



Ministry of Defence

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Reference: **FOI2019/00481**



E-mail: 

Date: **7 February 2019**

Dear 

Your correspondence dated 10 January 2019 has been considered to be a request for information in accordance with the Freedom of Information Act 2000 (FOIA). You requested the following information:

I am writing to try and understand Defence Spending and in particular the Armed Forces Pension Scheme better. Below are some questions that I would like you to answer for me please. If you need me to submit this as a formal Freedom of Information request I am happy to do this. If you could let me know who to submit it to I would be grateful.

- 1. Which figure is the one used to calculate spending that goes towards the NATO 2% of GDP target? My assumption is that the headline figure of £36.6 Bn mentioned in this (https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/744752/Finance_and_economics_annual_statistical_bulletin_departmental_resources_2018.pdf) report is used? Am I correct? Does this figure include pension payments to veterans?*
- 2. Are pension payments to veterans included within the government supplied figure of £60.6Bn which is says it spends on Defence from the Reference above? If not what account (pot of money) do they come from?*

The document that I was examining suggested getting in touch with defstrat-econ-eses-pqfoi@mod.gov.uk.

From a separate document I have the following questions (which are very similar to some of the above)

- 3. Am I correct in that the Armed Forces Pension Scheme is an unfunded liability?*
- 4. Could you please expand on the following:*
 - a. What is the in year cash requirement? – From (https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/725011/20180628-AFPS_Accounts_17_18_Final_-_Web_Version.pdf) it appears to me to be £5,527.8M (from Table A page 13 of the attached link) however I have found much of the terminology confusing so am not sure.*

- b. *How is this in year cash requirement funded? Is this paid for by in year taxes. As I understand it there is no investment income that comes from the AFPS. Is this correct?*
- c. *Is this included within the MOD budget/settlement for the year? From the MOD accounts I have found this to be £36.6Bn for Tax Year 2017/2018 (Source - https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/744752/Finance_and_economics_annual_statistical_bulletin_departmental_resources_2018.pdf)*
- d. *Is this included within the government supplied figure of £60.6Bn which is says it spends on Defence from the Reference above? If not what account (pot of money) does it come from*

Please see the response below.

Question 1:

When reporting Defence spending to NATO the UK complies with NATO guidelines for calculating Defence expenditure. Therefore, our reported Defence spending to NATO includes the MOD budget and other UK Government department spending on Defence that complies with the NATO guidelines. This enables NATO to capture Allies' Defence spending on a comparable basis. Pension payments are not included in the total defence spending figure of £36.6Bn for financial year 2017/18.

Question 2:

Yes, this figure does include pensions payments to veterans.

Question 3:

Yes, the Armed Forces Pension Scheme is an unfunded liability.

Question 4a:

The 2017/18 AFPS in year cash requirement was £1,573.1M. This can be found at the link in your question on page 27 of the 17/18 AFPS Accounts, within the Statement of Parliamentary Supply.

Question 4b:

Yes, it is correct that there is no investment income for the AFPS. The AFPS in year cash is funded through a combination of employer contributions (Superannuation Contributions Adjusted for Past Experience) and a top up from the HM Treasury Consolidated Fund. A top up is required as the AFPS is free to its members and therefore receives no employee contributions. As a result, the in-year income received from employer contributions does not cover the in-year pension expenditure.

Question 4c:

The Armed Forces Pension Scheme is not included in the MOD outturn published in the Annual Report and Accounts 2017/18.

Question 4d:

Please refer to the answer to question 2 above.

If you have any queries regarding the content of this letter, please contact this office in the first instance.

If you wish to complain about the handling of your request, or the content of this response, you can request an independent internal review by contacting the Information Rights Compliance team, Ground Floor, MOD Main Building, Whitehall, SW1A 2HB (e-mail CIO-FOI-IR@mod.uk). Please note that any request for an internal review should be made within 40 working days of the date of this response.

If you remain dissatisfied following an internal review, you may raise your complaint directly to the Information Commissioner under the provisions of Section 50 of the Freedom of Information Act. Please note that the Information Commissioner will not normally investigate your case until the MOD internal review process has been completed. The Information Commissioner can be contacted at: Information Commissioner's Office, Wycliffe House, Water Lane, Wilmslow, Cheshire, SK9 5AF. Further details of the role and powers of the Information Commissioner can be found on the Commissioner's website at <https://ico.org.uk/>.

I hope you find this helpful.

Yours sincerely,

Defence Resources Secretariat