

ARMED FORCES PENSION SCHEME (AFPS 05)

FREQUENTLY ASKED QUESTIONS

PENSION BENEFITS

[See “AFPS 05 – Your Pension Scheme Explained” booklet – MMP/124]

If I leave before age 55 but before reaching the EDP point (at least age 40 and having served at least 18 years service) what pension benefits will I be entitled to? If you leave before age 55 having completed two years' reckonable service, you will be entitled to a preserved pension and normally a tax free lump sum of three times your annual pension which is payable at age 65.

My retirement age is different from the normal pension age of 55. How does this affect me? Retirement ages will continue to be tied to Service career structures. Pensions will not be paid before age 55, even to those who have retirement dates before this age. (But see EDP Section). The only time a pension will be paid before age 55 is if it is linked to medical discharge.

If my retirement age is age 60 but I have only done 16 years' service when I leave at age 55 or above, will I be entitled to an EDP? No. As you have passed the normal pension age of 55 you will receive a pension on leaving service and not an EDP.

If I 'act up' or receive substitution pay in my last three years of service, how is the higher pay treated for pension purposes? Under AFPS 05, the pension is based on the highest pensionable pay figure earned over any consecutive 365 days period in the last three years of service. In most cases, this will be in the last 12 months before departure. However, any pensionable pay earned by 'acting up' or by substitution in the last 3 years will count and may mean that an earlier 365 day period gives a higher pensionable pay figure. This approach compares with that under AFPS 75 where the higher rank has to be held or covered for two years, if the pay is to count for pension purposes.

Will those on enhanced pay spines e.g medical/dental officers and Professional Aviators; receive a pension based on their individual pensionable pay rate?

Yes. All pensionable pay will be used when calculating the final pensionable salary. However, specialist pay which is not part of the pay spine and allowances are not pensionable.

EARLY DEPARTURE PAYMENTS (EDP) SCHEME

[See “AFPS 05 – Your Pension Scheme Explained” booklet – MMP/124]

What payments do I receive under the EDP scheme?

If you leave at or after the EDP 18/40 Point (but before age 55), you get a tax-free EDP lump sum of three times your preserved pension and an EDP income of at least 50% of your preserved pension. The EDP income is not subject to National Insurance contributions but is taxable.

What if I complete an extra year's service beyond the EDP 18/40 point?

The EDP increases by 1.6667% of preserved pension for each complete year of service past the EDP 18/40 Point. If you complete five years' service after the EDP 18/40 Point, therefore, you will get an EDP income worth $50\% + (5 \times 1.6667\%) = 58.3335\%$ of your preserved pension.

If I have 18 years' service at age 38 but continue serving until age 40 will I get 2 years "credit" added to my EDP income?

No. The EDP 18/40 Point requires two criteria to be met – at least 18 years' service AND at least age 40 – so in this example the EDP 18/40 Point does not occur until 20 years' service are completed because this is when you reach age 40. However, the EDP income of 50% is calculated using preserved pension which is based on 20 years' (not 18 years') service.

My commission/engagement ends at age 53. Will I receive a pension if I leave at this age?

No. You will be entitled to an EDP lump sum and income provided you have completed 18 years' service. This will increase to 75% of your preserved pension at age 55 and will be adjusted to take account of inflation from the date that your EDP was taken originally. At age 65, the EDP income is no longer payable and it is at this point that the preserved pension and pension lump sum (normally tax-free) are payable.

What service counts towards the EDP 18/40 point?)

Paid service under AFPS 05 plus any service while on secondment with a NATO/UN or similar organisation where you buy added years equivalent to the period of secondment, or secondment to industry where the civilian employer pays the necessary contribution to AFPS 05. Previous service in AFPS 75 transferred into AFPS 05 also counts as qualifying service for EDP. However, service transferred in from any other pension scheme does not count nor does the purchase of added years, although it will, of course, increase the value of your preserved pension and hence the value of your EDP income. It should be noted that if you have previous Armed Forces service (where you have no entitlement to an AFPS 75 pension eg transferred it out to another pension scheme) that time would count as relevant service towards reaching the EDP 18/40 Point, although it would not count in the calculation of your EDP.

If I leave Service at age 55, do I receive an EDP lump sum of 3 times pension and my pension lump sum at age 65?

No. If you leave Service at age 55, you will be entitled to your pension, including the pension lump sum (normally tax-free) of 3 times pension. EDP is paid only to those leaving Service before the normal retirement age of 55 who are age 40 or older with at least 18 years' service.

If I am in receipt of EDP, am I prevented from receiving my preserved pension early?

You can receive your preserved pension and pension lump sum at any time after age 55, subject to actuarial reduction, without it affecting your EDP. If your health is poor and you are permanently unable to work full-time, you can apply to have your preserved pension put in to payment early *without* actuarial reduction. Your EDP will remain unaffected.

If I am in receipt of EDP, do I still need to claim my preserved pension?

No, your preserved pension will start automatically when your EDP stops at age 65. However, if you are not in receipt of an EDP, you will need to claim your preserved pension, if you are entitled to one. You should ensure that you submit your claim to SPVA at least six months before your preserved pension is due to be paid to ensure that your pension starts on time.

What guarantee is there that my EDP will remain in accordance with the rules as currently laid out and not change in the future?

When you leave the Armed Forces you will leave with the EDP benefits that were in place when you joined the Armed Forces pension scheme. Any future changes to the EDP structure will only affect new entrants after the change is implemented.

ILL-HEALTH

[See “Ill-Health Benefits” booklet – MMP/127 and JSP 764 Part 1, Chapter 3 and Part 4, Chapter 1]

How are benefits determined if I leave on medical discharge?

If your career is cut short by illness or injury and you have completed more two years reckonable service you will receive an ill health award. More is paid to the more seriously injured or ill. Ill-health pensions are increased annually in line with inflation and are taxable. The three tiers in AFPS 05 are tied to the 15 tariff levels of the Armed Force Compensation Scheme (AFCS). You will get AFCS payments only if the condition for which you are being medically discharged is caused by service (attributable) on or after 6 April 2005. The medical evidence will determine into which tariff level the condition falls, which, for a non-attributable condition, will then link to the three tiers in AFPS 05 in the following way:

- Most serious conditions (tariff levels 1-6) - tier three (permanent breakdown in health which makes you incapable of any full time civilian employment)
- Less serious conditions (tariff levels 7-11) – tier two (breakdown in health which significantly impairs gainful civilian employment prospects)
- Relatively minor (tariff levels 12-15) – tier one (unfit for service in Armed Forces, but gainful civilian employment prospects are not significantly affected).

Further details of the tariff are contained in JSP 764, Part 4, Chapter 1. A link to this document is under the main headings “Find Out About AFPS 05” Tab

Can I appeal against the tier level awarded?

If you are unhappy about the decision of the tier level you should write to SPVA stating that you wish to appeal and would like consideration under the Internal Dispute Resolution Procedure (IDRP). Your case will then be considered under Stage 1 of the IDRP by an officer at C1/OF4 level, who will seek medical advice as necessary. If your case is rejected at Stage 1, you have six months to request consideration under Stage 2 of the IDRP. If your case is rejected at IDRP Stage 2 then you can approach the Pensions Ombudsman.

INCREASING YOUR BENEFITS - ADDED YEARS

[See the “Find Out About AVCs” Tab]

Following the tax regime introduced on 6 Apr 06, does this mean I can now purchase up to the Lifetime Allowance limit on Added Years?

No. The Armed Forces pension schemes still have a limit of Added Years purchase of a maximum of 15% of pay.

Can I stop an Added Years contract at any time?

Yes. You will be credited with reckonable service calculated on the pro rata amount you have already paid for your Added Years contract.

If I was seconded to NATO after 1 October 2005 and become a member of the NATO Pension Scheme, what are my options regarding pension benefits on return to the British Armed Forces?

The NATO Pension Scheme will give you a single tax-free lump sum if you leave without building up five years' reckonable service. The size of the lump sum will depend on the stock market. You can either keep this sum or the whole amount can be given a Cash Equivalent Transfer Value (CETV) and used to buy additional reckonable service to make up

for the period you were out of the AFPS 05 scheme (Any shortfall between the amount due and the amount paid will be met by the MOD project sponsor).

SPOUSE/ CIVIL PARTNER/ ELIGIBLE PARTNER

[See “Family Pension Benefits” booklet – MMP/126]

If I die after leaving service but before I get my preserved pension, what happens to my pension lump sum?

If you die after leaving service but before your lump sum has been paid then a tax free lump sum payment of three times pensionable pay will be made to your nominee or if no nomination has been made then to your spouse/civil partner/eligible partner or if there are none of these to your estate. The pension lump sum is also paid if you die whilst in receipt of EDP, but is increased by inflation since you left service.

In addition, your spouse, civil partner or eligible partner will normally receive a pension.

If I die in service, what happens to my pension and pension lump sum?

If you die in service, a tax free lump sum payment of four times pensionable pay will be made to your nominee or if no nomination has been made then to your spouse/civil partner/eligible partner or if there are none of these to your estate. To nominate you should use **AFPS Form 2** (see the link to this under ‘Find Out About AFPS 05’ tab). Nomination will speed up the process of payment.

In addition, your spouse, civil partner or eligible partner will normally receive a pension if you have completed two or more years’ reckonable service at the time of your death.

In what circumstances in AFPS 05 might my spouse, civil partner or eligible partner not receive 62.5% of my pension benefits if I die?

There are two circumstances where this might happen:

- if you have more than 37.33 years’ service when you die, the spouse’s, civil partner’s or eligible partner’s pension will be worth a little less than 62.5% of your pension, as the benefit is capped at this level of service;
- if you enter a relationship on or after 6 April 2006 and your spouse, eligible partner or civil partner is more than 12 years younger than you, the pension will be reduced by 2½% for every complete year over 12 years he or she is younger than you, up to a maximum reduction of 50%. If, for example, a widow is 14 years younger than her late husband, her widow’s pension would be reduced by 5% (2 x 2½%). This reflects the fact that where a spouse, civil partner or eligible partner is much younger than the scheme member, their pension is likely to cost significantly more than normal because, on average, they will receive it for longer. If you already have a spouse or civil partner who is more than 12 years younger than you at the time of the transfer, this rule does not apply, providing you do not get divorced or dissolve the civil partnership.

DIVORCE

[See “Pension Benefits on Divorce” booklet – MMP/131]

If I am subject to a pension sharing order (PSO) under AFPS 75, and I transferred to AFPS 05, how will the percentage given to my former spouse be deducted?

When a PSO is made, the agreed sum is annotated on the Member's file and a new account is opened for the Pension Credit Member (PCM) (the former spouse/civil partner). The PCM becomes a member in their own right and receives the percentage agreed in Court.

If I leave with an EDP, will the pension share be debited from my EDP?

No. EDP is not a pension. Your pension debit will not start until age 65 when your preserved pension becomes payable.

My former spouse/civil partner has an attachment order to my pension, will they be entitled to a share of my EDP?

No. Their entitlement is only payable once your pension comes into payment and providing they have reached age 65.

I have a Pension Sharing Order against my pension. Will my EDP be based on my pension before or after the pension share is deducted?

Your EDP will be based on your preserved pension before the deduction of the pension share.

Why, when I finally get my pension, will my Pension Debit be larger than the amount transferred to my former spouse/civil partner's Pension Credit account?

The Pension Debit, as annotated on your pension file, may need to be increased for two reasons. The first reason is that the debit is not at the prices current at the date when your pension becomes payable, and therefore needs to be revalued. The second reason is relevant for those in AFPS 75 who were entitled to an immediate pension from the scheme when the pension sharing order was made. For such cases, the pension debit was assumed to come into payment at the date the pension sharing order was made. To ensure the scheme recovers the same total amount from you before you die. The pension debit increases for each year later that you draw your pension, because there will be one less year from which to recover the debit. .

RE-EMPLOYMENT

[See “Re-employment” booklet – MMP/116]

What happens to my EDP Income if I am re-employed?

The EDP is not a pension. If you are re-employed, your EDP income will stop for the duration of your engagement. If you leave the Armed Forces again the following will apply:

- If your service is with normal Regular Service, and you leave again:
 - Before age 55, your EDP income will be recalculated to reflect any additional service given.
 - At age 55 or over, you will receive your pension instead, which otherwise would be preserved to age 65.
- If your service is with FTRS/ADC/NRPS, your EDP income will:
 - Restart at its original level if you are under age 55;
 - Increase to 75% of your preserved pension and become index-linked if you are over age 55 but under age 65; or
 - Stop and be replaced by your preserved pension if you are age 65 or over.

What about my EDP Lump Sum?

If you rejoin the Regular Armed Forces voluntarily or accept an FTRS/ADC/NRPS appointment without a break of at least the period represented by the EDP lump sum you will have to repay any "unexpired" proportion of the EDP lump sum. For example, if the lump sum was worth nine months' pay when you left the Armed Forces and the new engagement starts six months later, you will have to repay a third of the original lump sum. Further Regular service could lead to the assessment of a revised EDP lump sum on later departure providing you leave before age 55, but the new lump sum would be reduced by the amount that you did not repay. Service in the FTRS/ADC/NRPS does not qualify for EDP, so any repayment would be lost permanently.

If I have been paid my terminal grant under AFPS 75, but am being re-employed in the Armed Forces, am I allowed to transfer this service into AFPS 05?

No, your benefits in AFPS 75 have crystallised so you cannot transfer the benefits to AFPS 05 or RFPS 05.

I have a preserved pension under AFPS 75, can I aggregate this with my AFPS 05 pension? Yes. You can choose to aggregate your last period of AFPS 75 with your AFPS 05 service providing you opt to do so before leaving service. Alternatively, you can leave the benefits that you have accumulated in AFPS 75 and receive them at preserved pension age.

REDUNDANCY

[See the Armed Forces Redundancy Schemes booklet – MMP/138 – under revision]

If after leaving the Armed Forces on redundancy I develop a medical condition will I be prevented from making a claim for ill health benefits?)

Ill-health benefits are only payable under AFPS 05 if you are medically discharged from Service; you will not therefore be entitled to these benefits if you are made redundant. If, however, your condition is due to service, you may still claim under the War Pensions Scheme, or the Armed Forces Compensation Scheme. If, however, you left on redundancy with a preserved pension, you can apply for early payment of your preserved pension due to ill-health. *[For more details see the ill-health booklet.-MMP127]*

SERVING GURKHAS

I transferred from the GPS, if I have a preserved pension in AFPS 05 and die before receiving any payment, what payments does my spouse/civil partner/eligible partner receive? Your spouse/civil partner/eligible partner will get their pension paid immediately. This is worth up to 62.5% of your pension under AFPS 05. They do not have to wait until your preserved pension age (age 65). They will also be entitled to a lump sum of three times your annual AFPS 05 pension which you were expecting to receive at age 65.

Does AFPS 05 pay a pension to my parents when I die?

No.

If I die in service, what happens to my AFPS 05 pension and pension lump sum? If you die in service, a tax free lump sum payment of four times pensionable pay will be made to your nominee or if no nomination has been made then a payment will be made to your spouse/civil partner/eligible partner, or if there are none of these to your estate.

In addition, your spouse, civil partner or eligible partner will normally receive a pension if you have completed two or more years' reckonable service at the time of your death.

Do I get compensation if the Army discharges me at a MCP before I am entitled to my AFPS 05 pension?

No, you will only qualify for a Resettlement Grant (providing you have completed at least 12 years' service). Your preserved pension will be paid at age 65.

I transferred from GPS to AFPS 05, can I increase my benefits by purchasing Added years?

Yes. You for more information see

<http://www.mod.uk/DefenceInternet/AboutDefence/WhatWeDo/Personnel/Pensions/ArmedForcesPensions/AVCs/>

If my personal circumstances change (such as a medical condition leading to medical discharge, or leaving the service earlier than planned because of MCP action) after the Member Transfer Date (MTD), can I revert to the GPS?

No. After the MTD, you may not switch between schemes, even if your personal or career circumstances change. The Offer To Transfer exercise was a one-off opportunity.

I transferred to AFPS 05. What if the Army discharges me before the EDP 18/40 Point? Can I take my preserved pension with me to my new employer?

Yes, a preserved pension in AFPS 05 has a value which will allow you to buy benefits in your new employer's pension scheme. [See *the Armed Forces Transferring Benefits booklet – MMP/129*]

Can I receive benefits only at the EDP 18/40 Point, or can I serve longer?

The EDP 18/40 Point is the earliest you could leave the Army with EDP payments. For each complete year of service you give after the EDP 18/40 Point (but before reaching the normal retirement age of 55), the level of EDP income payable will be increased by 1.6667% of your preserved pension. If you leave at or after age 55, a pension is paid immediately.

Will I pay tax on my AFPS 05 pension if it is paid in Nepal?

Yes. All Armed Forces Pensions are paid through the MOD's pension paying agent, and are automatically taxed at the basic rate, before being paid. This applies wherever in the world you wish to have your Armed Forces Pension paid.