



Damian Paterson
Head (Deputy Director), Army Secretariat
Army Headquarters, IDL24, 2nd Floor, Blenheim Building,
Marlborough Lines, Andover, Hampshire SP11 8HJ

Telephone: 01264 887673 Military: 94393 7673
Email: ArmySec-Group@mod.gov.uk



Major Bhimbahadur Gurung MVO MBE
Chairman
The Regimental Associations Nepal Committee
EPC 2463, GPO 8975
Kathmandu
Nepal

By email

15th April 2019

Dear Major Gurung,

GURKHA PENSION SCHEME – IMPLEMENTATION OF THE 7th CPC

Thank you for your letter of 12 March about the implementation of the 7th Indian Central Pay Commission (CPC) I am sorry for the delay in being to reply to you. The Government recognises the concerns you have raised and that the implementation of the 7th CPC has required some difficult decisions; this is something which the Minister of the Armed Forces explained during his most recent meeting with you in February. This was also discussed when he and I met with members of the Regimental Association in Kathmandu in 2018. I can assure you, and all members of the Regimental Associations, that these decisions were reached following the consideration of a range of factors including the basis on which previous CPCs have been approached, the policies established following the 1999 Ministerial Examination, the fiscal situation in the United Kingdom including ongoing restraints on public expenditure, and wider public sector pension policies. In deciding to increase Gurkha pensions by between 10-34% Gurkhas have received amongst the most significant increases for anyone in the UK public sector. To put this into context the Armed Forces Pension Scheme increase for 2019 is 2.4%.

I recognise the decision to change the policy of paying Gurkha pensions at double the rates of the Indian Army, established in 2000, is disappointing; it is not one which Ministers took lightly. But I hope you can appreciate that governments must retain the option of reviewing policies to ensure that they remain fair and appropriate and that policies can and must be amended to take into account changes in the fiscal and economic circumstances of the time. Continuing the doubling policy would require the UK Exchequer to remain liable for choices about pay and pension rates made by the Indian Government over which it has no control, and therefore no ability to plan for, in the UK's public expenditure. This is not something which is acceptable given the ongoing constraints on the UK's public finances and when the relative sizes of the UK and Indian economies have changed so much since 2000, when this policy was introduced. None of this is at odds with the Government's principal commitment which is to ensure the continued provision of a fair and positive standard of living in Nepal for Gurkha veterans and that the Gurkha Pension Scheme remains sustainable and fair alongside other UK public sector pensions. This is why the Government intends to conduct a review to identify the most appropriate means by which Gurkha pension rates should be increased in the future. Details of this review, and how you can contribute to it, will be published in due course.

Your letter included some sample figures about the impact of the changes which have been announced. Details about the implementation of the 7th CPC have been published on the Brigade

of Gurkhas Association [here](#). These do not bear out your assessment of the impact on Gurkha pensions; inflation (Cost of Living Allowance (COLA)) as you describe it is the annual inflation rate applied each year to the Gurkha Pension Scheme. The compound effect of inflationary increases to Gurkha pensions rates will be applied in full and for each year at the 1 January 2016 rate when the 7th CPC is implemented shortly. This will be reflected in the level of arrears received by each individual based on the 1 January 2016 implementation date, the date from which the Indian CPC was implemented. These changes also incorporate the changes made for OROP. The effect of these changes means that the minimum level at which the Gurkha pension scheme is paid remains above Indian rates is 140%; for many the actual figure is much higher and for some up to nearly 195% at the highest ranks. The Government is satisfied that, alongside the addition of the investment it has made in the Gurkha Welfare Trust for the provision of enhanced medical and healthcare support, this more than ensures that Gurkha pensions continue to provide for a fair and positive standard of living in Nepal.

Your letter raises the issue of a link between decisions about the Gurkha Pension Scheme and migration to the United Kingdom. The Government is clear that these decisions are not intended or designed to have any effect in relation to migration to the United Kingdom; to suggest that they do so is incorrect. The Government continues to support the right of those Gurkha veterans who are eligible to apply for settlement in the United Kingdom under the 2009 special arrangements.

I am very happy to explore opportunities to explain in more detail the background to these decisions, in person, whether in Nepal or in the United Kingdom. To that end I am due to attend a meeting of the UK based Regimental Associations at the start of May. I am copying this letter to recipients of yours and will ask the Brigade Association to publish this correspondence on their website.

Yours sincerely

