <i>Probable best option Spouse- AFPS 05 ex-gratia top-up. Increase pension &amp; adjust using formula<sup>3</sup></i> <i>Child (Satellite) - AFPS 05 Children 2 or more (Satellite) – variable<sup>5</sup> - If appropriate, increase pension &amp; adjust using formula<sup>3</sup>.</i>	No comparison required. Pay AFPS 75 attributable pensions to replace non-attributable pensions.  Attributable Gratuity paid to spouse.	Produce comparison tables <sup>2</sup> for each family unit and offer choice to each <i>Probable best option - AFPS 05<sup>4</sup> and 6</i>
Spouse + child of spouse & dependent children from other satellite family	Pay AFPS 75 non-attributable benefits: <i>Spouse/child</i> - short-term pension + d-i-s lump sum (3 x rep pay <sup>1</sup> ) <i>Child(ren) (Satellite)</i> – short-term pension – <u>no</u> d-i-s lump sum	Produce comparison tables <sup>2</sup> for each family unit and offer choice to each. <i>Probable best option Spouse/child - AFPS 05 ex-gratia top-up. Increase pension &amp; adjust using formula<sup>3</sup>.</i> <i>Child(ren) (Satellite) – AFPS 75</i>	No comparison required. Pay AFPS 75 attributable pensions to replace non-attributable pensions.  Attributable Gratuity paid to spouse.	Produce comparison tables <sup>2</sup> for each family unit and offer choice to each <i>Probable best option – Spouse/child - AFPS 05<sup>4</sup></i> <i>Child(ren) (Satellite) – variable<sup>5</sup></i>

Dependants	Action or pension to be put into payment:			
	before attributability is assessed	when death is not found attributable to service by WPS/AFCS or AFPS75	when attributability is found under the WPS <u>and</u> AFPS 75 (death due to causes on or before 5 April 2005)	when attributability is found under the AFCS(death due to causes on or after 6 April 2005)
Partner	Pay <i>Partner</i> – AFPS 05 pension <i>Estate</i> – AFPS 75 d-i-s lump sum <sup>7</sup> (3 x rep pay <sup>1</sup> ).	No comparison required. Pay <i>Partner</i> –AFPS 05 <i>Estate</i> - No further lump sum.	No comparison required. Pay <i>Partner</i> –AFPS 75 attributable pensions replaces AFPS 05+ Attrib Grat paid. <i>Estate</i> - No further lump sum.	No comparison required. Pay <i>Partner</i> –AFPS 05 <sup>8</sup> <i>Estate</i> - No further lump sum.
Partner & partners child	Pay AFPS 05- pension & AFPS 75 d-i-s lump sum <sup>7</sup> (3 x rep pay <sup>1</sup> ).	No comparison required. Pay AFPS 05 - top-up lump sum.	No comparison required. Pay AFPS 75 attributable pensions replace non-attributable pensions + Attributable Gratuity paid.	No comparison required. Pay AFPS 05 <sup>8</sup> - top-up lump sum to AFPS 05 rate.
Partner & dependent children from other satellite family	<i>Partner</i> - Pay AFPS 05 pension, no lump sum. <i>Child (Satellite)</i> – Pay AFPS 75 non-attributable benefits: short-term pension + d-i-s lump sum (basic 75 rate <sup>9</sup> ie 2 x full career or 3 x invaliding pension).	<i>Partner</i> – Pay AFPS 05 pension, no lump sum. <i>Child (Satellite)</i> - Produce comparison table <sup>2</sup> and offer choice. <b>Probable best option AFPS 75 non-attributable benefit<sup>10</sup> + top-up d-i-s lump<sup>6</sup> sum to 3 x rep pay<sup>1</sup>.</b>	No comparison required. <i>Partner</i> – Pay AFPS 75 attributable replaces AFPS 05. Increase pension & adjust using formula <sup>3</sup> . No lump sum <i>Child (Satellite)</i> – Pay AFPS 75 attributable pensions replace non-attributable pensions + top-up d-i-s lump sum to 3 x rep pay <sup>1</sup> . Attributable Gratuity paid to child(ren)	<i>Partner</i> – No comparison required. Pay AFPS 05 pension, no lump sum.  <i>Child (Satellite)</i> – Produce comparison table <sup>2</sup> and offer choice <sup>6</sup> . <b>Probable best option –variable depending on number of children</b>
Partner + child of partner & dependent children from other satellite family	<i>Partner</i> – Pay AFPS 05 pension <i>Child (partner)</i> – Pay AFPS 05 pension + 50% <sup>11</sup> of AFPS 75 basic d-i-s lump sum <sup>9</sup> . <i>Child (Satellite)</i> – Pay AFPS 75 non-attributable benefits: short-term pension + 50% <sup>11</sup> basic d-i-s lump sum <sup>9</sup>	Produce comparison tables <sup>2</sup> for each family unit and offer choice to each. <b>Probable best option Partner/child - AFPS 05 pension + top-up d-i-s lump sum<sup>11</sup> to AFPS 05.</b> <b>Child (Satellite) - AFPS 75 non-attributable benefits<sup>10</sup> + top-up d-i-s lump sum<sup>11</sup> to 3 x rep pay</b>	No comparison required. <i>Partner/child</i> – Pay AFPS 75 attributable replaces AFPS 05. Increase pension & adjust using formula <sup>3</sup> . <i>Child (Satellite)</i> – Pay AFPS 75 attributable pensions replace non-attributable pensions + top-up d-i-s lump sum to 3 x rep pay Attributable Gratuity divided equally between all children.	<i>Partner/child</i> – No comparison required. Pay AFPS 05 pension  <i>Child (Satellite)</i> - Produce comparison table <sup>2</sup> and offer choice <sup>6</sup> <b>Probable best option –variable depending on number of children</b>



Dependants	Action or pension to be put into payment:			
	before attributability is assessed	when death is not found attributable to service by WPS/AFCS or AFPS75	when attributability is found under the WPS <u>and</u> AFPS 75 (death due to causes on or before 5 April 2005)	when attributability is found under the AFCS(death due to causes on or after 6 April 2005)
Children only living with other parent ie not parentless (from one family)	Pay AFPS 75 non-attributable benefits: short-term pension but <u>not</u> + d-i-s lump sum <sup>12</sup>	Produce comparison table <sup>2</sup> and offer choice. <sup>6</sup>	No comparison required. AFPS 75 attributable pensions replace non-attributable pensions. Attributable Gratuity paid to child(ren)	Produce comparison table <sup>2</sup> and offer choice. <sup>6</sup>
Children only - living with other parent ie not parentless.(from two or more families)	Pay AFPS 75 non-attributable benefits: short-term pension (paid to each family unit) but <u>not</u> d-i-s lump sum <sup>12 and 13</sup> .	Produce comparison tables <sup>2</sup> for each family unit and offer choice to each. <sup>6</sup> <i>Probable best option</i> <i>Will depend on details of will and total no of children - appropriate d-i-s lump sum<sup>11, 12 and 13</sup> to be divided equally.</i>	No comparison required. Pay AFPS 75 attributable pensions replace non-attributable pensions. AFPS 75 d-i-s lump sum (3 x rep pay <sup>1</sup> ) to be divided equally among children.  Attributable Gratuity equally divided among children.	Produce comparison tables <sup>2</sup> for each family unit and offer choice to each. <sup>6</sup> <i>Probable best option</i> <i>Will depend on details of will and total no of children - appropriate d-i-s lump sum<sup>11, 12 and 13</sup> to be divided equally.</i>
Children living with guardians ie where parentless rates would be payable	Contact SP Pol Pensions	Contact SP Pol Pensions	Contact SP Pol Pensions	Contact SP Pol Pensions
Estate – no dependants	Produce comparison table <sup>2</sup> and pay the better of AFPS 75 and AFPS 05 d-i-s lump sum only	n/a	n/a	n/a

Probable best option (shown in some instances) provides action to be taken if that option is better

## Notes

1. Representative pay for rank shall be that published at normal retirement rates, based on complete years of service.
2. Comparison over 5 years for spouse and up to 17th birthday for children. Comparison must only look at non-attributable benefits. When the child's (spouse/partner's) pension is calculated, it must include the other children from the satellite family. This will ensure the correct rate of child's pension is paid to the child. This also applies when calculating the child's (satellite) rate under AFPS 75.
3.  $(\text{AFPS 05 d-i-s lump sum} + \text{AFPS 05 Pensions}) - (\text{AFPS 75 d-i-s lump sum} + \text{AFPS 75 Pensions incl short-term}) = \text{adjustment}$ . Full details in PPI.
4. AFPS 05 probably better but when AFPS 75 are better, AFPS 05 payment for life must be taken into account (AFPS 75 non-attrib benefits cease on remarriage etc).
5. Where there is two or more children the AFPS 75 benefits may be better.
6. If family chooses AFPS 05, then they must be aware that the d-i-s lump sum would not be paid to the child but would be paid to estate.
7. The AFPS 75 d-i-s lump sum is paid in case it is found attributable under AFPS 75.
8. The AFPS 05 is paid because AFPS 75 does not pay non-attributable pensions to partners.
9. The lowest lump sum is paid to allow recovery of benefits if necessary.
10. AFPS 75 would probably be better - one-quarter of 50% of invaliding pension, 75 children's pensions can be paid for longer periods + receive STFP.
11. Where the partner or satellite parent has more than one child, the amount of lump sum received by each child must be adjusted proportionately. For example, a Major (Representative Pay £45,410 – Pensionable Pay £44,501) leaves a partner with a dependent child and an ex-spouse with 2 dependent children. The children of the partner receive 33.33% each (66.66% total) of the AFPS 05 lump sum and the child of the satellite family receives 33.33% of the AFPS 75 rate calculated as follows:  
Partner and child –  $\text{AFPS 05} - 4 \times 44,501 \div 3 \times 1 = \text{£}59,335$   
Ex-spouse and 2 children –  $\text{AFPS 75} - 3 \times 45,410 \div 3 \times 2 = \text{£}90,820$
12. No death-in-service lump sum is to be paid because if the parent, guardian or child(ren) chooses the AFPS 05 scheme the lump sum will be paid to the estate not the child. The letter to the parent, guardian or child(ren) should explain the reason for delayed payment.
13. Where each family unit chooses a different scheme, and assuming that there is one child in each unit, the following would apply. The unit choosing AFPS 75 will receive 50% of the AFPS 75 d-i-s lump sum value, and the unit choosing AFPS 05 will receive no lump sum but 50% of the AFPS 05 d-i-s lump sum value will be paid to the estate.