



Invalidating Benefits from both AFPS 75 and AFPS 15 – How Does That Work?

In last month's Pathfinder we set out the basic provisions of AFPS 15 in preparation for the transfer of AFPS 75 and AFPS 05 members (who were previously Transitionally Protected) to that scheme on 1 April 2022. We also promised that, going forward, we would explore how having benefits in more than one scheme worked in certain circumstances. In this article Mary Petley of the Forces Pensions Society explains how invalidating benefits work for former AFPS 75 members transferring to AFPS 15 for the first time.

To have been an AFPS 75 member up until 31 March 2022 you would have had to have been born before 1 April 1967 (or you would have been transferred to AFPS 15 in 2015). Thus, I am assuming that the audience for this article will be in their mid-50s – but that does not mean that they will not be invalidated, and it does not mean that they will not be anxious to know that they will still receive their AFPS 75 benefits despite now being a member of AFPS 15.

Your AFPS 75 entitlement will be paid immediately on discharge and that award includes a tax-free lump sum worth three times the pension. The pensions, which are index-linked from the outset, are calculated based on the individual's rank for pension at the date of their discharge, their length of reckonable service (RS) in AFPS 75 and the Pension Code in force on the date of their discharge.

AFPS 15 allocates the invalidating condition to one of three Tiers:

- Tier 1 - the condition is deemed not to significantly impair the individual's capacity for civilian work.
- Tier 2 - the condition is deemed to significantly impair the individual's capacity for civilian work.
- Tier 3 - the condition is deemed to prevent further full-time work.

Tier 1 benefits are based on 1/8th of final pensionable pay for each year of RS subject to a minimum of 6 months' pay and a maximum of 2 years' pay. If, however, the member qualifies for Early Departure Payment (EDP) Scheme payments, they are paid instead of Tier 1 benefits. To qualify, a member needs to be at least age 40 with at least 20 years RS (the 20/40 Point). The AFPS 15 pension is deferred until the member's State Pension Age (SPA) but may be claimed at any point after age 55 at an actuarially reduced rate.

For Tiers 2 and 3, RS is enhanced by a proportion of prospective service to age 60 and the index-linked pension is payable straight away. For Tier 2 this proportion is 1/3rd and for Tier 3 it is 1/2. AFPS 15 does not feature an automatic lump sum but pension may be surrendered to generate one – the rule of thumb is that £1 surrendered produces a tax-free lump sum of £12.

The allocation of the conditions to a Tier can be challenged on one of two grounds:

- If the original decision was incorrect; or
- If the condition has deteriorated in an unexpected way.

If successful, the benefits will be recalculated and back dated to the date of discharge if the decision was incorrect, or to the date of the request for review if the condition has deteriorated in an unexpected way.

Well, that is the qualification framework set out. The question is how does this work for people with benefits in both AFPS 75 and AFPS 15? Benefits will be due from both schemes but there will be adjustments to any invalidating enhancements to reflect the proportion of total service spent in a given scheme – this gets complicated so the best way to illustrate this is to provide examples.

The first example is for someone who has reached the 20/40 Point: the second is then for someone who has not. Both examples use pay and pension information for 2021/22, as 2022/23 data is not yet available.

EXAMPLE 1

WO1 Bloggs joined on 1 April 1992 at exactly age 25. They have been a WO1 for over 2 years, so their rank for pension is WO1, their Final Pensionable Earnings (FPE) are £52,301 and their AFPS 15 pension earned in their 1 year

membership of that scheme is £1,112.79. They are to be medically discharged, aged 56, on 1 April 2023, so their RS is exactly 31 years: 30 years in AFPS 75 and 1 year in AFPS 15.

Whatever Tier their condition is placed in, the calculation of the AFPS 75 entitlement is the same. They are entitled to the 30 year 'normal' rate for a WO1 (£21,060) plus an enhancement for the fact that the discharge is a medical one. The enhancement is calculated by subtracting the 'normal' rate from the 30-year Service Invaliding Pension (SIP) rate and adding 30/31st of the difference to the 'normal' rate. The initial calculation is £22,575 (SIP) minus £21,060 (normal rate) = £1,515. 30/31st of £1,515 is £1,466. This is added to the 'normal' rate giving an AFPS 75 award of £22,526 (£21,060 + £1,466) per year and a tax-free lump sum of £67,578. They are also entitled to benefits from AFPS 15 in respect of their service from 1 April 2022.

Had their condition been placed in Tier 1, they would receive their AFPS 15 EDP (as they had reached the 20/40 Point) and a deferred pension (DP) payable at their SPA. The DP would be £1,112.79 and this is normally payable at SPA. The EDP income would be 43.35% of the deferred pension (so, 34% plus an additional 0.85% for each of 11 years served beyond the 20/40 Point which, having joined at age 25, they would have reached at age 45) – that gives an EDP income of £482.39 and a tax-free lump sum of £2,503.78 (2.25 times the DP).

Had their condition been placed in Tier 2 their enhancement would be 1/3rd of their prospective service to age 60 (so, 1/3rd of 4 years = 1.3333 years) but this would need to be divided by 31 to reflect the proportion of their service (1/31st) that was as an AFPS 15 member. This adjusted enhancement (0.0430 years) is then added to their 1-year RS in AFPS 15 and multiplied by the average pension (£1,112.79) giving a Tier 2 pension award £1,160.63.

Had their condition been placed in Tier 3 their enhancement would be ½ of their prospective service to age 60 (so, ½ of 4 years = 2 years) but, again, they are only entitled to 1/31st of this. This adjusted enhancement (0.0645 years) is then added to the 1-year RS in AFPS 15 and multiplied by their average pension (£1,112.79) giving a Tier 3 pension award of £1,184.56.

EXAMPLE 2

Sergeant Wilson has 17 years RS in AFPS 75 and 2 years in AFPS 15 when medically discharged on 1 April 2024 at age 54. Their FPE is £47,000 and their average pension for their 2-year AFPS 15 membership is £1,000.

Their AFPS 75 benefits would be 17/22^{nds} of the Pension Code rate for their rank, plus 17/19^{ths} of the difference between that rate and the SIP. That gives an annual AFPS 75 pension of £11,570.49 (comprising £9,177.68 'normal' pension plus £2,392.81 SIP adjustment) and a tax-free lump sum of £34,711.47.

They are also entitled to benefits from AFPS 15 in respect of their service from 1 April 2022. If the condition was in Tier 1, they would be entitled to 2/19^{ths} of 2 years FPE – so, Sergeant Wilson's Tier 1 lump sum would be £9,894.74. Their AFPS 15 DP of £2,000 per year would normally be payable at their SPA.

If their condition was in Tier 2 their enhancement would be 1/3rd of their prospective service to age 60 (i.e. 2 years), but they are only entitled to 2/19^{ths} of this. This adjusted enhancement (0.2105 years) is then added to the 2 years RS in AFPS 15 and multiplied by the average pension (£1,000) giving a Tier 2 pension award of £2,210.50.

Had their condition been placed in Tier 3, the enhancement would be ½ of their prospective service to age 60 (i.e., 3 years), but they are only entitled to 2/19^{ths} of this. This adjusted enhancement (0.3158 years) is then added to the 2 years RS in AFPS 15 and multiplied by their average pension (£1,000) giving a Tier 3 pension award of £2,315.80.

This is not easy stuff! If you are a member of the Forces Pension Society and have pension-related questions, email us at pensionenquiries@forpen.co.uk. If you are not a member but would like to know more about us, visit www.forcespensionsociety.org.

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