

FPS Factsheet

Pension Planning for Retirement

Few people embark on Armed Forces careers knowing what our pensions might look like in the future, but it is never too late to better understand your pension. Here we look at some considerations to help with pension planning for retirement.

Payment Triggers

Eligibility for pension benefits depends on your scheme and, for AFPS 75 members, whether you are commissioned or non-commissioned. You must complete at least two years' service to qualify for any benefits.

At 9 years' service (commissioned AFPS 75 members) or 12 years' reckonable service, you may qualify for a tax-free Resettlement Grant to support your transition to civilian life, provided you are not entitled to an immediate pension.

If you leave at this point, your pension would be preserved/deferred and paid later.

For **AFPS 75**, this is at age 60 for service up to and including 6 April 2006 or age 65 for service thereafter.

For **AFPS 05**, if you leave before age 55, then your deferred pension will be paid at age 65.

With **AFPS 15**, if you leave before age 60, then your pension becomes payable at your State Pension Age (SPA).

Immediate Benefits by Scheme

Under **AFPS 75**, non-commissioned personnel qualify for an Immediate Pension after 22 years' service from age 18 (or date of joining, if later), while officers qualify after 16 years' service from age 21 (or date of joining, if later). At this point, a pension and lump sum become payable.

Under **AFPS 05 and AFPS 15**, pension benefits build up from your first day of paid service. Immediate benefits are provided through the Early Departure Payment (EDP) scheme, which pays a tax-free lump sum and taxable income until your deferred pension becomes payable. EDP continues to be paid until the AFPS 05/AFPS 15 preserved/deferred pension comes into payment.

Under **AFPS 05**, you become eligible for Early Departure Payments (EDP) after 18 years' qualifying service and age 40 (the '18/40 point'). Those who serve to age 55 receive an immediate pension and lump sum instead of EDP. EDP is not available to Reserve personnel or Medical and Dental Officers who opt to receive professional bonuses.

AFPS 15 works in a similar way, but you need to complete 20 years' qualifying service and be over age 40, known as your 20/40 point, to receive EDP on leaving. To leave with an immediate pension, you would have to serve until at least age 60.



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If you are a member of more than one scheme, you need to meet the criteria for each scheme to leave with immediate benefits. If, for example you are a member of AFPS 15 with accrued rights on AFPS 05 but only serve until your 18/40 point, you would leave with immediate AFPS 05 benefits (i.e. EDP) but your AFPS 15 pension would be deferred until your SPA.

	AFSP75	AFSP05	AFPS15
Resettlement Grant	9 years (OF) 12 years (OR)	12 years	12 years
Early Departure Payments	N/A	18/40 point	20/40 point
Immediate Pension	16 years (OF) 22 years (OR)	Age 55	Age 60
Preserved/Deferred Pension	Age 60 or Age 65	Age 65	State Pension Age

Commutation

Commutation is the replacement of one type of benefit with another and may take the form of giving up pension income in exchange for an increased lump sum or giving up all or part of a lump sum to generate more income. There are different options available for each pension scheme.

Resettlement Commutation (AFPS 75): Under the scheme rules, those leaving with an Immediate Pension before age 55 may commute pension income to generate a larger lump sum. This is 'repaid' from your pre-tax pension between your retirement and age 55. This can be tax efficient, as it reduces your level of earned income. At age 55, your pension income is restored to its pre-commutation value.

Inverse Commutation (AFPS 05 and 15): The AFPS 05 pension provides a tax-free lump sum on exit if you leave at or after age 55, or at age 65 if you leave before age 55. When this is payable, you may choose to give up some or all of this lump sum to improve your pension. There is no commutation option in respect of the AFPS 05 EDP lump sum on exit. AFPS 15 provides an automatic tax-free EDP lump sum once you have reached your 20/40 point. The entire EDP lump sum can be surrendered to improve your EDP income until SPA. Inverse Commutation may increase tax liability as you are earning more taxable income.



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Commutation (AFPS 15): AFPS 15 does not provide an automatic lump sum when your pension is due. This is either on exit if aged 60 or older, or at SPA if leaving before age 60. When your pension comes into payment, you can choose to generate a tax-free lump sum by surrendering some of the pension. The reduction remains in place for life and the pension is never restored to the full value. Commutation may have the effect of reducing tax liability as you receive less income.

Postponement or Early Payment

Postponement of your pension is only available with AFPS 15, where the receipt can be delayed beyond SPA. A late payment supplement is applied to the pension which is enhanced for life.

Early payment is only available with AFPS 05 and AFPS 15 and can be requested from age 55 onwards. This includes the early payment of any lump sum due at the same time as the pension. This results in an actuarially reduced pension, determined by the age at which you take the pension and the normal retirement age for the scheme, which is payable for life – the full amount is not restored at any point in the future.

Preserved Pension Benefits

If you leave with preserved/deferred pension benefits, then these are not paid automatically, and you need to remember to claim them by submitting an AFPS Form 8. In the same way as when you were serving, you are eligible for one free forecast of your deferred benefits every 12 months. You request this from Veterans UK using an AFPS Form 14. Forms can be found at this link:

[Veterans' UK Armed Forces pension and insurance declaration forms](#)

Pension Increases

Pension and EDP income already in payment are increased annually by the Consumer Price Index (CPI). The increase is based on the September rate of CPI, which is usually announced in mid-October and is effective from the first Monday following the start of the new tax year. In the year that you leave the service, the increase is proportionate based on the month you retire. The increases are then received annually thereafter. If you are under age 55 on retirement, then the pension increases since your exit date are stored and applied on your 55th birthday. You do not need to apply for this to happen – it is done automatically.

State Pension

Those reaching SPA after 6 April 2016 are eligible for the new State Pension (SP), in addition to their Armed Forces Pension. To be eligible for a full new SP, you need to have contributed 35 full years of National Insurance Contributions. [Check your state pension.](#)

Your pension is with you for life; wherever you are on that journey, we're here to help you better understand it.