

The benefits of Armed Forces Pension Scheme 2015

After the furore caused by the introduction of new public sector pensions schemes in 2015, the further complications in the wake of the McCloud case and the transfer of all still serving members of the Armed Forces onto AFPS 15 on 1 April, **Colin Thomas** explains what this all means to those now on the scheme.

On 1 April 2022, all Regular and Reserve Forces personnel who were still in service became members of Armed Forces Pension Scheme 2015 (AFPS 15). If you were previously a member of a legacy ('old') scheme – for example, AFPS 75 or AFPS 05 – any pension you accrued or earned in those schemes will be protected. You will not lose the benefits.

So, let's look at why AFPS 15 is still one of the best public sector pension schemes out there and not the bad relation nobody wants to talk about.

The table on page 43 provides a useful summary of how it compares with other public sector schemes. We will now look in more detail at some of the key benefits of AFPS 15.

Pension

Unique among public service pension schemes, members are not required to make direct financial contributions to AFPS 15 (although this is taken into account in the wider context of overall remuneration). It is also acknowledged that the extreme

nature of the Armed Forces' selfless commitment all too often results in sacrifices that are more valuable than any financial contribution could ever match.

If you serve to age 60, your '15 scheme pension will be paid immediately when you leave. If you exit the Armed Forces before reaching 60, your pension will be 'deferred' and come into payment at your state pension age.

You can request for your pension to be paid earlier from age 55, but if you do this it will be subject to actuarial reductions as the pension will be paid over a longer period.

Every year while you are serving, as a member of AFPS 15 the MOD adds 1/47th of your annual pensionable earnings (your basic salary) for that year to your individual 'pension

entitlement'. The pension grows from your first day of paid service in the scheme and is carried forward each year, where it increases slightly with indexation to ensure that it tracks inflation and maintains its value.

The indexation is based on the Average Weekly Earnings index and works in a similar way to money in a bank account, earning interest.

So, ignoring any in-service revaluations and indexation, the table below shows what the added amount would be to the pension of someone earning £38,000 in any given year, based on various public sector pension accrual rates.

Early Departure Payment (EDP)

A full career to age 60 (normal pension age) or beyond is not available to the majority of service personnel.

The '15 scheme EDP aims to retain personnel in the Armed Forces through to at least age 40, and then to compensate them for the fact that their military career is shorter than that available in civvy street.

“AFPS 15 is still one of the best public sector pension schemes out there”

Salary	Armed Forces	Civil service	Police	Fire brigade	Teachers	NHS
£38,000	£808.50	£881.60	£687.10	£636.50	£666.60	£703.70

	Armed Forces	Civil service	Police	Fire brigade	Teachers	NHS
Accrual	1/47	1/43.1	1/55.3	1/59.7	1/57	1/54
Direct personal contributions	0%	5.03% av	13.11% av	12.25% av	9.55% av	10.8% av
Death-in-service lump sum	4 times	2 times	3 times	3 times	3 times	2 times

To qualify for an EDP, you will need to serve to at least age 40 (and leave before age 60) and for a minimum of 20 years. This is known as the EDP 20/40 point.

If you have a break in Service of more than five years, on rejoining the Armed Forces you will need to serve for at least another 20 years in order to qualify. Please note that EDP is not available to Reservists.

EDP consists of an annual income (equivalent to at least 34% of the deferred pension) and a tax-free lump sum (equivalent to 2.25 times the deferred pension).

The EDP is a benefit that is entirely separate to any pension to which you may be entitled and, in the public sector, is unique to the Armed Forces.

Added Pension

Added Pension is extra pension you can buy to increase your own retirement benefits and (if you wish) your dependants' benefits as well.

To purchase Added Pension, you need to make a minimum contribution of £25 per month or a £300 lump sum for the year.

Exactly what any given sum will buy depends on factors such as:

- Your age when you start to pay for Added Pension
- Whether you pay monthly or by lump sum
- When the 'contract' is taken out

- Whether you buy Added Pension just for yourself or for your dependants as well.

You can obtain a quote for the amount of additional pension you can

Added Pension is extra pension you can buy to increase your own benefits

accrue by applying to DBS Veterans UK on an AFPS Form 6, which can be found at www.gov.uk under 'Veterans UK Armed Forces Pensions Forms'.

Veterans UK will provide the quote on AFPS Form 6A, and if you are satisfied with it and wish to proceed to contribute Added Pension, you simply sign the Form 6A and return it to them. This effectively becomes the 'contract' for that scheme year.

The total amount of Added Pension that can be purchased over your public service career is capped, and since 2015 the increase has been capped at £6,500 in pension benefits per year.

Your added pension contributions will be deducted from your gross pay before tax is charged on the balance, so it is tax-efficient.

The 'contract' will run from April to March each year and you must renew

it annually by submitting a new AFPS Form 6 if you wish to continue adding to your pension in this way.

If you do make Added Pension contributions, it will give you a bigger pension at your state pension age and will also increase your EDP annual income and lump sum, providing of course that you qualify for an EDP.

The quote given by Veterans UK for your investment for that year is a guaranteed amount; it is not subject to stocks and shares, dividends and bonds, ups and downs or big bosses' bonuses. It's completely guaranteed by the UK government.

Dependants' benefits

Now, not wishing for anything to happen to any of you, if death should occur, you will want to be assured that your loved ones will be looked after. Dependants' benefits can be complex and I will therefore only touch on the key principles here.

Where schemes such as AFPS 75 were very precise on who would benefit in the event of a member's death, AFPS 15 is very much more in tune with the types of relationships in today's society.

Providing you have served for more than two years at the time of your death, if you have a spouse or civil partner, they will be eligible to receive a pension under AFPS 15,



whereas a former spouse from whom you have divorced, or former civil partner if you have legally dissolved the civil partnership, is not eligible.

Be aware that a former spouse from whom you have not divorced, or former civil partner if you have not legally dissolved the civil partnership, is eligible to receive a pension, even if you have entered into a new relationship.

If your marriage or civil partnership took place within six months prior to your death, the award of a pension to your surviving spouse or civil partner will not be automatic.

DBS Veterans UK will examine the circumstances of these cases to ensure that the marriage or civil partnership was not entered into purely for financial gain.

If you have no surviving spouse or civil partner, an eligible partner may also be eligible to receive a pension, providing that a substantial and exclusive relationship existed with financial dependence or inter-dependence, and there was no legal reason preventing you from getting married or forming a civil partnership.

It is crucial that you keep your details up to date on Joint Personnel Administration and regularly review your nomination form in order to avoid any delay or mistakes in

payment in the event of your death.

If you were to die in Service, then as a member of AFPS 15, your spouse, civil partner or eligible partner will receive an immediate pension paid for life and a tax-free lump sum.

The immediate pension is calculated in the same way as a Tier 3 enhanced ill-health pension, and your spouse, civil partner or eligible partner will receive 62.5% of this amount.

The lump sum is four times your final pensionable earnings and will be paid regardless of whether you have completed at least two years of qualifying service.

If you were to die in Service, your partner receives an immediate pension for life

If you leave the Armed Forces with a deferred pension and die before this comes into payment, your spouse, civil partner or eligible partner will receive an immediate pension paid for life and a tax-free lump sum. This is also payable if you were in receipt of an EDP before your death.

The immediate pension is based on your deferred pension, and your

spouse, civil partner or eligible partner will receive 62.5% of this amount. The lump sum is equivalent to five years' worth of deferred pension. It is crucial that Veterans UK and Equiniti are advised of your death so that your dependants' benefits can be set up with the minimum of delay.

And if your Armed Forces pension is already in payment when you die, your spouse, civil partner or eligible partner will receive 62.5% of this amount.

There may be a lump sum payable, but that is only if your own pension has been in payment for less than five years.

Your children will also benefit if they are eligible. An eligible child is defined as a child who is under 18, and who was financially dependent upon you at your date of death.

In addition, those under the age of 23 who are in full-time education or vocational training are also eligible, as are children of any age who are unable to obtain gainful employment due to a physical or mental impairment. An eligible child receives a pension for as long as he/she remains eligible.

So, the benefits of AFPS 15 are better than most and the longer that you are on the scheme the better the benefits. Remember, it pays to understand your pension. [🔗](#)