

DEFENCE INSTRUCTIONS AND NOTICES

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Title:	Redundancy Provisions for the Regular Armed Forces
Audience:	All Regular Service Personnel
Applies:	Immediately
Expires:	31 March 2008
Reference:	2006DIN02-216
Released:	July 2006
Channel:	02 – Personnel
Content:	Redundancy Terms under the Armed Forces Pension Scheme 1975 (AFPS 75), the Armed Forces Pension Scheme 2005 (AFPS 05), and transitional arrangements for those who transferred to AFPS 05 under the Offer To Transfer (OTT).
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Background – The Need For Change:

1. The redundancy terms for the Armed Forces Pension Scheme 1975 (AFPS 75) have remained largely unchanged for over 30 years. They need to reflect changes in Armed Forces pensions policy since then and, in particular, changes for the rest of the Public Service. In addition, new redundancy terms are needed for the Armed Forces Pension Scheme 2005 (AFPS 05). There will be no change for those being made redundant under the current programme (by 31 March 2008) except for those who have transferred to AFPS 05 and want to leave under the new terms, in spite of the different redundancy benefits.

Key Points

- New redundancy provisions consistent with the Armed Forces Pension Scheme 2005 (AFPS 05) have been agreed for members of the Regular Armed Forces who:
 - entered Service after 5 April 2005; or
 - were in Service on 6 April 2005 and transferred from AFPS 75 into AFPS 05 on 6 April 2006.
- The existing AFPS 75 redundancy terms will remain in force until 31 March 2008 when they will be revised.
- The revised redundancy terms for AFPS 75 will provide benefits broadly reflecting those for AFPS 05.
- There will be special transitional arrangements for personnel who are made redundant as part of the current restructuring of the Armed Forces, due to complete by 31 March 2008.
- The differences between the redundancy terms of the pensions schemes set out in this DIN should be considered carefully by all those who transferred from AFPS 75 to AFPS 05 as part of the Offer To Transfer (OTT) exercise.

Introduction

2. This DIN, is an update of the expired DIN 2005DIN02-093, which describes:
- a. Existing redundancy arrangements as set out in AFPS 75.
 - b. Revised terms for AFPS 75 which are to be introduced in two stages on 1 April 2008 and 1 April 2013.
 - c. New redundancy arrangements for AFPS 05.
 - d. Special transitional arrangements for those who opted to transfer to AFPS 05 but are then made redundant as part of the current rundown programme, with a redundancy date of no later than 31 March 2008.

- e. Revised terms for senior officers (one-star rank and above) who are compulsorily retired early under the Directed Early Retirement scheme.

Existing Terms As Set Out in AFPS 75

3. The main features of the existing AFPS 75 redundancy terms are:

- Those who have completed less than 12 years' qualifying service¹ of a longer term commission or engagement receive a tax-free lump sum, called a Special Capital Payment (SCP), of up to 19 months' pay.
- Those who have completed 12 years' qualifying service or more receive a SCP of up to 18 months' pay, plus an Immediate Pension (IP). The maximum SCP of 18 months' pay is based on five years or more of uncompleted service.
- Those serving on engagements or commissions of less than 22 or 16 years respectively receive a SCP, calculated as one months' pay for each year of service completed, or one months' pay for each year by which service is shortened, plus one month's pay - whichever is the less.

Revised AFPS 75 Terms, To Be Introduced From 1 April 2008

4. Revised redundancy terms will be introduced for AFPS 75 from 1 April 2008. To ease the transition to the revised terms which are less valuable in a number of respects than the existing arrangements for AFPS 75, interim terms will apply to the value of the SCP payable to those entitled to an IP. These interim terms will apply for any redundancies falling between 1 April 2008 and 31 March 2013. The main features of the revised terms, including the interim terms, will be:

- An IP payable to those who have completed at least 18 years' full paid service from age 18. For officers, an IP is payable after 16 years' reckonable service from age 21, if that pension point is reached earlier.
- A tax-free SCP of up to 27 months' pay (calculated as 1.5 months' pay for each year of completed qualifying service) for those who leave before their Immediate Pension Point (IPP).
- Those who qualify for an IP will, in addition, receive a tax-free SCP; the maximum payment will depend on their effective date of redundancy (see table below for details) and will be calculated on the uncompleted portion of their engagement or commission.
- Those on engagements or commissions which would not be sufficient to qualify for an IP will be eligible for a SCP, calculated as either 1.5 months' pay for each year of completed service, or 1.5 months' pay for each year by which redundancy has shortened the commitment for further service, plus 1.5 month's pay - whichever is the less.

Interim AFPS 75 Terms For Redundancies Effected Between 1 April 2008 and 31 March 2013

5. These interim arrangements will contain the same main features as those described at paragraph 4, except that:

- Those who qualify for an IP will, in addition, be entitled to a SCP of up to nine months' pay based on the uncompleted portion of their commission or engagement. The maximum SCP of nine months' pay will apply to those with three or more years of uncompleted service. For those whose uncompleted portion is less than three years, the sum tapers evenly as shown in the table below.

Uncompleted Service	Pay Equivalent Rate
3 years or more	9 months
2 years	6 months
1 year	3 months
Less than 1 year	1/12 th of 3 months' pay for each complete month by which redundancy has shortened the commitment for further service (eg 6 months' uncompleted service gives 1.5 months' pay)

¹ Qualifying service – service from age 18 for all ranks

Final AFPS 75 Terms For Redundancies Declared After 31 March 2013

6. These terms will be the same as those which apply from 1 April 2008, except that:

- Those who qualify for an IP will receive a smaller SCP of up to three months' pay based on the uncompleted portion of commission or engagement. Those with one or more years' uncompleted service will qualify for three months' pay. For those whose uncompleted portion is less than a year, the sum tapers evenly as shown in the final row of the table above.

New Redundancy Terms Consistent With AFPS 05

7. The new redundancy terms for entrants, re-joiners and re-enlistments to the Regular Armed Forces from 6 April 2005, and those who opted to transfer to AFPS 05 following the OTT exercise, include the following features:

- Those committed to serve to at least the Early Departure Payments (EDP) 18/40 Point² but who leave before that point, will be entitled to a Compensation Lump Sum (CLS) of up to 27 months' pay calculated as 1.5 months' pay for each year of completed service.
- Those who qualify for an EDP and leave before age 55, will in addition, be entitled to a CLS of up to 12 months' pay, based on the uncompleted portion of their commission or engagement. The maximum CLS of 12 months' pay is based on four years' or more uncompleted service. For those whose uncompleted portion is less than four years, the sum tapers as shown in the table below.

Uncompleted Service	Pay Equivalent Rate
4 years or more	12 months
3 years	9 months
2 years	6 months
1 year	3 months
Less than 1 year	1/12 th of 3 months' pay for each complete month by which redundancy has shortened the commitment for further service (eg 6 months' uncompleted service gives 1.5 months' pay)

- Those on engagements or commissions which would not be sufficient to qualify for an EDP will be eligible for a CLS calculated as either 1.5 months' pay for each year of completed service, or 1.5 months' pay for each year by which redundancy has shortened the commitment for further service, plus 1.5 months' pay - whichever is the less.

Special Transitional Arrangements For Those Affected By The Current Redundancy Programme

8. The introduction of new redundancy terms for those who transferred to AFPS 05 coincides with the restructuring of the Armed Forces. A special transitional arrangement has therefore been agreed, to ensure that no one selected for redundancy as part of the current programme is disadvantaged if they opted to transfer to AFPS 05 before they are notified of redundancy.

9. The transitional arrangement only applies to personnel who have been selected for redundancy as part of the current manpower reductions (announced by the Secretary of State in July 2004, and due to end on 31 March 2008), and who have already elected to transfer to AFPS 05 as part of the OTT exercise. Such personnel will be given the opportunity to revert to AFPS 75, if they wish, to benefit from redundancy benefits available under that scheme. This means that they would transfer back into AFPS 75 and then be eligible for AFPS 75 redundancy and pension benefits. The decision of an eligible person to revert to AFPS 75 MUST be received and actioned by AFPAA before his/her last day of paid Service.

Directed Early Retirement

10. The benefits under each of these arrangements will apply equally to senior officers (one-star rank and above) who are compulsorily retired early under the Directed Early Retirement (DER) Scheme. Eligibility for the arrangements as set out above will depend on the date of DER and either the pension scheme to which the individual belongs or the date of entry in the event that the individual has opted out of Armed Forces Pension Scheme arrangements.

² Aged 40 or over AND completed at least 18 years' paid service for all ranks.

Further Information

11. Attached at Annex A is a pictorial representation of the changes. Detailed information on the new AFPS 05 terms will be published in JSP 764, and the scheme rules for AFPS 75 will be amended in due course to cover the revised AFPS 75 terms that will take effect from 1 April 2008.

12. General information about the Armed Forces Pension schemes and the redundancy schemes can be found on the MOD intranet and internet sites (for details see below).

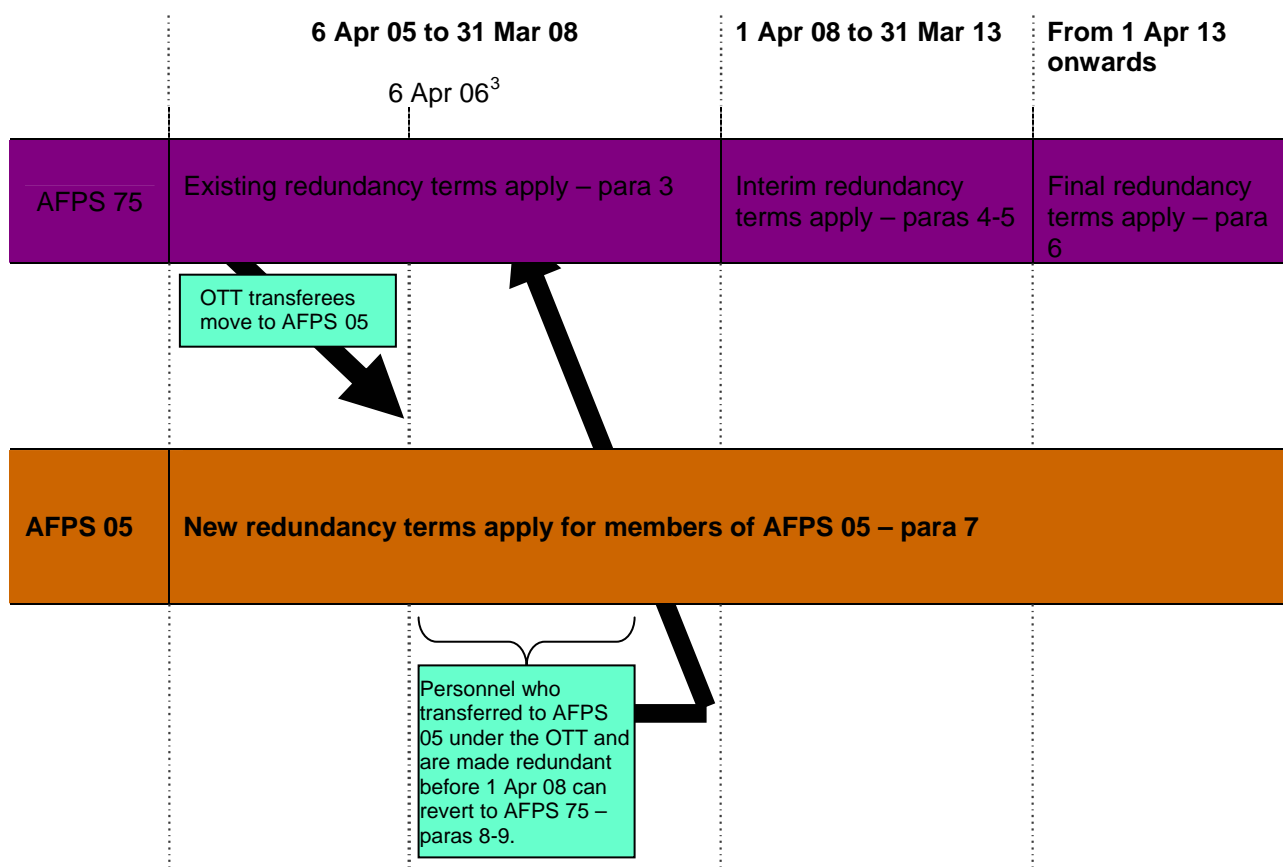
Intranet: <http://defenceintranet.diiweb.r.mil.uk/DefenceIntranet/Admin/FindOutAboutArmedForcesPensions>

Internet: www.mod.uk/AboutDefence/Issues/Pensions

If you have a general enquiry, you can email Karen Petrie, SPPol Pensions

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REDUNDANCY TERMS



³ Member Transfer Date for those personnel who elected to transfer to AFPS 05 under the OTT.