

**The Review of the Armed Forces Compensation Scheme – One Year On**

**Key Messages**

- It is one year on from the publication of the Review into the Armed Forces Compensation Scheme (AFCS) by Admiral the Lord Boyce. Following the laying of new legislation in February, all of the improvements that the Review recommended have now been made to the Scheme, creating an even more comprehensive compensation package for those injured as a result of their military service.
- One of the main achievements of the past year has been the work of the group of experts known as the 'Independent Medical Expert Group (IMEG)' which has provided expert advice on how we can best compensate for certain injuries, including spinal cord injury and non-freezing cold injury.
- The final legislative changes to the Scheme, laid in Parliament on 28 February 2011, included:
  - An increase, which averages in excess of 25%, to all lump sum payments, except the top award which was recently doubled to £570,000;
  - Nearly tripling the maximum award for mental illness from £48,875 to £140,000, in order to accurately reflect the impact of the most serious mental health conditions; and
  - A change to how we calculate claims where an individual has suffered multiple injuries in a single incident so that everyone now receives some compensation for each of their injuries.
- **Some of these changes are significant and need time to be put in place which means that they will not come into effect until May 2011. Further background and detail can be found below.**

**All those who have received an award under AFCS (on or after 6 April 2005) will receive an increased payment to reflect the new levels of compensation. All uplifts are expected to be completed by June 2012. Those who have already received an award will be contacted automatically by the Service Personnel and Veterans Agency between now and next summer. Personnel do not need to take any action.**

**Detail**

1. Andrew Robathan, Minister for Defence Personnel, Welfare & Veterans, said:

“The outcome of Admiral the Lord Boyce’s Review of the Armed Forces Compensation Scheme was announced in February 2010. While the Review found that the Scheme was fundamentally sound, it made a number of recommendations for improvement. I made some early legislative changes last summer.

“I am today pleased to announce the completion of all remaining changes which will lead to significant increases in the value of awards under the Scheme. Most notable is the change to Guaranteed Income Payments – paid from the point of service discharge for life – which will be increased to reflect the lasting impact of more serious injuries on likely promotion prospects and on the ability to work up to age 65.”

2. Lord Boyce was asked to undertake a review of the AFCS in order to: examine whether the fundamental principles of the Scheme remain valid; evaluate how successfully the Scheme in its current form gives effect to these principles; make recommendations on any modifications that are required to ensure that the Scheme is fit for purpose.
3. The AFCS provides financial compensation in recognition of the sacrifice made by our Service personnel on the Nation's behalf. The AFCS was introduced to compensate Service personnel or their dependants for injury, illness or death attributable to service, the cause of which occurs on or after 6 Apr 05. For any injuries sustained prior to this date, compensation is awarded under the War Pensions Scheme.
4. All Regular and Reserve Service personnel are eligible to claim under the Scheme. An individual can claim for any injury that has been caused by Service, including training and military sports injuries.
5. Every recommendation that Lord Boyce made has been or is being implemented. Key stakeholders were consulted throughout the Review itself and the implementation phase beyond, including the Royal British Legion, BLESMA, War Widows' Association, the Confederation of British Service and Ex-Service Organisations, SSAFA FH and the Family Federations.
6. Specific queries and advice relating to claims should be directed to the Service Personnel and Veterans Agency:
  - SPVA helpline: 0800 169 2277
  - SPVA Internet: [www.veterans-uk.info](http://www.veterans-uk.info)

## **Questions and Answers**

### **What changes have already taken place to the Scheme?**

In August 2010 some actions arising from the Review were implemented including, extending the time-limits for making a claim from 5 to 7 years for injury and from 1 to 3 years for bereavement claims; increasing the maximum bereavement grant to £25,000 and to £37,500 for Reservist personnel who are not members of a reserve forces' pension scheme. The majority of awards for hearing loss were also increased by one tariff level.

### **What other legislative changes were laid in February?**

Other changes being introduced include: an increase to all Guaranteed Income Payments (a monthly tax-free, index-linked income stream payable for life, as an enhancement to an individual's pension); provision for awards to be reviewed beyond the 10 year point; and a power to pay for medical costs for seriously injured personnel who move outside the UK within 12 months of leaving service.

### **Does the Scheme only compensate those whose injury, illness or death occurred while on operations?**

All Regular and Reserve Service personnel are eligible to claim under the Scheme. An individual can claim for any injury that has been caused by Service, including training and military sports injuries.

### **If these changes have been implemented, why will they not be operational until May 2011?**

The changes being made are significant and this means that we need some time to ensure IT systems, delivery processes, training and other measures are in place so that we can ensure that claims will be dealt with in the right way and that the correct decisions are made.

### **What happens between now and May?**

Individuals should still put in their claim and it will be looked at and, where appropriate, an award will be made under the existing Scheme. When the new rules come into force, all previous awards will be uplifted.

### **What will happen to those who have already claimed under the Scheme?**

Everyone who has already received an award under the Scheme will benefit from these changes and receive an uplift to their previous award. Previous claimants will be automatically contacted by the Service Personnel and Veterans Agency (SPVA) and do not need to take any action. We expect all uplifts to be paid by June 2012.

### **Why will it take so long to make the uplifts?**

There are some 10,000 awards to re-visit so this process will take time. Due to the scale and complexity of this task, it will take some time to complete.

### **How will MOD pay for the AFCS improvements? What will be cut to pay for this?**

The costs will be met from within existing provision in the Defence Budget and nothing will be cut to pay for the improvements.

### **If you can backdate changes to AFCS why can't you help War Pensioners in the same way?**

Lord Boyce's Review considered whether any improvements should be made available to those who were injured before the start of the Scheme on 6 April 2005. The Review recognised the difficulties of providing AFCS benefits before the start of the Scheme, observed that the review was conducted to examine the AFCS to ensure its design was, and continues to be, fit for purpose and noted that other compensation arrangements exist for injuries before that date. The Review therefore did not recommend extending the provisions to before the start of the AFCS. This is consistent with the principle of successive Governments in not introducing retrospective Schemes.

### **The Government is changing its method of indexation from the Retail Price Index to the Consumer Price Index. Will this change affect AFCS payments?**

The Guaranteed Income Payment (GIP) paid through the Armed Forces Compensation Scheme (AFCS) is an enhancement to an individual's pension, and is therefore increased by the same percentage that pensions are increased each year. There are two examples below detailing how GIP is calculated.

### **When will the IMEG report be published?**

All the recommendations that require changes to AFCS legislation have been incorporated into the Scheme. As there are a significant number of recommendations and some are complex, work continues on the detail of implementation. We expect this work to complete in the coming weeks at which point the IMEG report will be published alongside the Government response.

### **Why has the work on mental health and hearing loss not been finalised and is there any other work still outstanding?**

The IMEG presented its first report in January 2011 with the detail required to implement the specific recommendations made by Lord Boyce on mental health and hearing loss. Given the complex nature of these topics, the medical experts wished to have more time to further consider them, and to talk to relevant stakeholders.

The IMEG will also consider the creation of a list of diseases, that may be recognised in the Scheme, in its work this year.

### **Are these changes connected to the work on the Covenant?**

The AFCS Review pre-dates the work this government launched on re-building the Covenant. However they both share the same objective: to do more to ensure our Armed Forces, veterans and their families have the support they need and are treated with the dignity they deserve.

The Government has also shown its commitment to the Armed Forces community through delivering concrete measures to help re-build the Covenant. This includes doubling the operational allowance, introducing a Pupil Premium for Service children, and plans for improving mental health support and for further education scholarships for bereaved children.

### **Is this not a Labour success instead of the coalition Government's?**

The previous administration initiated the Lord Boyce Review. However, the current Government committed to continuing its implementation; in fact, last summer's improvements to the Scheme were one of the first things this Government did.

### **What does the Review mean for Widows/Widowers/Civil Partners/Eligible Partners?**

This group will also benefit. Survivor's Guaranteed Income Payments and Child Payments are calculated in the same way as Guaranteed Income Payments and so will also be significantly increased. This change will apply to the benefits received in relation to deaths that have occurred since the start of the scheme. For future deaths, the top level of maximum bereavement grant was increased.

### **How are you ensuring that the injured know about these changes?**

A full communication plan has been put in place to ensure that the level of awareness and understanding of the Scheme is improved, amongst all serving personnel and veterans. In 2010 we established an internal working group to take forward the issues identified in the Review. New materials and training information are currently in production for rollout in May 2011. The Chain of Command is engaged in helping raise awareness of the Scheme and its changes with the in-Service community.

### AFCS LUMP SUM AWARDS

Tariff Level	Award – Pre Lord Boyce AFCS Review	Award – Post Lord Boyce AFCS Review
1	£570,000	£570,000
2	£402,500	£470,000
3	£230,000	£380,000
4	£172,500	£290,000
5	£115,000	£175,000
6	£92,000	£140,000
7	£63,825	£90,000
8	£48,875	£60,000
9	£34,100	£40,000
10	£23,100	£27,000
11	£13,750	£15,500
12	£9,075	£10,000
13	£5,775	£6,000
14	£2,888	£3,000
15	£1,155	£1,200

### AFCS Guaranteed Income Payment (GIP) examples – post Boyce Review

#### Example 1:

A Service person aged 23 is invalided out of the Armed Forces after losing a foot as a result of service. He was receiving a salary of £20,000. In addition to a tax free lump sum payment, he would receive a GIP upon discharge from the service. The GIP is calculated as follows:

The factor for a person aged 23 is applied (their age at their last birthday is used in the calculation). The factor is 1.182. The full annual GIP is calculated as:

Salary x GIP factor i.e. £20,000 x 1.182 = £23,640

As the injury is in tariff level 8 the person will receive 50% of the full GIP, so will be entitled to a tax-free payment of £11,820 a year.

If the AFPS ill-health pension entitlement was £4,476, this would be deducted from the GIP income leaving a GIP in payment of £7,344 (tax free). The total benefits of £11,820 (i.e. made up of £4,476 pension and £7,344 AFCS) per year would be paid as a monthly income for life and increased in line with inflation each year.

### **Example 2:**

A Service person aged 36 loses a leg as a result of service and is invalided out of the Armed Forces. She was receiving a salary of £35,000. In addition to a tax free lump sum payment, she would receive a GIP upon discharge from the service. The GIP is calculated as follows:

The relevant factor is applied for a person aged 36. The factor is 1.014. The full annual GIP is calculated as:

Salary x GIP factor i.e. £35,000 x 1.014 = £35,490.

As the injury is in tariff level 5, she will receive 75% of the full GIP, so will be entitled to £26,617 a year (tax-free). If the AFPS ill-health pension entitlement was £13,750, this would be deducted and she would get an annual top-up of £12,867 (tax free) in addition to the pension. The total benefits of £26,617 (i.e. made up of £13,750 pension and £12,867 AFCS) per year would be paid as a monthly income for life and increased in line with inflation each year.