

# The Armed Forces Redundancy Schemes



## FINDING YOUR WAY ABOUT THIS BOOKLET

The strength of the UK Armed Forces is constantly under review by MOD planning staffs. Usually the important balance between the various Defence commitments and the human resources needed to meet those commitments can be maintained on a voluntary basis. However, any radical downsizing resulting from a major review of Defence policy may require more direct intervention in the form of a redundancy programme.

The level and type of compensation due to you on redundancy will depend on which of the Armed Forces Redundancy Schemes is appropriate to your individual terms of service and the date of your discharge under redundancy.

Broadly, there are two Redundancy Schemes that may apply to those in the Regular Armed Forces. Which one applies to you will depend on which of the Armed Forces Pensions Schemes (AFPS) you either joined, subsequently transferred to during the Offer To Transfer (OTT) process, or could have joined at the start of your current service commitment had you not opted-out at a later date in favour of your own private pension arrangement.

This booklet provides a straightforward guide to the provisions for compensation that are available to persons in Regular service with the Armed Forces, who are selected for redundancy. There are some special terms that you need to know: you can find them on page 2 and refer to them as you go along. They appear in **bold italics**.

**IMPORTANT: This booklet provides only a summary of some of the rules of the relevant schemes, more details relating to AFPS 75 are contained in the Order in Council made under the Naval and Marine Pay and Pensions Act, the Army Pensions Warrant, and the Queens Regulations for the Royal Air Force. More details relating to AFPS 05 can be found in Joint Service Publication 764, Part 5. These are not a full explanation of the rules and are 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 be followed. 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 advisers, although you are free to use any independent financial adviser 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.

### Armed Forces Pension Scheme 1975 (AFPS 75)

**AFPS 75** is the pension scheme for Service personnel which was introduced in 1975 and was closed to new entrants from 6 April 2005. Personnel who were serving before 6 April 2005 and still serving on 6 April 2006, who were in **AFPS 75** were given the Offer To Transfer (OTT) to **AFPS 05**.

### Armed Forces Pension Scheme 2005 (AFPS 05)

**AFPS 05** is the pension scheme for Regular Service personnel. It is effective for new entrants from 6 April 2005 and from 6 April 2006 for Service personnel who were in service on that date and who elected to transfer from **AFPS 75** as a result of the OTT.

### Directed Early Retirement (DER)

Senior Officers (one star or higher) may be selected to leave under the terms of the DER Scheme. Those leaving under DER arrangements will be treated for compensation purposes as if they had been made redundant.

### Early Departure Payments (EDP)

Payments to personnel who leave service before age 55, after a minimum of 18 years' service AND who are at least age 40 (the EDP 18/40 Point). Payments are made up of a tax-free lump sum equal to three times the value of the preserved annual pension and an income payment equal to at least 50% of the preserved pension. EDP income ceases at age 65 when the preserved pension and tax-free pension lump sum become payable. Members of **AFPS 75** are not eligible for EDP.

### Immediate Pension (IP)

Payments to personnel, who are members of **AFPS 75**, who leave the Armed Forces after 16 years' reckonable service for Officers and 22 years' reckonable service for Other Ranks. Personnel who are discharged under redundancy terms are eligible for an IP if they have completed at least 12 years' qualifying service. Members of AFPS 05 are not eligible for an IP.

### Qualifying Service

For **AFPS 05** members see 'Relevant Service'

**Redundancy**:- this is paid service over age 18 for Officers and Other Ranks used for the award of Special Capital Payment (SCP) and early paid pension under **AFPS 75** rules

**Pension**:- this is paid service over age 18 for Other Ranks and over age 21 for Officers required to enable entitlement to an IP.

### Redundancy

Redundancy terms are authorised by HM Treasury when Ministers give approval for a programme that has the aim of permanently reducing the number of people employed in the Regular Armed Forces. Redundancy terms are always compulsory even though many of the selected persons may volunteer to leave on those terms.

### Reckonable Service

Reckonable service is the service which is used to calculate a member's pension.

For **AFPS 75** members:- for Officers this starts from the age of 21 and for Other Ranks from age 18.

For **AFPS 05** members:- this starts from the first day of paid service.

### Relevant Service

Relevant Service is paid service that counts for the minimum service needed to qualify for EDP.

This is also used for the redundancy calculation under the **AFRS 06** scheme.

## GENERAL REDUNDANCY RULES

### REDUNDANCY COMPENSATION

If you are a member of the Regular Armed Forces who is selected for **redundancy** or **DER**, you will be entitled to receive a lump sum in compensation for shortening your career. However, even in a period when redundancies are being made, you will not be entitled to receive redundancy compensation unless you are selected for early discharge on redundancy terms.

### THE REDUNDANCY COMPENSATION SCHEMES

The level and type of compensation due to you on redundancy will depend on which of the Redundancy Schemes is appropriate to your individual terms of service and the date you leave the Armed Forces. Broadly, there are two Schemes that can apply to Regular Service personnel. These are:

- **Armed Forces Redundancy Scheme 1975 (AFRS 75)**

The terms of **AFRS 75** apply to you if you are declared redundant, having joined or rejoined the Service on your current terms **before 6 April 2005** and not transferred to **AFPS 05** under the Offer To Transfer (OTT). Further details of this Scheme's current rules are at pages 4-6. This scheme closes on 31 March 2008 when new terms will be in place to be effective from 1 April 2008.

If you are selected to leave on redundancy and discharged **before 1 April 2008** and had transferred to AFPS 05 under the OTT, you will be given the opportunity to revert to **AFPS 75** to benefit from redundancy benefits available under that scheme. This means that you would transfer back into **AFPS 75** and then be eligible for **AFPS 75** redundancy and pension benefits. The

decision to revert to **AFPS 75** MUST be received and actioned by AFPAA before your last day of paid service.

- **Armed Forces Redundancy Scheme 2006 (AFRS 06)**

The terms of **AFRS 06** apply to you if you are declared redundant, having joined or rejoined the Regular Armed Forces on your current terms on or **after 6 April 2005** or had transferred to **AFPS 05** under the OTT. Further details of this Scheme are at pages 8-10.

# ARMED FORCES REDUNDANCY SCHEME 1975

## WHERE REDUNDANCY OCCURS BEFORE 1 APRIL 2008

### ELIGIBILITY

The benefits explained in this section only apply to you if you leave the Armed Forces before 1 April 2008 under the terms set out in **AFRS 75**.

If you are selected for **redundancy** you will receive notification in writing, specifying the date that you must leave and that you will be eligible to compensation under the rules of **AFRS 75**.

If you transferred to **AFPS 05** under the OTT, you may be permitted to change that election so as to qualify for these redundancy terms and pension benefits under **AFPS 75** rules. The option to change your election is an exceptional measure authorised during the transitional period only for those who transferred to **AFPS 05** under the OTT and **will not** be open to those who are discharged under redundancy terms on or after 1 April 2008.

### REDUNDANCY COMPENSATION

When you leave on these redundancy terms, you will receive a tax-free lump sum known as a Special Capital Payment (SCP).

The actual value of SCP – up to a limit of 19 months' pay – will be calculated using formulae that also take account of the length of service you will have completed and the length of the service commitment that you were undertaking immediately before your notification of redundancy.

The amount of your SCP will be calculated as a proportion of the basic rate of pay you received on your last day of paid service or in your last appointment, if that is to your advantage (ie if you were receiving pay in a higher rank). One month's pay in this context will be the daily pay rate times 365 divided by 12.

#### Example

A person's basic pay on his last day of paid service was £121.62 per day. Therefore, one month's pay for SCP purposes is  $\frac{£121.62 \times 365}{12} = \mathbf{£3,699.28}$ .

*Note: Under JPA, daily rates of basic pay will be replaced by annual rates. After this transition one month's pay will be the annual rate divided by 12.*

Your **qualifying service** for SCP will be measured firstly in whole years of completed or uncompleted service as may be required by the specific method for calculation shown later in this section. Where there is less than one whole year or there are part years in excess of complete years, then each month or further calendar month of completed or uncompleted service will be counted as  $\frac{1}{12}$ th of a further whole year, as shown in the examples below.

#### Example – Completed Service

1. A person's terms committed him to complete 16 years' service from age 21.
2. However, he actually joined on 1 Jan 96 at age 18.
3. He served until 12 May 07.
4. Qualifying service was 11 years and 4 months. The balance of 12 days is discounted for SCP calculation purposes.

#### Example – Uncompleted Service

1. A person's terms committed him to complete 22 years' service from age 18.
2. He joined on 1 Jan 89 at age 18.
3. His normal end date was 31 Dec 10.
4. On redundancy he had served from 1 Jan 89 to 1 May 07.
5. His uncompleted service period was from 2 May 07 to 31 Dec 10.
6. The uncompleted period was 3 years and 7 months. The balance of 30 days is discounted for SCP calculation purposes.

The SCP is tax-free and will be paid to you in addition to any other benefits that are due for payment to you on normal discharge at this stage of your career (eg Resettlement Grant (RG), Immediate Pension (**IP**), and Terminal Grant (TG)). However, see page 6 for details of early payment of pension.

#### Compensation – Leaver with Long Service

If on redundancy you leave having completed **qualifying service** from age 18 of either:

- 13 years or more (Officers), or
- 16 years or more (Other Ranks), then

you will be entitled to a SCP calculated as shown at Table 1.

**Table 1**

Uncompleted Years	SCP (Months' Pay)
5 or more	18
4	15
3	11
2	7
1	3

#### Compensation – Leaver with More than 12 Years Service

If you are an Officer who on **redundancy** will have completed at least 12 years but less than 13 years qualifying service from age 18, you will receive a SCP equivalent to 15 months' pay plus  $\frac{1}{12}$ th of three months pay for each additional whole month over 12 years.

If you are an Other Rank, who on redundancy will have completed 12 years but less than 16 years qualifying service from age 18, then you will be entitled to a SCP calculated as shown at Table 2.

**Table 2**

Completed Qualifying Service Years	SCP (Months' Pay)
15	15
14	15
13	13
12	13

#### Compensation – Leaver with Less than 12 Years Service

This paragraph applies to all ranks who before redundancy were serving on terms that committed you to qualifying service for at least 16 years over age 21 (Officers) or 22 years over age 18 (Other Ranks), but you will only complete less than 12 years' qualifying service from age 18 by the time you actually leave on redundancy. If that applies to you, then you will receive a SCP calculated as shown at Table 3.

You may also be considered for compensation under the terms shown in Table 3 if you are an Other Rank serving on a commitment to complete more than 12 years and there is no evidence to show that you would not have been re-engaged without a break or otherwise extended in service to complete 22 qualifying years had it not been for your earlier redundancy.

**Table 3**

Completed Qualifying Service Years	SCP (Months' Pay)
11	19
10	17
9	15
8	14
7	12
6	10
5	9
4	7
3	5
2	3
1	1

### Compensation – Leaver with a Short Service Commitment

This paragraph applies to you, if you are a person of any rank, who before **redundancy** was serving on terms that committed you to qualifying service for less than 16 years from age 21 (Officers) or 22 years from age 18 (Other Ranks). If that applies to you, then you will be entitled to receive a SCP calculated at the lesser of:

- (a) one month's pay for each whole qualifying year of completed service, or
- (b) the sum of:
  - (i) one month's pay for each whole year, by which service is shortened and
  - (ii) one month's pay.

Further whole calendar months, in addition to whole years, will be counted as part years at  $\frac{1}{12}$ th of the rate for a whole year.

#### Example – SCP for Short Service

1. An Officer was committed to complete a six year Short Service Commission.
2. He actually completed four years.
3. His uncompleted service was two years.
4. His daily rate of pay was £92.30, which is  $\left(\frac{£92.30 \times 365}{12}\right) = £2,807.46$  monthly.
5. His SCP is the lesser of:
  - a. One month's pay x completed years, which is  $£2,807.46 \times 4 = \underline{£11,229.84}$  or
  - b. One month's pay x uncompleted years + one month's pay, which is  $(£2,807.46 \times 2) + £2,807.46 = \underline{£8,422.38}$ .

### QUALIFYING TERMS FOR IMMEDIATE PENSION (IP)

If, on redundancy you complete at least 12 qualifying years from age 18, but less than the normal IP minimum, your award of pension will be paid immediately and calculated at a proportion of the minimum IP rate for normal retirement or discharge, as shown below.

#### Example – Pro Rata Pension

An Officer completes 14 years' qualifying service since age 18, of which 11 are reckonable for pension under **AFPS 75** from age 21.

He will receive  $\frac{11}{16}$ ths of the 16 – year rate of Retired Pay for Compulsory Retirement.

If the 16 – year rate is £10,866 pa, pension will be  $\frac{£10,866 \times 11}{16} = \underline{£7,470.38}$ .

Terminal Grant = **£22,411.14**.

If you complete less than 12 years qualifying service as a member of **AFPS 75**, your pension and TG will be preserved in the normal way until age 60 (for service up to 6 April 2006) and age 65 for all service after this date.

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# ARMED FORCES REDUNDANCY SCHEME 2006

## ELIGIBILITY

If you are selected for **redundancy** you will be formally notified in writing. The notification will specify the date that you must leave and that you will be eligible to compensation under the rules of the Armed Forces Redundancy Scheme 2006 (**AFRS 06**), where that is the case in your circumstances.

If you transferred to **AFPS 05** under the OTT, you may be permitted to change that election so as to qualify for the redundancy terms and pension benefits under **AFPS 75** rules if you are discharged on redundancy terms before 1 April 2008. The option to change your election is an exceptional measure authorised during the transitional period only and will not be open to those new entrants who joined **AFPS 05** from 6 April 2005 or those who will be discharged after 1 April 2008 and transferred to **AFPS 05** under the OTT.

## REDUNDANCY COMPENSATION

When you leave on these redundancy terms, you will receive a tax-free Compensation Lump Sum (CLS). This payment will be based on a proportion of your Final Relevant Earnings (FRE).

Your FRE will have the same value as your pensionable pay if you are an **AFPS 05** member. This is the best basic pay you earned for 365 consecutive days in your last three years of service.

The one-off payment of CLS due to you will depend on how much of your previously agreed service commitment you had completed before leaving on redundancy. However, the value of CLS cannot be more than the equivalent of 27 months' pay.

The CLS is tax-free and is payable in addition to any other terminal benefits that are otherwise due for payment to you on normal discharge at this stage of your career (eg Resettlement Grant (RG), Early Departure Payments (**EDP**), EDP lump sum or pension).

If you are a member of **AFPS 05**, your entitlement to pension and pension lump sum will be calculated and notified to you at the time of your redundancy but payment will not normally start until you are age 65. Pension benefits will only be paid immediately on discharge if you are age 55 or more on the day following the last day of your paid service. EDP will only be payable if you have reached the EDP 18/40 Point when discharged on redundancy.

### Compensation – Leaver with Long Service

If on your redundancy you are aged 55 or over, or you are at least aged 40 AND have completed a minimum of 18 years' relevant service, you will be entitled to receive a CLS calculated using one of the methods shown below:

- If you have completed less than 40 years' relevant service and would have had four years or more left to serve on your current commission or engagement, you will receive a CLS at the equivalent of 12 months pay at FRE rates.
- If you have completed less than 40 years' relevant service but have less than four years left to serve on your current commission or engagement, you will receive compensation at one-quarter of your FRE (approx equivalent of three months pay) for each uncompleted year of service as shown in the example below.

### Example

1. A person was due to leave on completion of 26 years service.
2. He completed 22 years 103 days (22.2822 years) relevant service before actually leaving at age 40<sup>1</sup> (see note).
3. The uncompleted period was (26 – 22.2822) years = 3.7178 years.
4. His Final Relevant Earnings (FRE) were £35,000.
5. The CLS due =  $\frac{\text{FRE}}{4} \times \text{uncompleted years}$ , which is  $\frac{£35,000}{4 \times 3.7178 \text{ years}} = \text{£32,530.75}$ .

Other Benefits. The member completed sufficient service to qualify to receive the following terminal benefits, which remain payable in addition to the CLS:

#### Immediate payment of:

EDP lump sum	–	£33,423.30
EDP income	–	£5,570.55 pa

NOTE: Part years (under both **AFPS 05** and **AFRS 06** rules) are first measured in days and then converted to whole years by dividing them by 365 and expressing the answer as a fraction of a whole year to four decimal places.

- If you have completed more than 40 years' **relevant service**, your CLS will be calculated in the same way as shown in the example above but the compensation will be limited to no more than the equivalent of 6 months' pay at FRE rates.

### Compensation – Earlier Leaver from a Long Service Commitment

If, before you were declared **redundant**, your terms of service committed you to serve to the **EDP** 18/40 Point or beyond, or to age 55 but you subsequently leave earlier on redundancy terms, you will not qualify to receive EDP or immediate payment of pension or the associated EDP or pension lump sum. However:

- your tax-free CLS will be calculated to reflect the loss of your much longer career expectation, and
- you will still be entitled to receive a Resettlement Grant (RG) (payable immediately) if you complete more than 12 years' relevant service before the date of your redundancy; also
- if you are an **AFPS 05** member, your pension and pension lump sum will be calculated and notified to you but these benefits will be preserved until you can claim payment of them, normally at age 65.

Where the above circumstances apply in your case you will be entitled to compensation in the form of a tax-free CLS calculated at one-eighth of FRE (approx equivalent to one and one-half months' pay) for each completed year of relevant service you gave up to a maximum of 18 years as illustrated in the following example.

### Example

1. A person was committed to serve to his EDP 18/40 Point.
2. He completed 8 years 122 days (8.3342 years) before leaving on redundancy.
3. His FRE were £50,000.
4. The CLS due =  $\frac{\text{FRE}}{8} \times 8.3342 \text{ years}$ , which is:  $\frac{£50,000}{8 \times 8.3342} = \text{£52,088.75}$ .
5. Other Benefits. Preserved pension and preserved pension lump sum are payable from age 65. Based on completed service.

### Compensation – Leaver with a Short Service Commitment

In this context, you are on 'short service' terms if your latest service commission or engagement would have been completed before you would have reached the **EDP** 18/40 Point even if you had not been made **redundant**. If you are declared redundant from a short service commitment you will receive compensation in the form of a tax-free CLS, which is to be calculated at the lower of either:

- (a) One-eighth of Final Relevant Earnings (FRE) (approx one and one-half months' pay) for each completed year of service, or
- (b) the sum of
  - (i) one-eighth of FRE for each uncompleted year of service against your latest service commitment, and
  - (ii) one-eighth of FRE.

### Example

1. A person was serving on a Short Service Commission for six years.
2. He completed four years relevant service before leaving on redundancy.
3. On leaving his uncompleted service was two years.
4. His FRE was £30,000.
5. His entitlement is the lesser of (a) or (b) below where  $\frac{FRE}{8}$  is approx equal to  $1\frac{1}{2}$  months' pay at FRE rates:
  - (a)  $\frac{FRE}{8} \times \text{completed years} = \frac{£30,000}{8 \times 4} = £15,000.$
  - (b)  $(\frac{FRE}{8} \times \text{uncompleted years}) + \frac{FRE}{8} = (\frac{£30,000}{8 \times 2}) + \frac{£30,000}{8} = (£3,750 \times 2) + £3,750 = £11,250.$
6. **CLS.** The lesser of the calculations at (a) and (b) above is the sum to be paid, which in this example is £11,250.00.
7. **Other Benefits.** The member completed insufficient service to qualify to receive RG or any other immediate terminal benefit but he will be entitled to claim a preserved pension and preserved pension lump sum when he reaches age 65.

### GENERAL RULES

The general rules that show the normal effect of re-employment on previously awarded terminal benefits are explained in the booklet 'Re-Employment' (MMP/116) in this series.

### RE-EMPLOYMENT AFTER REDUNDANCY

This section deals specifically with the additional requirement (where necessary) for you to repay all or part of the SCP or CLS that you received, if you are voluntarily re-employed within a specified period following **redundancy**. The specified period and the amount you must repay will depend on:

- which redundancy scheme authorised the compensation you were paid, and
- what type of re-employment you are about to undertake.

In this context you are deemed to be re-employed if you return to paid service in the Regular Armed Forces, certain formal commitments in the Reserve Forces or in a Public Service appointment that is reserved only for a former member of the Armed Forces. The Reserve Forces appointments affected are:

- Full-Time Reserve Service (FTRS) and
- Additional Duties Commitments (ADC), ie the part-time equivalent of FTRS.

### EXEMPTED ADDITIONAL SERVICE

You will not be required to repay any of the lump sums you received on redundancy if you:

- are recalled to permanent service in an emergency, or
- are called-out to permanent service as a member of the Reserve Forces, or
- undertake paid service for training as a member of the Reserve Forces for up to 180 man training days (MTD) in any 12 month period,
- are recruited for any Civil Service appointment, including one in the Military Support Function (MSF), using open competition selection procedures, or
- are recruited for any Non Regular Permanent Staff (NRPS) appointment, using open competition selection procedures.

### Repayment of SCP

If you received compensation for redundancy before 1 April 2008 under **AFRS 75** rules, the effect of voluntary re-employment on your SCP are shown at pages 12 to 13.

### Repayment of CLS

If you received compensation for redundancy after 6 April 2006 under **AFRS 06** rules, the effects of voluntary re-employment on your CLS are shown at page 14.

## REPAYMENT OF SCP

### REPAYMENT OF SCP PREVIOUSLY PAID UNDER AFRS 75 RULES

If you received compensation before 1 April 2008 under **AFRS 75** rules then you will be required to repay part of the SCP you received if you are re-employed in Regular service within a period of five years or on taking up any other post reserved for a former member of the Armed Forces, including FTRS/ADC within a period of two years. Where a refund is required it will be calculated as shown below:

- **Rejoining Regular Service.** The amount you will be required to repay is found by applying the formula below as illustrated in the example that follows it.  $(1 - \frac{A}{60}) \times B$

Where:

**A** is the number of complete months since redundancy, and

**B** is the amount of SCP when it was paid.

#### Example

1. A person left service before 1 Apr 08 on AFRS 75 redundancy terms.
2. His service break on rejoining is assessed at 18 complete months (A).
3. The SCP he received on redundancy was £70,000 (B).

(2) The sum to be repaid at the onset of re-employed service is therefore:

$$\begin{aligned} (1 - \frac{18}{60}) \times £70,000 &= 1 - 0.3 \times £70,000 \\ &= 0.7 \times £70,000 = £49,000. \end{aligned}$$

Note: If the service break had been 60 complete months or more, there would be nothing to repay.

- **Re-employment in FTRS/ADC Commitments.**

The amount you will be required to repay will depend on the length of your formal commitment to serve on FTRS or ADC terms.

– **Less Than Six Months** – There is no requirement to repay SCP where a person undertakes a single formal commitment to serve for six months or less on FTRS or ADC terms.

However, Individuals re-employed for two or more short periods of broken service, each of which starts within two years of redundancy, will have their repayment terms reassessed to take account of the aggregate of re-employed service, at the start of each new FTRS or ADC agreement.

– **Less Than 12 Months** – If within one year of redundancy you undertake a single commitment on FTRS or ADC terms for more than six months but less than 12 months, the amount you must repay will be calculated by applying the formula below.  $(1 - \frac{A}{12}) \times B$

#### Example

1. A person left service before 1 Apr 08 on AFRS 75 redundancy terms.
2. The service break on rejoining is assessed at six complete months (A).
3. The SCP he received on redundancy was £70,000 (B).

(2) The sum to be repaid at the onset of re-employed service is therefore:

$$\begin{aligned} (1 - \frac{6}{12}) \times £70,000 &= 1 - 0.5 \times £70,000 \\ &= 0.5 \times £70,000 = £35,000. \end{aligned}$$

NOTE: If the service break had been 12 complete months or more, there would be nothing to repay.

– **More Than 12 Months** – If, within two years of redundancy you undertake a commitment on FTRS or ADC terms for more than 12 months, the amount you must repay will be found by applying the formula below.  $(1 - \frac{A}{24}) \times B$

#### Example

1. A person left service before 1 Apr 08 on AFRS 75 redundancy terms.
  2. The service break on rejoining is assessed at 18 complete months (A).
  3. The SCP he received on redundancy was £70,000 (B).
- (2) The sum to be repaid at the onset of re-employed service is therefore:  $(1 - \frac{18}{24}) \times £70,000 = 1 - 0.75 \times £70,000 = 0.25 \times £70,000 = £17,500.$

NOTE: If the service break had been 24 complete months or more, there would be nothing to repay.

- **Re-employed in the Civil Service – Exempted Posts.** There will be no requirement to repay SCP if you are recruited for a Civil Service appointment on open competition terms. This exemption includes those appointments in the MSF.

- **Civil Service – Reserved Posts.** If within two years of **redundancy**, you take up a post that is reserved for a former member of the Armed Forces, you must repay an amount calculated using the formula below, with the limitation that your original SCP will not be reduced to an amount less than the equivalent of 3 months' basic pay at the rate paid when you were made redundant.

$$(1 - \frac{A}{24}) \times \frac{2B}{3}$$

Where:

**A** is the number of completed months elapsed since redundancy, and

**B** is the annual salary (excluding Recruitment Retention Allowance) received on appointment in the new post.

#### Example

1. A person left service before 1 Apr 08 on AFRS 75 redundancy terms.
2. The service break on rejoining is assessed at 18 complete months (A).
3. The salary on appointment to the Civil Service was £39,000 (B).

(2) The sum to be repaid at the onset of re-employed service is therefore:

$$\begin{aligned} (1 - \frac{18}{24}) \times \frac{2 \times £39,000}{3} \\ = \frac{0.25 \times £78,000}{3} = £6,500. \end{aligned}$$

Note: This refund cannot reduce the SCP to less than three months' military salary paid on the last day of paid service before redundancy.

## REPAYMENT OF CLS

### REPAYMENT OF CLS PREVIOUSLY PAID UNDER AFRS 06 RULES

If you received compensation under **AFRS 06** rules you will only be required to repay part of the CLS you were previously paid, if you are voluntarily re-employed within a relevant period. The proportion of CLS that you must repay is known as the relevant fraction. Both of these terms are explained below.

### REPAYMENT EXEMPTIONS

The general rules (at page 11) that relate to exemption from the requirement to repay compensation equally apply where a CLS was previously paid at any time under **AFRS 06** rules.

### THE RELEVANT PERIOD

The relevant period is the period of time (measured in days) that is represented by the value of the CLS. This means that if the sum paid to you on redundancy was the equivalent of 730 days' pay (at FRE rates) then there is no requirement to repay any part of the CLS after a service break of two years or more.

#### Example

1. A person left service on AFRS 06 redundancy terms.
2. His FRE were £35,000.
3. The CLS he received on redundancy was £70,000 (P).
4. He returned to paid service after a break of 18 months (547 days) (SB).
5. Relevant Period. The period during which a relevant

fraction shall be repaid is therefore:  

$$\frac{P \times 365 \text{ days}}{\text{FRE}} = \frac{70,000 \times 365 \text{ days}}{35,000} = 730 \text{ days.}$$

Note. There is a requirement to repay a relevant fraction of the CLS because he was re-employed within 730 days.

### THE RELEVANT FRACTION

The amount (ie – the relevant fraction of the CLS) that must be repaid is the proportion of the CLS that is represented by the unexpired part of the relevant period since the **redundancy**.

#### Example

Using the same detail as shown in the previous example:

The relevant period is 730 days – RP

The Service Break was 547 days – SB

The CLS Payment was £70,000 – P

Relevant Fraction. The relevant fraction of 'P' that is due to be refunded by the member is:

$$RP - \frac{SB}{RP} = 730 - \frac{547}{730} = 0.2507$$

### THE REFUND AMOUNT

The sum that the person must repay at the start of re-employed service is simply the CLS x the relevant fraction. In the example case above that is  

$$£70,000 \times 0.2507 = £17,549.00.$$

## FURTHER INFORMATION

If you have any queries about issues raised in this booklet, please contact your unit administration office in the first instance. In addition, the Service Personnel and Veterans Agency (SPVA) is also on hand to answer questions. They can be contacted at the following address:

#### Pensions Divison

Mail Point 480

Kentigern House

65 Brown Street

Glasgow

G2 8EX

Or telephone the Pensions Enquiry Service:

BT: 0800 085 3600

Military: 94560 3600

Email: JPAC@afpaa.mod.uk

### Other Booklets in this Series

Your unit administrator can obtain these booklets from DSDC (Llangennech) by quoting the relevant MMP number.

Relating to **AFPS 75**:

- **Your Pension Scheme Explained – (MMP/104)**
- **Commutation – (MMP/107)**
- **Family Pension Benefits – (MMP/114)**
- **Invaliding – (MMP/115)**

Relating to **AFPS 05**:

- **Re-employment – (MMP/116)**
- **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 **AFPS 75**, **AFPS 05** and **RFPS**:

- **Increasing Benefits – (MMP/128)**
- **Transferring Benefits – (MMP/129)**
- **Internal Disputes Resolution Procedures – (MMP/130)**
- **Pension Benefits on Divorce – (MMP/131)**

### Other Sources of Information

More on pensions and compensation can be found on the Defence Intranet at:

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

or on the internet at:

[www.armedforcespensions.mod.uk](http://www.armedforcespensions.mod.uk)

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