



Ministry
of Defence

A New Armed Forces Pension Scheme **Equalities Impact Analysis**

16 October 2012

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1. INTRODUCTION

Need for Reform

1.1 People in the UK are living longer. For example, the average 60 year old is now living ten years longer than they did in the 1970s. Although life expectancy was predicted to increase, improvements have been consistently underestimated. This means the Government is paying pensions for much longer than expected than when the schemes were designed. Over the last thirty years, the cost of public service pensions has risen from less than 1% of GDP in 1970 to nearly 2%. The annual cost of public service pensions paid out (including for ex-Service personnel) has risen by over a third over the last ten years to £32 billion in 2008/2009.

1.2 The costs of pensions to MOD have mirrored this trend and have risen to £1.9 billion (equivalent to 34% of the military pay bill) in 2012, and are due to increase further. When set in the context of the current economic climate and a reducing overall Defence budget, this situation is increasingly unsustainable. The Defence Secretary has made clear that balancing the Defence budget (which had a £38 billion Defence Programme shortfall) and building for the future through maintaining strict financial discipline are important contributions to the Government's national strategic priority of bringing the country's fiscal deficit under control.

Independent Public Service Pensions Commission (2010 – 2011)

1.3 The Government set up the Independent Public Service Pensions Commission (IPSPC) in June 2010, chaired by Lord Hutton of Furness, former Secretary of State for Defence, and former Minister for Work and Pensions. The IPSPC was tasked with conducting a fundamental structural review of public service pension provision and making recommendations for long-term sustainable and affordable pension arrangements, which would be fair to existing Service personnel and future generations, as well as for taxpayers who ultimately meet the costs. The Armed Forces were represented on the Commission for the duration of its review and contributed to the final recommendations.

1.4 Although most public service pension schemes (including the Armed Forces scheme) were reformed in the last decade, the IPSPC recognised the revised schemes were insufficiently flexible to respond to increasing cost pressures. Even though costs have begun to fall as a result of recent reforms, they remain historically high. The IPSPC concluded that long-term and comprehensive reform was necessary.

1.5 Lord Hutton published his final report in March 2011, with 27 recommendations on how reform of public service pensions should be undertaken. The Government accepted these recommendations as the basis for discussion with those affected.

The Government's Proposals

1.6 The Government set out its own proposals for reform of public service pensions in its publication "Public Service Pensions: good pensions that last" (November 2011), with **three key drivers for reform**:

- **Longevity** - people are living much longer. Current public service pension provision is no longer affordable because people are spending longer in retirement. This is the main risk to the sustainability of public service pensions.
- **Flexibility** - pension provision no longer reflects the way the modern labour force lives and works.
- **Fairness** - the predominantly final salary scheme designs in place mean that lower-paid public service workers are subsidising the pensions of the highest paid.

The report also set out the **Government's objectives** to:

- ensure a good level of retirement income for public service workers, with a reasonable degree of certainty;
- be affordable and sustainable – with cost risk managed and shared effectively;
- provide a fair balance of cost and benefits between public service workers and other taxpayers;
- aid the recruitment and retention of the right people in the right jobs;
- protect those closest to retirement;
- have a clear legal framework and governance structure – and be widely understood by workers; and,
- stand the test of time – no more reform for at least 25 years.

MOD's proposals

1.7 Within the Government's framework, MOD set out six design principles for the new Armed Forces scheme, currently known as the Future Armed Forces Pension Scheme (FAFPS), to take into account the particular needs of the Armed Forces:

- 1) To comply with the recommendations of Lord Hutton's Review;
- 2) To meet future operational recruitment and retention requirements (as articulated in the New Employment Model), including some form of Early Departure Payment at the mid-career point;
- 3) To maintain its relative value compared with other public service schemes, and the other uniformed services in particular;
- 4) To meet the Government's commitment that low and middle earners would not see a reduction in the value of their pension income provided they work longer for it;
- 5) To be affordable and sustainable in Defence terms; and
- 6) To be transparent and simpler to administer.

2. EQUALITIES IMPACT ANALYSIS

Scope

2.1 This Equalities Impact Analysis (EIA) was undertaken during the development of the Final Scheme Design for the new Armed Forces Pension Scheme. The reason for conducting an EIA was to ensure: the design was free from discrimination; due regard would be given to equality issues during the subsequent implementation phase; and opportunities for promoting equality were identified. The EIA focused on the positive and negative impact of key elements of the new scheme design in relation to Service personnel with the following legally protected characteristics:

- Gender identity or reassignment;
- Marital or civil partnership status;
- Pregnancy or maternity;
- Community background (Northern Ireland only);
- Race;
- Religion or belief;
- Sex; and
- Sexual orientation

(The Armed Forces are exempt from the employment provisions in anti-discrimination legislation relating to age and disability.)

2.2 Where potential differential impacts were identified, causes have been considered to determine whether they were a result of the new scheme itself or external factors. The level of impact was assessed and an assessment made as to whether alterations to the new scheme were necessary and appropriate.

2.3 Service personnel who have left the Services and are in receipt of their pension or are deferred members will not be affected by the introduction of the new scheme, and are, therefore, excluded from the EIA.

Consultation process

2.4 In developing the new scheme, an extensive consultation process has been undertaken consisting of two phases:

- **Initial phase** (March-May 2012): the initial phase gathered the views of Service personnel and other interested parties via an Initial Consultation Document, questionnaire, focus groups and briefings.
- **Final phase** (July-September 2012): publication of the Outline Scheme Design and a further opportunity for Service personnel and external groups to submit comments.

2.5 For **the initial phase**, the FAFPS team consulted on those factors which could influence scheme design before coming to any decisions. Over a thirteen week period, the FAFPS team consulted Service personnel and spouses by:

- visiting 52 sites, including in Afghanistan, Germany, Gibraltar and the Falkland Islands;
- giving 69 presentations to over 8,800 people; and
- holding 154 focus groups with over 2,100 people.

Additionally, over 17,500 people completed the questionnaire, either online or in hard copy. The team also briefed interested external groups, including the Forces' Families Federations, Forces Pension Society, White Ensign, British Medical Association, the Armed Forces Pay Review Body and the Central Advisory Committee on Pensions and Compensation. As a result of the initial consultation phase, the Department decided the Early Departure Payment (EDP) point should be

kept at the minimum age of 40 (see paragraph 2.8.iv below). MOD also negotiated for increased choice to be given to Service personnel in how they took their EDP, depending on individual circumstances (see paragraph 2.8.v below). Additionally, the new Pension Scheme Board will include independent representation, including from the Forces Pension Society, in response to the views expressed during the initial phase.

2.6 The **final phase** was launched with the publication of the Outline Scheme Design and a comprehensive communications package on the Defence Intranet and MOD internet site, including a 32-page booklet, video and updated Frequently Asked Questions. Service personnel and external groups were again invited to submit comments. Both the Outline Scheme Design document and survey site made clear that an EIA was underway and invited any comments to be submitted in this regard. Results of the final phase consultation were:

- 597 completed the survey site and 250 emailed the Group Mailbox;
- 16 specifically raised Equality issues, covering:
 - The automatic enrolment of all Service personnel onto the new scheme from 2015, unless protected by transitional protection.
 - Transitional Protection limited to those within 10 years of their current NPA.
 - The effect of an average earnings scheme for those with different training or promotion lengths of service.
 - A Normal Pension Age (NPA) of 60;
 - A variable Deferred Pension Age, linked to an individual's State Pension Age;
 - A new Early Departure Payment qualification point of 20 years' service (and aged 40);
 - Removal of the abatement rule, but only for new scheme benefits.

All these issues were considered and are addressed below.

Key Scheme Features

2.7 The EIA compared the key features of the new scheme with the principal current open scheme, the Armed Forces Pension Scheme 2005 (AFPS 05), although consideration was also given to the impact on members of the other Armed Forces schemes:

Scheme Feature	No change	Minimal change	Change
A single scheme to cover all members of Armed Forces pension schemes			√
A career average earnings defined benefit scheme			√
No personal contributions	√		
No automatic pension lump sum, but option to commute			√
Maintaining Early Departure Payment (EDP) benefits, consisting of a lump sum and income stream. Although the number of years' service has increased to 20, the minimum age remains constant		√	
EDP to consist of a lump sum and monthly income stream, with the option to convert the lump sum into additional monthly payments			√
Accrual rate of 1/47 th			√
Normal Pension Age of 60		√	
Deferred Pension Age linked to the State Pension Age		√	
Benefits earned while serving will be increased ('revalued') annually by an average earnings index			√
Pensions in payment and deferred pensions will increase in line with the Consumer Prices Index	√		

Scheme Feature	No change	Minimal change	Change
Ill-health, death and survivors' benefits in line with AFPS 05 provisions, but based on a career average earnings, rather than final salary, pension	√		
Abolition of abatement rules in the new scheme if return to Services after retired			√
Break of service of less than five years to be treated as if had continued in service for indexation purposes			√
Abolition of the maximum cap on the number of years' service to allow accrual for the duration of paid service			√
Continuation of the Public Sector Transfer Club	√		
Annual pension forecast statements			√
Creation of a Pensions Board			√

Equalities Impact Analysis of the Key Features of the New Scheme

2.8 The following analysis covers those features of the new scheme which differ from AFPS 05, with a view to identifying any impact on Service personnel with the legally protected characteristics listed in paragraph 2.1 above.

i. The IPSPC recommended a common framework for all public service schemes for improved simplicity in understanding and administering. **A single scheme** to cover all members of Armed Forces pension schemes will mean transfer between types of Service (e.g. Regular to Reservist) will become much easier than at present. All members of the Armed Forces pension schemes will have the same access to the new scheme unless covered by transitional protection (see paragraph 2.10 below). *MOD does not, therefore, envisage a differential impact from the introduction of a single scheme for Service personnel based on their: gender identity or reassignment; marital or civil partnership status; pregnancy or maternity; community background (Northern Ireland only); race; religion or belief; sex; or sexual orientation.*

ii. As part of the IPSPC's comprehensive review of public service pension schemes, the Commission considered seven distinct types of pension scheme design. Following its analysis, the IPSPC concluded that **average earnings schemes**, covering the whole of an individual's public service career, provided the fairest and most sustainable scheme design. A career average earnings scheme tends to benefit those with lower salary growth, rather than high earners. Moving from a final salary scheme to an average earnings scheme means those who previously benefitted from the current distortions will cease to do so and those who historically received proportionately lower benefits will receive proportionately more. Addressing this anomaly was one of the main intentions of the Commission and Government, namely to ensure a fairer distribution of benefits across scheme membership. During the Final Consultation, some personnel asked if an average earnings scheme would disadvantage those with longer training or promotion patterns. The single Services recognise this as a Terms of Service issue. However, some specialisations will still require longer training or promotion patterns to support operational effectiveness. The differences are considered as not being detrimental to any of the protected groups. *MOD does not, therefore, envisage a differential impact from the introduction of a career average earnings scheme for Service personnel based on their: gender identity or reassignment; marital or civil partnership status; pregnancy or maternity; community background (Northern Ireland only); race; religion or belief; sex; or sexual orientation.*

iii. The **replacement of automatic pension lump sums with the option to generate one** (called 'commutation'), applies to all new public service schemes. The IPSPC recognised lump sums provide individuals with valuable flexibility and should continue to be available through commutation. All members of the new scheme will have the same opportunity to convert some of their pension income to generate a lump sum, should they wish. *MOD does not, therefore,*

envisage a differential impact from the introduction of optional lump sums for Service personnel based on their: gender identity or reassignment; marital or civil partnership status; pregnancy or maternity; community background (Northern Ireland only); race; religion or belief; sex; or sexual orientation.

iv. **Early Departure Payment (EDP) benefits** will continue to be paid to those personnel who fulfil the qualifying criteria. Given the Government's framework that public service workers (and wider society) should work for longer to receive retirement benefits, the status quo option for the EDP qualification point (18 years' service and aged at least 40) was not considered sustainable. The initial consultation phase asked Service personnel for their views on a range of EDP qualifying service options. 59% of questionnaire respondents said they would be willing to complete 20 years' service to earn an EDP. However, during the briefings and focus groups, many personnel raised concerns about starting a second career in their mid/late 40s. A decision was therefore taken to increase the length of service qualification by two years (to 20), but retain the current age qualification (of 40). This increase in length of service was considered reasonable and proportionate to other increases in the new Normal Pension and Deferred Pension ages. The single Services have agreed that the Services' career structures should be amended to reflect the new EDP qualification point at the same time as the new pension scheme is introduced. During Final Consultation, some personnel asked if the new EDP point would disadvantage those on maternity or adoption leave, as they may not be able to complete 20 years' service to receive an EDP. This is not a new issue. As now, those on paid maternity/paternity leave will be treated as if they were still serving for the purposes of assessing pensionable earnings and calculating reckonable service. Again as now, for those on unpaid leave, they will still have to complete the qualifying period of reckonable service (increased from 18 years to 20) to receive an EDP. However, it does not have to be continuous service, but a cumulative period of 20 years. Furthermore in the new scheme, for any breaks of service of less than five years, an individual's 'pension pot' will retain its value against inflation (see paragraph xi below). *MOD does not, therefore, envisage a differential impact from the revised EDP length of service qualification criterion for Service personnel based on their: gender identity or reassignment; marital or civil partnership status; pregnancy or maternity; community background (Northern Ireland only); race; religion or belief; sex; or sexual orientation.*

v. As part of the initial consultation phase, Service personnel were asked for their views on the relative importance of the EDP lump sum and monthly income stream. 47% of questionnaire respondents said both elements were important and focus groups expressed a preference for maximising choice. The EDP will, therefore, continue to consist of a lump sum and income stream. Service personnel will also have **the option to convert their EDP lump sum into monthly payments** depending on individual needs. All members of the new scheme who receive EDP benefits will have the same options. *MOD does not, therefore, envisage a differential impact from the introduction of greater choice in how EDP benefits are taken for Service personnel based on their: gender identity or reassignment; marital or civil partnership status; pregnancy or maternity; community background (Northern Ireland only); race; religion or belief; sex; or sexual orientation.*

vi. The **new accrual rate** strikes a balance between maintaining the value of the EDP – to aid retention and thus ensure the maintenance of sufficient experience/expertise to meet operational requirements – and MOD's responsibility to ensure a fair distribution of pension benefits for all Service personnel. The decision took into account the fact that currently nearly two-thirds of the Service population do not receive the EDP. The new accrual rate is higher, thereby building up benefits more quickly, which ultimately means larger Deferred Pensions for those who do not serve to the EDP point – this adheres to the Government's commitment that low and middle earner public service workers would not see a reduction in the value of their pension income as a result of pension reform, provided they work longer for it. All members of the new scheme will have the same accrual rate. *MOD does not, therefore, envisage a differential impact from the new accrual rate for Service personnel based on their: gender identity or reassignment; marital or civil partnership status; pregnancy or maternity; community background (Northern Ireland only); race; religion or belief; sex; or sexual orientation.*

vii. The Normal Pension Age is already 60 for some Armed Forces pension schemes (RFPS, most FTRS 97 commitments and NRPS). However, it is currently 55 for AFPS 75, AFPS 05 and FTRS 97 (Full Commitment). A **new Normal Pension Age (NPA) of 60 for all members of the new scheme** was recommended by the IPSPC, along with the police and firefighters schemes, to reflect the unique nature of their work. Other public service schemes will have their NPA aligned with the State Pension Age (currently 65). Only 2% of Regulars reach the current NPA of 55. The impact of a later NPA is, therefore, only likely to apply to a small number of personnel. During the Final Consultation, some personnel asked why the Armed Forces were the only employer to bar individuals from serving to their NPA. The single Services have agreed that the Services' career structures should be reviewed to reflect the new NPA. However, the Armed Forces are unique in only offering a full career to a minority of its workforce. This is necessary to ensure the Armed Forces maintain a relatively young workforce, which is considered essential to delivering operational effect. To reflect this, the Armed Forces are also unique in offering a lump sum and monthly income after relatively short periods of service. No other public service scheme makes any payment as early. The new NPA will apply to all members of the new scheme, but it is not seen as being more detrimental to one group than any other, particularly when an actuarially reduced pension will be available from age 55. *MOD does not, therefore, envisage a differential impact from the new Normal Pension Age for Service personnel based on their: gender identity or reassignment; marital or civil partnership status; pregnancy or maternity; community background (Northern Ireland only); race; religion or belief; sex; or sexual orientation.*

viii. For all service in the new scheme, **the start date for payment of a Deferred Pension will be linked to an individual's State Pension Age (SPA)**. During the Final Consultation, some personnel said this did not meet the benchmark of fairness in the workplace. However, this revised policy was recommended by the IPSPC for all new public service schemes. The Commission concluded this would be the most effective way to manage the longevity risk, as it would automatically link an individual's Deferred Pension Age (DPA) with their SPA, as the SPA increased in line with life expectancy. This should better manage affordability issues, by maintaining an appropriate balance between years spent in employment and retirement. The DPA is currently 65 for existing schemes (apart from service before 6 Apr 2006 for members of AFPS 75 and FTRS 97 (HC/LC/FC) where it will remain at age 60). The Department for Work and Pensions has found that life expectancy for all social classes has increased in recent decades¹, and in general, those who have been members of the Armed Forces tend to live slightly longer than their average civilian counterparts². Existing SPA legislation does not make any distinction based on an individual's legally protected characteristics. The new DPA policy applies to all members of the new scheme. *MOD does not, therefore, envisage a differential impact from the new Deferred Pension Age for Service personnel based on their: gender identity or reassignment; marital or civil partnership status; pregnancy or maternity; community background (Northern Ireland only); race; religion or belief; sex; or sexual orientation.*

ix. **Benefits earned while serving will be increased ('revalued') annually by an average earnings index.** The IPSPC recommended pension benefits should be uprated in line with average earnings during the accrual phase for active scheme members. Advice from academics, economists, actuaries and pension experts was that wages historically outpace inflation in a healthy economy over the long term and that average earnings represented the best uprating option to ensure pension values are maintained. All members of the new scheme will have the same revaluation rate, linked to changes in average earnings, which the Treasury will set out by annual Order. *MOD does not, therefore, envisage a differential impact from an annual average earnings revaluation index for Service personnel based on their: gender identity or reassignment; marital or civil partnership status; pregnancy or maternity; community background (Northern Ireland only); race; religion or belief; sex; or sexual orientation.*

¹ DWP <http://www.dwp.gov.uk/docs/pensions-bill-2011-ia-annexa.pdf>

² Independent Public Service Pensions Commission Final Report http://cdn.hm-treasury.gov.uk/hutton_final_100311.pdf

x. Currently, personnel re-employed following retirement from Regular service are not permitted to receive more remuneration (pay plus pension) than they used to be paid in salary (adjusted for inflation). The **removal of the abatement rule for benefits earned in the new scheme** will support individuals who wish to continue serving in different roles, thereby giving them more flexibility in their career paths. During Final Consultation, some individuals asked why abatement would continue to apply for benefits earned under the current schemes. This decision was taken across all public service schemes. It reflects the fact that those who will continue to abide by current abatement rules are likely to have accrued more valuable benefits in existing schemes, than those who only have service in the new scheme. The new policy will apply to all members of the new scheme. *MOD does not, therefore, envisage a differential impact from the removal of the abatement rule for Service personnel based on their: gender identity or reassignment; marital or civil partnership status; pregnancy or maternity; community background (Northern Ireland only); race; religion or belief; sex; or sexual orientation.*

xi. **Breaks of 5 years or less will be treated as continuous service.** Under the new scheme, when an individual re-joins within 5 years of leaving, their original 'pension pot' earned to the point of exit will be increased by the cumulative revaluation throughout the gap in service to ensure it retains its relative value. This will ensure flexible working patterns will be better catered for, including for those who take career breaks for caring responsibilities. This new policy will apply to all members of the new scheme. *MOD does not, therefore, envisage a differential impact from treating breaks of five years or less as continuous service for Service personnel based on their: gender identity or reassignment; marital or civil partnership status; pregnancy or maternity; community background (Northern Ireland only); race; religion or belief; sex; or sexual orientation.*

xii. The **abolition of the maximum accrual cap** in the new scheme will allow Service personnel to accrue unlimited pension benefits covering all paid service. This will provide greater flexibility in career patterns for all Service personnel. This new policy will apply to all members of the new scheme. *MOD does not, therefore, envisage a differential impact from the abolition of the maximum accrual cap for Service personnel based on their: gender identity or reassignment; marital or civil partnership status; pregnancy or maternity; community background (Northern Ireland only); race; religion or belief; sex; or sexual orientation.*

xiii. **Annual pension statements will be provided** from the introduction of the new scheme. All Service personnel who are members of an Armed Forces pension scheme will receive annual pension statements. *MOD does not, therefore, envisage a differential impact from the introduction of annual pension statements for Service personnel based on their: gender identity or reassignment; marital or civil partnership status; pregnancy or maternity; community background (Northern Ireland only); race; religion or belief; sex; or sexual orientation.*

xiv. **A new Pensions Board will be established** with responsibility for meeting good standards of governance and administration. During the initial consultation process, Service personnel expressed a clear preference for independent members to represent their interests. The Board will also include Service representatives and pensions experts. A further EIA will be undertaken as the detailed arrangements for establishing the Board are considered. At this stage, *MOD does not envisage a differential impact from the establishment of a new Pensions Board for Service personnel based on their: gender identity or reassignment; marital or civil partnership status; pregnancy or maternity; community background (Northern Ireland only); race; religion or belief; sex; or sexual orientation.*

Transfer to the new scheme

2.9 All members of Armed Forces pension schemes will automatically transfer to the new scheme when it is introduced, unless covered by Transitional Protection (see paragraph 2.10 below). During the Final Consultation, some personnel thought the new scheme should only apply to new joiners, who could be made aware of the new provisions before signing up. However, this policy was a Government decision for all new public service pension schemes, taking into account the increased financial pressures on public service pensions in particular and public service

expenditure in general. It will be enshrined in a Public Service Pensions Bill (which was laid before Parliament on 13 September 2012). Provision has been made for those nearest to their Normal Pension Age to remain in their current schemes (see paragraph 2.10 below), as well as protecting all pension benefits earned in current schemes up to the start date of the new scheme. This means Service personnel will be able to draw these benefits at the same age as now (in accordance with current schemes' rules) and they will maintain their final salary link, based on the final rank/salary at the date of leaving the Services (not the point of transfer). This accrued rights guarantee applies to all Service personnel on all existing Armed Forces pension schemes. The automatic enrolment policy will apply to all members of the new scheme, unless covered by Transitional Protection. *MOD does not, therefore, envisage a differential impact from automatic enrolment for Service personnel based on their: gender identity or reassignment; marital or civil partnership status; pregnancy or maternity; community background (Northern Ireland only); race; religion or belief; sex; or sexual orientation.*

Transitional Protection

2.10 The Government has offered Transitional Protection to all public service pension scheme members who are closest to retirement. The Government has defined this as those members within ten years of their current scheme's Normal Pension Age, because these individuals have less time to make alternative financial and lifestyle arrangements. During Final Consultation, some individuals asked if it was fair to treat Service personnel differently, particularly for those who just missed out on the Transitional Protection age qualification. An assessment was made as to whether to provide 'tapered' transitional protection, as other public service schemes have chosen to do. However, the Treasury made it clear that whilst the Government would fund the ten years' protection, any additional transitional arrangements would have to be paid for by the schemes. This would mean reducing benefits in the new scheme for all those without transitional protection. Given the Armed Forces already have some of the best transitional protection criteria (as a consequence of the Services' younger NPAs), the ten-years' protection was assessed as a reasonable threshold at which to draw a line. Furthermore, the protection of accrued rights and the continuation of the final salary link (see paragraph 2.9 above) mean the impact of membership in the new scheme is limited proportionately to the length of service in current schemes. The Transitional Protection policy, linked to current NPAs, will be applied to all members of Armed Forces pension schemes. *MOD does not, therefore, envisage a differential impact from Transitional Protection for Service personnel based on their: gender identity or reassignment; marital or civil partnership status; pregnancy or maternity; community background (Northern Ireland only); race; religion or belief; sex; or sexual orientation.*

Conclusion

2.11 The final design for the new Armed Forces pension scheme was largely modelled on the IPSPC's recommendations, which considered equality issues as part of its comprehensive review, particularly relating to gender and low/middle earners. The final scheme design was also developed in conjunction with the Treasury, which is the lead Government Department for reform of all public service pension schemes – thereby ensuring the adoption of good practice across the public services. The Treasury has conducted an overarching Equalities Impact Analysis covering the common provisions which will apply across all the new schemes (Transitional Protection, the move from final salary to career average earnings schemes, the new Normal Pension Age and a cost control mechanism), which can be found at:
http://www.hm-treasury.gov.uk/d/pspb_equality_impact_assessment.pdf.

2.12 The Government has confirmed that public service pensions will remain among the best available. MOD is committed to ensuring the new Armed Forces Pension Scheme remains amongst the best of these schemes. The new scheme will still be a very worthwhile pension. It will remain a defined benefit scheme, which means it will keep a guaranteed level of pension – calculated as a fraction of an individual's salary, not an uncertain amount based on investment returns. The pension scheme will also continue to provide valuable benefits for Service personnel and their families such as ill-health pensions and payments after death.

2.13 The overall value of an individual's pension depends on unique factors which are outside the scope of the pension scheme structure itself, such as periods of employment, career progression, salary increases, additional voluntary contributions and rates of inflation. Although the key features may impact on Service personnel differently, these impacts are not considered unlawful or disproportionate and there is clear justification for the approach taken.

2.14 Based on the available data, a full and rigorous impact analysis has been undertaken. For those protected groups where there is little or no data available, the Department is satisfied that these groups are unlikely to be disproportionately affected by the key elements of the new scheme. We do not consider, therefore, that the key features of the new Armed Forces Pension Scheme will result in any differential impact to Service personnel with the protected characteristics of: gender identity or reassignment; marital or civil partnership status; pregnancy or maternity; community background (Northern Ireland only); race; religion or belief; sex; or sexual orientation.

3. WAY AHEAD

3.1 The development of the detailed elements of the new Armed Forces pension scheme over the next year – as reforms move from policy development through to implementation, including via secondary legislation – will regularly take into account further equalities impacts, as part of the decision-making process, to ensure the new scheme contributes to meeting MOD's equality duties.

3.2 MOD will continue proactively to monitor and review with key stakeholders the impact of the development of the new scheme on those personnel with protected characteristics. The Department will also continue to discuss equality issues with the Treasury and other Government Departments for consistency of approach and adoption of best practice.

PENSION SCHEME MEMBERSHIP MAKE-UP

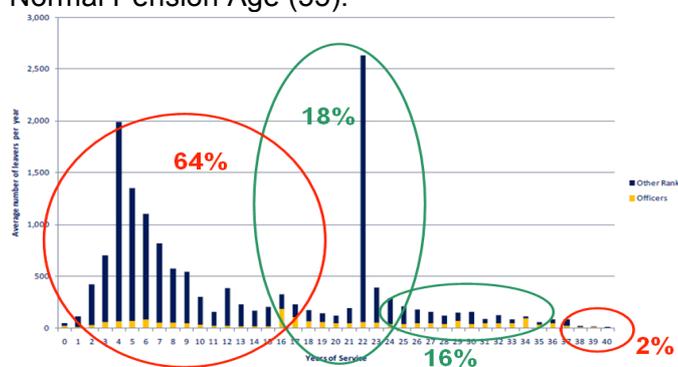
The following information is taken from **DASA's UK Armed Forces Quarterly Manning Report (1 Jan 12³)**

- Strength of UK Regular Forces: 182,080
- Females: 17,610
- Black and Minority Ethnic: 12,280

The percentage of women in the UK Regular Forces has remained stable at 9.7% (9.6% in Jan 11). Black and Minority Ethnic (BME) personnel comprise 6.7% of the UK Regular Forces, continuing a long term gradual increase in the proportion of BME personnel.

The standard career patterns in the Regular Services are:

- Average length of service of 9 years.
- 34% serve to at least the Early Departure Payment (EDP) point (approx age 40).
- 64% don't serve to the EDP point and leave with a Preserved Pension.
- 2% serve to the Normal Pension Age (55).



The new scheme will replace a number of Armed Forces pension schemes. Active membership figures are:

Scheme name	Male active member Numbers	Male active member %	Female active member numbers	Female active member %	Active members Total Numbers	Active members Total %
Armed Forces Pension Scheme 1975	95,644	91%	9,814	9%	105,458	54.1%
Armed Forces Pension Scheme 2005	76,696	91%	7,851	9%	84,547	43.37%
Full Time Reserve Service 1997 *	55	92%	5	8%	60	0.03%
Reserve Forces Pension Scheme	2,967	90%	318	10%	3,285	1.7%
Non-Regular Permanent Staff Pension Scheme	1,354	97%	39	3%	1,393	0.7%
Gurkha Pension Scheme	9	100%	0	0%	9	0.005
Royal Gibraltar Regiment Pension Scheme	Approx 190	Approx 95%	Approx 10	Approx 5%	Approx 200	0.1
Total	176,915	91%	18,037	9%	194,952	100%

(Figures from SPVA as at 31 Mar 11; * FTRS figure from '09, when partial valuation undertaken.)

³ UK Armed Forces - Quarterly Manning Report (Edition - 1 Jan 12; Released on - 09 Feb 2012)
<http://bravo.dasa.r.mil.uk/applications/newWeb/www/index.php?page=48&pubType=1&thiscontent=170&PublishTime=09:30:00&date=2012-02-09&disText=1%20January%202012&from=listing&topDate=2012-02-09>

Since 2011 (when the figures in the table above were produced), the proportion of members in AFPS 75 and AFPS 05 will have changed as active membership of AFPS 05 increased and AFPS 75 membership decreased. It is also expected that female membership would have increased slightly, given that women now comprise 9.7% of the trained strength.

Gurkhas are recruited and employed in the British and Indian Armies under the terms of the 1947 Tri-Partite Agreement (TPA) on a broadly comparable basis. They remain Nepalese citizens, but in all other respects are full members of HM Forces. Since 2008, Gurkhas are entitled to join the UK Regular Forces after five years of service and apply for British citizenship.

Data on pension scheme membership by gender identity or reassignment; marital or civil partnership status; pregnancy or maternity; community background (Northern Ireland only); race; religion or belief; and sexual orientation is not available.

