



Ministry  
of Defence

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# The Armed Forces Redundancy Schemes

The strength of the UK Armed Forces is constantly under review by MOD planning staffs. Usually, the important balance between the various Defence commitments and the human resources needed to meet those commitments can be maintained on a voluntary basis. However, any radical downsizing resulting from a major review of Defence policy may require more direct intervention in the form of a redundancy programme.

The level and type of compensation due to you on redundancy will depend on which of the Armed Forces Redundancy Schemes is appropriate to your individual terms of service and the date of your discharge under redundancy.

Broadly, there are two redundancy schemes that may apply to those in the Regular Armed Forces. **Which one applies to you will depend on which of the Armed Forces Pension Schemes (AFPS) you have joined or on whether you have opted out of AFPS in favour of your own private pension arrangement.**

This booklet provides a guide to the provisions for compensation that are available to members of the Regular Armed Forces who are selected for redundancy or are directed to retire early under the Directed Early Retirement Scheme.

**IMPORTANT: This booklet provides a summary of the rules which allow compensation to be paid under the two redundancy schemes. It has no legal status and if there are any differences between the rules and an explanation in this booklet, the rules will be followed. The rules are contained in Statutory Instrument 2006 No. 55 and Statutory Instrument 2010 No. 832. Further explanation of the rules is in JSP 764. In addition, this booklet does not give financial or legal advice. If you want financial or legal advice, you should seek independent advice. Unit HR staffs can offer information and an explanation of entitlements but will not take responsibility for your decisions. They will be able to let you have a list of Services Insurance and Investment Advisory Panel (SIIAP) approved independent financial advisers, although you are free to use any independent financial adviser you wish.**

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## Terms you need to understand

Here is a list which explains the meaning of some special terms used in this booklet.

### Armed Forces Pension Scheme 1975 (AFPS 75)

**AFPS 75** is one of two Armed Forces Pension Schemes for members of the Regular Armed Forces. It was introduced in 1975 and closed to new entrants from 6 April 2005. Members of **AFPS 75** were given the opportunity to transfer to **AFPS 05** on 6 April 2006. It includes former members of the Gurkha Pension Scheme who transferred to **AFPS 75** under the Gurkha Offer To Transfer arrangements.

### Armed Forces Pension Scheme 2005 (AFPS 05)

**AFPS 05** is one of two Armed Forces Pension Schemes for members of the Regular Armed Forces. It was introduced on 6 April 2005 for all new entrants and re-joiners. Members include former members of **AFPS 75** and the Gurkha Pension Scheme who transferred to **AFPS 05** under Offer To Transfer arrangements.

### Armed Forces Redundancy Scheme 2006 (AFRS 2006)

AFRS 2006 is the redundancy compensation scheme that applies to members of **AFPS 05** and service personnel who have opted out of the Armed Forces Pension Schemes altogether.

### Armed Forces Redundancy Scheme 2010 (AFRS 2010)

AFRS 2010 is the redundancy compensation scheme that applies to members of **AFPS 75**.

### Compensation Lump Sum (CLS)

The redundancy compensation lump sum payable under AFRS 2006.

### Directed Early Retirement (DER)

Directed Early Retirement is a scheme which enables the Armed Forces to pay compensation in specified circumstances when terminating a senior officer's employment unexpectedly prior to the individual's Normal Retirement Age. It applies to officers of 1-star and above. Those leaving under DER will be treated for compensation purposes as if they had been made redundant.

### Early Departure Payments (EDP)

Early Departure Payments are made to personnel who leave service before age 55, after a minimum 18 years Relevant service AND who are at least age 40 (the EDP 18/40 Point). Payments are made up of a tax-free lump sum equivalent to three times the value of the preserved annual pension and a taxable monthly income payment worth not less than 50% of the preserved monthly pension. EDP income ceases at age 65 when the preserved pension and tax-free pension lump sum become payable. EDP payments only apply to **AFPS 05** members and those who have opted out of the Armed Forces Pension Schemes.

### Final Relevant Earnings (FRE)

The greatest amount of basic pay earned for 365 consecutive days in the last three years of paid service. Commonly referred to as pensionable earnings, it is used in AFPS 2006 to calculate the Compensation Lump Sum. Also used to calculate the **AFPS 05** pension.

### Immediate Pension Point

This is the earliest a member of **AFPS 75** can receive their pension. On redundancy, a member can receive an Immediate Pension after 18 years service from age 18 (all ranks) or after 16 years' service from age 21 (Officers only).

### Full Protection Members

Members of **AFPS 75** or **AFPS 05** who have been exempted from moving across to AFPS15 scheme.

### Long Service Commitment

In the context of the redundancy compensation rules, a 'long service commitment' is one that ends, or would have had it not been for redundancy, on or after reaching the individual's Immediate Pension Point or EDP 18/40 Point.

### Pension Lump Sum

A one-off tax-free lump sum equal to three times the annual pension awarded. The pension lump sum is paid in addition to the pension when the pension first comes into payment.

### Qualifying Service

Qualifying service is the service which is taken into account when determining entitlement to a benefit under the pension scheme.

To qualify for an Immediate Pension in **AFPS 75** on redundancy, the minimum qualifying service is 18 years service from age 18 (all ranks) or 16 years service from age 21 (Officers only).

At least 2 years qualifying service is required in **AFPS 75** or **AFPS 05** for a preserved pension.

### Reckonable Service

Reckonable service is the service which counts towards a member's pension. For **AFPS 75** members, this starts from age 21 (Officers) or age 18 (Other Ranks) or the first day of paid service if this is later.

For **AFPS 05** members, reckonable service starts from the first day of paid service.

Reckonable service also includes the service credit resulting from the purchase of added years or the transfer in of any pension benefits from another pension scheme.

### Redundancy Programme

A redundancy programme is used when the MOD needs to reduce or change the size or shape of the Armed Forces. All Armed Forces redundancies are compulsory, but applicants who wish to be considered for redundancy may be sought. As a general principle, applicants will be taken ahead of non-applicants however exceptionally non-applicants may be taken in preference to applicants to ensure that the right balance of skills is maintained across the rank structures. Applicants will receive six months notice and non-applicants 12 months notice.

### Redundancy Reckonable Service

Redundancy Reckonable Service is the service which is taken into account when determining type of service commitment and completed service for Special Capital Payment (SCP) purposes.

### Relevant Fraction

This is that part of the SCP or CLS that must be repaid on re-employment if the individual's service break is shorter than the relevant period and he is not exempt from repayment.

### Relevant Period

The relevant period is the period of time that is represented by the value of the SCP or CLS. An individual may be required to repay all or part of the compensation payment if he is voluntarily re-employed in the Regular or Reserve Forces within the relevant period.

### Relevant Service

Relevant Service is the service which is taken into account when determining type of service commitment and completed service for CLS purposes.

### Resettlement Grant

A tax-free lump sum payable to personnel who leave the Regular Armed Forces having given the required service, and who are not eligible for any other immediate payments e.g. Immediate Pension or an Early Departure Payment. Where entitled, a Resettlement Grant may be paid in addition to a SCP or CLS.

### Service Break

This is an individual's break in service measured from the day following the last day of his previous paid service to the day immediately before the start of his new paid service.

### Short Service Commitment

In the context of the redundancy compensation rules, a 'short service commitment' is one that was due to end before reaching the individual's Immediate Pension Point or EDP 18/40 Point.

### Special Capital Payment (SCP)

The redundancy compensation lump sum payable under AFRS 2010.

### Transition Member

A member of **AFPS 75** or **AFPS 05** by virtue of pensionable service under these schemes before 1 Apr 2015, but who will transfer across to AFPS15 on 1 April 2015.

# General Redundancy Rules

## GENERAL

If you are leaving the Regular Armed Forces before completing your commission or engagement, either:

- as part of a redundancy programme, or
  - in the case of Officers of the rank of one-star and above, have been directed to take early retirement on terms that attract a Special Capital Payment or Compensation Lump Sum,
- you will be eligible for compensation under one of two Armed Forces Redundancy Schemes.

These schemes do not apply to active members of the Gurkha Pension Scheme, members of the Reserve Forces or members of any British Overseas Territories' Armed Forces.

## WHAT IS REDUNDANCY?

A redundancy programme is used when the MOD needs to significantly reduce or change the size or shape of the Armed Forces. It can be for a single Service, two Services or all three Services.

An area of current and/or future surplus is declared by the Service(s). Only those Service Personnel (SP), who are in that area of surplus, for example, a rank, specialisation or corps, are liable for redundancy.

All Armed Forces redundancies are compulsory by law, but applicants who wish to be considered for redundancy may be sought. Anyone who does apply is not guaranteed redundancy. They may have specialist skills that the Service wishes to retain or not be selected because the numbers of applicants exceed the number of redundancies required. Conversely, those who have not applied may be selected for redundancy.

## HOW WILL I KNOW IF I AM BEING MADE REDUNDANT?

You will be notified in writing if you are being made redundant and informed of your last day of service. Prior to any notifications being sent out, announcements will have been made informing those who fall within the surplus areas that they are being considered for redundancy. Being in an area of surplus is not the same as being made redundant, and not everyone in an area of surplus will necessarily be made redundant.

## COMPENSATION FOR REDUNDANCY

If, as a member of the Regular Armed Forces, you are selected for redundancy, you will be entitled to receive a tax-free lump sum payment as compensation for the shortening of your career. The level of compensation payable on redundancy will depend on:

- your individual pay, length of service and type of service commitment
- which of the two redundancy schemes is appropriate to your individual terms of service

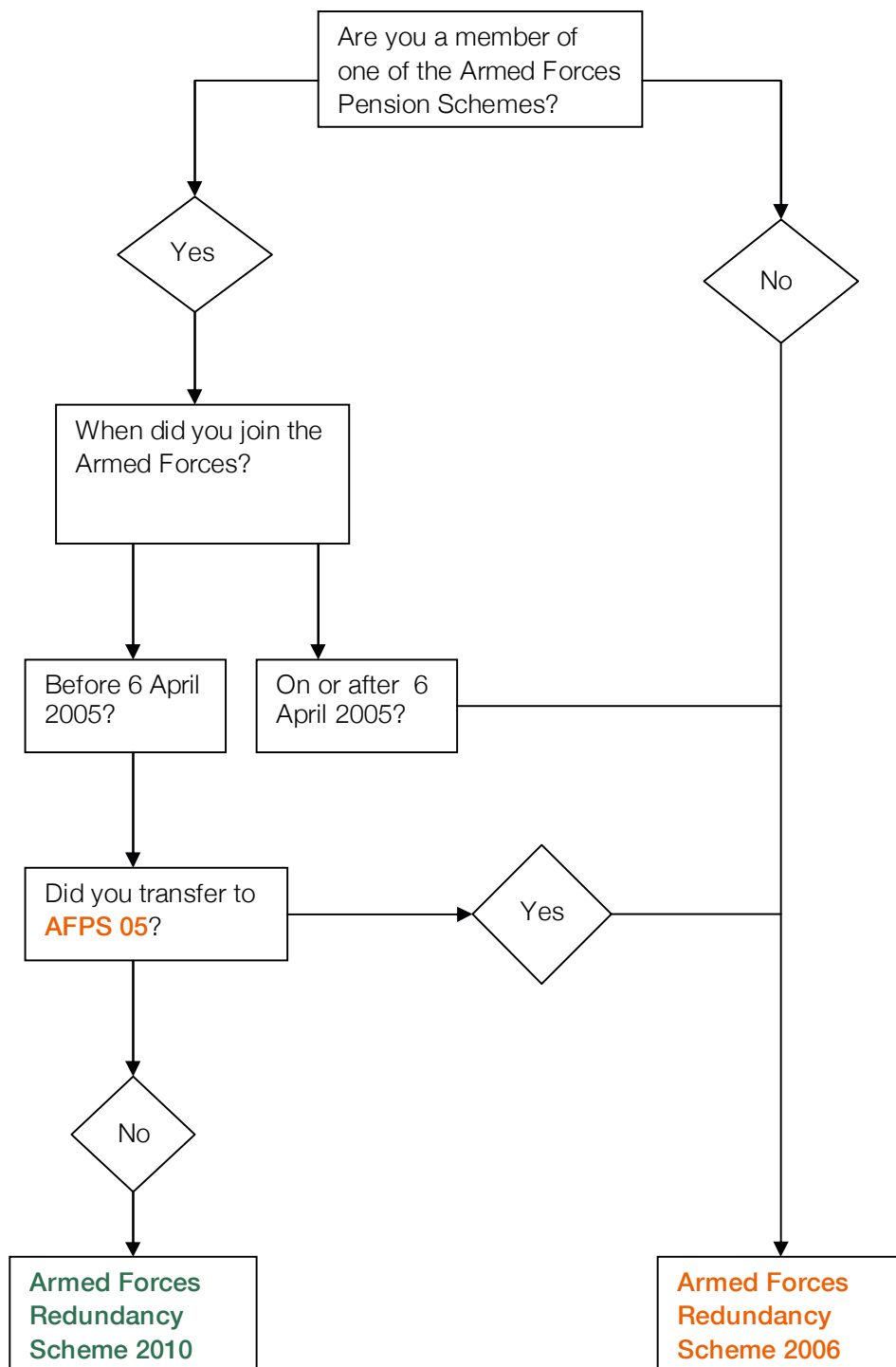
The two redundancy compensation schemes are:

- **The Armed Forces Redundancy Scheme 2006 (AFRS 2006).**
- **The Armed Forces Redundancy Scheme 2010 (AFRS 2010).**

If you are not selected for redundancy and leave the Armed Forces during a redundancy programme, you will not be entitled to redundancy compensation even though a redundancy programme was running at the time.



# Guide to Identifying the Armed Forces Redundancy Scheme Appropriate to your Individual Terms of Service



Note:

Gurkhas in service on 1 October 2007 who chose to transfer from the Gurkha Pension Scheme to one of the Armed Forces Pension Schemes will be eligible for redundancy compensation under either **AFRS 2010 (AFPS 75 members)** or **AFRS 2006 (AFPS 05 members)**

# Armed Forces Redundancy Scheme 2010 (AFRS 2010) – Leavers between 6 Apr 2010 & 31 Dec 2015

Whilst the following guidance remains extant for **Full Protection Members** it may be subject to change for **Transition Members** following the introduction of AFPS 15 on 1st April 2015.

## INTRODUCTION

The **Armed Forces Redundancy Scheme 2010 (AFRS 2010)** applies to members of the Regular Armed Forces who are members of the **Armed Forces Pension Scheme 1975 (AFPS 75)**. It includes those who:

- Joined, or rejoined the Regular Armed Forces before 6 April 2005 and who did not transfer their pension rights from **AFPS 75** to **AFPS 05** under the Offer To Transfer arrangements or opt out of **AFPS 75** in favour of their own private pension arrangement, or
- Were in service on 30 September 2007 and subsequently transferred their pension rights from the Gurkha Pension Scheme to **AFPS 75** under the Gurkha Offer To Transfer arrangements.

If you are selected for redundancy or are directed to retire early under the Directed Early Retirement Scheme, you will be formally notified in writing. The notification will specify the date when you must leave and inform you that you will be eligible for compensation under the rules of the appropriate Armed Forces Redundancy Scheme.

This section of the booklet explains the redundancy compensation terms that you will

receive if you are eligible for compensation under the AFRS 2010.

## COMPENSATION AUTHORISED UNDER THE SCHEME

When you leave on these redundancy terms, you will receive a tax-free Special Capital Payment (SCP). The SCP is payable in addition to any other terminal benefits that you may be entitled to at this stage of your career e.g.

- Resettlement Grant after 9 years' redundancy reckonable service from age 21 (Officers) or 12 years' redundancy reckonable service from age 18 (Other Ranks) provided that you are not entitled to an Immediate Pension on leaving;
- An Immediate Pension and Pension Lump Sum.

Your entitlement to Pension and Pension Lump Sum will be calculated and notified to you at the time of your redundancy. You will be entitled to either an Immediate Pension and Pension Lump Sum, or a Preserved Pension and Pension Lump Sum at age 60/ 65 depending on whether you have completed sufficient qualifying service to reach your Immediate Pension Point on termination of service. The minimum qualifying service for an Immediate Pension on being made redundant is:

- For Officers, 18 years qualifying service from age 18, or 16 years qualifying

service from age 21, whichever is the earlier; or

- For Other Ranks, 18 years qualifying service from age 18.

If you are an Officer with sufficient years to qualify for an Immediate Pension on redundancy, but have less than 16 years reckonable service, your pension will be calculated as a proportion of the 16-year rate for Retired Pay on Compulsory Retirement - **see Example 1.**

#### EXAMPLE 1

Flt Lt with 18 years' qualifying service from age 18

Includes 15 years' reckonable service for pension from age 21

He will receive 15/16th of the 16-year rate for his rank

If the 16-year Rate for Retired Pay on compulsory retirement is £10,866 pa, then his annual pension will be  $£10,866 \times 15/16 = \mathbf{£10,186.88 \text{ pa.}}$

He will also receive a Pension Lump Sum of three times his annual pension = **£30,560.64**

If you are an Other Rank with sufficient years to qualify for an Immediate Pension on redundancy, but have less than 22 years' reckonable service, your pension will be calculated as a proportion of the 22-year Standard Rate of Service Pension – **see Example 2.**

#### EXAMPLE 2

Petty Officer with 20 years' qualifying service from age 18

Includes 20 years' reckonable service for pension from age 18

He will receive 20/22nd of the 22-year rate for his rank

If the 22-year Standard Rate of Service Pension for Other Ranks is £9,094 pa, then his pension will be  $£9,094 \times 20/22 = \mathbf{£8,258.18 \text{ pa.}}$

He will also receive a Pension Lump Sum of three times his annual pension = **£24,774.54**

## CALCULATION OF SCP

The amount of SCP is determined by reference to your pay, length of service and type of service commitment.

**Pay.** For SCP calculation purposes, your pay is based on your basic pay for your rank and seniority, or if more favourable, the basic rate appropriate to any paid acting rank held on your last day of paid service. (For Flt Lt specialist aircrew who have not transferred to Professional Aviator terms, their SCP will be based on basic pay plus the difference between the middle rate of flying pay and the rate of specialist flying pay in issue).

**Redundancy Reckonable Service.** All paid service after age 18 which counts as qualifying service for an Immediate Pension under **AFPS 75**. Excludes previous service which is preserved in **AFPS 75** i.e. previous service which has not been aggregated with current service for pension purposes, and any period served on gratuity earning terms where the gratuity lump sum has been foregone or has not been repaid; commonly referred to as 'completed service'.

**Long Service Commitment.** In the context of **AFRS 2010** rules, you are on a ‘long service commitment’ if your commitment ends, or would have had it not been for redundancy, on or after reaching your Immediate Pension Point.

**Short Service Commitment.** In the context of **AFRS 2010** rules, you are on a ‘short service commitment’ if your commitment ends before reaching your Immediate Pension Point.

**Uncompleted service** is that part of your current Regular service commitment that you were not able to complete because of redundancy.

**Measuring Length of Service.** Days in excess of whole years are converted into years by dividing the number of days by 365 and calculating the result to 4 decimal places as shown in **Example 3**.

**EXAMPLE 3**  
 Redundancy reckonable service (completed service) or uncompleted service = 3 years 184 days. After calculating the days into years (184/365 days = 0.5041 years), the length of service is 3 + 0.5041 = 3.5041 years.

**Leaver on a Long Service Commitment – leaves on or after his Immediate Pension Point**

You are entitled to a tax-free SCP of up to 9 month’s pay. The maximum 9 months’ pay will apply to those with 3 years or more of uncompleted service. For those whose uncompleted service is less than 3 years, the sum varies as shown in the table below:

Uncompleted Service	Special Capital Payment
3 years or more	9 months’ pay
2 years *	6 months’ pay
1 year *	3 months’ pay
Less than 1 year	For periods of less than 1 year, each day will attract a payment of 1/365th of the compensation for 1 year of uncompleted service.

\* The payments shown are for whole years of uncompleted service. Each further day of uncompleted service will attract a payment of 1/365th of the compensation for 1 year of uncompleted service.

**SCP = 3 months’ pay x Uncompleted service (up to maximum of 9 months’ pay)**

If, on leaving the Service, you have already accrued the maximum number of years’ **reckonable** service for pension (34 years for Officers; 37 years for Other Ranks), your SCP is limited to 6 months’ pay or to the amount calculated using the table above if this produces a smaller lump sum.

**Examples 4 and 5** show someone on a long service commitment who leaves on redundancy on or after his Immediate Pension Point.

**EXAMPLE 4**  
 Uncompleted service = 3 years 153 days = 3.4192 years  
 Basic annual pay = £37,000  
 As uncompleted service is more than 3 years, SCP is 9 months’ pay.  
 $£37,000/12 \times 9 = \text{£}27,750 \text{ SCP}$

**EXAMPLE 5**

Uncompleted service 0 year 226 days =  
0.6198 years

Basic annual pay £75,000

3 months' pay =  $\text{£}75,000/4 = \text{£}18,750$

$\text{£}18,750 \times 0.6198 = \text{£}11,621.25$  SCP

Note: From 1 January 2016, the maximum SCP will be 3 months' pay for 1 year or more of uncompleted service. However, this may be subject to change following the introduction of AFPS 15.

### Leaver on a Long Service Commitment – leaves before his Immediate Pension Point

You are entitled to a tax-free SCP of one-eighth of your annual pay (equivalent to 1½ months' pay) for each year of redundancy reckonable service (completed service) – **see Example 6.**

**EXAMPLE 6**

Redundancy reckonable service  
(completed service) 7.2082 years

Basic annual pay £40,000

One-eighth of annual pay = £5,000

$\text{£}5,000 \times 7.2082 = \text{£}36,041$  SCP

### Leaver on a Short Service Commitment

You are entitled to the lower of:

- (a) one-eighth of annual pay for each year of redundancy reckonable service (completed service), or
- (b) the sum of:
  - (i) one-eighth of annual pay for each year of uncompleted service, and
  - (ii) one-eighth of annual pay

**See Examples 7 and 8.**

**EXAMPLE 7**

Redundancy Reckonable Service  
(completed service) 6 years 226 days  
(6.6192 years)

Uncompleted Service 2 year 139 days  
(2.3808 years)

Basic annual pay £31,000

(a) Redundancy Reckonable Service  
calculation =  $\text{£}31,000/8 \times 6.6192 =$   
 $\text{£}25,649.40$

(b) Uncompleted Service calculation  
=  $(\text{£}31,000/8 \times 2.3808) + \text{£}31,000/8 =$   
 $\text{£}9,225.60 + \text{£}3,875 = \text{£}13,100.60$

As (b) calculation is lower, SCP is **£13,100.60**

**EXAMPLE 8**

Redundancy Reckonable Service  
(completed service) 5 years 225 days  
(5.6164 years)

Uncompleted Service 8 years 139 days  
(8.3808 years)

Basic annual pay £40,000

Redundancy Reckonable Service  
calculation =  $\text{£}40,000/8 \times 5.6164 =$   
 $\text{£}28,082$

(b) Uncompleted service calculation =  
 $(\text{£}40,000/8 \times 8.3808) + \text{£}40,000/8 =$   
 $\text{£}41,904 + \text{£}5,000 = \text{£}46,904$

As (a) calculation is lower, SCP is **£28,082**

# Armed Forces Redundancy Scheme 2010 – Leavers on or after 1 January 2016

Whilst the following guidance remains extant for **Full Protection Members** it may be subject to change for **Transition Members** following the introduction of AFPS 15 on 1st April 2015.

## INTRODUCTION

This section applies to those SP who are eligible for compensation under the **Armed Forces Redundancy Scheme 2010 (AFRS 2010) and who leave service on or after 1 January 2016**. For the rules on eligibility, see **pages 7 to 9**.

For details of benefits authorised under the scheme, and how they are calculated, see page 8 “Compensation Authorised Under the Scheme”. With the exception of the “leavers on a long service commitment – leaves on or after his immediate pension point” section on page 10, all other paragraphs within that section apply to those who leave service on or after 1 January 2016.

## CALCULATION OF COMPENSATION – LONG SERVICE COMMITMENTS

Officers with at least 16 years service from age 21 or 18 years service from age 18 and Other Ranks with at least 18 years service from age 18. This paragraph applies where:

(a) an eligible Officer is made redundant or directed under the DER scheme to retire

early from a Long Service Commitment having completed 16 years or more redundancy reckonable service after reaching the age of 21 or 18 years’ or more redundancy reckonable service from age 18, or

(b) an eligible Other Rank is made redundant from a Long Service Commitment having completed 18 years or more redundancy reckonable service from age 18.

In both cases, the amount of SCP is:

- (c) Uncompleted Service – At least 1 year. If the period of uncompleted service is 1 year or more, the SCP is equal to **the maximum payment** of 3 months pay.
- (d) Uncompleted Service – Less than 1 year. If the period of uncompleted service is less than 1 year, each day will attract a payment of 1/365th of the compensation for 1 year of uncompleted service (3 months pay). To express days as years of uncompleted service, days are converted into years by dividing the number of days by 365 and calculating the result to four decimal places. For example, 222 days equals 0.6082 years. **SCP = 3 months pay x 0.6082**.

**EXAMPLE 1**

Uncompleted service 3 years 95 days =  
3.0767 years

Basic annual pay £38,000

As uncompleted service is more than  
1 year, SCP is 3 months' pay.

$\text{£}38,000/12 \times 3 = \textbf{£9,500 SCP}$

**EXAMPLE 2**

Uncompleted service 0 year 184 days =  
0.5041 years

Basic annual pay £74,000

$\text{£}74,000/4 \times 0.5041 = \textbf{£9325.85 SCP}$

# Armed Forces Redundancy Scheme 2006 (AFRS 2006)

## INTRODUCTION

Whilst the following guidance remains extant for **Full Protection Members** it may be subject to change for **Transition Members** following the introduction of AFPS 15 on 1st April 2015.

The **Armed Forces Redundancy Scheme 2006 (AFRS 2006)** applies to members of the Regular Armed Forces who are members of the **Armed Forces Pension Scheme 2005 (AFPS 05)** or who have opted out of the Armed Forces Pension Schemes altogether. It includes those who:

- Joined, or rejoined the Regular Armed Forces on or after 6 April 2005, or
- Were in service on 5 April 2005 and subsequently transferred their pension benefits from **AFPS 75** to **AFPS 05** under the Offer To Transfer arrangements, or
- Were in service on 30 September 2007 and subsequently transferred their pension benefits from the Gurkha Pension Scheme to **AFPS 05** under the Gurkha Offer To Transfer arrangements, or
- Opted out of **AFPS 75** or **AFPS 05** in favour of their own private pension arrangement.

If you are selected for redundancy or are directed to retire early under the Directed Early Retirement Scheme, you will be formally notified in writing. The notification will specify the date when you must leave and inform

you that you will be eligible for compensation under the rules of the appropriate Armed Forces Redundancy Scheme.

This section of the booklet explains the redundancy compensation terms that you will receive if you are eligible for compensation under the **AFRS 2006**.

## COMPENSATION AUTHORISED UNDER THE SCHEME

When you leave on these redundancy terms, you will receive a tax-free Compensation Lump Sum (CLS). The CLS is payable in addition to any other terminal benefits that you may be entitled to at this stage of your career e.g.

- Resettlement Grant after 12 years relevant service provided you are not entitled to any other immediate payments i.e. Pension or Early Departure Payments;
- Early Departure Payments, payable only if you have reached the EDP 18/40 Point and are under age 55 on termination of service.

If you are a member of the **AFPS 05**, your entitlement to pension and pension lump sum will be calculated and notified to you at the time of your redundancy but payment will not normally start until you are age 65. Pension benefits will only be paid immediately on termination of service if you are age 55 or over on the day following the last day of your paid service.



## CALCULATION OF CLS

The amount of CLS is determined by reference to your pay, length of service and type of service commitment.

**Pay.** For CLS calculation purposes, your pay is based on your Final Relevant Earnings and is the greatest amount of basic pay that you have earned for 365 consecutive days in your last three years of service.

**Relevant service.** The aggregate of all paid service, all qualifying service transferred from **AFPS 75** or the Gurkha Pension Scheme to **AFPS 05** under the Appropriate Offer to Transfer arrangement and any period on secondment to NATO, UN or other external employing organisation where the individual has the option to increase his reckonable service by the purchase of added years equal to the length of his secondment. With effect from 16 December 2013, the scheme rules have been amended so as to allow for the last period of service to count as relevant service providing service personnel have aggregated their last **AFPS 75** preserved pension award with their current **AFPS 05** award for pension purposes. However, where an **AFPS 75** immediate or ill health pension is in payment (even if is being abated) it will not count as Relevant Service. Relevant service is also used to determine a person's entitlement to an Early Departure Payment and Resettlement Grant; commonly referred to as 'completed service'.

**Long Service Commitment.** In the context of **AFRS 2006** rules, you are on a 'long service commitment' if your commitment ends, or would have had it not been for redundancy, on or after the EDP 18/40 Point or at age 55 or over.

**Short Service Commitment.** In the context of **AFRS 2006** rules, you are on a 'short service commitment' if your commitment ends before the EDP 18/40 point or before

you have reached age 55 having completed less than 18 years' relevant service.

**Uncompleted service.** Is that part of your current Regular service commitment that you were not able to complete because of redundancy.

**Measuring Length of Service.** Days in excess of whole years are converted into years by dividing the number of days by 365 and calculating the result to 4 decimal places as shown in **Example 1**.

### EXAMPLE 1

Relevant service (completed service) or uncompleted service equals 5 years 184 days. After calculating the days into years ( $184/365$  days = 0.5041 years), the length of service =  $5 + 0.5041 = 5.5041$  years

### Leaver on a Long Service Commitment – leaves on or after the EDP 18/40 Point or at age 55 or over

If you have completed less than 40 years' **reckonable** service and would have had four years or more left to serve on your current commission or engagement, you will receive a CLS equal to your Final Relevant Earnings (approximately equal to 12 months pay). **See Example 2.**

### EXAMPLE 2

Uncompleted service = 11 years  
Final Relevant Earnings = £38,000  
As uncompleted service is more than 4 years, CLS = Final Relevant Earnings = **£38,000**

If you have completed less than 40 years' **reckonable** service but have less than four years left to serve on your current commission or engagement, you will receive compensation of one-quarter of your Final Relevant Earnings (approximately equal to

three months pay) for each year your service was shortened – **see Example 3.**

#### EXAMPLE 3

Uncompleted service = three years  
 Final Relevant Earnings (FRE) = £38,000  
 One-quarter of FRE = £9,500  
 CLS = £9,500 x 3 = £28,500

If you have completed more than 40 years **reckonable** service, your CLS will be calculated in the same way as shown in Examples 2 and 3, but your compensation will be capped at one-half of Final Relevant Earnings (approximately equal to 6 months pay) – **see Example 4.**

#### EXAMPLE 4

Uncompleted service = three years  
 Final Relevant Earnings (FRE) = £90,000  
 One-quarter of FRE = £22,500  
 CLS would normally have been £22,500 x 3, but cap of one-half of FRE applies in this case CLS = £90,000/2 = **£45,000**

#### Leaver on a Long Service Commitment – leaves before age 55 and before completing service to the EDP 18/40 Point

You will be entitled to a CLS equal to one-eighth of your Final Relevant Earnings (approximately equal to 1½ months pay) for each year of relevant service (completed service) up to a maximum payment of 18 times one-eighth of your Final Relevant Earnings (approximately equal to 27 months pay) – **see Example 5.**

#### EXAMPLE 5

Relevant service (completed service) = 7 years  
 Final Relevant Earnings = £30,000  
 One-eighth of FRE = £30,000/8 = £3,750  
 CLS = £3,750 x 7 = **£26,250**

#### Leaver on a Short Service Commitment

If, had you not been made redundant, you would have completed your commission or engagement before you would have reached the EDP 18/40 Point, you will receive a CLS on termination of service. The amount of the CLS is the lower of:

- (a) One-eighth of Final Relevant Earnings (FRE) for each year of relevant service (completed service), or
- (b) The sum of
  - (i) One-eighth of FRE for each year of uncompleted service, and
  - (ii) One-eighth of FRE.

**See Example 6.**

#### EXAMPLE 6

Relevant service (completed service) = 4.2466 years  
 Uncompleted service = 1.7534 years  
 Final Relevant Earnings (FRE) = £40,000

(a) Relevant service calculation = FRE/8 x relevant service = £5,000 x 4.2466 = £21,233

(b) Uncompleted service calculation = (FRE/8 x uncompleted service) + FRE/8 =

= (£5,000 x 1.7534) + £5,000

= £8,767 + £5,000 = £13,767

As (b) calculation is lower, CLS = **£13,767**

# Repayment of Compensation

## GENERAL RULES

If you receive compensation under **AFRS 06** or **AFRS 2010** and subsequently:

- rejoin the Regular Armed Forces, or
- enter Full-Time Reserve Service (FTRS), or
- enter part-time Reserve Service on an Additional Duties Commitment (ADC), or
- take up a Public Service appointment that is reserved for a former member of the Armed Forces,

you may be required to repay some or all of your redundancy compensation depending upon the length of your break in service.

## PERSONS EXEMPTED FROM REPAYMENT OF COMPENSATION

You will not be required to repay your compensation if you enter or re-enter paid service under any of the following circumstances:

- **Compulsory Recall.** This is where a former Regular serviceman is recalled to permanent service under either Part 7 of the RFA 96, or a similar provision in the Reserve Forces Act 1980 (RFA 80).
- **Compulsory Call-out.** This is where the person is called-out to permanent service as a member of the Reserve Forces under the terms of Parts 4, 5 or 6 of the

RFA 96, or a similar provision in the RFA 80.

- **Reserve Service Training.** This is where a person gives further paid service of less than 180 days duration within any period of 12 months - as a member of the Reserve Forces for the purposes of obligatory or voluntary training and other duties under sections 22 or 27 of the RFA 96.
- **Open Competition Recruitment Terms.** This is where a person joins the Home Civil Service or Her Majesty's Diplomatic Service on open competition terms. In such cases there shall be no requirement to repay compensation that was paid out under either of the Armed Forces Redundancy Schemes. This repayment exemption applies even where such an appointment is in a Military Support Function (MSF) 14 grade.

## REPAYMENT OF COMPENSATION PAID UNDER AFRS 06 AND AFRS 2010 RULES

If you are not exempted from repaying your SCP or CLS, the amount that you may need to repay will depend upon the length of your break in service and the length of the "relevant period".

### Service Break

This is your actual break in service measured from the day following the last day of your

previous paid service to the day immediately before the start date of your new paid service.

### Relevant period

This is calculated by applying the following formula:

$$\frac{P \times 365 \text{ days}}{\text{FRE or AP}}$$

where:

**P** is the amount of your SCP or CLS paid on termination of service, and

**FRE** is your Final Relevant Earnings (**AFRS 06**) used on termination of service for the purpose of calculating P, and

**AP** is your annual rate of basic pay (**AFRS 2010**) used on termination of service for the purpose of calculating P.

Where your service break is shorter than the relevant period, you will be required to repay a 'relevant fraction' of your compensation at the start of your new service.

#### EXAMPLE 1 – Identifying the Relevant Period

**Scenario.** A person left service on AFRS 2006 redundancy terms

His Final Relevant Earnings (FRE) were £35,000

The CLS he received on redundancy was £70,000 (P)

He returned to service after a service break (SB) of 18 months (**548 days**)

**Relevant Period (RP)** is:

$$\frac{P \times 365 \text{ days}}{\text{FRE}} = \frac{70,000 \times 365 \text{ days}}{35,000} = 730 \text{ days}$$

**Outcome.** Because he returned to service after 548 days, which is within the relevant period of 730 days, he will be required to repay a "relevant fraction" of his CLS.

### Relevant Fraction

This is that part of your SCP or CLS that must be repaid if your service break is shorter than the relevant period and you are not exempt from repayment.

The relevant fraction is calculated using the following formula:

$$\text{Relevant Fraction} = \frac{\text{RP} - \text{SB}}{\text{RP}}$$

where:

**RP** is the number of days in the relevant period, and **SB** is the number of days in the service break.

#### EXAMPLE 2 – Calculating the Relevant Fraction

**Scenario.** Using the same detail as in Example 1.

**RP** – The Relevant Period is 730 days

**SB** – The Service Break was 548 days

**P** – The original CLS payment was £70,000

**Relevant Fraction.** The relevant fraction (of the CLS) is:

$$\frac{\text{RP} - \text{SB}}{\text{RP}} = \frac{730 - 548}{730}$$

= 0.2493 (to 4 decimal places)

**Calculating the Refund.** The sum that the person must repay is P x the relevant fraction.

**Refund** = £70,000 x 0.2493 = **£17,451.00**

# Summary of Benefits on Redundancy

Benefit	Short Service Commitment – ends <i>before</i> IPP/EDP 18/40 Point	Long Service Commitment – discharged <i>Pre-</i> IPP/ EDP 18/40 Point	Long Service Commitment – discharged <i>Post</i> – IPP/EDP 18/40 Point
<b>AFRS 2006<sup>1</sup> Compensation Lump Sum (CLS)</b>	Lower of: 1/8th FRE for each year of completed service, <b>OR</b> 1/8th FRE for each year of uncompleted service + 1/8th FRE	1/8th FRE for each year of completed service (up to max of 18 years)	1/4 FRE for each year (max 4) of uncompleted service  Capped at 1/2 FRE if 40 years or more reckonable Service
<b>Resettlement Grant</b>	On or after 12 years relevant service or more but less than 18 years of relevant service.	On or after 12 years relevant service or more but less than 18 years of relevant service.	Not applicable
<b>Early Departure Payments (EDP)</b>			EDP lump sum and EDP monthly income if under age 55
<b>AFPS 05 Pension</b>	After 2 years' qualifying service, Preserved pension and Pension Lump Sum at age 65	After 2 years' qualifying service, Preserved pension and Pension Lump Sum at age 65	Preserved pension and Pension Lump Sum at age 65 if under age 55 on discharge; Pension and Pension Lump Sum paid immediately if age 55 or over on discharge
<b>AFRS 2010 – Leavers between 6 Apr 2010 &amp; 31 Dec 2015<sup>2</sup> Special Capital Payment</b>	Lower of: 1/8th Annual Pay for each year of completed service, <b>OR</b> 1/8th Annual Pay for each year of uncompleted service + 1/8th Annual Pay	1/8th Annual Pay for each year of completed service ( up to max of 18 years)	1/4 Annual Pay for each year (max 3) of uncompleted service  Capped at 1/2 Annual Pay if 34 years or more (Officers) or 37 years or more (ORs) reckonable service
<b>Armed Forces Redundancy Scheme 2010 (AFRS 2010) – Leavers on or after 1 Jan 2016<sup>3</sup> Special Capital Payment</b>	<b>Uncompleted Service at least 1 year.</b> If the uncompleted service is 1 year or more, the SCP is equal to the maximum payment of 3 months pay  <b>Uncompleted Service – Less than 1 year.</b> If the period of uncompleted service is less than 1 year, each day will attract a payment of 1/365th of the compensation for 1 year of uncompleted service (3 months pay)		
<b>Resettlement Grant</b>	On or after 9 years redundancy reckonable service or more (Officers) or 12 years redundancy reckonable service of or more (ORs) service	On or after 9 redundancy reckonable service years or more (Officers) or 12 years redundancy reckonable service or more (ORs) service	Not applicable
<b>AFPS 75 Pension</b>	Preserved Pension and Pension Lump Sum at age 60/65	Preserved Pension and Pension Lump Sum at age 60/65	Immediate Pension and Pension Lump Sum

1/8 FRE ≈ 1½ months' pay

1/4 FRE ≈ 3 months pay

1/2 FRE ≈ 6 months pay

1/8 Annual pay = 1½ months pay

1/4 Annual pay = 3 months pay

1/2 Annual pay = 6 months pay

- 1 Whilst this is currently extant for Full Protection Members it may be subject to change for Transition Members following the introduction of AFPS 15 on 1st April 2015
- 2 Whilst this is currently extant for Full Protection Members it may be subject to change for Transition Members following the introduction of AFPS 15 on 1st April 2015
- 3 This is currently extant for Full Protection Members may be subject to change for Transition Members following the introduction of AFPS 15 on 1st April 2015

## Further Information

If you have any queries about issues raised in this booklet, please contact your Unit HR staff in the first instance. In addition, Veterans UK is also on hand to answer questions and can be contacted at the following address:

### **Pensions Division**

Mail Point 480  
Kentigern House  
65 Brown Street  
Glasgow  
G2 8EX

Or telephone the JPAC Enquiry Service:  
Civil: 0800 085 3600  
Military: 94560 3600  
Email: Veterans-uk@mod.uk

## OTHER BOOKLETS IN THIS SERIES

Your Unit HR staff can obtain these booklets from Forms and Publications Section, Bicester Operation Centre, C16 Site, Ploughley Road, Arncott, Bicester, OX25 1LP, by quoting the relevant MMP number:

Relating to **AFPS 75**:

- Your Pension Scheme Explained – (MMP/106)

Relating to **AFPS 05**:

- **Your Pension Scheme Explained and Other Benefits paid on Discharge – (MMP/124)**
- **Family Pension Benefits – (MMP/126)**

- **Ill-health Benefits – (MMP/127)**

Relating to **RFPS**:

- Your Pension Scheme Explained (MMP/146)

Relating to **AFPS 75**, **AFPS 05** and **RFPS**:

- Re-employment – (MMP/116)
- Increasing Benefits – (MMP/128)
- Transferring Benefits – (MMP/129)
- Internal Disputes Resolution Procedures – (MMP/130)
- Pension Benefits on Divorce – (MMP/131)

## OTHER SOURCES OF INFORMATION

More on pensions and compensation, including all the booklets in the series, can be found on the Defence Intranet at:

<http://defenceintranet.diif.r.mil.uk/Personnel/Military/Remuneration/Pages/PensionsfortheArmedForces.aspx>

or, on the Internet, at:

<https://www.gov.uk/government/organisations/ministry-of-defence>

