

CHAPTER 44

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

- (1) Compensation for early retirement or redundancy will be payable in the circumstances specified in para **3170A**.
- (2) Compensation will take the form of a tax free lump sum payment known as a Special Capital Payment. The amount of the Special Capital Payment is to be calculated in accordance with paragraphs **3171** to **3174**.
- (3) Qualifying Service means full pay service from age 18. Reckonable Service means full pay service from age 18 for servicemen and age 21 for officers, whilst a member of the AFPS. Additionally, for the purposes of calculating the rate of pension and terminal grant, notional years of service which have been bought under the Purchase of Added Years Scheme and actual service brought into the AFPS by way of a Transfer Value may be included as reckonable, but not qualifying. Contracted out service means full pay service during which contracted out rates of National Insurance contributions were paid.

3170A.*Sponsor:SPP(Pens)*

- (1) An officer of the rank of Air Commodore or above may be awarded a special capital payment if on or after 18 July 2001 he is called upon to retire under paragraph **2905(4)** before his normal retirement date. For these purposes, a person's normal retirement date is the date to which he was conditioned to serve immediately before he was called upon to retire under paragraph **2905(4)**.
- (2) Without prejudice to clause (1), compensation will be payable in the form of a special capital payment where an officer or serviceman is made redundant under a redundancy programme declared by the Defence Council. Instructions will be issued as and when necessary on the scope of the redundancy programme, the selection procedures and the extent to which application may be made for premature release on redundancy terms.

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

- (1) Subject to paragraph **3171A**, the amount of the special capital payment will be equivalent to a number of months pay as follows:

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

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

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

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

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

Years of qualifying Service 12 years	Special capital payment (see Note 3) 15 months pay
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(c) Officers with less than 12 years qualifying service:

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

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

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

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

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

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

3171A.

Where an officer who is awarded a special capital payment under **Para 3170A** has completed 34 years reckonable service on the date of his retirement (and is therefore entitled to a full career pension), the special capital payment payable to him shall not exceed 6 months full pay.

3172. Retired Pay and Terminal Grants.

Sponsor: SPP(Pens)

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

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

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

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

SECTION 3 - OFFICERS SERVING ON SHORT SERVICE COMMISSIONS

3173.

Sponsor: SPP(Pens)

(1) An officer serving on a Short Service Commission will, in addition to the gratuity or preserved pension award due in respect of the period of service completed, be awarded a tax-free special capital payment calculated on the following basis:

- (a) One month's pay for each year of service completed, or
- (b) One month's pay for each year by which service is shortened, plus one month's pay, whichever is the less.

(2) For each further calendar month in addition to full years of completed or uncompleted service, an adjustment will be made of 1/12th of the difference, if any, between the payment for the complete years and the payment for the next complete year.

(3) In cases where there is less than one year of completed service, each complete calendar month will attract a payment of 1/12th of the compensation rate for one year. In cases where there is less than one year of uncompleted service remaining, each whole uncompleted calendar month will attract a payment of 1/12th of the compensation rate for one year.

(4) The payment under sub para (1)(a) or (b) above will be assessed in accordance with para **3171(2)**.

SECTION 4 - SERVICEMEN

3174. Special Capital Payments.

Sponsor: SPP(Pens)

(1) Provided, there is no evidence that they would not have engaged for, or would have been refused, an extension to complete 22 years reckonable service, a special capital payment will be granted to airmen serving on pensionable engagements or engagements in excess of 12 years.

(2) The amount of the special capital payment will be as set out below:

(a) Servicemen with 16 years or more qualifying service:

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

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

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

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

Years of complete service	Special capital payment (see Note 3)
Years	Months pay
15	15
14	
13	13
12	

Note 3. The payments shown are for whole years of uncompleted service. Each further calendar month of uncompleted service will attract a payment of 1/12th of any extra compensation for a further whole year of uncompleted service, subject to a maximum of 18 months pay.

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

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

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

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

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

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

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

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

3175. Pensions and Terminal Grants.

Sponsor: SPP(Pens)

(1) Servicemen eligible for a special capital payment under the terms of para **3174**:

(a) Who have less than 22 years reckonable service, but at least 12 years qualifying service will receive a pension calculated as a proportion of the 22 year rate according to their lengths of reckonable service. Thus a serviceman with 13 years reckonable service would receive $\frac{13}{22}$ nd of the 22 year rate of pension;

(b) Where 22 years reckonable service has been completed, a pension will be calculated at the normal rate payable according to length of reckonable service given;

(c) Airmen with less than 12 years reckonable service but at least 2 years contracted-out service will be eligible for preserved benefits normally payable at age 60, at the rates shown in AP 3392, Leaflet 1815;

(d) Where it is to the advantage of the individual, redundancy terminal benefits may be assessed on the substantive rank held at the time of discharge, regardless of the length of time that rank has been held.

(2) Where a pension has been awarded under Clause 1(a) and (b) above a terminal grant of three times its annual value will be paid.

3176. General Provisions.

Sponsor: SPP(Pens)

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

3177. Recovery of Special Capital Payment.

Sponsor: SPP(Pens)

(1) Where an officer or serviceman who has received a Special Capital Payment under the provisions of Chapter 44 is, within 5 years of redundancy, re-employed on full pay in any one of HM Armed Forces he shall be required to refund a proportion of the Special Capital Payment received. The refund will be calculated in accordance with the formula in para **3249**.

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

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

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

The associated limitations are that:

- (I) in no case will the amount of Special Capital Payment be reduced by the refund to less than a sum equivalent to 3 month's military salary at the rate defined for the purposes of assessing the Special Capital Payment awarded;
 - (ii) where the Special Capital Payment awarded was less than 3 month's military salary as defined, no refund will be required.
- (3) Refunds under sub paras (1) and (2) above are due immediately on taking up employment.

3178. Refund of Special Capital Payment.

Sponsor: SPP(Pens)

Those who left the Armed Forces on or after 1 April 1992 and had formerly made a repayment under the terms of para 3177(2) may receive a refund or part of the Special Capital Payment in the following circumstances:

- (1) to those who, for non-disciplinary reasons, fail their probationary period;
- (2) to those on an appointment which does not last beyond three years, or which is disestablished within that time-scale.

The refund shall be calculated in accordance with the following formula and associated limitations:

$$\text{Refund} = \left\{ \frac{A}{36} \times B \right\} + C$$

Where A is the number of complete months short of three years service;

B is the amount of the original SCP payment;

C is interest at building society rates, backdated to the date of the original SCP repayment.

The associated limitations are:

- (1) no refund will be payable where an individual leaves at his/her own request;
- (2) no refund will be made in the case of death in service, when a death in service gratuity is payable;
- (3) no refund will be made where redundancy compensation or other severance payment is awarded. However, where any compensation paid is less than the amount of SCP which might have been refunded, the difference between the two payments may be refunded;
- (4) no refund will be payable to an individual who leaves the appointment after reaching the age of 55.

3179-3182. *(Omitted)*