

CHAPTER 2

RULES AND PROCEDURES FOR COMMUTATION OF PENSIONS

APPLICATION OF RULES

02001. Commutation ceased with the discharge of the last serving member of the GPS in 2014 and this chapter is now for reference purposes only. For those personnel who elected to take commutation prior to 2014 the following rules applied: Authority is given for members of the Gurkha Pension Scheme (GPS) to be permitted to commute part of earned pensions. This concession is available to all serving members of the GPS, but it cannot be claimed as a matter of right.

CONDITIONS AND LIMITS OF COMMUTATION

02002. Prior to 6 Apr 06 a serving member of the scheme was permitted to commute a portion of his pension subject to:

- a. Medical Report. The report of a medical authority as to his physical fitness. The medical certificate as shown at Appendix 2 to this instruction must accompany the application for commutation.
- b. Not Exceeding:
 - (1) 43 per cent in the case of GCOs, QGOs with honorary rank and QGOs.
 - (2) 45 per cent in the case of Gurkha Other Ranks (GORs).

02003. With effect from 6 Apr 06 a limit of 10% for all ranks has been placed on commutation for pension earned after this date. This change has been necessary due to the Pensions Act 2004 which became effective on 6 Apr 06. The GPS, as a registered pension scheme, is affected by limitations on capital sums paid as a proportion of the value of a member's benefits earned by service from 6 Apr 06. Any payment that breaches the limit is classed as an unauthorised payment and is liable for tax at 40% together with a scheme sanction charge of 15%. Transitional protection is provided for benefits earned by service prior to 6 Apr 06 and commutation limits for pension earned for that period remain at 43% and 45% depending on rank. A composite limit for commutation taking into account service pre and post 6 Apr 06 has been calculated and is attached at Annex C¹.

02004. With effect from 1 Apr 82, the commutation of pension is to be authorised **once only before the final date of discharge/retirement (FDD/FDR)**.

02005. Restoration of Commutation Portion. MOD (Army) have ruled^{2,3}, that wef 1 Apr 85:

¹ D/AG(G)/141 (MGS 139-07) dated 2 May 07.

² MOD (Army) D/AG SEC 2/31/32/2 dated 14 Jul 87.

³ MODUK ARMY SIG ABA/ACA/W6K/WAS/Z2U of 301237Z Jul 87.

- a. Gurkha pensioners who have commuted a portion of their pension on or before 1 Apr 85 and who have completed 15 years from their respective dates of retirement may have their commuted portion of pension restored wef 1 Apr 85.
- b. Gurkha pensioners who have commuted a portion of their pension after 1 Apr 85 and have completed or will complete 15 years from their respective dates of retirement may have their commuted portion of pension restored wef their respective dates of completing 15 years from date of retirement.

Note: Arrears may be assessed for all pensions who have completed 15 years pension but are only payable wef 1 Apr 85 or later as applicable in line with Indian Army Pension rules.

02006. Where an over-payment is in the process of recovery from the pension, commutation may be permitted subject to the condition that the overpaid amount remaining unadjusted at the time of commutation will be recovered as a lump sum from the commuted value payable.

CALCULATION OF COMMUTED VALUE

02007. Commutation is calculated by the following formula: value of monthly pension commuted x 12 x commutation factor for the age next birthday. An example is shown at the bottom of Annex A. The calculation will be governed by the following factors:

- a. The basis for commutation, subject to an addition of years of age (normally referred to as “age loading”) in the case of impaired lives, shall be as shown on the table given at Annex A.
- b. The age of the pensioner used to calculate commutation shall be the age he will attain on his next birthday following his FDD/FDR.
- c. In the event of the commutation rates at Annex A being modified between the date of application to commute and the FDD/FDR, payment shall be made in accordance with the modified table. If the modified table is less favourable to the applicant than that previously in force, he will be permitted to withdraw his application by notice in writing despatched **within 2 months** of the date on which he receives notice of the modification.

PAYMENT OF COMMUTED VALUE

02008. a. Average Lives. If the medical authority reports that the applicant has a normal expectation of life the commutation shall be at the rates stated at Annex A.
- b. Impaired Lives. In cases where an addition to his age (“age loading” of 3, 5, 6, 7 or 10 years) is recommended, the pensioner shall be informed officially by means of Appendix 2 to this instruction of the medical authority’s recommendation. The effect of “age loading” is to reduce the capital sum payable by lowering the value for each Rupee commuted. The pensioner may then withdraw his application if he so wishes.
 - c. Payment of Commuted Value. Payment of the commuted value shall be made as soon as possible after FDD/FDR.
 - d. Payment in the Event of the Death of the Applicant.

- (1) If a serving applicant for commutation dies before his FDD/FDR commutation will be deemed to be cancelled.
- (2) If a pensioner dies on or after FDD/FDR the commuted sum shall be paid to his Heir(s) or NOK.

REDUCTION OF PENSION BY ITS COMMUTED VALUE

02009. Commutation shall become absolute, that is, the title to receive the commuted portion of the pension shall cease and the title to receive the commuted value shall accrue, on FDD/FDR. Whatever the date of actual payment, the amount paid and the effect upon the pension shall be the same as if the commuted value were paid on the date on which commutation became absolute. Pensioners will only be entitled to receive annual pension increases on the residual element of their pension. By taking commutation pensioners lose title to the commuted portion of their pension as well as the annual increases on that amount for a period of 15 years, after which pension will be restored to its full value.

NO REFUND OF INCIDENTAL EXPENSES INCURRED BY AN APPLICANT

02010. No refund of any travelling or other expenses incurred by a pensioner in connection with the commutation of a portion of his pension shall be admissible.

RECOVERING OF PUBLIC CLAIMS FROM THE COMMUTED VALUE

02011. Before the capitalised sum is paid, RAOs of the discharging units will ascertain whether any public claim is outstanding against the applicant, and deduct the amount of any such claim from the lump sum which would, but for the claim, be payable to him.

COMMUTATION OF DISABILITY PENSION

02012. With effect from 1 Dec 67 authority is given for British Gurkhas to commute a proportion of their disability pension, subject to the following proviso:

- a. That the disability can clearly be classified as permanent and there is no question of improvement in the degree of disability (eg, the loss of a limb).
- b. That the Gurkha retains at least 50 per cent of the service element and 50 per cent of the disability element.
- c. In cases where an individual has been granted a disability pension but has completed 5 years or more qualifying service, commutation of pension shall be allowed with reference to the special pension admissible under Regulation 186 (a) Pension Regulations for the Army (India) Part 1 (1961); if less than 5 years qualifying service has been completed commutation is not admissible.

BRIGADE OF GURKHAS GUIDANCE ON COMMUTATION OF PENSION AND INVESTMENT

02013. Individuals seeking to commute their pensions should be warned that commutation should never be considered unless the commuted portion can compensate for the reduction in the original pension by capital investment producing a better return.

02014. Commanding Officers should ensure that all prospective pensioners wishing to commute their pensions are fully aware of the Brigade guidance.

INSTRUCTIONS GOVERNING PROCEDURES FOR COMMUTATION OF PENSION

02015. The instructions governing the procedures for the commutation of pension are given at Annex B to this instruction.

Annexures:

- A. Pension Commutation Table.
- B. Instructions Governing the Procedure for Commutation of Pensions.
- C. Permitted Limits for Commutation.

PENSION COMMUTATION TABLE

Commutation Table prescribed under Rule 7 of the Civil Pension (Commutation) Rules and will be taken into use with effect from 1 Apr 72.

Commutation values for a pension of Rs 1 per annum. (Auth: MOD/7/Gen/1415 F2c(i) (AD) dated 2 May 72).

Age next birthday	Commutation value expressed as number of years purchased	Age next birthday	Commutation value expressed as number of years purchased	Age next birthday	Commutation value expressed as number of years purchased
1	2	3	4	5	6
17	19.28	40	15.87	63	9.15
18	19.20	41	15.64	64	8.82
19	19.11	42	15.40	65	8.50
20	19.01	43	15.15	66	8.17
21	18.91	44	14.90	67	7.85
22	18.81	45	14.64	68	7.53
23	18.70	46	14.37	69	7.22
24	18.59	47	14.10	70	6.91
25	18.47	48	13.82	71	6.60
26	18.34	49	13.54	72	6.30
27	18.21	50	13.25	73	6.01
28	18.07	51	12.95	74	5.72
29	17.93	52	12.66	75	5.44
30	17.78	53	12.35	76	5.17
31	17.62	54	12.05	77	4.90
32	17.46	55	11.73	78	4.65
33	17.29	56	11.42	79	4.40
34	17.11	57	11.10	80	4.17
35	16.92	58	10.78	81	3.94
36	16.72	59	10.46	82	3.72
37	16.52	60	10.13	83	3.52
38	16.31	61	9.81	84	3.32
39	16.09	62	9.48	85	3.13

Example:

A Cpl with 15 years service is discharged in May 07 with a pension of ICRs 9101.58 per month, who wishes to commute ICRs 3640.63 per month (40%) and who will be aged 35 next birthday would expect to receive, subject to a medical report, a commuted sum of ICRs 3640.63 x 12 x 16.92 = ICRs 739193.52 and still have a pension due to him ICRs 5460.95 per month.

INSTRUCTIONS GOVERNING THE PROCEDURE FOR COMMUTATION OF
PENSIONS

APPLICATIONS FOR COMMUTATION

1. Gurkha personnel wishing to apply for commutation are to submit their application through their Commanding Officers to SPVA no earlier than 3 months before FDD/FDR. No applications will be accepted on or after FDD/FDR.
2. All applications for Commutation are to be made on the form at Appendix 1 to this instruction and are to be forwarded, together with the Medical Report (Appendix 2), to SPVA.
3. Medical Documents. The medical reports for the purpose of commutation of pension will be made on the form as shown at Appendix 2. F Med 4 or other medical documents are not required unless specifically asked for by the GPS medical consultant with respect to cases where a disability award is being considered.

COMPETENT AUTHORITY TO SANCTION COMMUTATION OF PENSION

4. The competent authority to sanction commutation of pension shall be SPVA.

ACTION TO BE TAKEN BY SPVA AND PENSION PAYING OFFICES NEPAL

5. The following actions are to be taken:
 - a. On receipt of an application accompanied by the medical report, SPVA is to inform Records at BG Pokhara and the relevant PPO of the capital sum which will be payable to the pensioner and the date from which the reduced rate of pension will become effective. This notification shall constitute administrative sanction for commutation of a pension.
 - b. If an individual wishes to withdraw his application, which he may do so at any time before his FDD/FDR, he must apply in writing to SPVA. On receipt of such a request SPVA will cancel the application/sum commuted.

CONDITIONS FOR MAKING PAYMENT

6. Payment of the commuted value should be made as expeditiously as possible at the time of FDD/FDR. If the commuted portion of the pension has been drawn after the date on which the commutation became absolute, the amount shall be deducted from the amount payable in commutation.

COMPETENT MEDICAL AUTHORITY

7. Medical examinations will be carried out by the unit Regimental Medical Officer (RMO) or by an authorised civilian medical practitioner (CMP) employed at HQ BGN establishments. The RMO/CMP will complete Appendix 2 to this instruction for the purpose of commutation and any

disability pension claim. A copy of Appendix 2 completed in all parts is to be attached with the application for commutation and sent to SPVA.

PROOF OF AGE

8. Age shall be established in accordance with service/medical documents.

Appendices:

1. Gurkha Pension Scheme Application for Commutation.
2. Medical Report on Eligibility for Commutation and/or Disability Pension.

APPENDIX 1 TO
ANNEX B TO
CHAPTER 2

GURKHA PENSION SCHEME APPLICATION FOR COMMUTATION

1. Number:..... Rank:..... Name:.....
2. Unit:.....
3. Date of Birth:
(Verified and Confirmed by OC Unit/RAO)
4. Amount of Pension Desired to be Commuted:
(See Annex C for maximum limits)
5. Date and Place of Final/Release Medical Examination:
(i.e., date(s) of completion of F Med 1/F Med 19)
6. Final Date of Retirement/Discharge (FDD/FDR):

Signature of Soldier:

To be Completed by OC Unit/RAO

Commutation of pension as requested is recommended. Medical Report is enclosed herewith.

Place: Signature:

Date: Rank/Name

Appointment:

**MEDICAL REPORT ON
ELIGIBILITY FOR COMMUTATION AND/OR DISABILITY PENSION**

PART 1 - PERSONAL DETAILS

(To be completed by unit RAO/Records Officer BG Pokhara)

Number:..... Rank:.....Unit:.....

Name:.....

Run Out Date(ROD):.....Final Date of Discharge (FDD):.....

PART 2 - ELIGIBILITY FOR COMMUTATION OF PENSION/DISABILITY PENSION

(To be completed by the unit medical officer)

1. Dates and Places of:

a. Release/Discharge Medical Board Report (F Med 1):.....

b. Medical Board Proceedings (F Med 19)/.....):.....

2. Commutation of Pension. (Serving personnel only)

I certify that the above named:

*a. Has a normal life expectancy and is therefore eligible for commutation of pension.

*b. May have a restricted life expectancy.¹

3. Disability Pension.

I certify that the above named soldier:

*a. Has no pensionable disability.

*b. May have grounds for disability pension.¹

Date:.....

Signature:.....

Rank/Name:.....

Appointment:.....

* Delete where applicable

¹ In all cases where paras 2b or 3b apply and in any case of doubt, this form and supporting medical documents are to be forwarded to the Scheme Medical Consultant for completion of Part 3.

PART 3 - RECOMMENDATION BY THE SCHEME MEDICAL CONSULTANT.

(Only to be completed if paragraphs 2b and 3b at Part 2 apply)

Commutation of Pension

- *1. Fit for unrestricted commutation of pension.
- *2. Fit for commutation but with age loading of 3, 5 or 7 years (delete as appropriate).

Disability Pension

- *3. I confirm that the disablement summarised in the officer's/soldier's final release medical/medical board is due to a medical condition which:
 - *a. Is attributable to military service.
 - *b. Existed before, or arose during military service and has been and remains aggravated thereby.

I therefore authorise¹% disability pension for year(s)*/ indeterminate duration/*final.

*4. I do not consider that the disability is attributed to, or aggravated by military service. No disability award is therefore recommended.

5. Comments:.....
.....
.....
.....

Date:..... Signature:.....

Rank/Name:.....

Appointment:.....

* Delete where applicable

¹ The scheme medical consultant is to record the condition(s) and % disability awarded on Fs Med 1 and 19.
Amdt 21 – Dec 20

PART 4 - CO'S/RECORDS OFFICER BG POKHARA CERTIFICATE

*1. For Serving Soldiers Only. The soldier named in this form has been interviewed and informed of the decisions contained in this document regarding his Commutation of Pension and/or Service Disability Pension. Where necessary he has been advised of his right to appeal for Service Disability Pension within 7 years after his Final Date of Discharge (FDD).

*2. For Pensioners/Discharged Personnel. The soldier named in this form has been informed of the decisions regarding Service Disability Pension.

Date:..... Signature:.....

Rank/Name:.....

Appointment:.....

Date:..... Signature of Soldier⁴:.....

Completion and Distribution of Appendix:

Parts 1 and 2 are to be completed in the unit/BGP, then:

a. If Part 2 Para 2.b and/or Para 3.b apply it is to be sent to the Scheme Medical Consultant for completion at Part 3.

b. Otherwise the unit is to complete Part 4 as below.

Part 3 is to be completed by the scheme Medical Consultant and returned to the originating unit/BGP for Part 4 to be completed.

Part 4 is to be completed in the unit/BGP and then despatched to SPVA(Glasgow) together with Appendix 1, with a copy to be placed in the individual's F Med 4.

⁴ If the soldier has left on terminal leave or is not available then a letter should be sent to him and the form annotated accordingly.

PERMITTED LIMITS FOR COMMUTATION

The following limits apply for all ranks for commutation in the years of discharge as shown:

Length of Service in Years	Percentage of Commutation Permitted By Year of Retirement/Discharge															
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
15	42	40	38	35	33	31	28	26	24	21	19	17	14	12	10	
16	42	40	38	36	34	31	29	27	25	23	20	18	16	14	12	10
17	42	40	38	36	34	32	30	28	26	24	22	20	18	16	14	12
18	43	41	39	37	35	33	31	29	27	25	23	21	19	17	15	13
19	43	41	39	37	35	33	32	30	28	26	24	22	21	19	17	15
20	43	41	39	38	36	34	32	31	29	27	25	24	22	20	18	17
21	43	41	40	38	36	35	33	31	30	28	26	25	23	21	20	18
22	43	41	40	38	37	35	33	32	30	29	27	25	24	22	21	19
23	43	41	40	38	37	35	34	32	31	29	28	26	25	23	22	20
24	43	42	40	39	37	36	34	33	31	30	28	27	26	24	23	21
25	43	42	40	39	38	36	35	33	32	31	29	28	26	25	24	22
26	43	42	40	39	38	36	35	34	32	31	30	28	27	26	24	23
27	43	42	41	39	38	37	35	34	33	32	30	29	28	26	25	24
28	43	42	41	40	38	37	36	35	33	32	31	30	28	27	26	25
29	43	42	41	40	38	37	36	35	34	32	31	30	29	28	26	25
30	43	42	41	40	39	38	36	35	34	33	32	31	29	28	27	26
31	43	42	41	40	39	38	37	35	34	33	32	31	30	29	28	26
32	43	42	41	40	39	38	37	36	35	34	32	31	30	29	28	27

Notes:

1. The year shown applies to discharges from 1 Apr to 31 Mar, i.e. the percentage for 2006 applies from 1 Apr 06 to 31 Mar 07.
2. Length of service is that used for calculating pension entitlement and includes condoned service.

PERMITTED LIMITS FOR COMMUTATION

The following limits apply for all ranks for commutation in the years of discharge as shown:

Length of Service in Years	Percentage of Commutation Permitted By Year of Retirement/Discharge															
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
15																
16																
17	10															
18	11	10														
19	13	11	10													
20	15	13	11	10												
21	16	15	13	11	10											
22	17	16	14	13	11	10										
23	19	17	16	14	13	11	10									
24	20	18	17	15	14	12	11	10								
25	21	19	18	17	15	14	12	11	10							
26	22	20	19	18	16	15	14	12	11	10						
27	22	21	20	19	17	16	15	13	12	11	10					
28	23	22	21	20	18	17	16	15	13	12	11	10				
29	24	23	22	20	19	18	17	16	14	13	12	11	10			
30	25	24	22	21	20	19	18	17	15	14	13	12	11	10		
31	25	24	23	22	21	20	19	17	16	15	14	13	12	11	10	
32	26	25	24	23	22	20	19	18	17	16	15	14	13	12	11	10