

# **JSP 764**

## **PART 5**

### **COMPENSATION FOR REDUNDANCY - THE REGULAR ARMED FORCES**

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# Chapter 1

## INTRODUCTION

### GENERAL

0101. This Part gives guidance to the two redundancy compensation schemes for the Regular Armed Forces. The schemes apply to personnel who have to leave service before completing their commission or engagement either:

- (a) as part of a redundancy programme, or
- (b) in the case of Officers of the rank of one-star or above, have been directed to take early retirement on terms that attract a Special Capital Payment /Compensation Lump Sum.

0102. Terms Relating to Gender. The rules explained in this Part apply equally to eligible male and female persons. Consequently, where the terms 'he', 'him' or 'his' are used those terms equally apply to mean 'she', 'her' or 'hers'.

0103. In this Part, the term 'Regular Armed Forces' excludes any person who falls into any of the following groups:

- (a) active members of the Gurkha Pension Scheme (GPS);
- (b) members of any British Overseas Territories' Armed Forces.

0104. Two Redundancy Schemes. There are two separate schemes that authorise compensation payments for redundancy for members of the Regular Armed Forces. A guide to who qualifies for compensation under each of these Schemes is shown at paras 0105 and 0106.

0105. The Armed Forces Redundancy Scheme 2006 (AFRS 06). AFRS 06 applies to any person made redundant after 6 April 2006 who:

- (a) entered Regular service on or after 6 April 2005, or
- (b) entered Regular service before 6 April 2005, but subsequently transferred his pension rights to the Armed Forces Pension Scheme 2005 (AFPS 05) under the Offer To Transfer (OTT) arrangements, or
- (c) opted out of AFPS 75 in favour of their own private pension arrangement.

Guidance on the rules for eligibility and entitlement under AFRS 06 is shown in detail at Chapter 2 of this Part.

0106. The Armed Forces Redundancy Scheme 2010 (AFRS 2010).

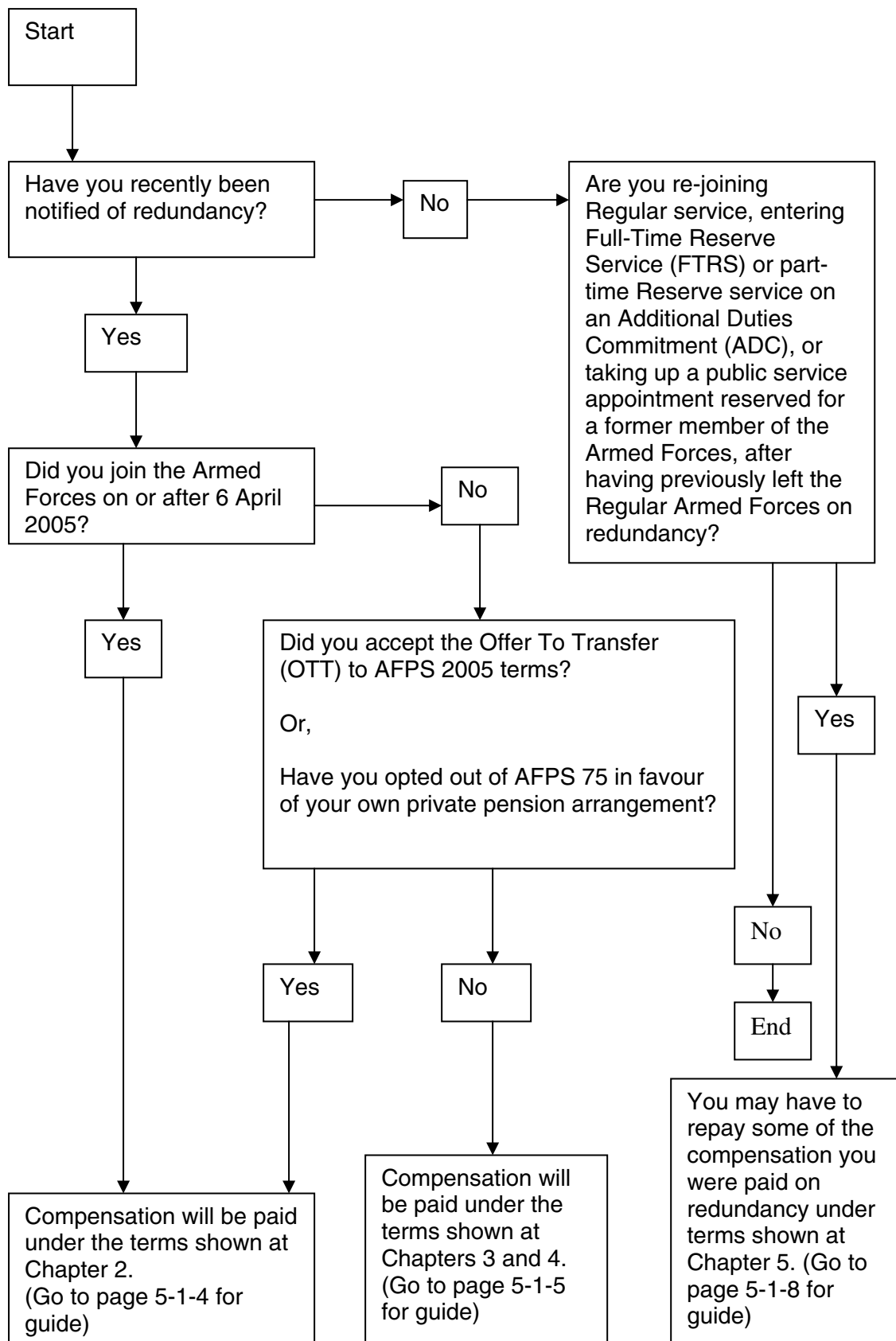
The redundancy compensation scheme for members of the Regular Armed Forces in AFPS 75 is known as the Armed Forces Redundancy Scheme 2010 (AFRS 2010). Guidance on the rules for eligibility and entitlement under AFRS 2010 is shown in detail at Chapters 3 and 4 of this Part. In addition, members of AFPS 75 who are made redundant may also qualify for payment of an Immediate Pension.

**FINDING YOUR WAY ABOUT THIS PART**

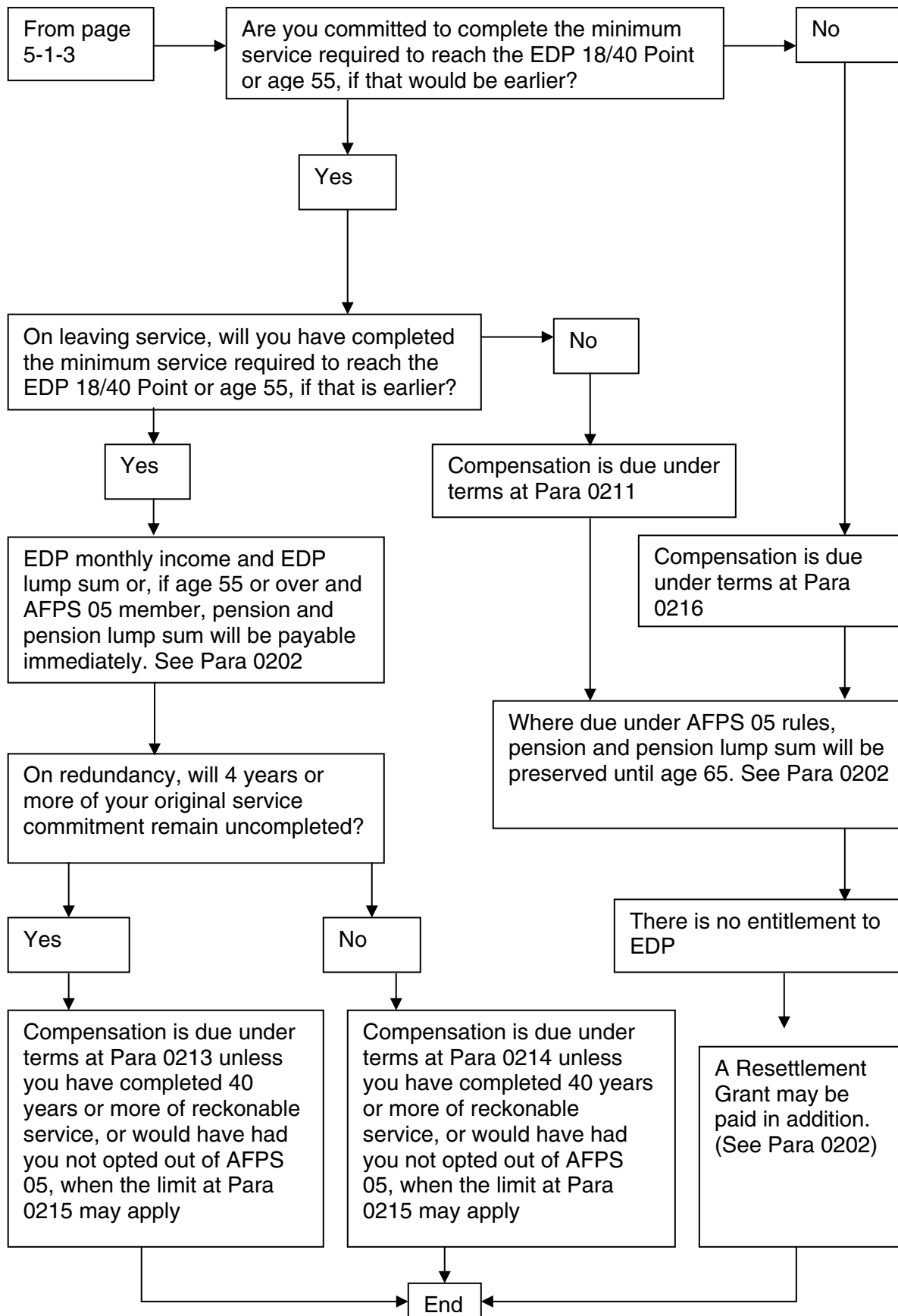
0107. Reserved

0108. The following pages in this Chapter contain a series of logic diagrams designed to aid the reader in navigating this Part of this JSP.

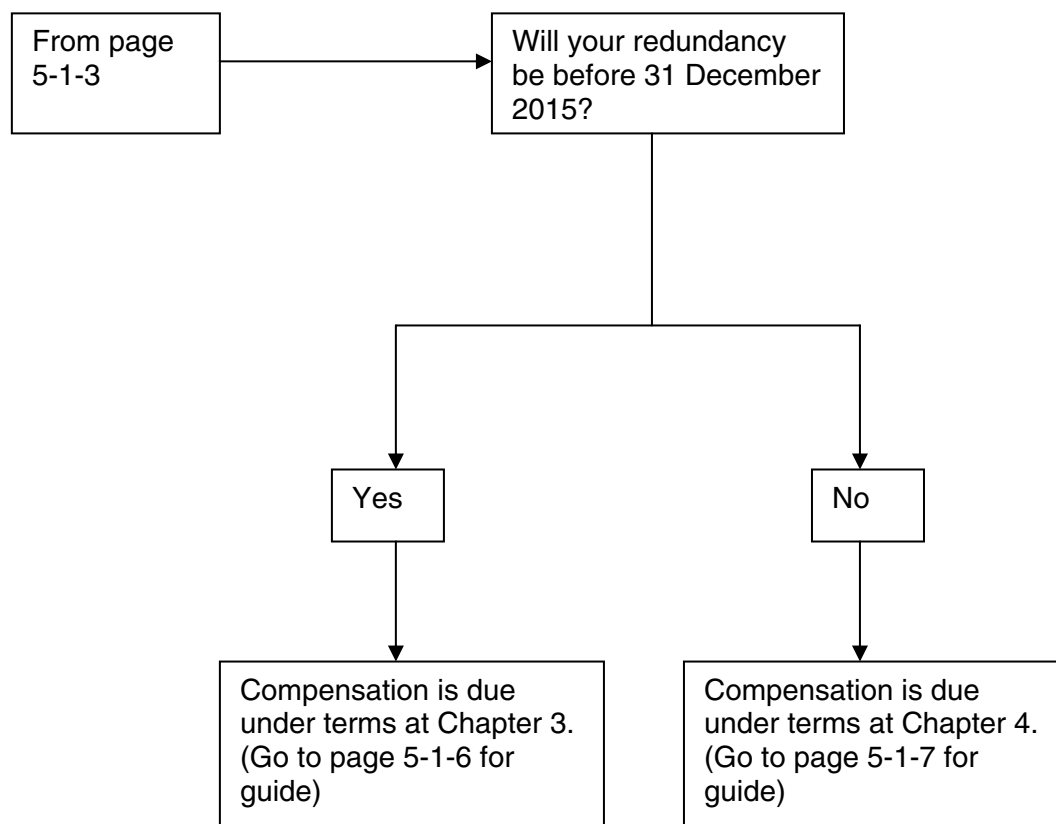
## FINDING YOUR WAY ABOUT PART 5 OF JSP 764



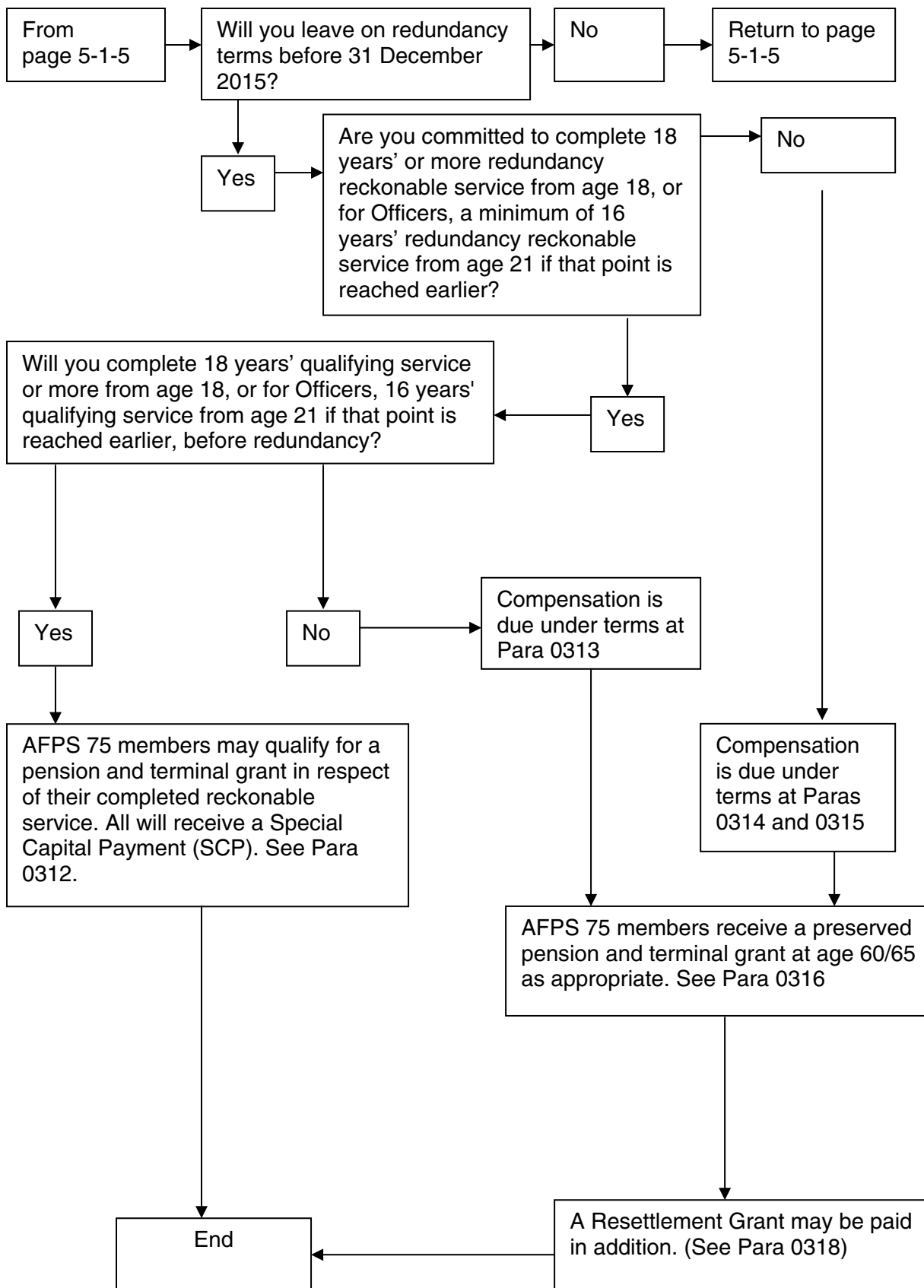
**GUIDE TO THE TERMS SHOWN IN CHAPTER 2 FOR COMPENSATION UNDER  
ARMED FORCES REDUNDANCY SCHEME 2006 RULES**



**GUIDE TO THE TERMS SHOWN IN CHAPTERS 3 AND 4 FOR COMPENSATION  
UNDER ARMED FORCES REDUNDANCY SCHEME 2010 RULES**

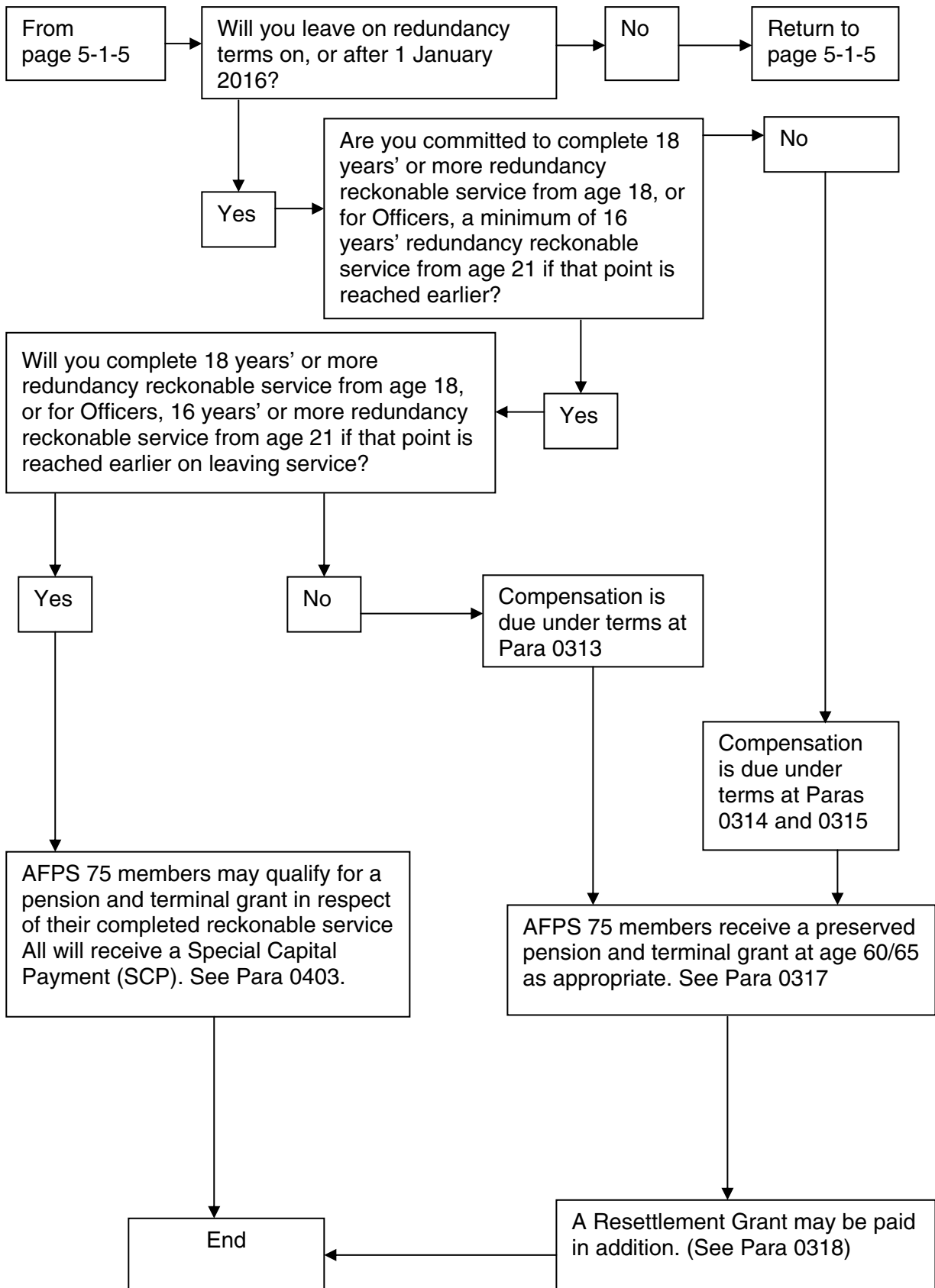


**GUIDE TO THE TERMS SHOWN IN CHAPTER 3 FOR COMPENSATION UNDER  
ARMED FORCES REDUNDANCY SCHEME 2010 RULES**

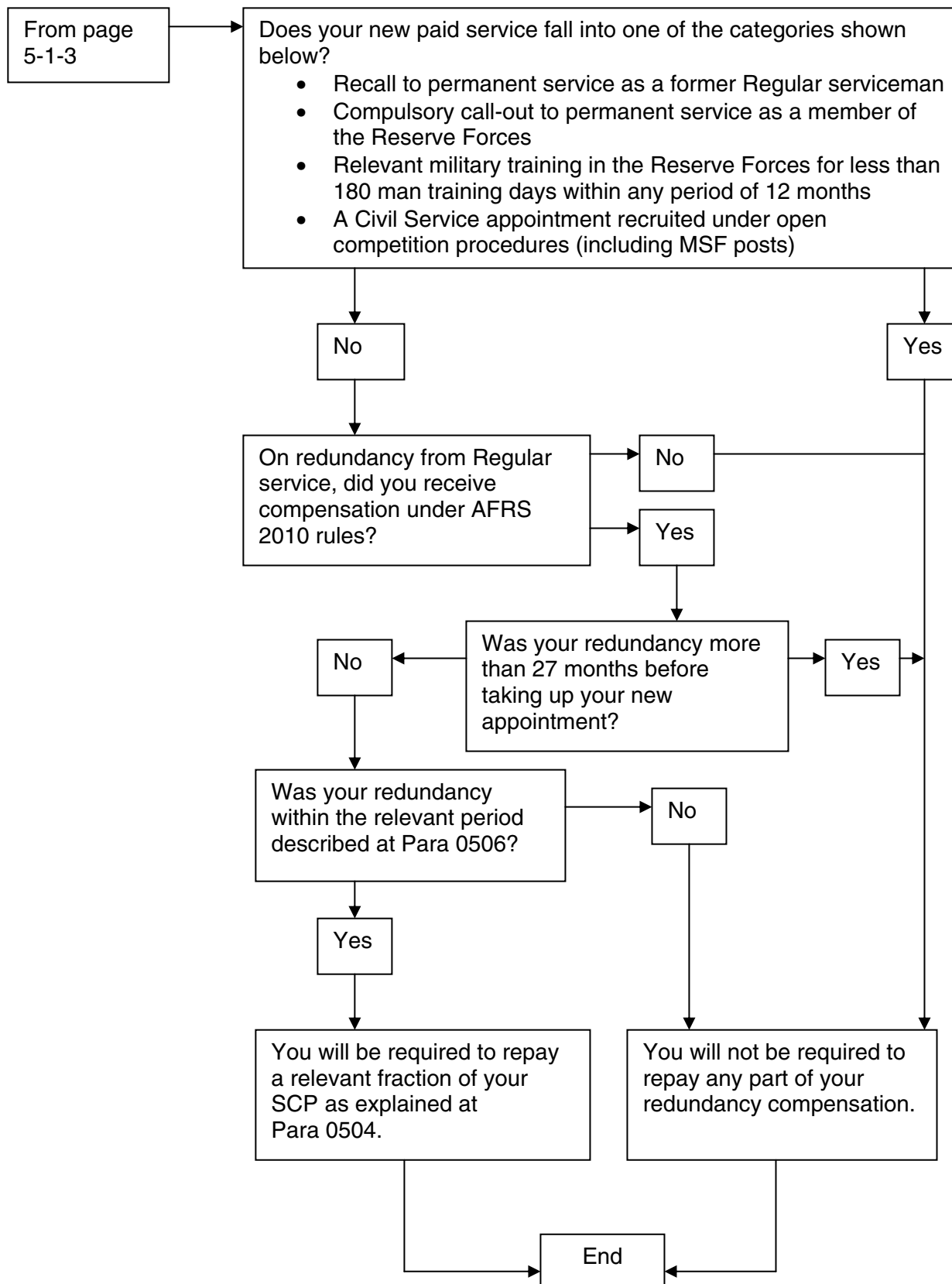




**GUIDE TO THE TERMS SHOWN IN CHAPTER 4 FOR COMPENSATION UNDER  
ARMED FORCES REDUNDANCY SCHEME 2010 RULES**



**GUIDE TO THE TERMS SHOWN IN CHAPTER 5 FOR THE REPAYMENT OF  
COMPENSATION ON REJOINING REGULAR SERVICE, ENTERING RESERVE  
SERVICE ON A FTRS OR ADC COMMITMENT OR ON TAKING UP CERTAIN  
APPOINTMENTS IN THE PUBLIC SERVICE**



## Chapter 2

# ARMED FORCES REDUNDANCY SCHEME 2006

### INTRODUCTION

0201. The Armed Forces Redundancy Scheme 2006 (AFRS 06) is the scheme for redundancy compensation payable under the Armed Forces Redundancy Scheme Order 2006<sup>1</sup>. The scheme provides for tax-free lump sums which are to be paid as compensation for lost career expectation to members of the Regular Armed Forces who are made redundant or are directed to retire early under the Directed Early Retirement Scheme, who :

- (a) joined, or rejoined, the Regular Armed Forces on or after 6 April 2005, or
- (b) were in service on 5 April 2005 and subsequently transferred their accrued rights under AFPS 75 to AFPS 05 under the Offer To Transfer (OTT) arrangements or
- (c) have opted out of AFPS 75 or AFPS 05 in favour of their own private pension arrangement.

0202. Those entitled to compensation under AFRS 06 include members of the Armed Forces Pension Scheme 2005 (AFPS 05). If a person's service is terminated, compensation in the form of a lump sum is to be paid in addition to any terminal benefits that the person may be entitled to, such as Resettlement Grant, Early Departure Payment (EDP) monthly income, EDP lump sum, pension, pension lump sum or other preserved benefits earned or accrued up to his last day of paid service. The rules applying to those benefits are explained at Parts 1 and 2 of this JSP.

### ELIGIBILITY

0203. Criteria. To be eligible for a Compensation Lump Sum (CLS) under the terms of AFRS 06, the person must meet all of the following conditions:

- (a) He must be a member of the Regular Armed Forces (and not belong to any of the groups referred to in Ch 1, para 0103);
- (b) He must have been notified that he was to be treated for the purposes of AFRS 06 as having become redundant or selected for directed early retirement under the Directed Early Retirement Scheme;
- (c) He must leave service in the Regular Armed Forces following his redundancy discharge or his directed early retirement.

However, the following restrictions also apply:

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<sup>1</sup> Statutory Instrument 2006 No.55

- (d) A person who rejoins Regular service shortly after receiving a Special Capital Payment (SCP) or CLS under a previous redundancy will not be entitled to receive another CLS if he has not fully repaid any part of the sum he was required to repay on rejoining. Details of the requirement to repay SCP or CLS on rejoining are shown at Chapter 5;
- (e) A person cannot be considered for redundancy compensation if he leaves service on invaliding terms;
- (f) A person eligible for CLS is not entitled to payment of SCP under the terms of AFRS 2010<sup>2</sup> in respect of the same period of service;
- (g) A person will normally be excluded from the Scheme if his particular terms and conditions expressly say so.

## **PAYMENT OF BENEFITS AUTHORISED UNDER THE SCHEME**

0204. Entitlement Begins. A person whose service is terminated under AFRS 06 rules is entitled to a tax-free CLS payable within three months of the day following his discharge.

0205. Compensation Basis (Earnings and Service). The amount of CLS due to a person under AFRS 06 is determined by reference to his pay and length of service.

(a) Pay. For CLS calculation purposes, pay is the person's Final Relevant Earnings (FRE) as defined in Article 6 of the Armed Forces Early Departure Payments Scheme Order 2005<sup>3</sup>. FRE means the greatest amount that is the person's total relevant earnings for 365 consecutive days falling within the final three years of service.

(b) Length of Service. The various calculation methods, described later in this chapter, refer to either 'completed' or 'uncompleted' service. In this context, these terms mean:

(i) Completed Service. The length of 'relevant service' as defined in the Armed Forces Early Departure Payments Scheme Order 2005. This means the aggregate of the following periods:

(a) All paid service on or after 6 April 2005;

(b) In the case of an AFPS 75 or Gurkha Transferee who opted to transfer his pension rights from AFPS 75 to AFPS 05 under the appropriate Offer To Transfer arrangements, the period of qualifying service he was entitled to count under the rules of transfer;

(c) In the case of a person who was in service before 6 April 2005, but who has opted out of AFPS 75, the period of service that he would have been entitled to count had he been an AFPS 75 Transferee, but excluding service before age 21 as an officer and service before age 18 as an Other Rank;

(d) Any period:

<sup>2</sup> Entitlement to redundancy benefits under AFRS 2010 rules is explained in Chapters 3 and 4.

<sup>3</sup> Statutory Instrument 2005 No. 437

- In receipt of Statutory Maternity Pay
- In receipt of Statutory Adoption Pay
- On Ordinary Maternity Leave
- On Ordinary Adoption Leave
- On Ordinary Paternity Leave
- On Paid Additional Paternity Leave
- On secondment to the UN, NATO or other external employing organisation.

It excludes unpaid Additional Maternity Leave, unpaid Additional Adoption Leave, unpaid Additional Paternity Leave or reckonable service that was transferred from another employer's pension scheme or a private pension plan, or was purchased by way of 'Added Years'. It also excludes previous service under AFPS 75 which the individual has opted to aggregate for pension purposes on rejoining the Armed Forces.

(ii) Uncompleted Service. This is that part of the person's current Regular service commitment that he was not able to complete because of the redundancy.

0206. Measuring Length of Service. To determine the length of 'completed service' and 'uncompleted service', the days in excess of the period 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- Measuring 'Service' in Years and Part Years to 4 Decimal Places**

- A period of 'completed service' or 'uncompleted service' that occurred between 1 May 2010 and 31 October 2019 (inclusive) would count as 9 years 184 days.
- After calculating the days into years ( $184/365 = 0.5041$ ), the length of service is  $9 + 0.5041 = 9.5041$  years.

**CATEGORIES FOR CALCULATION OF CLS**

0207. Length of Commitment. Persons whose service is terminated fall into one of two broad categories. These are those with:

- Long Service Commitments (see para 0208), or
- Short Service Commitments (see para 0209).

0208. Long Service Commitments. In the context of AFRS 06 rules, a 'long service commitment' means one which, had it not been for redundancy, would have ended on or after the EDP<sup>4</sup> 18/40 Point or on retirement at age 55 or over. Therefore, for redundancy compensation purposes, it means any commitment where the person would have left Regular service **after** he had either:

- attained the age of 40 with 18 or more years relevant service, or
- attained the age of 55, irrespective of how long he had actually served.

<sup>4</sup> See JSP 764, Part 2, Chapter 2 for eligibility for EDP.

0209. Short Service Commitments. In the context of AFRS 06 rules, a ‘short service commitment’ is one that, had it not been for the redundancy, would nevertheless have ended **before** either:

- (a) the person’s 40th birthday, or
- (b) his 55th birthday, if he also would have completed less than 18 years relevant service on that day.

## **CALCULATION OF COMPENSATION - LONG SERVICE COMMITMENTS**

0210. Time Served. Persons on long service commitments (see para 0208), whose service is terminated under AFRS 06 rules fall into two distinct groups for the purposes of calculating compensation, as shown below:

- (a) Persons who leave before age 55 and before completing service to the EDP 18/40 Point (‘early leavers’ – see para 0211);
- (b) Persons who leave at or after the EDP 18/40 Point or when they are age 55 or over<sup>5</sup> (‘late leavers’ – see para 0212).

0211. Early Leavers. A person who leaves before age 55 and before reaching the EDP 18/40 Point shall receive a CLS equal to 1/8th (one-eighth) of his final relevant earnings for each year<sup>6</sup> of relevant service, up to a maximum payment of 18 times 1/8th (one-eighth) of his final relevant earnings<sup>7</sup>.

### **EXAMPLE 2 - Compensation – Early Leaver from Long Service Commitment**

- (1) Scenario. A person of OF3 rank is made redundant.
  - He was committed to serve to his EDP 18/40 Point.
  - He completed 8 years 122 days (8.3342 years) relevant service.
  - His final relevant earnings (FRE) were £50,000.
- (2) Redundancy Terms. The officer completed insufficient service to qualify for EDP on leaving. Paragraph 0211 therefore applies.
- (3) Calculation Formula.  $CLS = FRE / 8 \times 8.3342 \text{ years}$
- (4) CLS.  $£50,000 / 8 \times 8.3342 = \textbf{£52,088.75}$ .
- (5) Other Benefits. The officer completed insufficient service to qualify for a Resettlement Grant(RG)<sup>8</sup>. However, he would be entitled to a preserved monthly pension and preserved pension lump sum - both payable from age 65 – so long as he had not opted out of AFPS 05 or transferred out his accrued pension benefits from AFPS 05.

0212. Late Leavers. A person who leaves after attaining the EDP 18/40 Point, or who is age 55 or over, shall receive a CLS calculated in relation to the uncompleted portion of his service commitment. The ‘uncompleted service’<sup>9</sup> is that service which would have been completed between:

- (a) the day following the person’s actual last day of paid service, and

<sup>5</sup> This is the point at which an AFPS 05 member will also qualify to receive immediate payment of pension.

<sup>6</sup> Part years are to be treated as explained at paragraph 0206 and example 1.

<sup>7</sup> Equal to 2.25 years of final relevant earnings, or approx 27 months’ pay.

<sup>8</sup> RG would be due if he had completed 12 or more years’ relevant service and no EDP was payable.

<sup>9</sup> Uncompleted service is to be calculated as shown at paragraph 0206 and Example 1.

- (b) the last day he would have served on his current commission or engagement terms had his service not been terminated.

The CLS amount that is due for payment is to be calculated under the terms explained in detail at paras 0213, 0214 or 0215, as appropriate.

0213. Uncompleted Service – four years or more. If the uncompleted service portion of a late leaver is 4 years or more, then the CLS is the sum equal to his final relevant earnings. See Example 3. However, if the person has completed 40 years or more reckonable service, para 0215 applies.

**EXAMPLE 3 – Leaving On or After EDP 18/40 Point – With Four Years or More Uncompleted Service**

- (1) Scenario. A person of OR7 rank is made redundant.
- He was previously committed to serve to age 55, when he would have completed 37 years' service.
  - He completed 22 years 103 days (22.2822 years) of relevant service before actually leaving at age 40.
  - The uncompleted portion of his Service commitment was (37 – 22.2822) years = 14.7178 years.
  - His final relevant earnings (FRE) were £38,000.
- (2) Redundancy Terms. The person's service ended after the EDP 18/40 Point and his uncompleted service is more than four years. The terms at para 0213 apply.
- (3) Calculation Formula. The CLS due is FRE x 1.
- (4) CLS. = **£38,000.**
- (5) Other Benefits. The person is also entitled to receive the following other terminal benefits:
- Immediate payment of EDP lump sum
  - EDP monthly income payable immediately up until age 65
  - Preserved monthly pension payable from age 65
  - Preserved pension lump sum payable at age 65

Note: He will only receive monthly pension and pension lump sum providing he has not opted out of AFPS 05 or transferred out his accrued pension benefits from AFPS 05.

0214. Uncompleted Service - less than four years. If the uncompleted service of a late leaver is less than four whole years, the CLS is  $\frac{1}{4}$  (one-quarter) of his final relevant earnings for each year<sup>10</sup> by which his service was shortened. See Example 4. However, if the person has completed 40 years' or more reckonable service, para 0215 applies.

<sup>10</sup> Part years are to be treated as explained at paragraph 0206 and Example 1.



#### **EXAMPLE 4 - Leaving On or After EDP 18/40 Point – Less than Four Years Uncompleted Service**

(1) Scenario. A person of OR7 rank is made redundant.

- He was previously committed to serve to age 44, when he would have completed 26 years.
- He completed 22 years 103 days (22.2822 years) relevant service before actually leaving.
- The uncompleted period of his Service commitment was  $(26 - 22.2822)$  years = 3.7178 years.
- His final relevant earnings (FRE) were £38,000.

(2) Redundancy Terms. The person's service ended after the EDP 18/40 Point. His uncompleted service is less than 4 years. Paragraph 0214 therefore applies.

(3) Calculation Formula. The CLS due =  $FRE/4 \times$  uncompleted years.

(4) CLS. =  $£38,000/4 \times 3.7178$  years = **£35,319.10**.

(5) Other Benefits. The person is also entitled to receive the following other terminal benefits:

- Immediate payment of EDP Lump Sum
- EDP monthly income payable immediately up until age 65
- Preserved pension payable from age 65
- Preserved pension lump sum payable at age 65

Note: He will only receive preserved monthly pension and pension lump sum providing if he has not opted out of AFPS 05 or transferred out his accrued pension benefits from AFPS 05.

0215. Leavers with full AFPS 05 entitlement. Where a person has already completed 40 years' reckonable service for pension or would have had that person not opted to leave AFPS 05 in favour of his own private pension arrangement, such a person shall receive a CLS sum calculated under the normal terms shown at paras 0213 or 0214, as appropriate, limited to no more than one-half of final relevant earnings.

#### **EXAMPLE 5 – Leaving With More Than 40 years' Reckonable Service**

(1) Scenario.

- He was due to leave service at age 62; a total commitment of 44 years.
- He completed 40 years 303 days (40.8301 years) relevant service before actually leaving.
- The uncompleted portion of his service commitment was  $(44 - 40.8301)$  years = 3.1699 years.
- His final relevant earnings (FRE) at OF8 rank were £138,000.

(2) Redundancy Terms. The senior officer is over age 55 on leaving. He has over 3 years uncompleted service but has more than 40 years' reckonable service to count towards his AFPS 05 pension. Under AFRS 06 rules, his CLS is limited to half his final relevant earnings.

(3) Calculation Formula. Lump Sum would normally have been calculated as:  $FRE/4 \times$  uncompleted service (3.1699 years) =  $£138,000/4 \times 3.1699 = £109,361.55$  but as he has over 40 years' reckonable service, CLS is limited  $FRE/2$ .

(4) CLS. =  $£138,000/2 =$  **£69,000**.

(5) Other Benefits. The senior officer is also entitled to receive immediate payment of his pension and pension lump sum.



## CALCULATION OF COMPENSATION - SHORT SERVICE COMMITMENTS

0216. Basis for Calculation. If a person, who was serving on a short term commitment (see para 0209), is made redundant, a CLS is to be paid to him on leaving. The amount of the CLS is to be determined by finding the lower of:

- (a)  $FRE/8 \times$  completed service, or
- (b) the sum of
  - (1)  $FRE/8 \times$  each year of uncompleted service, and
  - (2)  $FRE/8$ .

where the terms:

**FRE** - means final relevant earnings, and  
**Uncompleted service** - is defined at para 0205

See Example 6.

### EXAMPLE 6 – Compensation on Redundancy from a Short Service Commitment

- (1) Scenario. A person of OF2 rank is made redundant.
  - He was serving on a Short Service Commission for 6 years.
  - He completed four years and 90 days' relevant service before actually leaving.
  - The uncompleted portion of his service commitment was  $(6 - 4.2466)$  years = 1.7534 years.
  - His final relevant earnings (FRE) were £40,000.
- (2) Redundancy Terms. The officer had insufficient service to qualify for EDP and was under age 55 on leaving. Para 0216 therefore applies.
- (3) Formula and Calculations. His CLS entitlement is the lesser of (a) or (b) below:
  - (a)  $FRE/8 \times$  completed years. This is  $£40,000/8 \times 4 = £5,000 \times 4.2466 = £21,233$
  - (b)  $(FRE/8 \times$  uncompleted years) +  $FRE/8$ . This is  $(£40,000/8 \times 1.7534) + £40,000/8 = (£8,767) + £5,000 = £13,767$ .
- (4) CLS. The lesser of the calculations at (3)(a) and (3)(b) is the sum to be paid. This is **£13,767**
- 5. Other Benefits. The member completed insufficient service to qualify for any other immediate terminal benefit. However, he would be entitled to claim a preserved pension and preserved pension lump sum when he reaches age 65, providing if he has not opted out of AFPS 05 or transferred out his accrued pension benefits from AFPS 05.

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## Chapter 3

# ARMED FORCES REDUNDANCY SCHEME 2010 - LEAVERS BETWEEN 6 APRIL 2010 AND 31 DECEMBER 2015

### INTRODUCTION

0301. The Armed Forces Redundancy Scheme 2010 (AFRS 2010) is the scheme for redundancy compensation payable under the Armed Forces (Redundancy, Resettlement and Gratuity Earnings Schemes) (No. 2) Order 2010<sup>11</sup>. The scheme provides for tax-free lump sums which are to be paid as compensation for lost career expectation to members of the Regular Armed Forces who are made redundant or are directed to retire under the Directed Early Retirement Scheme.

0302. The scheme applies to members of AFPS 75 who joined, or rejoined, the Regular Armed Forces before 6 April 2005 and who did not transfer their accrued rights under AFPS 75 to AFPS 05 under the Offer To Transfer (OTT) arrangements, or opt out of AFPS 75 in favour of their own private pension arrangement.

### ELIGIBILITY

0303. To be eligible for benefits under the terms of AFRS 2010, a person must meet all of the following conditions:

- (a) He must be a member of the Regular Armed Forces (and not belong to any of the groups referred to at Chapter 1, para 0103);
- (b) He must have been notified that he is to be treated for the purposes of AFRS 2010 as having become redundant or selected for directed early retirement under the Directed Early Retirement Scheme and notified that he will be eligible for compensation under AFRS 2010;
- (c) He must leave service in the Regular Armed Forces following his redundancy discharge or his directed early retirement.

However, the following restrictions also apply:

- (d) A person will not be considered for redundancy compensation if he leaves service on medical grounds;
- (e) A person eligible for a Special Capital Payment (SCP) is not entitled to payment of a Compensation Lump Sum (CLS) under the terms of the Armed Forces Redundancy Scheme 2006 (AFRS 06) in respect of the same period of service;

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<sup>11</sup> Statutory Instrument 2010 No. 832

(f) A person who rejoins Regular service shortly after receiving a Special Capital Payment (SCP) under a previous redundancy will not be entitled to receive another SCP if he has not fully repaid any part of the sum he was required to repay on rejoining. Details of the requirement to repay SCP on rejoining are shown at Chapter 5

(g) A person will normally be excluded from the Scheme if his particular terms and conditions expressly say so.

## **PAYMENT OF BENEFITS AUTHORISED UNDER THE SCHEME**

0304. Entitlement Begins. A person who is eligible under para 0303 shall receive compensation in the form of a tax-free lump sum, known as a Special Capital Payment (SCP), payable within three months of the end of his service. Where payment of SCP falls due, it shall be paid in addition to any other terminal benefits e.g. Monthly Pension, Pension Lump Sum, Service Gratuity or Resettlement Grant, that the member is otherwise entitled to receive.

0305. Compensation Basis (Earnings and Service). The amount of SCP is determined by reference to a person's pay and length of service.

(a) Pay. For SCP calculation purposes, the person's pay means basic pay – that is pay for the person's rank and seniority, or if more favourable, the basic pay rate appropriate to any paid acting rank held on the last day of paid service before redundancy, and any other amount that the Defence Council may determine shall be treated as basic pay. It does not include any allowances or additional amounts<sup>12</sup>. A reference to, say, "three months' pay" means the person's annual rate of basic pay divided by 12 and multiplied by three.

(b) Length of Service. The various calculation methods described later in this chapter refer to either 'redundancy reckonable service' or 'uncompleted service'. In this context, these terms mean:

(i) Redundancy Reckonable Service is all paid service in the Regular Armed Forces that the person gave while over age 18. It includes periods:

- In receipt of Statutory Maternity Pay;
- In receipt of Statutory Adoption Pay;
- On Ordinary Maternity Leave;
- On Ordinary Adoption Leave;
- On Ordinary Paternity Leave;
- On Paid Additional Paternity Leave;
- On secondment to the UN, NATO or other external employing organisation.

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<sup>12</sup> For Flight Lieutenant specialist aircrew who have not transferred to Professional Aviator terms, pay will be the basic pay, plus the difference between the middle rate of flying pay and the rate of specialist flying pay in issue.

It does not include unpaid Additional Maternity Leave, unpaid Additional Adoption Leave, unpaid Additional Paternity Leave or reckonable service for pension purposes that was transferred from another employer's pension scheme or a private pension plan, or purchased by way of Added Years. It also 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 has been foregone or has not been repaid.

(ii) "Uncompleted Service" is that part of the person's current Regular service commitment that he was not able to complete because of the redundancy.

0306. Measuring Redundancy Reckonable Service for SCP Purposes. Periods of redundancy reckonable service are measured in complete years and days and on the assumption that there are 365 days in a complete year. To determine the length of redundancy reckonable service, the days in excess of whole years are converted into years by dividing the number of days by 365 and calculating the result to four decimal places.

**EXAMPLE 1 – Calculation of Redundancy Reckonable Service**

- Soldier joined service at age 18 on 1 January 1997.
- He was made redundant on 12 May 2010.
- He had served from 1 January 1997 to 11 May 2010.
- The length of redundancy reckonable service is 13 years and 132 days.
- After converting the days into years, for SCP purposes, the length of reckonable redundancy service is 13.3616 years.

0307. Measuring Uncompleted Service for SCP Purposes. Periods of uncompleted service are to be measured in complete years and days and on the assumption that there are 365 days in a complete year. To determine the length of uncompleted service, the days in excess of whole years are converted into years by dividing the number of days by 365 and calculating the result to four decimal places.

**EXAMPLE 2 – Calculation of Uncompleted Service**

- Officer had commitment to serve until 31 December 2015.
- He was made redundant on 25 May 2010.
- His uncompleted service period is from 25 May 2010 to 31 December 2015.
- His uncompleted service is 5 years 220 days.
- After converting the days into years, for SCP purposes, the length of uncompleted service is 5.6027 years.

**CATEGORIES FOR CALCULATION OF SCP**

0308. Length of Commitment. Persons whose service is terminated will fall into one of two broad categories. These are those with:

- (a) Long Service Commitments (see para 0309), or
- (b) Short Service Commitments (see para 0310).

0309. Long Service Commitments. In the context of redundancy, a Long Service Commitment means one that would have ended after 18 years' or more redundancy reckonable service from age 18 (all ranks) or, for Officers, after 16 years' or more redundancy reckonable service from age 21 if that point is reached earlier.

0310. Short Service Commitments. A Short Service Commitment is one that would have ended before the person had completed the minimum service needed to qualify for a Long Service Commitment (see para 0309).

## **CALCULATION OF COMPENSATION - LONG SERVICE COMMITMENTS**

0311. Leaver with full AFPS 75 entitlement. Where a person who is eligible to receive a SCP had already accrued the maximum number of years' reckonable service for pension on leaving (34 years for Officers; 37 years for Other Ranks), the amount of SCP is limited to the equivalent of 6 months' pay or to the amount calculated using the method shown at para 0312 if that calculation produces a smaller lump sum.

0312. 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 (see para 0309) 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 (see para 0309) having completed 18 years' or more redundancy reckonable service from age 18.

In both cases, subject to the limitation at para 0311, the person is entitled to a tax-free SCP of up to 9 months' pay based on the uncompleted portion of his commission or engagement. The maximum SCP of 9 months' pay will apply to those with 3 years or more of uncompleted service. For those whose uncompleted portion 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.	

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, 2 years 220 days = 2.6027 uncompleted years; 312 days = 0.8548 uncompleted years. **SCP = 3 months' pay x No. of uncompleted years (up to a maximum of 9 months' pay)**

#### EXAMPLE 3

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.

$£37,000/12 \times 9 = \textbf{£27,750 SCP}$

#### EXAMPLE 4

Uncompleted service 0 year 226 days = 0.6198 years

Basic annual pay £75,000

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

$£75,000/4 \times 0.6198 = \textbf{£11,621.25 SCP}$

0313. Officers with less than 16 years' service from age 21 or 18 years' service from age 18 and Other Ranks with less than 18 years' service from age 18. This para applies where an Officer is made redundant from a Long Service Commitment, having completed less than 16 years' redundancy reckonable service from age 21 or 18 years redundancy reckonable service from age 18, or an Other Rank who has completed less than 18 years redundancy reckonable service from age 18. In such cases the amount of SCP is to be calculated as one-eighth of annual pay for each year of redundancy reckonable service.

#### EXAMPLE 5

Redundancy reckonable service 7.2082 years

Basic annual pay £40,000

SCP is 1/8th of annual pay for each year of redundancy reckonable service.

$1/8 \times £40,000 = \textbf{£5,000}$

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

## CALCULATION OF COMPENSATION - SHORT SERVICE COMMITMENTS

0314. Eligibility. This para applies where a person of any rank, who is eligible under the terms of this Chapter, is made redundant before completing a short service commitment as defined at para 0310. In such cases the amount of SCP payable on redundancy is to be calculated as shown at para 0315.

0315. Calculation. Where para 0314 applies, the value of a SCP is to be calculated by finding the lower of:

- (a) one-eighth of annual pay for each year of redundancy reckonable service, or
- (b) the sum of:
  - (1) one-eighth of annual pay for each year of uncompleted service, and
  - (2) one-eighth of annual pay.

### EXAMPLE 6

Redundancy Reckonable 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 =  $£31,000/8 \times 6.6192 = £25,649.40$

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

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

### EXAMPLE 7

Redundancy Reckonable Service 5 years 225 days (5.6164 years)

Uncompleted Service 8 years 139 days (8.3808 years)

Basic annual pay £40,000

(a) Redundancy Reckonable Service calculation =  $£40,000/8 \times 5.6164 = £28,082$

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

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



**EXAMPLE 8**

Redundancy Reckonable Service 7 years 61 days (7.0167 years)

Uncompleted Service 276 days (0.7562 years)

Basic annual pay £32,000

(a) Redundancy Reckonable Service calculation =  $£32,000/8 \times 7.0167 = £28,086.68$

(b) Uncompleted service calculation =  $(£32,000/8 \times 0.7562) + £32,000/8 = £3,024.80 + £4,000 = £7,024.80$

As (b) calculation is lower, SCP is **£7,024.80**

0316. Reserved

**PENSIONS AND TERMINAL BENEFITS AVAILABLE ON REDUNDANCY**

0317. Immediate Pension. On being made redundant, or directed to retire early under the DER scheme, a person will be entitled to either an Immediate Pension (monthly pension and pension lump sum) on discharge or a Preserved Pension (monthly pension and pension lump sum) at age 60/65, depending on whether he has completed sufficient qualifying service to reach his Immediate Pension point. For Officers, this is 16 years' qualifying service from age 21 or 18 years' qualifying service from age 18, and for Other Ranks, 18 years' qualifying service from age 18. The pensions are paid under AFPS 75. The relevant rules are set out in the single Service prerogative instruments:

- (a) The Naval and Marine (Armed Forces Pension Scheme 1975 and Attributable Benefits Scheme) (Amendment) Order 2010;
- (b) The Army Pensions (Armed Forces Pension Scheme 1975 and Attributable Benefits Scheme) (Amendment) Warrant 2010;
- (c) The Air Force (Armed Forces Pension Scheme 1975 and Attributable Benefits Scheme) (Amendment) Order 2010.

Details of how an IP is calculated where the member qualifies for an IP under this rule, but does not have 16 years' or more reckonable service (Officers) or 22 years' or more reckonable service (Other Ranks), are explained at paras 0319 and 0320.

0318. Resettlement Grant. A Resettlement Grant, authorised under The Armed Forces Resettlement Grants Scheme 2010, may be payable in addition to a SCP. See Part 5 of the Armed Forces (Redundancy, Resettlement and Gratuity Earnings Schemes) (No. 2) Order 2010<sup>13</sup>.

0319. Calculating Immediate Pension (IP) (Officers). If an Officer is entitled to receive an IP under the rules of Para 0317, but does not have 16 years' or more reckonable service, his pension is to be calculated using a pro-rata rate of the 16-year Rate for Retired Pay on Compulsory Retirement in issue on the day following his last day of reckonable service.

<sup>13</sup> Statutory Instrument 2010 No. 832

#### **EXAMPLE 9 – Calculation of Pension at Pro Rata Rates (Officers)**

- Flt Lt with 18 years' qualifying service from age 18
- Includes 15 years' reckonable service for pension from age 21
- Officer 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 pension will be  $£10,866 \times 15/16 = \textbf{£10,186.88 pa}$ .

He would also receive a Pension Lump Sum of three times his annual rate of pension =  $£10,186.88 \times 3 = \textbf{£30,560.64}$

0320. Calculating Immediate Pension (IP) (Other Ranks). If an Other Rank is entitled to receive an IP but does not have 22 years' or more reckonable service, his pension is to be calculated using a pro-rata rate of the 22-year Standard Rate of Service Pension for Other Ranks in issue on the day following his last day of reckonable service.

#### **EXAMPLE 10 – Calculation of Pension at Pro Rata Rates (Other Ranks)**

- 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  $£9,094 \times 20/22 = \textbf{£8,258.18 pa}$ .

He would also receive a Pension Lump Sum of three times his annual rate of pension =  $£8,258.18 \times 3 = \textbf{£24,774.54}$

## Chapter 4

# ARMED FORCES REDUNDANCY SCHEME 2010 - LEAVERS ON OR AFTER 1 JANUARY 2016

### INTRODUCTION

0401. This chapter applies to those 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 para 0303.

0402. For details of benefits authorised under the scheme, and how they are calculated, see Chapter 3. With the exception of para 0312, all other paragraphs in Chapter 3 apply to those who leave service on or after 1 January 2016.

### CALCULATION OF COMPENSATION - LONG SERVICE COMMITMENTS

0403. 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  
 $\text{£}74,000/4 \times 0.5041 = \textbf{£9325.85 SCP}$

## Chapter 5

# REPAYMENT OF COMPENSATION ON REJOINING REGULAR SERVICE, ENTERING RESERVE SERVICE ON A FTRS OR ADC COMMITMENT OR ON TAKING UP CERTAIN APPOINTMENTS IN THE PUBLIC SERVICE

### PURPOSE

0501. This chapter applies to a person who received compensation under AFRS 2010 and subsequently:

- rejoins the Regular Armed Forces;
- enters Full-Time Reserve Service (FTRS) under the terms of section 24 of the Reserve Forces Act 1996 (RFA 96);
- enters part-time Reserve Service on an Additional Duties Commitment (ADC) under the terms of section 25 of the RFA 96, or
- takes up a Public Service appointment that is reserved for a former member of the Armed Forces.

0502. A person to whom this chapter applies may be required to repay some or all of his redundancy compensation depending on the length of his break in service.

### EXEMPTED PERSONS AND SERVICE

0503. This chapter does not apply to a person who enters or re-enters paid service under any of the following circumstances:

- (a) 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).
- (b) 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.
- (c) 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.

(d) 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)<sup>14</sup> grade.

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

0504. Repayment of CLS or SCP. A person to whom this chapter applies may be required to repay a "relevant fraction" (explained at para 0507) of the compensation he was paid on termination of service, depending on the length of his service break (explained at para 0505) and the length of the "relevant period" (explained at para 0506). The repayment must be made at the start of the new service.

0505. Service Break. This is the person's actual break in service, to be measured:

- from the day following the last day of his previous paid service,
- to the day immediately before the start date of the new paid service.

0506. Relevant Period. The length of the relevant period is to be calculated by applying the following formula:

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

where:

**P** is the amount of the lump sum paid on termination of service, and  
**FRE** is the person's final relevant earnings (AFRS 06) used on termination of service for the purpose of calculating **P**, and  
**AP** is the person's annual rate of basic pay (AFRS 2010) used on termination of service for the purpose of calculating **P**.

Where the person's service break is shorter than the relevant period, he is required to repay a relevant fraction of his compensation.

### EXAMPLE 1 - Identifying the Relevant Period

(1) Scenario. A person left service on **AFRS 06** 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**)

(2) Relevant Period (RP) is therefore:

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

(3) Outcome. Because he returned to service after 548 days, which is within the relevant period of 730 days, he must repay a relevant fraction of his CLS. See para 0507.

<sup>14</sup> MSF posts are recruited using open competition procedures

0507. Relevant Fraction. The relevant fraction is that part of a CLS or SCP that must be repaid when a person to whom this chapter applies enters or re-enters service. The relevant fraction is to be 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**

(1) Scenario. Using the same detail as Example 1.

- **RP** - The Relevant Period is 730 days
- **SB** - The Service Break was 548 days
- **P** - The original CLS payment was £70,000

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

$$\frac{\text{RP} - \text{SB}}{\text{RP}} = \frac{730 - 548}{730} = 0.2493 \text{ (to 4 decimal places)}$$

(3) Calculating the Refund. The sum that the person must repay is P x the relevant fraction.

$$£70,000 \times 0.2493 = \underline{\underline{£17,451.00.}}$$

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