



YOUR PENSION SCHEME EXPLAINED



There are three pension schemes for members of the Armed Forces. The first was introduced in 1975 and was closed to new entrants from 6 April 2005. This is known as AFPS 75. On 6 April 2005 two new schemes were introduced. From that date those joining the Regular Armed Forces were eligible to become members of the Armed Forces Pension Scheme 2005 (**AFPS 05**) and those starting or renewing a Full Time Reserve Service (FTRS) contract were eligible for membership of the Reserve Forces Pension Scheme (**RFPS**). Members of **AFPS 75** were given the opportunity to transfer to **AFPS 05** from 6 April 2006, and members of **AFPS 75-FTRS** (part of **AFPS 75**) were also given the opportunity to transfer to RFPS from this date.

This is your guide to the range of benefits which you could earn during your service as a member of **RFPS**. Please read this booklet carefully and keep it in a safe place, for future reference. There are some special terms that you need to know: you can find them on pages 2 to 4 and refer to them as you go along. They appear in **bold italics**.

This booklet does not cover members of the Reserve Forces who are mobilised under Part 7 of the Reserve Forces Act 1996 (or corresponding provision under the Reserve Forces Act 1980). These benefits are covered in "**AFPS 75** – Your Pension Scheme Explained" (MMP/106) or "**AFPS 05** – Your Pension Scheme Explained" (MMP/124).

IMPORTANT

This booklet provides only a summary of some of the rules of the relevant schemes. More details relating to RFPS are contained in Joint Service Publication 764 and the Reserve Forces Pension Scheme Regulations 2005. This booklet does not give a full explanation of the rules and is not the legal basis for any entitlement under the schemes. If there are any differences between the rules and an explanation in this booklet, the rules will take precedence.

In addition, this booklet does not give you financial or legal advice. If you want financial or legal advice you should seek independent advice. Unit administrative or personnel staffs can offer information and an explanation of benefits, but will not take responsibility for your pensions decisions. They will be able to let you have a list of Services Insurance and Investment Advisory Panel (SIIAP) approved independent financial advisors, although you are free to use any independent advisor that you wish.

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TERMS YOU NEED TO UNDERSTAND

Here is a list which explains the meaning of some special terms used in this booklet.

Abatement

This is where your pension is abated because you are being re-employed in the Armed Forces. Treasury rules are that an individual who is being re-employed in a job specifically reserved for members of the Armed Forces cannot earn more in pay and pension than their pay on their last day of service, uplifted by Retail Prices Index (RPI).

AFPS 75 - Armed Forces Pension Scheme 1975

This is the Pension Scheme for Regular Service personnel which was introduced in 1975 and closed to new entrants from 6 April 2005.

AFPS 75 - FTRS - Armed Forces Pension Scheme 1975 - Full Time Reserve Service

This Pension Scheme was incorporated into AFPS 75 in 1997 for FTRS personnel. This was closed to FTRS personnel starting or re-starting commitments from 6 April 2005.

AFPS 05 - Armed Forces Pension Scheme 2005

This Pension Scheme was introduced for new entrants of the Regular Armed Forces from 6 April 2005. Members of AFPS 75 who were already in service on this date and were still in service on 6 April 2006 were given the opportunity to transfer to AFPS 05.

Attributable

The term used to describe where:

- an injury or illness was caused, or significantly aggravated, by service in the Reserve Forces;
- a death was caused, or significantly hastened, by service in the Reserve Forces.

Attributable Benefits

Benefits are paid under three schemes: for illnesses or injuries caused by service before 6 April 2005 benefits are payable under the Reserve Forces (Attributable Benefits etc.) Regulations (RFAB) and the War Pensions Scheme (**WPS**). For injuries caused by service on or after 6 April 2005, pain and

suffering lump sums and in some cases Guaranteed Income Payments are payable under the Armed Forces Compensation Scheme (AFCS). Attributable death benefits are also paid under these schemes when the member's death is attributable to service.

Civil Partner

An individual who has formed a legally recognised partnership with another person of the same sex under the procedure provided by the Civil Partnership Act (CPA) 2004. If the civil partnership is legally dissolved, the Court can consider pension sharing in the same way as when a married couple divorce.

Contracting-Out

The arrangement under which a pension scheme leaves the State Second Pension Scheme (S2P). This means RFPS members exchange their entitlements to benefits under the S2P for alternative benefits. RFPS members' National Insurance contributions are paid at a lower "contract-out" rate.

Deferment

Benefits that are preserved until age 65 for a former member of the Reserve Forces who left before the age of 60.

Dependants

A member's spouse, civil partner, eligible partner or eligible children.

EDP - Early Departure Payments

Payments to personnel who are not members of AFPS 75, AFPS 75-FTRS or RFPS who leave service before age 55, after a minimum of 18 years service AND who are at least age 40.

Eligible Child

A natural child and any child who is financially dependent on the member, who is:

- under 18, or
- in full-time education or vocational training and is under 23, or
- unable to engage in gainful employment because of a physical or mental disability which was present at the time of the death of the member and began before the age of 23.

This includes children born within one year of the member's death.

Eligible Partner

Someone with whom a member is cohabiting, in an exclusive (ie neither partner is married or a civil partner to someone else) and substantial relationship with financial and wider inter-dependence (this is not the same as a civil partnership) and they are not prevented from marrying or forming a civil partnership.

Former Spouse

A member's former husband or former wife after they have divorced or their marriage has been annulled. A spouse is still entitled to pension benefits until they have legally divorced, even if they are separated from the member.

GMP - Guaranteed Minimum Pension

The minimum pension that a scheme like RFPS is obliged to provide to members as a result of contracting-out of S2P, formerly SERPS.

Ill-Health Pension

A pension awarded to an eligible member of RFPS who has been medically discharged from service.

Index Linking

Annual increase in pension value in line with movements in the Retail Prices Index (**RPI**). Changes are made in April, using the previous September's annual headline rate of inflation. All ill-health pensions, pensions and dependants' pensions are

index-linked from the date of payment. Preserved pensions are index-linked using prices since the date of leaving the Armed Forces.

Inverse Commutation

Exchanging all or part of a member's pension lump sum (normally tax-free) for an increase in the amount of taxable pension payable to the member or the member and their dependants.

Medical Discharge

The process where an individual is discharged from the Reserve Forces because they do not meet the fitness standards required if a Service person is to be able to fulfil the full range of his or her duties. Being medically discharged does not necessarily mean that the individual could not be employed in other forms of full or part-time civilian employment.

Member

A person who has joined RFPS and who is earning benefits under the scheme, has a preserved pension under the scheme or is receiving a pension under the scheme.

Pensionable Pay

Basic pay including any X factor applicable, depending upon commitment, but excluding allowances, bounties, bonuses, financial retention incentives, loan service pay, and any form of specialist pay.

Pension Lump Sum

A one-off lump sum equal to three times the annual pension awarded, and is paid at the same time as the pension first comes into payment.

PSO - Pension Sharing Order

An Order made by the Court on divorce or dissolution of a civil partnership creating pension rights for a former spouse or civil partner out of the benefits in the scheme, which the member has built up at the time of the PSO. The value of the pension will depend on the percentage specified in the PSO.

Preserved Pension

A pension which is kept for a member leaving the Reserve Forces before age 60. There is no minimum service requirement to be eligible for a preserved pension. The preserved pension is payable from age 65.

Qualifying Service

This includes: paid service in the Reserve Forces; service transferred in from another scheme, including AFPS 75 or AFPS 05; any period of service with NATO/UN or similar collaborative arrangement in respect of which the member has repaid both elements of his severance payment to buy back the service he missed whilst on secondment, supplemented by a 'top-up' from the project which sent him.

Reckonable Service

Reckonable Service is the service which is used to calculate a member's pension. This starts from the first day of paid service in the Armed Forces, but may not exceed 40 years. The value of any pension benefits transferred in from another scheme increases the service which counts towards the value of the pension, as does a credit resulting from the purchase of added years. For those who transferred AFPS 75-FTRS as a result of the Offer To Transfer (OTT), their service under AFPS 75-FTRS will count too.

RFPS - Reserve Forces Pension Scheme

Those who start or restart a commitment on Full Time Reserve Service (FTRS), including Additional Duties Commitment (ADC) terms on or after 6 April 2005, will automatically be members of RFPS. Personnel called out for mobilised service under section 32, 43, 52, 54 or 56 of the Reserve Forces Act 1996, (or corresponding section of the Reserve Forces Act 1980) from 6 April 2005 may choose to become members of AFPS. There is no option to join or rejoin AFPS 75-FTRS.

RPI - Retail Price Index

This is published monthly to measure the change in price levels in the UK. It is used to increase the value of pensions in April every year.

Spouse

A legally married (including separated, but not divorced) husband or wife.

SPVA - Service Personnel and Veterans Agency

The MOD Executive Agency with the day-to-day responsibility for the administration and certain management responsibilities for the Armed Forces Compensation Scheme (AFCS), War pensions Scheme (WPS) and the Armed Forces Pension Schemes (AFPS) and authority for payments under these schemes. SPVA Glasgow deals with AFPS, RFPS, and SPVA Norcross deals with WPS and AFCS.

Substantial Relationship

To establish whether a relationship is substantial various factors are taken into consideration, such as: children, financial dependence or interdependence, shared commitments such as a mortgage, prime beneficiary of a will, shared accommodation, the length of the relationship and no legal spouse or civil partner (on either side).

Transfer Value

A payment (called a Cash Equivalent Transfer Value CETV reflecting the value of the rights an individual has in that scheme) made from one pension scheme to another to buy benefits in the receiving scheme. This transfer may only be made at the individual's request, when he changes from one pension scheme to another.

WPS – War Pensions Scheme

The WPS may pay benefits to an individual when they have left the Reserve Forces, where an injury or illness or death was caused or made worse by service in Reserve Forces before 6 April 2005.

MEMBERSHIP

Introduction

RFPS is a defined benefit scheme. You will automatically become a **member** if you start (or restart) a commitment on Full Time Reserve Service (FTRS) terms (including Additional Duties Commitments) on or after 6 April 2005. This includes those personnel who change commitments or rank, even if there is no break in service and you were previously a member of AFPS 75-FTRS.

If you are a member of the Volunteer Reserve Forces who is mobilised for a period of service, you may choose to have this period of service counted under the **RFPS**.

Members of the Volunteer Reserve Forces undertaking service-obligatory training under section 22 of the Reserve Forces Act or voluntary training and other duties under section 27 of the Act are **NOT** eligible to join the **RFPS**.

Members of **RFPS** do not participate fully in the State pension arrangements. Instead, the scheme takes on responsibility for paying part of the pension that would otherwise have been paid by the State. This is known as being **contracted-out** and means that you pay a lower rate of National Insurance Contributions. However, members of **RFPS** are entitled to the State pension on the same basis as everyone else.

Opting Out

You can opt out of the **RFPS** at any time in favour of a personal pension arrangement or the State Second Pension (S2P) scheme. You make no direct contributions towards your basic benefits under **RFPS**, although the value of your pension is taken into account when your pay is set by the Armed Forces Pay Review Body. There is no compensation

payable for withdrawal from the scheme. If you are considering opting out, you should seek advice from an independent financial adviser. If you have opted out for one engagement, you cannot opt in again for that period of service once your engagement has ended. This applies even if you subsequently undertake another engagement for which you do opt in to the **RFPS**.

If you do want to opt out of the scheme, you will need to fill in an option form available from Service Personnel and Veterans Agency (SPVA) (see page 21 for address), and forward it to them for action. The option form must state the date of leaving the scheme.

Opportunities to Rejoin at a Later Date if you Opt Out

If you opt to leave the **RFPS** (or not to join) while remaining in service, you have one opportunity to rejoin (or join) provided you are under the age of 60, and can prove you are medically fit.

This provision has nothing to do with the Offer To Transfer (OTT) and cannot be taken to give those who opted to stay in AFPS 75-FTRS a further opportunity to transfer into **RFPS**.

RETIREMENT BENEFITS

Basic Benefits

Pensions will be paid at age 60 for those who serve until the age 60 or beyond; if you leave before age 60, they will be preserved and paid at age 65. Short periods of service will result in an entitlement to a very small pension which you may be able to convert into a one-off lump sum.

If you have several periods of **RFPS** service, entitlement for each period will be calculated separately and when your pension becomes payable, they will be increased to take account of inflation and added together to give a single award.

You build up pension benefits from your first day of Reserve service for a maximum at 40 years.

Calculation of Benefits

The pension paid to you for each period of service will be based on **reckonable service** at the end of your engagement. Each year is worth 1/70th of final **pensionable pay** up to a maximum of 40 years.

Your final pensionable pay will be the greatest amount of pensionable pay you received for 365 consecutive days over your last three years of service in that engagement. In addition to your annual pension, you will receive a one-off **pension lump sum** (normally tax-free) of three times your annual pension.

Example of calculating final pensionable pay

If in the last 12 months you had 300 days on an annual salary of £28,000 and 65 days on £29,000, your final pensionable pay would be calculated as follows:

$$\begin{aligned} 300/365 \times £28,000 &= £23,013.70 + \\ 65/365 \times £29,000 &= £5,164.38 \\ \text{Final pensionable pay} &= \mathbf{£28,178.08} \end{aligned}$$

Example of pension calculation

If your final pensionable pay is £30,000 after completing 7 years service your annual pension would be calculated as follows:

$$\begin{aligned} £30,000 \times 7 \times 1/70 &= £3,000 \text{ annual pension} \\ £3,000 \times 3 &= £9,000 \text{ pension lump sum} \end{aligned}$$

There could be occasions when someone who works full-time has periods of unpaid leave, and of course those serving on ADC terms are part-time and will be receiving proportionately less in terms of pensionable pay than their full-time equivalent. In these circumstances, final pensionable pay will be calculated to take this into account by multiplying the daily rate of pensionable pay by the number of days that the individual did NOT receive pay and adding it to the individual pensionable pay for that year.

Example of part-time pension calculation

A member completes his engagement to work for 120 days per year for 2 years on a daily rate of £75.58. His final pensionable pay will be calculated as follows:

$$\begin{aligned} 120 \text{ days @ } £75.58 &= £9,069.60 + \\ 245 \times £75.58 &= £18,517.10 \\ \text{Final pensionable pay} &= \mathbf{£27,586.70} \end{aligned}$$

$$\begin{aligned} \text{Reckonable service} &= 120/365 \times 2 \text{ years} = 0.6575 \text{ years} \\ \text{Pension} &= £27,586.70 \times 0.6575 \times 1/70 = £259.12 \text{ pa} \\ \text{Pension lump sum} &= £259.12 \times 3 = £777.36 \end{aligned}$$

Preserved Pension

If you leave the Reserve Forces before age 60, you may be entitled to a **preserved pension**, which is normally paid from age 65, together with a **pension lump sum** (normally tax-free) of three times your annual pension. There is no qualifying period to be entitled to a preserved pension. Preserved pensions are **NOT** paid automatically; you have to claim them from the **SPVA**. (For address see page 21). When the preserved pension becomes payable it is uplifted by Retail Prices Index (RPI) from the date of leaving the Reserve Forces.

Aggregation

You cannot aggregate multiple periods of **RFPS** service. When you complete a commitment, your preserved pension is calculated on your final **pensionable pay** at that time and annotated on your pension title.

Early Payment of Preserved Pension

If you want your preserved pension and pension lump sum to be paid early, but are not in ill-health, you can apply to **SPVA** to have it paid subject to a reduction which reflects the fact that the pension will be paid over a longer period than would normally be expected. The earliest you can have it paid from is age 55.

Early Payment of Preserved Pension in the event of ill-health

A preserved pension may be paid early if in the opinion of **SPVA** (who can consider evidence from medical and other specialists) you have become permanently unable to work full-time through ill-health. Early receipt of your preserved pension does not impact on your **dependants'** benefits.

Life Expectancy of Less than 12 Months

If you are in service, or are a **deferred member**, and SPVA (having taken any advice necessary) agrees that you have a life expectancy of less than 12 months, you can apply to have a lump sum of five times your annual preserved pension paid immediately instead of a pension. If you take this course of action and survive for more than five years, your pension will not be reinstated.

Pension Paid at age 60

If you retire from the Reserve Forces at or after age 60 you will be entitled to receive your **RFPS** pension and pension lump sum immediately. This includes previous periods of **RFPS** service for which the pension had been preserved. Your pension(s) will be increased every year in line with RPI.

Inverse Commutation

You may opt to exchange the whole or part of your pension lump sum (normally tax-free) for an increase in the amount of taxable pension payable to you or to you and your **spouse/civil partner** or **eligible partner**. There are factors for every £100 exchanged for pension and these are dependent on the age and sex of the person receiving the pension. These are published in JSP 764 Part 4, Chapter 4, which is available on the Defence Internet (for web address see page 21)

Example of inverse commutation for member only

A serviceman retires from the Reserve Forces at age 60 with 15 years reckonable service and a final pensionable pay of £35,000 pa. He is entitled to a pension of £7,500 pa and a pension lump sum of £22,500. He decides to inversely commute £20,000 of his lump sum into additional pension.

$\text{£}20,000/\text{£}100 \times \text{£}5.47 = \text{£}1,094$ additional pension pa

Therefore his revised award would be:

Pension lump sum = £2,500

Annual pension = £8,594

The option can only be exercised within the six months before the pension is due to be paid and once agreed it cannot be reversed.

will be void. It should be noted that the reduction of the member's pension as a result of allocation has no effect on the accrual rate for **spouse's**, **civil partner's** or **eligible partner's** pensions. Allocation factors are in JSP 764 Part 4, Chapter 4 and an application form is at JSP 764 Part 4, Chapter 5. These are available on the Defence Internet (for address see page 21).

Allocation

Providing that you are not discharged with an **ill-health pension** or do not ask for your **preserved pension** to be paid early because you are too ill to work full-time, you can opt to allocate up to 37.5% of your pension during your lifetime so that, after your death, one or more nominated **dependants** (who must be financially dependent on you) will receive an income for life.

While the maximum that may be allocated is 37.5%, a **member** will not be allowed to allocate a sum which, if they die aged 75 or over, means that the aggregate of dependants' pensions exceeds the annual pension before death plus 5% of the **pension lump sum**. The scheme actuary will work out the amount that will be payable to the dependant(s), taking into account the age and sex of the nominee(s).

Once the allocation has taken place, you will not be able to cancel the arrangement. If you die before your pension comes into payment, the allocation

ILL-HEALTH BENEFITS

You may be entitled to ill-health benefits if you are **medically discharged** from the the Reserve Forces and have completed two years **qualifying service** (or for those who have multiple short periods of service or part-time hours completed 730 days service in total). **RFPS** ill-health benefits awarded are dependent on the tier level of the illness/ injury. The size of the award will depend upon the tier allocated by reference to the Tariff that is also used for the Armed Forces Compensation Scheme (**AFCS**). These are as follows

Tariff levels 12 – 15	RFPS does not feature an ill-health award for these tariff levels and your pension would be preserved until age 65
Tariff levels 7 – 11	RFPS Tier 1
Tariff levels 1 – 6	RFPS Tier 2

If your medical discharge is due to a condition mainly caused by your service, in addition to your **RFPS** benefits, you may be entitled to additional **attributable benefits**. These are dealt with in more detail in the booklet 'Reserve Forces Pension and Compensation Benefits - MMP/123.

RFPS Tier 1 Ill-Health Benefits

If you are under age 60 and discharged with a condition that is between tariff levels 7 and 11, your **ill-health pension** is calculated on your actual service plus one-third of the remaining service to which you are currently committed. This is payable immediately with a **pension lump sum** of three times your annual pension. Any other preserved awards under **RFPS** are also payable.

Example of RFPS Tier 1 Ill-Health Pension

If an individual with a final pensionable pay of £40,000 is medically discharged under **RFPS** Tier 1, having completed three years of a nine year engagement, his benefits will be calculated as follows:

Completed 3 years with 6 years remaining
 $\frac{1}{3}$ of 6 years = 2 years

$$\begin{aligned} 3 \text{ years} + 2 \text{ years} &= 5 \text{ years} \times £40,000 \times 1/70 \\ &= £2,857.14 \text{ annual pension} \\ 2,857.15 \times 3 &= £8,571.42 \text{ pension lump sum} \end{aligned}$$

RFPS Tier 2 Ill-Health Benefits

If you are under age 60 and discharged with a condition (that is between tariff levels 1 and 6, your ill-health pension is calculated on your actual service plus one-half of the remaining service to which you are currently committed. This is payable immediately with a pension lump sum of three times your annual pension. Any other preserved awards under **RFPS** are also payable.

Example of RFPS Tier 2 Ill-Health Pension

If an individual with a final pensionable pay of £45,000 is medically discharged under **RFPS** Tier 2, having completed three years of a nine year engagement, his benefits will be calculated as follows:

Completed 3 years with 6 years remaining
 $\frac{1}{2}$ of 6 years = 3 years

$$\begin{aligned} 3 \text{ years} + 3 \text{ years} &= 6 \text{ years} \times £45,000 \times 1/70 \\ &= £3,857.14 \text{ annual pension} \\ £3,857.14 \times 3 &= £11,571.43 \text{ pension lump sum} \end{aligned}$$

There are no enhancements for those who are **medically discharged** over age 60. All **ill-health pensions** are increased annually in line with RPI from the date of discharge from the Reserve Forces.

Review of Tier Level Awarded

If you believe your condition for medical discharge was attributed to the wrong tier or has deteriorated in an unexpected way, you can ask for the decision to be reviewed within five years of your medical discharge. Your application must be made in writing to **SPVA** stating your reason for requesting a review. If your application is successful you will receive an adjustment to your ill-health award as follows:

- An increase in pension and additional **pension lump sum** to the difference of tier levels backdated to your discharge if your condition was assessed wrongly (see example below);
- An increase in pension (to include an inversely commuted additional pension lump sum - HMRC do not allow two lump sums to be paid for the same period of service) backdated to the date of your application for review if your condition has deteriorated in an unexpected way (see example 2 below).

Examples

If an individual (aged 56) with a final pensionable pay of £25,000 was medically discharged under **RFPS** Tier 1, having completed two years of a five year engagement, his pension would be calculated as follows:

Completed 2 years with 3 years remaining
 $\frac{1}{3}$ of 3 years = 1 year

$$\begin{aligned} 2 \text{ years} + 1 \text{ year} &= 3 \text{ years} \times \text{£}25,000 \times 1/70 \\ &= \text{£}1,071.43 \text{ annual pension} \\ \text{£}1,071.43 \times 3 &= \text{£}3,214.29 \text{ pension lump sum} \end{aligned}$$

An **RFPS** Tier2 award would be calculated as follows:

Completed 2 years with 3 years remaining
 $\frac{1}{2}$ of 3 years = 1.5 years

$$\begin{aligned} 2 \text{ years} + 1.5 \text{ years} &= 3.5 \text{ years} \times \text{£}25,000 \times 1/70 \\ &= \text{£}1,250 \text{ annual pension} \\ \text{£}1,250 \times 3 &= \text{£}3,750 \text{ pension lump sum} \end{aligned}$$

Example 1 – error in original decision

The difference between the two calculations is paid to the individual and backdated to the date of discharge. They would receive the following:

$$\begin{aligned} \text{Increase in pension of} & \text{£}1,250 - \text{£}1,071.43 &= \text{£}178.57 \text{ pa} \end{aligned}$$

$$\begin{aligned} \text{Additional pension} & \text{lump sum of } (\text{£}3,750 - \text{£}3,214.29) &= \text{£}535.71 \end{aligned}$$

Example 2 – unexpected deterioration

The difference between the two calculations is paid to the individual and backdated to the date of application of review. No additional lump sum can be paid so the £535.71 is inversely commuted into additional pension for the member only using the factor 5.03. Therefore, his pension would be increased as follows:

$$\begin{aligned} \text{£}535.71 / \text{£}100 \times 5.03 &= \text{£}26.95 + \text{£}178.57 \text{ pa} \\ &= \text{£}205.52 \end{aligned}$$

Therefore, his revised pension would be:

$$\text{£}1,071.43 + \text{£}205.52 = \text{£}1,276.95.$$

Although routine review is not intended, **SPVA** has the discretion to review any medical discharge and either stop or reduce the pension if they find that the condition which gave rise to the award has improved significantly or no longer exists before the **member** reaches age 60.

DEPENDANTS' BENEFITS

Spouse's, Civil Partner's or Eligible Partner's Pensions

If you have two years or more **qualifying service**, your **spouse, civil partner**, or **eligible partner** will be eligible to receive a pension for life when you die, even if they remarry or cohabit later. A spouse, whom you have divorced, or former civil partner, if the civil partnership has been legally dissolved, is not eligible to receive a pension.

Partners are considered eligible, providing they can demonstrate that a **substantial relationship** existed at the time of your death and there is no other spouse or civil partner.

If the marriage or civil partnership ceremony took place within six months of your death, the award of a pension will not be automatic. The circumstances will be examined by **SPVA** to ensure that the marriage or civil partnership have not been entered into for financial gain. Such an examination will be conducted with sensitivity, so far as possible.

Calculation of Pension

Your spouse, civil partner or eligible partner will normally receive an **index-linked** pension worth 1/112th of your **pensionable pay** for each year of service you are entitled to count towards pension (calculated separately for each engagement), up to a maximum of 37.33 years. This gives them a pension worth up to 62.5% of your pension entitlement. If you die in service their pension is calculated as if you were medically discharged on **RFPS** Tier 1.

Example of pension calculation

If you died in deferment or retirement and had a final pensionable pay of £30,000 and you had five years reckonable service, the pension is calculated as follows:

$$£30,000 \times 5 \times 1/112 = £1,339.29 \text{ annual pension}$$

If you died in service and had a final pensionable pay of £30,000 and you died two years into a five year engagement, the pension is calculated as follows:

Completed 2 years with 3 years remaining

$$\frac{1}{2} \text{ of 3 years} = 1.5 \text{ years}$$

$$2 \text{ years} + 1.5 \text{ years} = 3.5 \text{ years} \times £30,000 \times 1/112$$

$$= £937.50 \text{ annual pension}$$

If you have an ex-spouse with an entitlement to a Pension Sharing Order (**PSO**) the current spouse's pension will be reduced by the value of the PSO.

In certain circumstances the pension may be less than 62.5%. In particular, if your spouse, civil partner or eligible partner is more than 12 years younger than you, his or her pension will be reduced by 2.5% for every complete year over 12 years he or she is younger than you, subject to a maximum reduction of 50%. This reduction recognises that the pension can be expected to be paid for a longer period. It is the policy for many Public Service schemes that it is unreasonable for the scheme to bear this entire cost.

Example of pension reduction

If your spouse is 15 years younger than you his or her pension would be reduced by:

$$3 \times 2.5\% = 7.5\%$$

Therefore, using the example above if the pension was £937.50 it would be reduced by 7.5% and their pension would be reduced by £70.31 pa and would be £867.19 pa.

Lump Sum Benefits on Death

You can nominate anybody to receive your death lump sum. Forms are available from **SPVA** or are on the Defence Internet and Intranet (see page 21 for addresses). It is advisable to complete a nomination form as this will save any delays in payment on your death. If there is no nomination form, the lump sum will go to your **spouse, civil partner** or **eligible partner**. If you have none of these, it will go to your estate. The nomination form is for the lump sum only - it does not offset your spouse's, civil partner's or eligible partner's pension benefits.

If you die in service the tax-free lump sum will be four times your final **pensionable pay**.

If you die in deferment the tax-free lump sum will be three times the value of your annual **preserved pension** uplifted by **RPI** since you left the Forces.

If you die in retirement there will only be a tax-free lump sum due if you die within five years of your pension coming into payment. The lump sum will be equal to the balance of five years worth of pension (less any pension and lump sum you have already received).

Children's Pension

For your children to be entitled to a pension you must have built up two or more years **qualifying service**. The amount of your pension entitlement available for **eligible children's** pensions is normally the balance of the pension remaining after the payment of any spouse's, civil partner's or eligible partner's pension (normally 37.5%).

If a spouse's, civil partner's or eligible partner's pension is payable an amount equal to 37.5% of your pension entitlement will be divided equally among your eligible children, but no child will receive more than 25% of your entitlement.

Example of pension paid to eligible children with a spouse's pension also in payment

If you had 7 years reckonable service and your final pensionable pay was £40,000, your pension would have been calculated as:

$$\begin{aligned} 7 \times £40,000 \times 1/70 &= £4,000 \text{ pa} \\ \text{Spouse's pension} &= 7 \times £40,000 \times 1/112 \\ &= £2,500 \text{ pa} \end{aligned}$$

This leaves £1,500 of your pension remaining to your eligible children (£4,000 - £2,500) and would be shared equally, with a maximum of £1,000 per child (25% of your pension entitlement).

If there is no spouse's, civil partner's or eligible partner's pension payable an amount equal to the whole of your pension entitlement will be divided equally among your eligible children, but no child will receive more than 33.33% of your entitlement.

Example of pension paid to eligible children with no spouse's pension in payment

Using the example above and your pension entitlement of £4,000 pa, the maximum each child could receive is £ 1,333.20 pa.

If your **spouse, civil partner** or **eligible partner** dies while the children's pensions are in payment the children's pensions will be recalculated, subject to the limits shown above. If an additional child becomes eligible within 12 months of your death, again the children's pensions will be recalculated. Additionally, if at a later date a child no longer becomes eligible, the other children's pensions are recalculated in accordance with the maximums shown above.

How to Claim RFPs Benefits on Your Death

When you die, your spouse, civil partner, partner, **dependants** or personal representative should tell **SPVA** that you have died as soon as possible after the death. (For SPVA's address see page 21). SPVA will stop your pension, if in payment, as soon as possible to avoid overpayment and send application forms to your dependants for them to claim any pension benefits or lump sums due to them (or your estate).

The person claiming will need to make sure that the application forms are signed and witnessed before they are returned to SPVA. SPVA cannot take further action until these forms are fully completed and they have received the relevant death, birth and marriage certificates, or documentation to prove a **substantial relationship** was in place at the time of your death. The certificates will be copied and the originals returned to the person submitting the claim. Eligibility will then be considered, and any benefits awarded will be backdated to the day after your death. If you have completed a nomination of death benefit form, eligibility will not be required for any lump sum due, and as soon as the person on the nomination form has submitted bank details, the lump sum will be paid as soon as possible.

TRANSFERRING YOUR BENEFITS

Transferring Pension Rights into **RFPS**

If you have been a member of an occupational pension scheme or had a personal pension plan before joining **RFPS** you may be able to transfer benefits into **RFPS**. There are strict time limits to be able to do this. If the transfer is coming from another Public Sector scheme, a personal pension or a Stakeholder pension the transfer must be done within **one year of joining RFPS**. If the transfer is from another occupational pension scheme, the transfer must take place before the beginning of your final year of service before your **RFPS** pension is due.

Transferring Pension Rights Out of **RFPS**

You cannot transfer out pension benefits from **RFPS** if they have already come into payment. However, if you leave the Reserve Forces with a **preserved pension** and take up employment where you join an occupational pension scheme, you can transfer your preserved pension to that scheme. You can also transfer your **RFPS** preserved pension into a personal pension plan or Stakeholder pension. Other occupational pension schemes may have strict time limits for transferring benefits in – you need to check with your new pension scheme administrator. You are able to transfer out your **RFPS** benefits up to one year before your benefits become payable, or up to six months after leaving the Reserve Forces, if that is later.

Aggregation

You cannot aggregate any **AFPS 75** or **AFPS 05** preserved pensions with your **RFPS**. However, within your first year of **RFPS** service you can formally apply to transfer your Regular preserved pension into **RFPS**.

More Information on Transfers

For more detailed information on transfers in and out of **RFPS see the booklet “Transferring Benefits” - MMP/129.**

Remember: Once you have signed to accept the transfer as stated in the Cash Equivalent **Transfer Value** (CETV) statement in or out of **RFPS** you cannot change your mind. Once the transfer of funds is completed, you will have given up forever your rights and those of your **dependants** under the outgoing schemes.

RE-EMPLOYMENT

If you are joining FTRS (including ADC), where you were previously a member of the Regular Armed Forces and received benefits from **AFPS 75** or **AFPS 05** there may be an impact on benefits you have already received.

In Receipt of AFPS 75 Benefits

If you received a Resettlement Grant (RG) on leaving the Regular Armed Forces you will be required to have a break of at least 30 days, otherwise you will have to repay **ALL** your RG.

If you received a Special Capital Payment (SCP) because you were made redundant under the Armed Forces Redundancy Scheme 1975 (AFRS 75), you will be required to repay part of your SCP if you join the Reserve Service within a period of two years. For more information see the tri-scheme booklet "The Armed Forces Redundancy Schemes" - MMP/138.

If you leave **AFPS 75** with an IP, whilst in a FTRS post, your IP will be reduced or suspended so that your new rate of pay and IP do not exceed your old rate of pay (adjusted to take account of **RPI** since you left the Regular Armed Forces). This **abatement** continues throughout the period of re-employment. Increases to rates of pay or pension increases will not lead to a re-assessment. **However, a change in rank or starting a new commitment will lead to a re-assessment.** If you took Resettlement Commutation under **AFPS 75** and you do not have enough pension in payment to repay for the amount of extra lump sum you took, the excess will be taken from your pay (before tax).

In Receipt of AFPS 05 Benefits

If you received a RG on leaving the Regular Armed Forces you will be required to have a break of at least 30 days, otherwise you will have to repay **ALL** your RG.

If you received a Compensation Lump Sum (CLS) because you were made redundant under the Armed Forces Redundancy Scheme 2006 (AFRS 06), you will be required to repay part of your CLS if you join the Reserve Service within the relevant period. The relevant period is the period of time that is represented by the value of your CLS. (Eg if your CLS was worth 730 days pay there is no requirement to repay any of it if employed after a break of two years or more.)

For more information see the tri-scheme booklet "The Armed Forces Redundancy Schemes" - MMP/138.

If you leave **AFPS 05** with a pension in payment, whilst in a FTRS post, your pension will be reduced or suspended so that your new rate of pay and pension do not exceed your old rate of pay (adjusted to take account of RPI since you left the Regular Armed Forces). This abatement continues throughout the period of re-employment. Increases to rates of pay or pension increases will not lead to a re-assessment. **However, a change in rank or starting a new commitment will lead to a re-assessment.** Those members who opted for **inverse commutation** may see their pension reduced, but the amount of pension from the inversely commuted lump sum will remain in payment.

In Receipt of Early Departure Payments (EDP)

Whilst in the FTRS your **EDP** income will stop. On leaving FTRS, your EDP income will:

- restart at its original level if you are under age 55;
- increase to 75% of your preserved **AFPS 05** pension and become **index-linked** if you are over age 55 but under age 65; or
- not restart and be replaced by your **AFPS 05 preserved pension** if you are age 65 or over.

If you join FTRS without a break of at least the period represented by the EDF lump sum you will have to pay back the unexpired portion. This means that if your EDP lump sum was of equivalent value to 12 months' pay, and you rejoined the Armed Forces after six months, you would have to pay back half of the lump sum. If you repay part or all of your EDP lump sum on taking up FTRS it is lost to you forever, as FTRS terms and conditions do not include EDP.

Example

The EDP lump sum at the EDP 18/40 Point is equivalent to approximately 282 days pay. If an individual joins FTRS 91 days after leaving the Regular Armed Forces he would have to repay:

$$282 - 91 = 191/282 (67.73\%)$$

Therefore, if the EDP lump sum was worth £40,000 he would have to repay £27,092 of his EDP lump sum on joining FTRS.

Abatement of Pension

If you are re-employed and in receipt of a pension, your new rate of pay and pension cannot exceed your old rate of pay on leaving the Regular Armed

Forces (increased in line with pension increases where there has been a gap between leaving and being re-employed). Where your new rate of pay equals or exceeds your old rate of pay your pension would be suspended during the duration of your re-employment.

Example

If an officer with a final pensionable pay of £50,000 left the Regular Armed Forces with a pension of £25,000 and immediately joined FTRS on a pensionable salary of £30,000, the abatement assessment would be as follows:

Pension	= £25,000
New rate of pay	= <u>£30,000</u>
Total	= £55,000

As the old rate of pay is £50,000 his pension would be abated by £5,000 (£55,000 – £50,000). Increases to rates of pay or pension increases **will not** lead to an **abatement** re-assessment. However, a change in rank or a new commitment **will** lead to a re-assessment.

If you have opted for **inverse commutation**, the amount of the addition to your pension taken from your lump sum will be disregarded for abatement purposes.

Example

Using the above example, if the £25,000 pension included £2,000 pa from inversely commuting some of his lump sum, the abatement would only be £3,000 pa.

For more information on re-employment see the booklet: "Re-employment" – MMP/116.

HOW DIVORCE CAN AFFECT YOUR PENSION

Introduction

The Courts have powers to take account of pensions in divorce and dissolution of civil partnership settlements. In the past, courts have simply been able to take account of the value of a pension by offsetting it against other assets belonging to the divorcing couple. Since 1996 courts have been able to directly deal with a pension by making an Attachment Order (AO) (formerly known as an Earmarking Order) so that one member of a divorcing couple receives payments out of the pension belonging to the other member. The Welfare Reform and Pension Act 1999 contained provision for the making of Pension Sharing Orders (**PSOs**) for couples who divorce from 1 December 2000.

Attachment Orders (AOs)

This Court Order would instruct **SPVA** to pay all or part of your pension and/or **pension lump sum** to your **former spouse** when these benefits become payable to you. It can also specify that some or all of any death benefit lump sum due on your death be paid to your former spouse, even if you have nominated somebody else to receive it. Payments to the former spouse stop when you die or your former spouse remarries.

Pension Sharing Orders (PSOs)

This Court Order would create pension rights for your former spouse out of your **RFPS** benefits, which you have built up at the time of the PSO. Your former spouse would become a member of **RFPS** in their own right and would not be affected by any changes to your pension or if they remarry. The age a Pension Credit Member can start drawing their pension is age 55.

If you have a PSO against your pension, any future **spouse, civil partner** or **eligible partner's** pension benefits would be reduced by the amount of the pension debit to your pension.

For more information on pensions on divorce, see the booklet: "Pensions on Divorce" - MMP/131.

MOBILISED PERSONNEL WHO JOIN RFPS

If you are mobilised for permanent service under section 32,43,52,54 or 56 of the Reserve Forces Act 1996 or under a corresponding section of the Reserve Forces Act 1980 you are eligible to join **RFPS** for your period of mobilisation.

Key Points for Mobilised Personnel

- Whatever decision you sign up to regarding pension on the Declaration of Intent Form cannot be changed once you have been mobilised.
- It is recommended that you complete AFPS Form 2 (Nomination of Death Benefit Form) which ensures that any lump sum due if you die is paid quickly.
- If you are in receipt of an **AFPS 75** or **AFPS 05** pension you will continue to receive it.
- If you are in receipt of an **EDP** the income will stop while you are mobilised but you would not be required to repay any EDP lump sum.
- You would not be required to repay any Resettlement Grant that you had received.
- If after mobilisation you join FTRS, when considering any **abatement** needed to any pension in payment, your pay when you finished mobilisation **will not** be taken into account; it is the last day of Regular service.

DISPUTE AND COMPLAINTS PROCEDURES

Internal Disputes Resolution Procedures (IDRP)

IDRP is a formal procedure set up to resolve disagreements between the scheme administrators and individuals who have an interest in the scheme, such as **members, spouses** or **dependants**, prospective members of the scheme and others.

Before invoking the IDRP process, you may find it helpful to write to **SPVA** explaining your pensions problem. It may be that your problem can be resolved without IDRP being involved. The address to write to is:

SPVA JPA Complaints
Mail Point 480,
Kentigern House,
65 Brown Street,
Glasgow G2 8EX

IDRP provides the opportunity to complain to the scheme administrators about matters in relation to the scheme and maximise the opportunity to resolve the disagreement internally.

The IDRP process currently consists of two stages. Under the first stage, you have the right to complain to the scheme administrators. Under the second stage, you have the right of appeal to a higher level against the decision made on your first stage complaint.

If you have a complaint under IDRP you should write to:

C1 Armed Forces Pensions
MOD Authority Pensions,
SPVA,
Mail Point 600,
Kentigern House,
65 Brown Street,
Glasgow G2 8EX

Please detail the complaint, providing as much evidence as you can and advise what outcome you would like from your complaint.

If your complaint remains unresolved, you may then take it to the Pensions Ombudsman (PO) through The Pensions Advisory Service (TPAS).

TPAS

TPAS is an independent body which is financed in part by the Department of Work and Pensions. It is available at any time to assist members of occupational pension schemes and their dependants to resolve any difficulties they have failed to resolve with the administrators of the scheme. Contact details are:

TPAS
11 Belgrove Road,
London SW1V 1RB

Tel: 0845 6012923

Email: enquiries@pensionadvisoryservice.org.uk
Website: www.pensionsadvisoryservice.org.uk

PO

The Pensions Ombudsman has the power to investigate any complaints and settle disputes between a pension scheme and a complainant. He/she will usually only become involved if IDRP and TPAS have been unable to sort out the disagreement. Complaints must normally go to the Ombudsman within three years of whatever event caused the dispute. The Ombudsman cannot investigate a dispute once formal legal proceedings have been started, and their decision is final and binding; thereby unable to re-open a case in the future.

The PO's address is:

The Pensions Ombudsman
11 Belgrave Road,
London SW1V 1RB

Tel: 0207 834 9144

Email: enquiries@pensions-ombudsman.org.uk

Website: www.pensions-ombudsman.org.uk

The Pensions Regulator

The Pensions Regulator is able to intervene in the running of pension schemes where their trustees or managers have failed to comply with the law. The address is:

The Pensions Regulator
Invicta House, Trafalgar Place, Brighton BN1 4DW

Tel: 0870 606 3636

Email: customersupport@thepensionsregulator.gov.uk

Website: www.thepensionsregulator.gov.uk

For more information on the IDR process see the booklet "Internal Disputes Resolution Process" – MMP/130.

FURTHER INFORMATION

If you have any queries about issues raised in this booklet, please contact your unit HR staff in the first instance. In addition, **SPVA** is also on hand to answer questions. They can be contacted at the following address:

Pensions Division
Mail Point 480
Kentigern House
65 Brown Street
Glasgow
G2 8EX

EMail: JPAC@spva.mod.uk

Phone: 0800 065 3600 (or outside UK phone: +44 141 224 3600)
Military: 94560 3600

Enquiry line is open as follows:
Monday to Friday: 0700 – 1900

There is also further information on pensions on the Defence Internet/ Intranet at the following addresses:

Internet: www.armedforcespensions.mod.uk

Intranet: <http://defenceintranet.diiweb.r.mil.uk/DefenceIntranet/Admin/FindOutAbout/ArmedForcesPensions>

Other Booklets in this Series

Other booklets in this series can be ordered from the Forms and Publications Section, Bicester Operation Centre, C16 Site, Ploughley Road, Arncott, Bicester, OX25 1LP by quoting the relevant MMP number.

Relating to **AFPS 75**:

- **Your Pension Scheme Explained – MMP/106**
- **Family Pension Benefits – MMP/114**
- **Invaliding – MMP/115**

Relating to **AFPS 05**:

- **Your Pension Scheme Explained – MMP/124**
- **Family Pension Benefits – MMP/126**
- **Ill-Health Benefits – MMP/127**

Relating to **RFPS**:

- **Reserve Forces Pension and Compensation Benefits – MMP/123**

Relating to **Tri-Scheme AFPS 75**, **AFPS 05** and **RFPS**:

- **Re-employment – MMP/116**
- **Increasing Benefits – MMP/128**
- **Transferring Benefits – MMP/129**
- **Internal Dispute Resolution Procedures – MMP/130**
- **Pension Benefits on Divorce – MMP/131**
- **The Armed Forces Redundancy Schemes – MMP/138**
- **Taxation of Pension Benefits – MMP/144**

Relating to **AFCS**:

- **Your Armed Forces Compensation Scheme Explained – MMP/125**

Relating to **WPS**:

Booklets and leaflets about the **War Pensions Scheme (WPS)** are available from the **SPVA Veterans** website (www.veterans-uk.info).

