

Ombudsman's Determination

Applicant	Mr N
Scheme	Armed Forces Pension Scheme (the AFPS)
Respondent	Veterans UK

Outcome

1. I do not uphold Mr N's complaint and no further action is required by Veterans UK.
2. My reasons for reaching this decision are explained in more detail below.

Complaint summary

3. Mr N disagrees with the methodology used by Veterans UK to calculate his pension debit. He says that it results in a higher debit than that specified in the pension sharing order (**PSO**).
4. Mr N contends that the calculation of the debit goes against the ethos, intent and purpose of the Welfare Reform and Pensions Act 1999 (the **1999 Act**).

Background information, including submissions from the parties

5. Mr N was an active member of the AFPS until he retired in May 2017.
6. In 2004, a PSO was made in respect of Mr N's shareable rights under the AFPS. It required 50% of his pension to be transferred to his former spouse.
7. Mr N's ex-wife was awarded an internal credit in the AFPS.
8. On 11 November 2004, Veterans UK notified Mr N that the PSO had been implemented. The notice of discharge of liability, (**Notice of Discharge**), included the following breakdown:

"6. Value of Pension Prior to Sharing. You are advised that the gross value (see notice 1 on page 3) of your pension benefits has been reassessed to include all those benefits that were earned and/or purchased by you up to the Transfer Day. The value of those benefits on the Valuation Day [11 November 2004] is shown below.

Pension -	£13,136.62 per annum
Terminal -	£39,409.86 (lump sum)
Widow's Benefits -	£6,568.31 per annum
The [cash equivalent value] of all benefits -	£323,334.01"

...

8. Current Value of Pension. The remaining value of your pension benefits as at the Transfer day [:7 September 2004] and after implementation of the Sharing Order is as shown below.

Pension	£6,568.31 per annum
Terminal Grant	£19,704.93 (lump sum) ...
Widow's Benefits	£3,284.16 per annum"

9. The Notice of Discharge explained that the value of Mr N's "debts" were subject to periodic increases in line with the retail prices index. It stated that the values could only be deducted immediately from his total benefits, if his pensionable service had ended before the "Transfer Day".

10. The notes (the **Notes**) accompanying the Notice of Discharge said:

"IMPORTANT NOTICES ABOUT POSSIBLE CHANGES IN THE VALUE OF THE DEBIT, (AS SHOWN AT PARAGRAPH 8, ON PAGE 2), FOLLOWING THE TRANSFER ARRANGEMENT (original emphasis):

1) Long Service Members – Where the Debit Will Increase in Value.

- If you were still serving on the Transfer Day;
- And, on that date, you had already completed the minimum qualifying service required to receive immediate pension, whenever you subsequently required;
- Then the value of your debit (at paragraph 7 on page 1) would increase progressively until you actually retire.

11. The Notes clarified the reason for the "Increase". It stated that Veterans UK had a legal duty to assume Mr N had retired on the "Transfer Day". The Notes explained that the pension debit would be increased using actuarial factors, in respect of the service Mr N accrued after his divorce. However, if he had been a pensioner, the debit would have immediately reduced his pension.

12. Around November 2005, Mr N requested a revised personal benefit statement. Veterans UK's response dated 10 November 2005 stated that, while the debit figures differed from those Veterans UK had advised at the time the PSO was implemented, they were "of the same actuarial value" as those Veterans UK had provided. Veterans

UK explained that, as Mr N was entitled to an immediate pension on the Transfer Day, it had to assume that his pension was already in payment although he continued to accrue further pension. The notes provided therein restated that his pension debits would increase annually in line with inflation.

13. In March 2008, Mr N requested a pension forecast showing the effects of the PSO. On 29 May 2008, Veterans UK provided estimated figures based on Mr N retiring in May 2010. Veterans UK quoted a lump sum of £25,192, and revised pension of £6,351 per annum, after allowing for "Abatement for Resettlement Commutation". Veterans UK warned that the actual figures may differ.
14. In July 2011, Mr N requested a pension forecast on the same basis. On 26 September 2011, Veterans UK quoted a pension of £6,252 per annum and a lump sum of £24,918 as at 15 May 2015. Veterans UK emphasised that the figures could change.
15. On 9 May 2017, Mr N received notification of his final retirement benefits. His annual pension and lump sum amounted to £6,499 and £26,743 respectively.
16. The same day Mr N queried the figures. He said that he expected his annual pension to be approximately £21,766 and his lump sum £65,298. He asked what proportion of his pension had been awarded to his ex-spouse.
17. Veterans UK replied on 8 June 2017. It confirmed that it had "now checked and double-checked the figures", and Mr N's retirement benefits were correctly calculated. Veterans UK explained that it was required to assume that he had left service on the "Transfer Day". As Mr N was entitled to an immediate pension at that time, its calculations were also based on his debit being applied from the Transfer Day. The letter stated:

"... the debits could not be applied at that point as you continued in service. The debits could only be applied when you finally retired from service and became entitled to pension payments. Since your eventual retirement happened some twelve years after the share was implemented, the debits to your benefits required to be adjusted to ensure that the scheme recovers the same total amount from you over your lifetime as is equivalent to the amount already transferred to your former spouse. The pension debit therefore will increase for each year later that you draw your pension, because there will be one less year from which to recover the debit."
18. Veterans UK clarified that the AFPS had to recover an amount equivalent to the pension credit over Mr N's lifetime. Veterans UK pointed out that Mr N had retired sometime after the PSO had been implemented. Consequently, the debit had increased significantly from £6,568 to £15,483 per annum. Veterans UK confirmed that the debit was subject to annual pension increases and age rated factors provided by the Government Actuary's Department (**GAD**), in line with its normal procedures.

19. Mr N subsequently brought his complaint to this office for independent review. He said that his actual benefits were substantially less than he had anticipated. Had it not been for the PSO, his pension would have been £21,983 per annum and his lump sum £65,949.
20. Mr N has explained that he is in a difficult financial position. His ability to get paid work, to mitigate the loss of the expected pension, has been significantly reduced by his additional service to the Crown.
21. Mr N considers that an impartial view on whether Veterans UK acted lawfully would help resolve his issue. He would also like a clear explanation of the legal justification for its process.
22. A summary of Mr N's position is provided below.
 - The pension debit applied by Veterans UK, is broadly equivalent to 70% of his pension. It cannot be fair, equitable, or moral that a reduction of 50% should result in him receiving only 29% of what he would otherwise have been entitled to.
 - The AFPS is making a profit from the PSO at his expense. He would like this refunded to him.
 - Veterans UK has clarified the method used to recover the debit. This does not explain the reason for the recovery.
 - Had he remained married, he would have been paid the full pension. His widow would have received a pension on his death. Nothing has changed in this respect. However, Veterans UK is treating the pension credit as a "debt" to him.
 - At the time Veterans UK provided a valuation for divorce purposes. it failed to draw his attention to the impact its administrative procedures would have on his final benefits.
 - The 1999 Act sought to ensure that, on division of marital assets, a clean break would follow. The provisions were intended to allow the divorcing parties the chance to rebuild their financial lives independently going forward.
 - However, the "arcane" GAD formula used by Veterans UK, is wholly at odds with the purpose of the Act. Veterans UK started applying the debit more than ten years after the supposed "clean break". Furthermore, it will continue to apply the reduction for the rest of his life.
 - Had the AFPS been a "funded" arrangement, the pension credit would have transferred to an [external] arrangement. This would enable the member to keep the value of the pension following the PSO. More importantly, the member could keep the full value of the pension benefits he or she accrues in future.
 - "As the AFPS is "unfunded," he finds himself the victim of a completely inequitable system. In his opinion, it pays little attention to the interests of the divorced parties, the purpose of PSOs and the intention of the 1999 Act.

23. A summary of Veterans UK's position is provided below.

- Mr N was provided with sufficient information that confirmed the position. The Ministry of Defence is not authorised to provide financial advice.
- The level of Mr N's pension share was a matter for Mr N and his solicitor. He should have discussed the PSO with his solicitor and obtained financial advice.
- Section 31 of the 1999 Act, contains provisions for revaluation of the pension debit. The "Explanatory Note" to the Act, highlights the instances where a pension debit could increase.
- The then Deputy Pensions Ombudsman's Determination in the case of [Mr Slattery] 27870/01 may be of some relevance to this case.
- Mr N was quoted a pension of £6,252 per annum in September 2011. This is lower than the pension detailed in the Notice of Discharge. Mr N did not query the quotation at the time. Consequently, his actual pension on retirement should not have come as a surprise to him.

Adjudicator's Opinion

24. Mr N's complaint was considered by one of our Adjudicators who concluded that no further action was required by Veterans UK. The Adjudicator's findings are summarised below: -

- The 1999 Act provides for the member's pension rights to be subject to a debit, and for the former spouse to have a corresponding pension credit.
- Where a member of a salary related workplace pension scheme, is in pensionable service when the PSO takes effect, the actual pension on retirement is reduced by the revalued debit. That is, the "negative deferred pension."
- The explanatory notes to the 1999 Act (the **Explanatory Notes**), describes how this is intended to work in practice. It explains that the member's benefit is not reduced by the appropriate percentage. Rather, it is reduced by an amount representing the appropriate percentage of the benefit that was taken for the purposes of calculating the cash equivalent.
- The calculation is done by reference to the notional deferred pension the member would have been entitled had he or she retired. The shareable rights that are reduced, are those that relate to the notional benefits the member would have been entitled to.

25. Mr N did not accept the Adjudicator's Opinion and the complaint was passed to me to consider. Mr N has provided his further comments, but these do not change the outcome. I agree with the Adjudicator's Opinion and I will therefore only respond to the key points made by Mr N for completeness.

Ombudsman's decision

26. Mr N has clarified that his issue is the “process and method” used by Veterans UK to calculate his share of the pension following the implementation of the PSO. He does not agree with the calculation. In his view, it does not represent a “fair” share of the pension he would otherwise have been entitled to.
27. Mr N says he cannot comprehend how he could accrue a “debt”. He considers the process used by Veterans UK at best “opaque” and designed to provide it with a distinct financial advantage over members.
28. Mr N has pointed that Section 31 of the 1999 Act, only provides that Veterans UK apply the law. In his view, the law also states that a PSO should result in a “clean break”. This does not seem to have been achieved in his case. He was unable to plan his future against a pension entitlement that was constantly changing.
29. The divorce provisions in the 1999 Act, introduced the option of pension sharing on divorce or nullity of marriage. They provide for pension rights to be transferred to the member's former spouse as part of the financial settlement on divorce.
30. The Pensions on Divorce etc (Provision of Information) Regulations 2000 set out the information the person responsible for the scheme must provide pursuant to a PSO. Regulation 4 details the information that must be provided in response to a notification that a pension sharing order or provision may be made. It does not place any duty to disclose details of the increases that will be applied to the pension debit.
31. The effect of the PSO was that Mr N's pension rights in the AFPS became subject to a reduction of 50%, as specified in the order. I agree that the PSO provisions are intended to give rise to a “clean break”. However, I am unable to agree that Veterans UK acted contrary to the 1999 Act.
32. The CETV at the time of implementation of the PSO is calculated on the basis that the member withdraws from pensionable service at that point. In the case of an AFPS member who was still serving on the Transfer Day and who had already completed the minimum qualifying service required to receive an immediate pension, the result of a PSO which requires a 50/50 split is far from intuitive. I am not surprised that Mr N cannot understand the outcome that has been explained to him and I understand why he considers that what he is left with does not represent a “fair” share of the pension. However, for the reasons set out below I am not persuaded that Veterans UK have done anything wrong when implementing the PSO.
33. The unequal shares which have resulted from implementing a 50% Pension Sharing Order are observed and explained in the Pension Advisory Group's “Guide to the Treatment of Pensions on Divorce”. This provides the following useful example in respect of the AFPS:

“1.16 Thus, in this case the officer of age 37 with 16 years' service who is still in service would have his [cash equivalent (**CE**)] calculated on the basis that it

comes into payment immediately. So the pension would be valued on the basis of it being paid immediately and for approximately 50 years when in practice, it may not come into payment for another 18 years and only be payable for 32 years. So the CE reflects much higher benefits than the member might expect from the pension rights accrued to date.

I.17 As a result, a 50% Pension Sharing Order can wipe out almost the whole of the accrued pension to the date of the divorce if the member remains in service until, say, age 60. This happens because the CE at the time the pension is shared has to be calculated assuming the member leaves service at the time (and therefore where the member can take benefits immediately, it assumes they do) and this creates a debit for the member to repay a proportion of that CE. The debit can only start to be repaid when the member does actually leave service, so the repayments have to be made over a shorter period and therefore have to be higher than if they were repaid from the date of the calculation. So if the accrued pension is say £20,000 per annum at the time of a 50% Pension Sharing Order, the scheme member has the obligation to pay £10,000 per annum back to the scheme immediately and for life. If this member remains in service until say age 60, the same actuarial equivalent has to be paid back but as it starts later and is expected to be repaid over a shorter period, the annual payments increase and could be as high as £20,000 per annum depending on the age at the time of Order and at retirement.”

34. I am satisfied that the approach to implementation of the PSO adopted by Veterans UK is correct and the reasons which it has explained to Mr N are consistent with the effects highlighted in The Pension Advisory Group’s “Guide to the Treatment of Pensions on Divorce”.

35. Therefore, I do not uphold Mr N’s complaint.

Karen Johnston

Deputy Pensions Ombudsman
8 October 2019

Appendix

Welfare Reform and Pensions Act 1999

“31 Reduction of benefit.

(1) Subject to subsection (2), where a person’s shareable rights under a pension arrangement are subject to a pension debit, each benefit or future benefit—

(a) to which he is entitled under the arrangement by virtue of those rights, and

(b) which is a qualifying benefit,

is reduced by the appropriate percentage.

(2) Where a pension debit relates to the shareable rights under an occupational pension scheme of a person who is in pensionable service under the scheme on the transfer day, each benefit or future benefit—

(a) to which the person is entitled under the scheme by virtue of those rights, and

(b) which corresponds to a qualifying benefit,

is reduced by an amount equal to the appropriate percentage of the corresponding qualifying benefit.

(3) A benefit is a qualifying benefit for the purposes of subsections (1) and (2) if the cash equivalent by reference to which the amount of the pension debit is determined includes an amount in respect of it.

(4) The provisions of this section override any provision of a pension arrangement to which they apply to the extent that the provision conflicts with them.

(5) In this section—

“appropriate percentage”, in relation to a pension debit, means—

(a)

if the relevant order or provision specifies the percentage value to be transferred, that percentage;

(b)

if the relevant order or provision specifies an amount to be transferred, the percentage which the appropriate amount for the purposes of subsection (1) of section 29 represents of the amount mentioned in subsection (3)(b) of that section;

“relevant order or provision”, in relation to a pension debit, means the pension sharing order or provision on which the debit depends;

“transfer day”, in relation to a pension debit, means the day on which the relevant order or provision takes effect.”

Welfare Reform and Pensions Act 1999 Explanatory Notes

“

Section 31: Reduction of benefit

This section provides for effect to be given to a pension debit by reducing a member's pension rights by the percentage specified in the court order or agreement, or, if the order or agreement is in terms of a specified amount rather than a percentage, by the percentage which that amount represents of the current cash equivalent of the member's pension rights. If that amount is greater than the current cash equivalent, the member's rights will be reduced by 100%.

For a member of a money purchase scheme, the debit will normally take the form of a once and for all reduction of a percentage of the money in the pension “pot”.

Example: If the effect of the order or agreement is that the member's pension rights are subject to a debit of 40% of the cash equivalent, and the cash equivalent is £100,000, then £40,000 will be taken from the pot.

In the case of a salary related scheme, the way in which the member's benefit will be reduced is more complicated. The following example shows how the process is intended to work in practice. It is based on active member of a salary related occupational pension scheme with 20 years' membership at the date of divorce who earns £30,000 a year at that date. The scheme provides 1/60th of final salary for each year of service. For simplicity, the example assumes that the whole of the pension debit will be subject to statutory revaluation although if the debit includes some GMP rights then that part of the debit will be subject to GMP revaluation in the normal way.

Deferred pension at the date of divorce: **$20/60 \times £30,000 = £10,000$**

Cash equivalent for pension sharing calculated by scheme actuary: **£100,000**

Pension debit ordered by the court (40% of the cash equivalent): **£40,000**

(The former spouse's pension credit of £40,000 is invested separately for her).

This process is similar to that for a money purchase scheme, but, at retirement, the adjustment to the member's salary related benefit will be as follows:

The member retires at age 60 after 30 years' service with a salary of: **£48,000**

Full pension entitlement (ignoring the debit): **$30/60 \times £48,000 = £24,000$**

Using the statutory Revaluation Order in force at the date of retirement, the scheme actuary calculates that the deferred pension of £4,000 (40% of the deferred pension of £10,000) given up at the date of divorce is equivalent to a pension of £6,000 a year at retirement. This is known as the “negative deferred pension.”

The member’s actual pension will be: **£24,000 - £6,000 = £18,000**

This provision prevents a scheme actuary calculating the pension as if the member had given up 40% (8 years’ worth) of the rights to 20 years’ pensionable service at the time of the divorce. This is because on retirement, the member’s full pension would be reduced by 8 years of his pensionable service.

So, the member’s pension would be reduced by: **8/60 x £48,000 = £6,400**

and the final pension would be: **£24,000 - £6,400 = £17,600**

This would give the scheme a windfall gain at the member’s expense equivalent to payment of a pension of £400 a year for each year until the member dies. This kind of windfall would be particularly marked in schemes which have faster accrual rates in the final years of service.

In the case of a deferred member of a salary-related scheme, the method of revaluation will depend on the date of leaving and the type of benefit accrued. For example, in the case of an early leaver whose pensionable service terminated before 1 January 1986, whose deferred pension is “frozen” (ie not protected against inflation), then similarly there would be no requirement to revalue the pension debit either.

If the former spouse is given a pension before normal benefit age then the intention is that an actuarial adjustment broadly similar to that when a normal member takes early retirement should apply.

Subsection (1) provides for the reduction in benefit in respect of members of the scheme. The provision requires each qualifying benefit (defined in subsection (3)) to be reduced in the same proportion.

For example, if a deferred member of a contracted-out salary related (COSR) scheme had both GMP rights and excess of GMP rights, and 40% of the member’s cash equivalent was debited on the implementation of the order, then both the GMP rights and the excess of GMP rights would be reduced by 40%;

Subsection (2) deals with the case of an active member of an occupational pension scheme who is in pensionable service on the day the order or agreement takes effect. In this case, his benefit is not reduced by the appropriate percentage. Rather, it is reduced by an amount representing the appropriate percentage of the benefit that was taken for the purposes of calculating the cash equivalent. In this case, that calculation is done by reference to the hypothetical deferred pension to which he would have been entitled had

he retired (section 26(4)). The benefits which are reduced are those which correspond to the benefits to which the member would have been entitled under the hypothetical pension. So, for example, death in service benefit is not reduced because such benefit does not form part of the hypothetical pension.

Subsection (3) defines a qualifying benefit for the purposes of subsections (1) and (2). In practice, most cash equivalents will be made up of several different benefits, particularly if the member's scheme is contracted-out."

The Pensions on Divorce etc. (Provision of Information) Regulations 2000

"Provision of information in response to a notification that a pension sharing order or provision may be made

4.—(1) A person responsible for a pension arrangement shall furnish the information specified in paragraph (2) to the member or to the court, as the case may be—

(a) within 21 days beginning with the date that the person responsible for the pension arrangement received the notification that a pension sharing order or provision may be made; or

(b) if the court has specified a date which is outside the 21 days referred to in subparagraph (a), by that date.

(2) The information referred to in paragraph (1) is—

(a) the full name of the pension arrangement and address to which any order or provision referred to in section 28(1) of the 1999 Act (activation of pension sharing) should be sent;

(b) in the case of an occupational pension scheme, whether the scheme is winding up, and, if so,—

(i) the date on which the winding up commenced; and

(ii) the name and address of the trustees who are dealing with the winding up;

(c) in the case of an occupational pension scheme, whether a cash equivalent of the member's pension rights, if calculated on the date the notification referred to in paragraph (1)(a) was received by the trustees or managers of that scheme, would be reduced in accordance with the provisions of regulation 8(4), (6) or (12) of the Occupational Pension Schemes (Transfer Values) Regulations 1996(1) (further provisions as to reductions of cash equivalents);

(d) whether the person responsible for the pension arrangement is aware that the member's rights under the pension arrangement are subject to any, and if so, to specify which, of the following—

(i) any order or provision specified in section 28(1) of the 1999 Act;

(ii)an order under section 23 of the Matrimonial Causes Act 1973(2) (financial provision orders in connection with divorce etc.), so far as it includes provision made by virtue of section 25B or 25C of that Act(3) (powers to include provisions about pensions);

(iii)an order under section 12A(2) or (3) of the Family Law (Scotland) Act 1985(4) (powers in relation to pensions lump sums when making a capital sum order) which relates to benefits or future benefits to which the member is entitled under the pension arrangement;

(iv)an order under Article 25 of the Matrimonial Causes (Northern Ireland) Order 1978(5), so far as it includes provision made by virtue of Article 27B or 27C of that Order (Northern Ireland powers corresponding to those mentioned in paragraph (2)(d)(ii));

(v)a forfeiture order;

(vi)a bankruptcy order;

(vii)an award of sequestration on a member's estate or the making of the appointment on his estate of a judicial factor under section 41 of the Solicitors (Scotland) Act 1980(6) (appointment of judicial factor);

(e) whether the member's rights under the pension arrangement include rights specified in regulation 2 of the Valuation Regulations (rights under a pension arrangement which are not shareable);

(f) if the person responsible for the pension arrangement has not at an earlier stage provided the following information, whether that person requires the charges specified in regulation 3 (charges recoverable in respect of the provision of basic information), 5 (charges in respect of pension sharing activity), or 6 (additional amounts recoverable in respect of pension sharing activity) of the Charging Regulations to be paid before the commencement of the implementation period, and if so,—

(i) whether that person requires those charges to be paid in full; or

(ii) the proportion of those charges which he requires to be paid;

(g) whether the person responsible for the pension arrangement may levy additional charges specified in regulation 6 of the Charging Regulations, and if so, the scale of the additional charges which are likely to be made;

(h) whether the member is a trustee of the pension arrangement;

(i) whether the person responsible for the pension arrangement may request information about the member's state of health from the member if a pension sharing order or provision were to be made;

(j) whether the person responsible for the pension arrangement will enable the transferee to nominate a person to receive the pension credit benefit, including any lump sum which may be payable if the transferee should die before liability in respect of the pension credit has been discharged; and

(k) whether the person responsible for the pension arrangement requires information additional to that specified in regulation 5 (information required by the person responsible for the pension arrangement before the implementation period may begin) in order to implement the pension sharing order or provision.”

A Guide to the Treatment of Pensions on Divorce The Report of the Pension Advisory Group July 2019

“Members in service past the age at which they are entitled to retire

I.14 This is an issue in a number of cases, but in particular in the Armed Forces Pension Scheme.

I.15 For example: Officers in the Armed Forces Pension Scheme 1975 can retire on an immediate pension at age 37 with 16 years’ service and the pension is not reduced to reflect early retirement. Under the Pensions on Divorce etc. (Provision of Information) Regulations 2000, a CE has to be calculated on the assumption that an active member leaves service on the date of calculation.

I.16 Thus, in this case the officer of age 37 with 16 years’ service who is still in service would have his CE calculated on the basis that it comes into payment immediately. So the pension would be valued on the basis of it being paid immediately and for approximately 50 years when in practice, it may not come into payment for another 18 years and only be payable for 32 years. So the CE reflects much higher benefits than the member might expect from the pension rights accrued to date.

I.17 As a result, a 50% Pension Sharing Order can wipe out almost the whole of the accrued pension to the date of the divorce if the member remains in service until, say, age 60. This happens because the CE at the time the pension is shared has to be calculated assuming the member leaves service at the time (and therefore where the member can take benefits immediately, it assumes they do) and this creates a debit for the member to repay a proportion of that CE. The debit can only start to be repaid when the member does actually leave service, so the repayments have to be made over a shorter period and therefore have to be higher than if they were repaid from the date of the calculation. So if the accrued pension is say £20,000 per annum at the time of a 50% Pension Sharing Order, the scheme member has the obligation to pay £10,000 per annum back to the scheme immediately and for life. If this member remains in service until say age 60, the same actuarial equivalent has to be paid back but as it starts later and is expected to be repaid over a shorter period, the annual payments increase and could be as high as £20,000 per annum depending on the age at the time of Order and at retirement.

I.18 This is a feature of the Armed Forces Pension Scheme, Police Pension Scheme and Firefighters’ Pension Scheme but not all public sector schemes. For example, Special Classes in the NHS Pension Scheme and members of the 1995 NHS Pension Scheme who work beyond the Normal Retirement Age of 60 do not suffer these losses.

I.19 Practitioners should take particular care for members who are still in service after the date at which they can first take benefits.

‘Overnight’ increase in the Cash Equivalent

I.20 The Regulations also mean that a CE can increase dramatically overnight. An officer in the Armed Forces Pension Scheme 1975 on the day before achieving 16 years’ service will have his accrued benefits calculated based on them being paid from age 60 or 65. The day he achieves 16 years’ service, the CE has to be calculated based on his leaving and the pension coming into payment so assumes the pension will payable immediately and he may be only age 37. The CE is calculated on it being paid for 23 or 28 years more and therefore it could be two or three times higher than it was the day before.”