
EXPLANATORY NOTE

(This note is not part of the Order)

This Order is made under the Armed Forces (Pensions and Compensation) Act 2004 (c. 32) (“the 2004 Act”) and establishes the Armed Forces Redundancy Scheme 2006 (“the Scheme”). This is a new scheme for making payments to members of the armed forces leaving service as a result of the Secretary of State having determined that they are to be treated for the purposes of the Scheme as having become redundant. The Scheme only applies to members of the armed forces who belong to the Armed Forces Pension Scheme 2005 (“the 2005 Pension Scheme”) or do not belong to the other occupational pension scheme arrangements open to members of the armed forces. The “armed forces” as defined in the 2004 Act do not include the reserve forces.

Article 1 provides that the Order comes into force on 6th April 2006.

Article 2 provides for the establishment of the Scheme and provides that it is to be known as “the Armed Forces Redundancy Scheme 2006”.

Article 3 sets out definitions and explains how references to periods of service are to be interpreted.

Article 4 provides that a member of the armed services is eligible for a payment under article 5 if the Secretary of State has notified him that he will be treated for the purposes of the Scheme as having become redundant when he leaves service and he leaves service accordingly.

Article 5 provides for entitlement to an immediate lump sum payment to arise on leaving service.

Articles 6 to 8 make provision about how the amount of the payment under article 5 is to be calculated. Article 6 provides for cases where the leaver’s terms of service commit him to serve for a period at the end of which he would be entitled to payments under the Armed Forces Early Departure Payments Scheme Order 2005 (S.I. 2005/437) or would have attained the age of 55. Article 7 provides for leavers with shorter commitments. Article 8 imposes a limit on the amount that can be paid where the leaver is entitled to count 40 years’ reckonable service in the 2005 Pension Scheme.

Article 9 deals with the case where a person who is entitled to a payment under article 5 rejoins the armed forces or enters certain reserve forces service after a short break. It provides for part of the sum paid under article 5 to be repaid.

Article 10 deals with the case where a person who is entitled to a payment under article 5 rejoins the armed forces and becomes entitled to a further payment under article 5 when his new service ceases. It provides that his old service does not count in calculating the further payment.

A full regulatory impact assessment has not been produced on this instrument as it has no impact on the costs of business, charities or the voluntary sector.