

**Gurkha Pension Scheme Consultation**  
**Implementing the Indian 7th Central Pay Commission**  
**Response**

Background

1. In March 2019, the Minister for the Armed Forces announced that the government had considered the implications of the Indian government's 7<sup>th</sup> Central Pay Commission (CPC) for the legacy Gurkha Pension Scheme (GPS) and agreed a change in the policy on how Gurkha pension rates should be increased. The doubling policy (whereby legacy GPS rates were set at double those of the comparable Indian Army rates at the start of each CPC period) was no longer considered appropriate given changes since it had been introduced in 2000. Instead, Ministers considered various options and announced that the legacy GPS rates would be 140% of the comparable Indian Army rate, with a minimum 10% increase for those pension rates which were already close to, or over, that value. The increases would be backdated to 1 January 2016, the effective date of the 7<sup>th</sup> CPC.

2. Three Gurkha pensioners subsequently challenged this decision, and, having considered their representations and following discussions with them and other representatives (Regimental Associations of Nepal (RAN)), the Ministry of Defence (MOD) agreed to look afresh at the decision. In order to do so, the MOD consulted those who are affected by any change from the doubling policy.

3. The MOD launched a public consultation in December 2020 to seek the views of GPS members on various proposals for implementing the recommendations of the Indian government's 7<sup>th</sup> CPC in the legacy GPS. Views were also welcomed from any interested individuals or organisations, including veterans, regimental and veterans' groups, charities, other government departments, and branches of the MOD. The aim of the consultation document was to explain the key factors considered in the decision making process, to outline the various options for implementing the 7<sup>th</sup> CPC, and to ask for views on these and any alternative ways of implementing the 7<sup>th</sup> CPC. The consultation document was published on Gov.UK and the link circulated across Gurkha veterans organisations for dissemination to individuals.

4. This document summarises the key comments made, and evidence provided by respondents. These have been carefully considered and have informed a fresh ministerial decision on the implementation of the 7<sup>th</sup> CPC.

5. We would like to thank respondents for sharing their views on the consultation. We have considered all submissions in drafting this consultation response document. This document summarises the main points raised by respondents at Annex A. Some comments were not within the scope of the consultation and these have been listed at Annex B.

## The Consultation Process

6. The consultation was open for twelve weeks from 18 December 2020. Two online meetings were held in early March to explain the process, inform parties on how to engage with the consultation, and to answer questions from interested parties on the subject of the consultation. These meetings were held later in the consultation to enable attendance of individuals, and parties, whose presence was essential to the gathering of informed responses. Details of the comprehensive consultation document were distributed through MOD Gurkha websites, the RAN, and ex-servicemen's organisations. The closing date for responses was 11 March and it was requested that responses should be submitted in English where possible, as this would assist the MOD to process the responses. Responses in Nepali were welcome but translating these could result in a delay to the response to the consultation.

7. The consultation document contained background information on the legacy GPS and the various options that were considered by the government. Other options, not currently being considered, were also explained along with the factors affecting the government in making the decision on setting new legacy GPS rates following the 7<sup>th</sup> CPC. The consultation document contained five questions, and provided the opportunity to comment on, or provide further information in support of answers. Participants were not limited to providing input just to these five questions, nor did they need to answer any of them, but by using the framework it would enable the MOD to structure a response.

8. Responses were invited by email or post to the addresses provided in the consultation document. It was requested that participants included the following information at the beginning of their response:

- Whether you are a GPS member, or relative of such a pensioner;
- Whether you live in Nepal, or in the United Kingdom, or elsewhere in the world;
- Whether you are responding as an individual or on behalf of an organisation (please state the name of the organisation).

## Breakdown of Responses

9. We are grateful to all those who responded to the consultation. 29 individuals responded to the consultation, many of whom also responded on behalf of veterans' organisations. None of the respondents agreed with the current implementation and wanted the government to honour previous commitments and implement the 7<sup>th</sup> CPC at 200% of Indian rates. Three responses gave details of the costs of significant medical treatment to support the case for retaining the 200% minimum.

10. While the number of individual responses is not high, this does not necessarily represent a lack of interest on the part of Gurkha veterans. It is accepted practice for Gurkha veterans to look to their representative groups to articulate their issues, and this has been done through the RANs and other veterans' groups both in Nepal and elsewhere. The chairmen and secretaries of the various

organisations have responded, both on their members' behalf and personally. Two responses were received a day after the closing date but have been accepted on the grounds of openness.

11. Options favoured in responses:

a. Government's Preferred Option:

140% +10% of Indian rate – was not supported by any responses.

b. Other Feasible Options:

180% of Indian rate – was supported by one individual provided that UK state retirement pension was also paid to all, otherwise 200%.

150% of Indian rate – was not supported by any responses.

c. Other Possible Options Considered:

200% of Indian rate – 23 preferred the 200% rate (this is including the individual who suggested the option of the state retirement pension).

170% of Indian rate – was not supported by any responses.

Parity with Indian rate – was not supported by any responses.

12. Six responses, while not supporting the government's preferred option, did not suggest an alternative and two of these did not comment on the 7<sup>th</sup> CPC but raised other issues about the 2007/8 Gurkha Offer to Transfer (GOTT) to the Armed Forces Pension Scheme (AFPS); wanting equality of value with British personnel or the opportunity to go back to the legacy GPS.

### Summary of Responses to Questions Posed

13. The questions posed in the consultation and direct responses together with the government's responses are detailed in Annex A.

### Other Matters Raised

14. A number of consultation responses raised issues which are not part of the 7<sup>th</sup> CPC implementation but reflect a deeply held belief among some GPS pensioners that the United Kingdom has historically under-valued Gurkha service and that they have not been treated fairly. Gurkhas have made an outstanding contribution to the UK through their years of dedicated service to the Crown and are held in high esteem by the British Army and the public alike. We are hugely proud that Gurkhas continue to serve in the British Army.

15. As the additional points raised do not relate to the implementation of the 7<sup>th</sup> CPC, it was not possible to include them within the consultation process. However, the government has previously provided detailed submissions on these issues to the

All Party Parliamentary Group on Gurkha Welfare in 2014 and a Technical Committee on Gurkha Veterans in 2018. For completeness, the issues raised outside of the 7<sup>th</sup> CPC implementation have been set out at Annex B with links to previously published responses.

### Government Response

16. We have carefully considered the views and opinions of those who responded to this consultation on the question of how the 7<sup>th</sup> CPC should be implemented. No new information was presented, and we consider that the factors taken into account in 2018, when the initial decision was taken, are still relevant.

17. Ministers have considered the matter afresh, taking into consideration the responses to the consultation, and have decided that there is no basis on which to change the original decision to increase legacy GPS rates to 140% of comparable Indian rates, with a minimum increase of 10% from 1 January 2016. In our view, the current uplift provides for the additional support to British Gurkhas in Nepal over a lifetime when compared to the lifestyle and support provided to Indian Gurkhas in Nepal.

Annexes:

- A. Government Responses to Consultation Questions.
- B. Input Out of Scope of the Consultation.

## **Government Responses to Consultation Questions**

### **Do you agree with the Ministry of Defence's preferred option, or another proposed option? Please explain why.**

None of the relevant responses agreed with the MOD's preferred option of 140% + a minimum of 10% and all wanted the rate set at 200%. Issues raised are:

**A. This is seen as a cost cutting exercise with a strong belief that the government should honour the policy implemented in April 2000, respondents believe that this was considered by the UK to be non-negotiable at the time.**

### **Government Response**

We appreciate the strength of feeling around the doubling policy, which has been government policy since 2000. However, circumstances have changed considerably since 1999, when it was introduced. The cumulative effect of the policy to double Indian rates combined with the scale of Indian increases since 1999 means that the legacy GPS had increased by around 385% by 2018; by contrast, the AFPS has increased by around 55% in the same time period.

Individual legacy GPS pensioners received increases in the value of their pension between 1999 and 2018 of between 934% and 1,179%, depending on rank. By 2020, following the implementation of the policy of 140%, with a minimum increase of 10%, legacy GPS pensions were paid at a minimum of 160% over the value of comparable Indian pensions, and in some cases were over 200%<sup>1</sup>.

The 7<sup>th</sup> CPC reported in late 2016 and the UK government considered very carefully how to implement it, taking into consideration the growth in the legacy GPS over the previous two decades, and balancing the expectation of pensioners that the previous policy would continue against the need to consider whether it remained affordable and appropriate.

The purpose of the original doubling policy was to provide a cash uplift in respect of a number of benefits in kind which the Indian government were able to provide to their veterans. We believe that around 60% of that value can be attributed to the costs of healthcare, with the balance attributable to other benefits.

**B. Medical provision for Indian Gurkhas in Nepal has improved since the ECHS ('Ex-Servicemen Contributory Health Scheme') started to be introduced from 2012 re-enforcing the requirement for the higher uplift for Gurkha pensioners who served in the British Army.**

**C. Primary medical care is excellent, but better secondary care needed.**

**D. Medical costs through the GWT require a contribution and are capped but the Indian system refunds all costs.**

---

<sup>1</sup> See Figure 1, page 15 of the Consultation Document.

## **Government Response**

We acknowledge that the way in which the Indian government provides medical care to its veterans has changed since 2000. The UK government has chosen to work with a charity, the Gurkha Welfare Trust (GWT), to provide healthcare for its veterans and their families in Nepal. The GWT is part-funded by a grant-in-aid from MOD, and in 2018, the Army made a grant of £25 million over ten years to the GWT, specifically to improve the provision of healthcare, including secondary care, for our veterans in Nepal. It is correct that most GPS pensioners pay a contribution towards the cost of secondary care, but this is why they receive the cash uplift.

The overall value of the welfare uplift over time (which we acknowledge also reflects other benefits in kind) can be seen in the financial analysis below.

We analysed the amounts received by legacy GPS pensioners compared to Indian Army equivalents for the ranks of Rifleman/Lance Corporal, Captain(Queen's Gurkha Officer(QGO)), and Major(QGO) Honorary Captain(Gurkha Commissioned Officer (GCO))/Honorary Major at the normal pension points by rank to show the value received as welfare uplift since the doubling policy was introduced in April 2000.

Total welfare uplift received	Major(QGO) Honorary Captain(GCO)/ Honorary Major	Captain(QGO)	Below Corporal
1 April 2000 to 31 December 2015	NCR 6,328,936.32 <sup>2</sup> (£39,730.67) <sup>3</sup>	NCR 6,116,085.12 (£38,394.47)	NCR 1,665,210.86 (£10,453.56)
1 January 2016 to 31 March 2021 under 7 <sup>th</sup> CPC	NCR 4,691,802.96 (£29,453.36)	NCR 3,730,008.96 (£23,415.58)	NCR 1,093,333.06 (£6,863.53)
1 April 2000 to 31 March 2021	NCR 11,020,739.28 (£69,184.03)	NCR 9,846,094.08 (£61,810.05)	NCR 2,758,543.92 (£17,317.09)

<sup>2</sup> These are just actual amounts received, the net present value of money received in the past has not been calculated but will be higher than these simple totals.

<sup>3</sup> Approximate sterling values: do not take into account the exchange rates at the time of payment but based on the Indian rupee general accounting rate for 1 April 2021 so £1 = NCR 159.30.

The growth in the legacy GPS pension rates over the comparable Indian rates since the 7<sup>th</sup> CPC was implemented is shown below:

	Major(QGO) Honorary Captain(GCO)/ Honorary Major	Captain(QGO)	Below Corporal
Percentage rate of GPS on 1 January 2016 for 7 <sup>th</sup> CPC	179%	195%	140%
Percentage rate of GPS on 1 April 2021	210%	228%	164%

This growth of the legacy GPS over time is partly due to Nepali inflation being slightly different to Indian inflation but is mainly due to the different methods in accounting for inflation. The legacy GPS rates are increased by the rate of inflation every year and so benefit from a compounding effect, while the Indian rates are set at the beginning of each ten year CPC period, with an accumulating inflation factor added at time of payment. The result is that the percentage advantage of the legacy GPS will be expected to grow over the life of the CPC and so the additional receipts for legacy GPS pensioners will continue to rise accordingly. It should be noted that the current percentage advantage is distorted by the Indian government not indexing pensions from 1 January 2020.

#### Cases Showing Medical Costs

Three respondents provided details of their own medical history, to support their case that the UK government should provide additional medical support to legacy GPS pensioners. We have not included details in this document, to preserve confidentiality, but each case was carefully analysed.

The welfare related uplift totals in each case show that the individuals concerned have received considerably more in pension receipts (pension plus welfare uplift) than the costs of their medical treatment since April 2000. Analysis indicates that even pensioners of the lowest ranks will have received enough to have funded these medical costs. We note also that the contribution required by the GWT is means tested, and thus less for more junior ranks, which will reduce the cost of their equivalent treatment. Significantly, the welfare uplift receipts since 1 January 2016 show the current implementation of 7<sup>th</sup> CPC, at 140% of Indian rates, provides enough to cover substantial medical costs. The legacy GPS also provides an age uplift from 80, which increases every five years, starting at 20% of pension so higher amounts will be paid at a time when additional medical costs might be expected to arise.

**E. Belief that 6<sup>th</sup> CPC was not implemented because the Indians got a 40% increase but British Gurkhas didn't, 7<sup>th</sup> should be implemented.**

**Government Response**

It is not correct to state that the 6<sup>th</sup> CPC was not implemented: the implementation of the 6<sup>th</sup> CPC has been an area of significant misunderstanding across legacy GPS veterans. In brief, nearly all legacy GPS rates were already more than twice the comparable Indian rates even after the impact of the 6<sup>th</sup> CPC was calculated. Accordingly, there was no impact on the majority of legacy GPS rates, and they were not increased. Those rates which were not already double the comparable Indian rate were brought up to this level: these were for some honorary ranks, those on minimum rates of pension and ordinary family pensions for Sergeants and below. We also introduced the additional percentage of pension for those aged 80 and over, following the 6<sup>th</sup> CPC. The MOD's report on the implementation of the 6<sup>th</sup> CPC was part of the evidence MOD submitted to the All Party Parliamentary Group on Gurkha Welfare inquiry in 2014 and can be found [here](#)

The 7<sup>th</sup> CPC changes have been fully implemented in that legacy GPS rates are based on the equivalent Indian rates as at 1 January 2016. The government also implemented new groupings and structures for disability pensions. However, the government's implementation of the 7<sup>th</sup> CPC moved away from the previous doubling policy, as rates were increased to 140% of the comparable Indian rates at 1 January 2016, with a minimum increase of 10% for those whose pension rates were already more than this amount. The cash welfare uplift has been reduced because the government is now funding the provision of healthcare for legacy GPS veterans in other ways, mainly through the GWT.

**F. Expected same increase as Indians - i.e. a multiple of 2.57 more not only between 10 and 34%.**

**Government Response**

This reflects a misunderstanding around how Indian pensions are indexed, and how this applies to each CPC. Indian pension rates are set at the beginning of a CPC period and last for 10 years. Each six months, in January and July, the current Indian inflation rate is added to an inflation figure (known as Dearness Relief (DR)). This DR figure accumulates over the life of the CPC and was at 119% at the end of 6<sup>th</sup> CPC on 31 December 2015. The 7<sup>th</sup> CPC change to Indian service pensions was a straightforward application of a factor of 2.57 to the rates in payment on 31 December 2015. This factor of 2.57 was based on a 157% increase to the base pension and was composed of the DR of 119% payable on 31 December 2015 plus a fitment weightage of 38%.

All legacy GPS rates were already above the new Indian comparator rates at 1 January 2016, and so no increase was applied directly from the Indian implementation of the 7<sup>th</sup> CPC. The increases of 10 to 34% to legacy GPS rates stem from the UK government's decision to pay a welfare related uplift above Indian rates, and from 1 January 2016 this was set at 40% with a minimum of 10% for those already above 140% of the Indian comparator on that date.



**G. Do you have any information about the benefits in kind currently available to Indian Army veterans, and a view on whether an assessment of their value (excluding healthcare) at around 40% is broadly accurate? Please provide evidence to support your view.**

Respondents provided details of various welfare benefits, including reference to a [booklet](#) on welfare schemes produced by the Rehabilitation and Welfare Section of the Indian Army's Adjutant General's Branch. One respondent suggested that the benefits equated to at least 40% but no evidence to quantify this assessment was provided. Another respondent's view was that 40% was contradictory as the MOD was not able to put a financial value on the uplift.

We note that these benefits are not all universal, with some limited to specific groups such as dependants of battle casualties (deaths or medical discharges) and other service related medical discharges. Benefits in kind cited were:

- ECHS availability in Nepal**
- Re-employment opportunities**
- Scholarships/education grants for children**
- Access to military hospitals**
- Access to military canteens for duty free goods**
- Travel discounts**
- Grants for last rites/funerals**
- Grants for marriage of daughters**
- Donations of cast buses and ambulances to Gurkha communities.**
- Financial aid for starting small businesses**
- House repair assistance loans.**
- Telephone discounts**

**Additional benefits associated with healthcare include:**

- Transport costs**
- Payment for an escort**
- Other expenses associated with hospital treatment (accommodation and food).**

**Government Response**

The affordability of medical related matters has been covered above, and this includes the additional medical benefits referred to. Many of the benefits listed are not universal, in that they only apply to certain individuals, such as widows of battle casualties and those who die in attributable circumstances, or for invaliding cases. For example, some of the benefits limited to attributable death or invaliding are scholarships for children, travel discounts, and grants for marriage of daughters. Full details are in the online Indian welfare booklet mentioned earlier.

In our view, benefits that are open more widely, such as the provision of ICR 5000 for all veterans holding valid canteen cards under an Assured Decent Last Rites

Scheme, are more than covered by the welfare related uplift to legacy GPS pensions.

Access to the Canteen Stores Department (CSD) facilities is only available in India and not in Nepal. Indian Gurkhas domiciled in Nepal can travel to India to visit such facilities, but no assessment has been made of any import taxes due, particularly on luxury items, when taken back to Nepal. It should also be noted that not all CSD sites offer duty-free goods, this matter is decided by each individual state government with some giving full duty-free status and others only partial. Details from the last two of the FAQ at the [CSD website](#) extracted below show the states that give full or partial relief on VAT/GST:

#### **Are Tax Benefits Available To CSD Customers In All States?**

*Unfortunately, tax benefits are not available in all states. Some states have granted full exemption while others have given certain concessions.*

#### **Which States Offer Full Tax Exemption On VAT?**

*The states of Gujarat, Tamil Nadu, Jharkhand and Uttar Pradesh have granted full tax exemption to CSD while the Punjab, Haryana, Madhya Pradesh etc have granted certain tax concessions.*

Uttar Pradesh is adjacent to West Nepal but the distances involved will limit access apart from those living in or near the Terai. For those in East Nepal the state of Jharkhand lies beyond the state of Bihar and is around 200 km at its closest point from Dharan, which is likely to significantly limit any advantage of using duty free CSD facilities.

#### **H. Do you have any comments on the other alternatives considered? If you consider any of these more appropriate, please explain why.**

The UK should honour the previous commitment to double pensions. Legitimate expectation for that to happen has come from previous policy statements in parliament, during litigation and in response to veterans' letters.

#### **Government Response**

We acknowledge that the previous policy of doubling pensions has been in place for many years. The changes in circumstances concerning affordability, appropriateness, and fairness of the previous doubling policy since the original uplift policy implemented in April 2000 were explained in the consultation document. It should be noted that affordability was one of the main considerations during the Ministerial Examination of 1999 and is stated as such in the report. It has remained a factor in deciding levels of CPC increases and has to be seen in the context of fairness within the legacy GPS community and wider UK public sector pension provision, where increases for pensioners are limited to inflation. A key factor in the government's thinking about how to implement the 7<sup>th</sup> CPC was on the question of whether the 100% cash uplift remained appropriate, given the changes in healthcare provision and the wider context.

**I. Please provide any other comments or evidence that you wish us to consider, relating to the proposals and issues contained in this consultation.**

The views in response to this question were not relevant to the consultation.

**J. Are there any other options we have not considered, which you believe would meet our policy objectives, and remain deliverable within the Defence budget?**

There were no responses to this question.

## **Input Out of Scope of the Consultation**

The following matters were raised as part of the responses received but as they are out of scope of the consultation they have not addressed in this response, but many are covered in the links provided below<sup>4</sup>:

Don't like different pension arrangements linked to when Gurkhas served. All should be treated the same, and that should be under the AFPS.

Warning over Gurkha recruitment if pension arrangements are not resolved.

There has been unfair treatment of Gurkhas since 1948.

Gurkhas who served with the UN receive healthy pensions.

OROP should be implemented from 2014 and arrears paid.

Comparisons should be made with size of AFPS pensions not with Indian Army or Nepali officials.

GOTT transfer:

Don't like the reduced value for service prior to 1997, want full value i.e. year for year.

Want option to return to the GPS.

Liberalised family pension for those who died on operations prior to 1999, like the Indian Army.

Family pension rules for all children up to 25, for unmarried daughters and parents.

Increase the cap on GWT medical funding.

UK state pension should be paid to all Gurkhas. It was also suggested that if the state pension was paid a lower rate of increase of 180% for the GPS would be acceptable.

Inflation increases for the GPS do not reflect true increases. Use of December CPI data gives a low percentage, should be an average of the year.

---

<sup>4</sup> <https://www.army.mod.uk/who-we-are/corps-regiments-and-units/brigade-of-gurkhas/gurkha-pension-the-tri-partite-agreement/>

<https://gurkhainquiry.wordpress.com/submissions/mod-gurkha-inquiry-evidence/>

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/399559/20150128-APPG\\_Report\\_Response\\_FINAL.PDF](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/399559/20150128-APPG_Report_Response_FINAL.PDF)

View that TPA welfare provision for serving Gurkhas applies to veterans as well, so want the same medical provision as the Indians.

Call for cost of living and medical support for Gurkhas resident in Hong Kong and Australia.

Call for a proportionate pension, i.e. a proportion of the AFPS 22 year rate but paid immediately.

Medical facilities were the responsibility of the UK and Gurkhas should not be provided for by a charity.

Better medical support in Nepal would be cheaper than making provision in the UK for veterans. Gurkhas would stay in Nepal and those who have moved to the UK would return.

Belief that there has been a general erosion of legacy GPS benefits.

Comparisons with Nepali salaries are not relevant and offends Nepali sensibilities. Nor should there be a comparison with Indian rates. The correct comparison was with the AFPS.

Gurkhas believe that GWT medical provision is theirs by right as they all paid into the fund through the days' pay scheme during every year of their service.

Pensioner numbers are declining so why the move to reduce the pension payments.

Belief that the Indian ECHS equates to the NHS and so Gurkhas should get the same level of provision, which is a UK government responsibility.