



**REVIEW BODY
ON
ARMED FORCES PAY
TENTH REPORT
1981**

**Chairman:
SIR HAROLD ATCHERLEY**

*Presented to Parliament by the Prime Minister
by Command of Her Majesty
May 1981*

LONDON
HER MAJESTY'S STATIONERY OFFICE
£5.80 net

ANNEX 1

The Armed Forces Pension Scheme

1. The Scheme is operated by means of Prerogative Instruments which set out the rates of benefit payable and the conditions of award. The Scheme is non-contributory and members of the Scheme are contracted out of the upper tier of the State pension scheme. The Scheme is very complicated but the main provisions as they affect benefits accruing for current service as a member of the armed forces, are set out below.

2. **Membership and Service.** All members of the regular forces, both male and female, are members of the Scheme except for officers on short-service gratuity-earning commissions and a very small number of servicemen serving on special types of engagement. All service from age 21 (officers) or age 18 (other ranks) reckons for benefit subject normally to a limit of 34 years' reckonable service (officers) or 37 years (other ranks).

3. **Pensionable pay.** Pensionable pay is based on the length of service and the rank attained rather than on the actual pay received by the individual. Representative pay rates (based on the current appropriate combatant rate for the rank in the case of officers and of an approximately median current rate in the case of other ranks) therefore form the basis for calculating pension entitlement.

4. **Benefits on retirement other than on grounds of invaliding.** Officers with at least 16 years' reckonable service and servicemen with at least 22 years' reckonable service are entitled to retire with an immediate pension. For officers the pension is 28.5 per cent of representative pay after 16 years' reckonable service increasing uniformly until it is 48.5 per cent of representative pay after 34 years' reckonable service. For servicemen the pension is 31.833 per cent of representative pay after 22 years' reckonable service increasing uniformly until it is 48.5 per cent of representative pay after 37 years' reckonable service. In the case of officers the level of pension may be reduced by up to 10 per cent in cases of voluntary retirement. In all cases a lump sum of three times the pension is payable.

5. **Benefits on retirement on grounds of invaliding.** If reckonable service is less than 5 years, the member may be awarded a gratuity and will be bought back into the State scheme unless a transfer value is paid. If reckonable service exceeds 5 years there is an immediate pension plus a lump sum of three times the pension. The level of pension is based on the full career pension for that rank i.e. that awarded after 34 years' reckonable service (officers) or after 37 years (servicemen). For officers the invaliding pension is 30 per cent of the full career pension after 5 years' reckonable service increasing uniformly to 100 per cent after 31 years; for servicemen the invaliding pension is 27.5 per cent of the full career pension after 5 years' reckonable service increasing uniformly to 100 per cent after 34 years.

6. **Benefits on withdrawal.** If reckonable service is less than 5 years, the member will be bought back into the State scheme unless a transfer value is paid. If service exceeds 5 years but the member is ineligible for an immediate pension,

a preserved pension is payable from age 60 together with a lump sum of three times the pension, also payable at age 60. For officers the preserved pension is 3 per cent of full career pension for each year of reckonable service; and for servicemen it is $2\frac{3}{4}$ per cent of full career pension for each year of reckonable service. Alternatively a transfer value may be paid under the public sector transfer arrangements to the new employer's pension scheme.

7. Benefits on death in service. A lump sum is payable equal to the greater of one year's salary at the representative pay rate (approximately) or the lump sum that would have been payable on retirement on invaliding grounds.

8. Family benefits. A widow's pension is payable at the rate of one-half of the husband's pension, if he dies after retirement, or one-half of the pension he would have received on retirement on invaliding grounds if he dies in service. A higher rate of pension based on the husband's pension or the husband's pay at the date of his death is payable for the first three months of widowhood. There are additions of one-half of the widow's pension in respect of each dependent child (for up to two children). Widows' pensions cease on remarriage.

9. Resettlement Grants. A lump sum grant may be payable to members leaving the Scheme with a preserved pension provided they have completed at least 9 years' reckonable service (officers) or at least 12 years' reckonable service (other ranks). The grant is currently around £3,000 (officers) and around £2,000 (other ranks). This grant is outside the scope of the Armed Forces Pension Scheme although it is covered by the same Prerogative Instruments.

10. Other provisions of the Scheme permit a higher level of invaliding pension or widow's pension where the invaliding or death is attributable to service in the forces. Also available to the member, at no cost to the Scheme, is an option to commute part of his pension for a lump sum; a facility to purchase added years of service, at full cost, will be introduced shortly.

11. Although the Pensions (Increase) Acts do not apply to the Armed Forces Pension Scheme, pensions increases on similar lines are provided for by means of the Prerogative Instruments. Thus pensions under the Scheme are protected against price inflation after retirement except that no increases are actually put into payment until age 55 (except where it is an invaliding or widow's pension).

ANNEX 2

Analysis of comparator superannuation schemes

1. OME provided information about the superannuation schemes, if any, of some 550 comparator employments—see Section 2 of this report. In calculating the percentages given in this Annex the comparator schemes have been given the weights described in paragraph 2.3 of the report.

2. Type of superannuation provision

Table A

	Percentage of schemes		
	Officers	Senior NCOs	Lower ranks
No scheme	1	2	15
Lump sum or life assurance scheme only	0	0	2
Scheme with pension based on final salary	99	98	83
Upper-tier State pension : contracted-out	81	88	77

3. In the remainder of this Annex the schemes giving pension benefits based on salary at, or shortly before, retirement (final-salary schemes) are analysed further by expressing as a percentage of the total the number of schemes, weighted as described in paragraph 1, having various characteristics (except where otherwise stated). Roundings in the figures account for totals not equalling 100 per cent in some cases.

4. Type of pensions increase provision

Table B

	Percentage of schemes		
	Officers	Senior NCOs	Lower ranks
Linked to cost of living or Pensions (Increase) Acts:			
Identified as public service schemes	0	12	12
Other	6	14	28
Fixed increases only	13	13	19
Fixed increases plus provision for discretionary extra increases	18	17	4
Discretionary increase only	52	36	21
No provision for increases	9	8	11
No information	2	1	5

The average fixed increase was 2.9 per cent for officers, 2.6 per cent for senior NCOs and 3.0 per cent for lower ranks.

5. Analysis of pensions increases awarded in recent years

The table below analyses the pensions increases actually awarded in recent years in schemes where the provision is at least in part discretionary. The actual increases have been expressed as a percentage of the increase in the cost of living over the period for which information was given (usually the last 5 years).

Table C

Level of increases as percentage of cost of living increases	Percentage of schemes with provision for discretionary pensions increases					
	Officers		Senior NCOs		Lower ranks	
	With fixed increases	Without fixed increases	With fixed increases	Without fixed increases	With fixed increases	Without fixed increases
0	0	2	0	0	0	5
1-19	4	6	0	0	0	2
20-39	6	16	18	13	0	6
40-59	8	19	18	29	69	20
60-79	8	23	15	15	19	16
80-99	52	11	15	21	0	20
100	6	1	20	6	12	12
No information on actual practice	16	22	15	15	0	19

Table D

	Average percentage of cost of living increase for the schemes analysed in Table C		
	Officers	Senior NCOs	Lower ranks
	Schemes with fixed increases	77	70	63
Schemes without fixed increases	53	64	67

6. Retirement age

Table E

Normal retirement age	Percentage of schemes		
	Officers	Senior NCOs	Lower ranks
under 60	1	4	3
60	8	15	15
between 60 and 65	6	10	5
65	85	71	77

7. The calculation of benefits on normal retirement

Table F

Equivalent pension fraction:	Percentage of schemes		
	Officers	Senior NCOs	Lower ranks
60ths or better	87	88	68
between 60th and 80ths	6	3	11
80ths	3	7	14
less than 80ths	4	2	7
Lump sum on retirement:			
by commutation of pension only			
or none	94	81	69
less than 3 years' pension ..	3	4	6
3 years' pension	3	15	25
greater than 3 years' pension ..	0	0	0

Note: For those schemes which provide lump sums on retirement (other than by commutation of pension only) in addition to pension, for comparison the lump sum has been converted to pension by assuming that it is equivalent to an annual pension on one-ninth of its amount. Thus the lump sums shown in the second half of the table are included in, not additional to, the benefits shown in the first half.

8. Benefits on death after retirement

Table G

Widow's pension fraction	Percentage of schemes								
	Members' pension fraction*								
	60ths or better			80ths or between 60ths & 80ths			Less than 80ths		
	(a)	(b)	(c)	(a)	(b)	(c)	(a)	(b)	(c)
80ths or better	1	1	2	0	0	0	0	0	0
Between 80ths and 120ths ..	18	12	12	0	0	0	0	0	0
120ths	64	55	33	0	0	0	0	0	0
Between 120ths and 160ths ..	0	2	1	6	5	9	0	0	4
160ths	0	3	0	5	19	33	0	0	0
Less than 160ths	0	0	0	0	2	0	4	2	5
None	0	1	1	0	0	0	0	0	2

*In this table the member's pension fraction does not incorporate the equivalent value of lump sums.

Note: (a) – Officers
 (b) – Senior NCOs
 (c) – Lower ranks

9. Lump sum benefits on death in service

Table H

Type of lump sum: Multiple of salary:	Percentage of schemes		
	Officers	Senior NCOs	Lower ranks
up to 2 years' pay	17	29	49
at least 2 but under 4 years' pay ..	60	59	42
at least 4 years' pay	16	6	4
No information available	7	6	5
Return of employee's contribution in addition to above	33	30	28

10. Contributions by members

Table I

Rate of contribution:	Percentage of schemes		
	Officers	Senior NCOs	Lower ranks
0 per cent	27	15	6
Under 2 per cent	1	1	6
2 per cent but under 3 per cent ..	5	3	4
3 per cent but under 4 per cent ..	3	5	3
4 per cent but under 5 per cent ..	8	6	16
5 per cent but under 6 per cent ..	35	36	41
6 per cent but under 7 per cent ..	17	22	19
7 per cent and over	4	12	5

Note: Many schemes have different rates of contribution on different bands of members' earnings, for instance contributions are often based on pay less a deduction of 150 per cent of the State lower earnings limit. The rates of contribution given above are the rates on the main slice of members' earnings.

ANNEX 3

Mortality and other assumptions

This Annex sets out, for specimen ages, details of the basis used when valuing the superannuation benefits of the Armed Forces Pension Scheme and those of the comparator schemes. Thus columns headed "officers", for example, show the appropriate figures for officers and for officer comparators.

Table (a): Life expectancy of pensioners and those withdrawing from service (men)

Age at retirement	Life expectancy in years			
	Invaliding pensioners		Others	
	Officers	Other ranks	Officers	Other ranks
25	31.7	31.7	48.9	47.0
30	28.7	28.7	44.2	42.3
35	25.5	25.5	39.5	37.6
40	22.2	22.2	34.8	33.0
45	19.0	19.0	30.3	28.5
50	16.1	16.1	25.9	24.2
55	13.6	13.6	21.7	20.1
60	11.5	11.5	17.8	16.4
65	9.8	9.8	14.3	13.1

Table (b): Probability of death in service, retirement on invaliding (ill-health) grounds, or withdrawal from service in the year following the age stated (men)

Age at beginning of year	Death in service		Retirement on invaliding		Withdrawal from service	
	Officers	Other ranks	Officers	Other ranks	Officers	Other ranks
22	.0012	.0013	.0018	.0050	.0800	.1500
27	.0015	.0010	.0026	.0060	.0300	.2000
32	.0015	.0010	.0030	.0065	.0200	.1000
37	.0015	.0010	.0030	.0065	.0100	.0300
42	.0015	.0015	.0034	.0075	.0090	.0100
47	.0020	.0020	.0054	.0085	.0060	.0100
52	.0053	.0052	.0075	.0100	.0040	.0100
57	.0130	.0128	.0112	.0133	.0030	.0100

Table (c): Probability of retirement from service with an immediate pension, other than on invaliding (ill-health) grounds (men)

Age	Armed Forces Pension Scheme	
	Officers	Other ranks
37	·0300	
38	·1100	
39	·0900	
40	·0600	·3400
41	·0600	·2400
42	·0600	·2100
43	·0550	·1800
44	·0550	·1500
45	·0550	·2400
46	·0550	·2100
47	·0500	·1800
48	·0500	·1500
49	·0500	·1200
50	·1500	·1800
51	·1500	·1500
52	·1500	·1200
53	·1500	·1000
54	·1500	·1000
55	1·0000	1·0000

	Comparator schemes		
	(i)	(ii)	(iii)
60	·3000	·5000	
61	·1429	·2000	
62	·1667	·2500	
63	·2000	·3300	
64	·2500	·5000	
65	1·0000	1·0000	·5000
66			·5000
67			1·0000

Notes:

- (i) Public service schemes with normal pension age of 60;
- (ii) Other comparator schemes with normal pension age of 60;
- (iii) Comparator schemes with normal pension age of 65.

Table (d): Rates of progression of pay with age, related to an index of 100 at age 25 (men)

Age	Index value	
	Officers	Other ranks
20		80
25	100	100
30	120	114
35	136	127
40	152	131
45	165	134
50	174	135
55	179	137
60	179	137

Notes:

- (i) In addition to the above, salaries are assumed to increase in line with the general level of earnings;
- (ii) The figures relate to the actual level of pay received in the armed forces and not to the representative pay rates on which benefits under the Armed Forces Pension Scheme are based; for comparator schemes it is assumed that superannuation benefits will be based on the relative pay rates shown above.

Table (e): Proportions of men married

Age	Proportion	
	Officers	Other ranks
20		.15
25	.40	.69
30	.82	.88
35	.92	.92
40	.96	.95
45	.96	.94
50	.96	.94
55	.96	.94
60	.95	.92
65	.90	.90

APPENDIX 2

MILITARY SALARIES INTRODUCED WITH EFFECT FROM 1 APRIL 1980

Table 2.1

Officers: annual rates^(a)

Rank										Military salary
										£
Brigadier	..	..	..	..	..	..	..	..	..	18,250
Colonel	..	..	..	..	..	..	after 8 years			16,962
							6			16,556
							4			16,151
							2			15,746
							on appointment			15,341
Lieutenant Colonel	..	..	..	..	..	..	after 8 years			14,436
							6			14,093
							4			13,750
							2			13,406
							on appointment			13,063
Major	..	..	..	..	..	..	after 8 years			11,994
							7			11,746
							6			11,498
							5			11,249
							4			11,001
							3			10,753
							2			10,505
							1			10,256
							on appointment			10,008
Captain	..	..	..	..	..	..	after 6 years			9,136
							5			8,924
							4			8,713
							3			8,501
							2			8,289
							1			8,077
							on appointment			7,866
Lieutenant	..	..	..	..	..	..	after 4 years			6,986
							3			6,818
							2			6,650
							1			6,482
							on appointment			6,314
Second Lieutenant	..	..	..	..	..	..	..	..	..	5,201

^(a)Rounded to the nearest £.

Table 2.2

Warrant Officers and senior NCOs: annual ^(a) and weekly rates

Scale B (men committed to 6 years or more but less than 9 years' service) ^(b)	Band							
	4		5		6		7	
	Annual	Weekly	Annual	Weekly	Annual	Weekly	Annual	Weekly
	£	£	£	£	£	£	£	£
Warrant Officer 1 ..	7,450	142·87	7,931	152·11	8,490	162·82	9,125	175·00
Warrant Officer 2 ..	7,059	135·38	7,541	144·62	8,099	155·33	8,734	167·51
Staff Sergeant ..	6,694	128·38	7,176	137·62	7,734	148·33	8,369	160·51
Sergeant	6,344	121·66	6,826	130·90	7,384	141·61	—	—

^(a)Rounded to the nearest £.^(b)Scale A (men committed to less than 6 years' service)—deduct £2·10 a week from the above rates.

Scale C (men committed to, or who have completed, more than 9 years' service)—add £3·15 per week to the above rates.

Table 2.3

Corporals and below^(a): annual ^(b) and weekly rates

Scale B (men committed to 6 years or more but less than 9 years' service) ^(c)	Band					
	1		2		3	
	Annual	Weekly	Annual	Weekly	Annual	Weekly
	£	£	£	£	£	£
Corporal I	5,873	112·63	6,318	121·17	6,836	131·11
Corporal II	5,515	105·77	5,960	114·31	—	—
Lance Corporal I ..	5,179	99·33	5,625	107·87	6,143	117·81
Lance Corporal II ..	4,862	93·24	5,307	101·78	—	—
Lance Corporal III ..	4,566	87·57	5,011	96·11	—	—
Private I	4,566	87·57	5,011	96·11	5,530	106·05
Private II	4,289	82·25	4,734	90·79	—	—
Private III	4,026	77·21	4,471	85·75	—	—
Private IV	3,781	72·52	—	—	—	—

^(a)Adult servicemen.^(b)Rounded to the nearest £.^(c)Scale A (men committed to less than 6 years' service)—deduct £2·10 a week from the above rates.

Scale C (men committed to, or who have completed, more than 9 years' service)—add £3·15 per week to the above rates.

APPENDIX 3

RECOMMENDED RATES OF LENGTH OF SERVICE INCREMENTS

Rating/Rank	Weekly rates after completing the following years' service					
	9	12	15	16	18	22
	£	£	£	£	£	£
Royal Navy/Royal Marines						
FCPO/Warrant Officer 1 (RM)	3-50	5-60	—	7-35	—	9-80
Warrant Officer 2 (RM)	3-50	5-60	—	7-35	—	9-10
Chief Petty Officer, Colour Sergeant (RM)	3-50	5-60	—	7-00	—	7-00
Petty Officer, Sergeant (RM) Ordinary, Able, Leading, Marine 2nd Class, Marine 1st Class, Corporal (RM)	3-15	3-85	—	6-30	—	6-30
	2-45	3-50	—	3-50	—	3-50
Army						
Warrant Officer 1	3-15	3-85	5-25	—	7-00	9-80
Warrant Officer 2	3-15	3-85	5-25	—	7-00	8-05
Staff Sergeant	3-15	3-85	5-25	—	7-00	7-00
Sergeant	3-15	3-85	5-25	—	6-30	6-30
Corporal	2-45	3-50	3-85	—	3-85	3-85
Private, Lance Corporal	2-45	3-50	3-50	—	3-50	3-50
Royal Air Force						
Warrant Officer	3-15	3-85	5-25	—	7-00	9-80
Chief Technician, Flight Sergeant	3-15	3-85	5-25	—	7-00	7-00
Sergeant	3-15	3-85	5-25	—	6-30	6-30
Corporal	2-45	3-50	3-85	—	3-85	3-85
Leading Aircraftman, Senior Aircraftman, Junior Technician	2-45	3-50	3-50	—	3-50	3-50

APPENDIX 4

**RECOMMENDED LEVELS OF MILITARY SALARY FOR CERTAIN
SPECIAL GROUPS**

Table 4.1

**Recommended scales of military salary for veterinary officers of the
Royal Army Veterinary Corps
(annual rates ^(a))**

Rank/length of service	Military salary
	£
Brigadier	20,900
Colonel after 8 years	19,319
6	18,860
4	18,400
2	17,940
on appointment	17,480
Lieutenant Colonel, Major, Captain after 27 years	17,221
25	16,783
23	16,345
21	15,907
19	15,469
17	14,939
15	14,410
13	13,881
11	13,352
9	12,728
7	12,103
5	11,479
3	10,855
1	10,231
on entry	9,610

^(a)Annual salaries are derived from daily rates in whole pence and rounded to the nearest £.

Table 4.2

**Recommended scales of military salary for chaplains
(annual rates ^(a))**

Rank/length of service	Military salary
	£
Chaplain-General	20,900
Deputy Chaplain-General ^(b)	18,400
Principal Chaplain	17,480
Chaplain (Class 1) ^(b)	
	after 2 years in the rank or on appointment with 24 or more years
	16,370
	on appointment with less than 24 years
	15,801
Chaplain	
	after 26 years
	24
	16,370
	22
	15,801
	20
	14,662
	18
	14,093
	16
	13,523
	14
	12,954
	12
	12,384
	10
	11,815
	8
	11,246
	6
	10,676
	4
	10,110
	2
	9,545
	on entry
	8,979

^(a)Annual salaries are derived from daily rates in whole pence and rounded to the nearest £.

^(b)Army only.

Table 4.3

Recommended military salaries ^(a) for university cadets

on appointment	£4,201
after 1 year	£4,701
after 2 years	£5,201

^(a)Annual salaries are derived from daily rates in whole pence and rounded to the nearest £.

