

ANNUAL REPORT 2022-23

**for the year ended 31 March 2023
To the Minister for Defence Families on
the Armed Forces Pension Schemes**

**Robert Branagh
Chair, Armed Forces Pension Board**

Executive Summary

Welcome to this eight annual report on the Armed Forces Pension Schemes (AFPS). I am pleased to report that we have continued to build on last year's strong foundations as the body charged with assisting the Scheme Manager in administering the schemes, or in laymen's terms, assisting with the oversight and governance of the Armed Forces Pension Schemes.

It almost goes without saying that 2022/23 was another challenging year for the wider Armed Forces community. As well as facing some continuing disruption from the COVID-19 pandemic, we had to navigate economic and societal challenges to both our people and our members. I am again delighted that we were able to continue to effectively manage the pension schemes, deliver service to our members and continue to meet our regulatory, compliance and governance requirements throughout this period.

This year has seen both the AFPS 15 Remedy (McCloud) enter its implementation phase and the transformation programme and new service delivery contract start. This period of change has also been undertaken alongside other pension changes such as Pensions Dashboard initiative by Government and MOD change such as the Haythornthwaite Review into Armed Forces Incentivisation being published.

DBS and their contractor SSCL have invested significant time and resources into dealing with these changes as well as the practicalities of the transition to a new pensions software system that will, within a few years, be capable of providing robust single platform technology to allow for more efficient, automated and member centric servicing. I am particularly pleased to see the collaboration, communication and planning of this change activity across all parts of the AFPS pension system and its stakeholders. Only by working together can we ensure the existing business as usual service and the enhanced service coming can be delivered effectively and efficiently.

I would also like to thank my fellow Board members for their support during the last 12 months. I fully appreciate that they have other responsibilities to the department or their own organisations and charitable bodies that have equally been affected by the challenges set out above, but they have all continued to put the Schemes member best interests at heart and been particularly supportive of everyone's efforts to maintain the smooth administration and payment of benefits.

Although there is much more detail contained in this report, my principal message is one of continuing high levels of service to members, increasing and transparent delivery against significant legislative challenges and a very pleasing report on significant collaboration and common purpose amongst everyone involved in managing the pensions of the AFPS again this year. We have improved, with the support of DBS some of the metrics we monitor for administrative performance with most categories of benefits seeing several days turnaround times improve. We have always prided ourselves on paying the right amount to the right people at the right time, but we are now able to shorten the time to calculate, inform and pay such benefits.

Having successfully navigated and learnt lessons from the 2022/23 scheme year, I am confident that we can again support you across these numerous fronts this year whilst maintaining a high level of service to members next year.

Introduction

1. Lord Hutton's Independent Public Service Pensions Commission (IPSPC) Report in 2011 outlined key recommendations for the reform of all public service pension schemes. This led to the Public Services Pension Act 2013 (PSPA 13), and Scheme specific secondary legislation under the Armed Forces Pension Scheme 2015 (AFPS 15). The new pension schemes system has now been operating in the public sector for seven years.
2. Lord Hutton's overarching principles were that public service employees and taxpayers should expect public service pensions to be:
 - designed to protect the taxpayer from rising costs, through a 'cost cap' mechanism;
 - fair and sustainable for future generations, with elements protected for a period of time (such as the extent to which the pension is on a career average (i.e. not a final salary) pension scheme, or members' contribution rates); and
 - subject to better governance and greater transparency for members. For the Armed Forces, this was through the establishment of a Pensions Board to ensure member interests are protected, and more recently with the Pensions Regulator providing independent oversight of all schemes.
3. AFPS 15 is a Career Average Re-valued Earnings pension scheme which replaced the earlier final salary scheme, AFPS 05. It is a non-contributory, defined benefit scheme which has been designed in accordance with the PSPA 13 and was launched on 1 April 2015. AFPS 15 increased the normal pension age from 55 to 60 and linked the deferred pension age to the State Pension age. It retained the Early Departure Payment (an income stream and tax-free lump sum designed to compensate individuals for the early age at which they leave the Armed Forces), ill-health benefits and dependents' benefits schemes. AFPS 15 is the only open scheme for members of the Armed Forces.
4. There are two main legacy pension schemes for members of the regular Armed Forces: The Armed Forces Pension Scheme 1975 (AFPS 75), which closed to new entrants on 6 April 2005; and the Armed Forces Pension Scheme 2005 (AFPS 05), which was introduced thereafter and closed to new recruits on 31 March 2015. Further pre-AFPS 15 schemes still exist; therefore, management and oversight of the current pensions systems remains complex.
Fuller details can be found at: <https://www.gov.uk/government/publications/armed-forces-and-reserve-forces-pension-schemes-guidance-booklets>

Pension Governance

5. Lord Hutton's report identified a perceived separation between those responsible for the governance of public service pension schemes and those delivering the benefits. Additionally, he highlighted a lack of member involvement in the analysis and decision-making process. The PSPA 13 introduced a framework designed to ensure better governance and greater transparency, including the oversight of all public service pension schemes by the Pensions Regulator, (tPR). The PSPA 13 mandated a formal Governance

Structure specifically for Public Service pensions, with two new roles and two new boards. I believe the Pension Board continues to adequately meet the aspirations of the Hutton Report and the legislative environment we now operate in.

6. Roles:

- The Responsible Authority
 - i. The PSPA 13 specifies that the Secretary of State for Defence (SofS) must be the Responsible Authority. The Responsible Authority has the power to make and amend Scheme Regulations.
- The Scheme Manager
 - i. The Scheme Manager is responsible for managing and administering the AFPS. S of S appointed themselves the Scheme Manager but delegated the management of the AFPS to two Boards. Whilst authority is delegated, overall responsibility remains with the Scheme Manager.

7. Boards:

- Scheme Advisory Board
 - i. The Scheme Advisory Board has responsibility for providing advice on the desirability of changes to the schemes when required to do so by the Responsible Authority. Chaired by the Permanent Under Secretary, the Scheme Advisory Board will only be required to make decisions on major changes to the scheme design, and as such, it sits by exception. It has authority to make recommendations to the S of S on major changes to the Scheme rules and is advised, amongst others, by the Pension Board and HM Treasury. The Chair of the Pension Board is a member of the Scheme Advisory Board.
- Pension Board
 - i. The Pension Board was borne out of the PSPA 13, following the mandate for a governance structure specific to public service pensions. The Board is responsible for assisting the Scheme Manager in complying with scheme regulations and other legislation relating to governance and administration, as well as any requirements imposed by the Pension Regulator. The existing chair, Robert Branagh, was reappointed for a further three-year term in January 2021 as the Non-Executive chair of the Pension Board and member of the Scheme Advisory Board above.

8. The AFPS is supported by Defence Business Services (DBS). DBS have delegated authority to deliver pension administration through a contractual arrangement covered later in this report. This arrangement includes agreement on governance, audit, and pension reporting. Specific groups, such as the Audit, Risk & Assurance Committee (ARAC), have been established to provide objective advice and support in the areas of risk, control, governance process and associated assurances. The following measures support this governance:

- SSCL Q&A team carry out 100% check on all awards going into payment.
- SSCL administer a programme of Internal Assurance reviews of pension processes, awards, and calculations. Quarterly reports detail the checks undertaken, detailing findings and corrective action taken.

- Monthly checks conducted by Contract Performance Monitoring Team (CPMT), averaging 50 checks per month.
 - Monthly checks carried out by Armed Forces Pension Scheme (AFPS) Assurance Team (AT) on awards made by both the contractor and MOD Authority staff, averaging 86 checks per month and with additional targeted checks on areas identified as potential areas of risk.
 - Annual programme of checks carried out by the Government Internal Audit Agency (GIAA) (formerly DIA), at least four per year.
 - Annual checks by the National Audit Office (NAO).
9. Overall governance arrangements, and that of day-to-day management control, are in place and effective. During 2022-23 a Full Assurance was awarded for Guaranteed Minimum Pension (GMP) audit and Substantial Assurances were awarded for Armed Forces Attributable Benefits (AFAB) and Armed Forces Compensation Scheme (AFPS). A Limited Assurance was awarded for Pension Sharing on Divorce. The positive result and additional assurance measures in place contributed to GIAA awarding AFPS an overall Substantial Assurance for 2022-23.
10. I am pleased to report that the 2022-23 Armed Forces Pension Scheme financial statement was certified by the Controller and Auditor General with an unqualified audit opinion without modification. As Chair of the Pensions Board, I have a standing invitation to and regularly attend the DBS Audit and Risk Committee where the accounts and wider scheme assurance are currently monitored and overseen.
11. We continue to deliver on all three main schemes, AFPS 15, AFPS 75 and AFPS 05. During the 2023/24 Scheme year the Board will be assuming responsibility for the governance and administration of the pension schemes relating to Gibraltar and the Gurkhas as part of its remit.

The Pension Board

Membership

12. There are currently 14 members (including the Chair), and a small number of attendees are invited in an advisory capacity. The make-up of the Pension Board has been maintained to ensure the interest of the Scheme's beneficiaries and stakeholders are represented, with seven employee representative and seven employer representatives. Details on the composition of the Pension Board (along with the Terms of Reference) are at Annex B.

Financial Cost

13. There is a direct cost in running the Pension Board, ranging from fees for the Non-Executive Chair, training, and development for Pension Board members, to travel and subsistence costs for those attending Board business. A breakdown can be found below:

Direct Costs 2022/2023 (Approx.) Cost:

Non-Executive Chair	£ 10,000
Training and development	£ 0
Travel and subsistence costs	£ 500
Total	<u>£ 10,500</u>

Meeting Attendance & Training

14. During the period, the Pension Board has met four times. The Pension Board is committed to complying with the statutory duty of monitoring its training needs to ensure a better understanding of Armed Forces Pension Schemes. Training and continuous learning and development are key elements to this, aiding the effectiveness of the Board. Consequently, all Pension Board members have completed the Pension Regulator Public Service Toolkit, which provide the foundations for a stronger understanding of pensions to allow them to appropriately discharge their responsibilities as a Board. A record of training undertaken by Board members sits at Annex C.

Conflicts of Interest

15. No Conflicts of Interest have arisen in the year. All members are required to confirm this annually in writing.

Government Internal Audit Agency (GIAA) & The Pension Board

16. With effect from April 2023, the Defence Internal Audit (DIA) team transferred to GIAA to help with assurance and insight across the government. AFPS will continue to support the work of GIAA in the same way.

17. As set out in paragraph nine, GIAA undertake a number of audits each year to assist with the overall scheme governance and assurance. GIAA is responsible for providing the Permanent Under-Secretary and Defence Audit Committee with an independent, objective assurance on the effectiveness of MOD's systems of governance, risk management and internal control.

Pension Board Areas of Interest

Since its inception, the Pension Board has concentrated on several areas, principally:

Review of Defence Business Services' Performance

18. Key performance indicators (KPIs) are used to monitor the performance of Defence Business Services. This is to ensure appropriate service delivery for all pension scheme members. In addition to monitoring routine administration, we continue to monitor other professional advisors, such as the Government's Actuary Department (GAD).

19. In addition, the AFPS Authority Assurance team continue to assure routine aspects of pension administration. During the scheme year, the team quality assured 1,585 awards, focusing on the following areas:

Audit programme	193
Internal Case Work Assurance	442
Q&A check sheet	1,002
Equiniti Paymaster reconciliations	102
Targeted Checks	38
Total	1,585

Source: AFPS Assurance

Communication with Members

20. The Pension Board continues to monitor closely the development of this important area of business. Communicating pension information to members is a key element of any pension scheme and we know this has a clear impact on morale and retention of Service Personnel.
21. The DBS Communications Team continue to provide extensive support to DBS-reactive media issues and producing campaigns to alleviate demand on the Operational Teams. The Pension Board are actively involved, alongside REM, with all Communications aspects and have played a role in the rollout of a suite of Customer Journey Maps; supporting members through the processes involved with claiming pensions and making appeals. This year, increased emphasis has been given to 2015 Remedy, with comprehensive information published on GOV.UK to support members. Similarly, there has been substantial change to the tax rules concerned with pensions and Scheme stakeholders have collaborated to refresh and bolster already comprehensive and accessible guidance in this area. Continued membership of the AFPS Communications Working Group has ensured we maintain strong stakeholder relationships between DBS, REM, the Single Services, Forces Pension Society (FPS) and other relevant third sector parties to aid in aligned key messaging and objectives in support of all AFPS Communications.
22. The social media channels utilised for communicating about AFPS have approximately 29,000 followers across all accounts, with frequent signposting and sharing of relevant stakeholder and third sector posts. Audience analytics show that the main demographic we are reaching through the socials are males aged 45 upwards. GOV.UK Pensions page average visits remain steady at approximately 22,000 visits per month over the last 12-month period and visits to the site landing page are also stable at approximately 8,000 visits per month. We expect page visits and audience reach to increase on all platforms in the next few months due to 2015 Pension Remedy promotional communications.
23. A DBS presence on MOD's LinkedIn profile has also proved successful since its launch over the last few months and the DBS Defence Connect Pages on Defence Gateway, which were launched in February 2023, have garnered 124,000 followers (main audience groups are current Serving Personnel and Defence Civilians).
24. During the year, we continued to utilise a Pension Communications Working Group, that sits under the governance structure of the Pensions Board. In addition to fulfilling legislative requirements, the Working Group considers three distinct areas of interest on behalf of members:
- Aiding in the improvement of communications laid down by regulation;
 - Aiding in the improvement of communications that increase the understanding that Service Personnel and Veterans have of their pensions; and

- Supporting the Ministry of Defence to enable effective and efficient scheme administration.

25. The Scheme has issued four editions of the AFPS Quarterly Digest within the year, focusing on a range of topics from 2015 Remedy to Annual Allowance. The Quarterly Digest continues to be the most useful way for administrators to share important pensions information with members and, crucially, increases engagement between the Scheme and its members.

Risk & Assurance

26. In addition to the work of the Pension Board, to help us understand our risks further, I as Chair, have attended four DBS Audit, Risk & Assurance Committee (ARAC) meetings this year. This allows me to contribute to the assurance oversight of the Schemes via that forum. In linking the Pensions Board with ARAC, we can benefit from work undertaken by Government Internal Audit Agency and National Audit Office activity. This in turn builds on the existing internal controls and assurance activities performed by DBS and MOD, supported by the Internal Contract Performance Monitoring Team (CPMT) and the dedicated AFPS Assurance Team. I am satisfied with the coverage of this assurance activity. Further to this, the Board does consider 'risk awareness' to ensure process and protocol (with respect to risks surrounding the AFPS) are considered appropriately.

Forward view of the Pension Board Programme

27. As the Board increases its capability in challenging and providing overview on pensions, the breadth of topics and issues under consideration has increased proportionately. The Board operates a process of ongoing reassessment of the current and future landscape and understanding that prioritisation is key. Our priorities remain those that are legal and mandated, followed by those deliverables that are assessed as providing the greatest opportunity to benefit our members. It also remains important that new Board members are quickly brought up to speed through our formal training and wider informal briefings. Using our collective knowledge, we identify emerging issues and create a forward plan. Further details are at Annex D. This will be reviewed regularly to ensure we are still balancing opportunities with risk but compliance with tPR's requirements, assurance and member communications will be our main areas to evolve and refine going forward. These remain particularly relevant given the transition to a new pensions software system and the associated transformation of service programme that will follow to deliver the technology step change we aspire to.

28. At the end of the seventh year of Pensions Board operation I remain encouraged. We continue to face ongoing challenges to deliver pensions accurately and on time, to answer queries sympathetically and fairly, to respond with agility to changes in the pension's world, and to present our activity to those regulating us. Good progress is being made and I judge we continue to be fit for purpose, and that we compare very well with other major public-sector schemes. This is not to say that we cannot get any better; indeed, we must get better as the demands on us increase but I am confident that we have the structures and expertise in place to meet those demands.

Membership & Transactions

Contracted Support Arrangements

29. Defence Business Services (DBS) has a major Commercial Partner, assisting them with the administration of the schemes. Shared Services Connected Ltd (SSCL, the contractor) are the primary contractor delivering the core AFPS services and their sub-contractor, Equiniti Paymaster deliver the pension payroll and administration services to 415,000 pensioners and dependents. To enable this, the MOD provides the contractor with access to appropriate expertise to enable them to discharge its obligations. Whilst the MOD has responsibility for ensuring that pension casework is processed in accordance with appropriate guidelines, the Authority for making such discretionary decisions is delegated to DBS from the Admiralty, Army and RAF Boards.

30. The operational service commencement date was 1st June 2020. Under the agreement of a new service contract, we could not carry out a Benchmark Review of any services during the first 12-month period from the Operational Commencement date of the new contract. Benchmarking resumed from 2021-22 with CEM Benchmarking and was then followed by a further benchmarking review in 2022-23. Further details of this can be found in the following section entitled 'Quality of Service'.

31. In the year 2022-23, the contractor brought into payment:

- 6,013 Immediate Awards
- 10,641 Preserved Pensions
- 6,971 Forces Family Payments

Source: SSCL

AFPS Membership	31 Mar 22	31 Mar 23
Active Members (inc.	287,025	275,672
Pensioner Members	454,000	460,735
Deferred Members (inc. Reserves)	513,522	506,210

Source: AFPS Finance, DBS

32. The total transactions processed by the contractor are detailed at Annex E. Only 8% of complaints received by the contractor were upheld – the majority were challenges to policy, not customer service – further information is provided in Annex F. The contractor has comfortably met the contractual measures of performance required during 2022-23.

Quality of Service

33. The AFPS75, AFPS05, and AFPS15 schemes are administered in partnership with SSCL and Equiniti against contractual measures of performance relating to accuracy and timeliness. Varying levels of audit and assurance are provided by the NAO, GIAA and internal teams. The contract includes penalties for any failures that are identified. As part of the Board's oversight of the administration performance each quarter, I believe that our suppliers have provided us with a good service this year. The Pension Board will continue to monitor performance closely, and work with stakeholders to ensure good levels of performance endure going forward. It will also contribute to discussions on how services can be enhanced for members going forward.

CEM Benchmarking

34. As previously stated, CEM completed a benchmarking exercise this year which assessed the quality of service of the Armed Forces Pension Scheme. It makes comparisons with peer-group pension schemes and makes useful suggestions for further improvement of service provision.

35. The report concluded that the Scheme 'member service score' was increased by three points since last year, now 47/100. CEM found that the AFPS Enquiry Centre was the most accessible of the large public-sector pension schemes; members can contact a live person 60 hours per week and connection time is over 5 times quicker than comparable schemes. AFPS telephone outcomes are best in the peer group: most calls are handled with first contact and staff calls are monitored on average 20 times per month, four times the peer-scheme average. Additionally, AFPS issues four annual newsletters to members (AFPS Quarterly Digest), compared with one, typically, amongst peer-schemes.

36. Areas for the Scheme to improve include more face-to-face or online engagement with membership (group meetings or presentations); time taken to process requests such as setting up pensions and providing pension forecasts; improving timescales for payment of pension commencement lump sums; and surveying members on the service they receive. DBS and the contractor recognise that service can be improved and will work closely on service improvements with a view to increasing service provision where possible in these areas. Indeed, this requirement fits with a broader desire to improve customer engagement across the whole spectrum of Armed Forces and Veterans outputs. More detail is provided in 'Future Improvements'.

2022-23 Service Highlights

Decision Making

37. An analysis of appeals and disputes within the Armed Forces Pension Scheme has been undertaken by DBS. This demonstrated strong decision making and proportionately few complaints to the Pensions Ombudsman, with even fewer complaints upheld by the Ombudsman. Veterans UK made 2,621 challengeable decisions within the scheme year, compared with 235 appeals/reviews (9% of decisions). The Ombudsman closed 88 AFPS complaints this year, with just 14 reaching adjudication (where the member and the Scheme remain in disagreement). Of the 14 cases reaching adjudication, one case was

upheld in full, and 3 cases were partially upheld; ten cases were not upheld, with no further action for the Scheme. The low rate of appeal generally, and very low rate of upheld complaints to the Ombudsman, demonstrate reasonable and well communicated discretionary decisions in the majority. DBS uses every appeal/dispute as an opportunity to improve service and lessons are learned and service improved where appropriate.

The AFPS Quarterly Digest

38. This communication tool has continued to react and evolve in line with feedback from members and selects content to meet their needs. The Quarterly Digest has empowered members to get the most from their Armed Forces Pension. 1,219-member feedback forms were received within the year: the Quarterly Digest received an approval rating of 3.8/5; with 86% of readers saying they will read the next edition. This demonstrates the true value of the publication and the Board, in collaboration with the Pension Communications Working Group, will continue to utilise the Quarterly Digest to increase engagement and understanding of pensions among Service Personnel. The Quarterly Digest is being distributed electronically to active members, whilst pensioner and dependent members are posted the publication, with the future member portal being the eventual common, electronic, destination for all Quarterly Digest editions.

Member Lived Experience

39. DBS recognises that delivery of its services could be improved by connecting with veterans using Lived Experience insight. In March 2023, a Lived Experience event focussed on service leavers - those who had recently left service or in the process of transitioning out. The aim being to see what experience veterans had accessing DBS services including the Armed Forces Pension Scheme (AFPS). Customer feedback from members regarding the Pension Form 1 and AFPS Quarterly Digest was received. In response, changes have now been made to improve the form and Quarterly Digest by simplifying and clarifying content to ease understanding. This also includes journey map publications and updating of the service leavers guide for clearer signposting.

'Gone Away' Members

40. Following an exercise to identify and trace members for whom the Scheme had received returned postal communications, a significant number of members have updated their contact information. DBS and its contractor continue to utilise National Fraud Initiative information to support tracing and ultimately ensuring member details are current and accurate, allowing for communication of key information from the Scheme. To date, over 5,000 members have confirmed new addresses following proactive tracing by the Scheme.

Unclaimed Pensions

41. DBS and its contractor continue to minimise the volume of pensions going unclaimed by using tracing on deferred pensioners as their pensions become due for payment. Furthermore, regular communications are being used to remind members of the need to keep contact information up to date. To date, the Scheme has brought 4,669 pensions into payment which had not been claimed by the member, with the total annual value of these pensions being approximately £11.5 million.

Improved Guidance for Members

42. This year, DBS has made improvements to the service it delivers to children of AFPS members. This includes a new guidance booklet on the Armed Forces Pensions GOV.UK site, revised forms which simplify the claim process, and the removal of the requirement for third party educational institutions to verify ongoing education.
43. Additionally, DBS has now published 'customer journey roadmaps' in the public domain at GOV.UK. The roadmaps guide members through each of the processes and manage their expectations in terms of timescales.

Membership Data

44. The inspection of the 2022 data extracts last year raised just 3,471 potential anomalies in a combined caseload of 1,069,163 records. The quantity of potential anomalies, in comparison to 2021 had reduced by over 65%. The overall quality level across all data lists, based on the results of the tests (sanity checks), gave GAD an assurance of 99.7%. As of 31st March 2023, just 16 records were deemed to be potentially anomalous from the entire extract, having made 1,354 corrections and the remaining 2,098 were deemed to be non-questionable after analysis. Further inspection, analysis and correction of anomalous data will be undertaken next year and going forward.

Benefit Information Statement (BIS) Review

45. The annual BIS sent to serving members has been improved following member feedback and a full review by the Communications Working Group. Improvements have clarified areas of the BIS which could have been confusing or ambiguous to members, updating language, and improving the layout. The Communications Working Group review the BIS annually with stakeholders to ensure the product remains fit for purpose.

Text Message Member Updates

46. Last year, text messaging had been introduced to the formal Internal Dispute Resolution Procedure and the Complaints Resolution Team processes to keep members up to date on the progression of their appeal or complaint as it progresses. Text messaging has now been further rolled out to other casework including Discretionary Award Reviews and Appeal Reviews.

Future Improvements

Streamlined Complaints Process

47. As part of an ongoing effort to modernise and improve services for customers, the Ministry of Defence is introducing an updated process for actioning War Pension, and Armed Forces Compensation Scheme complaints in order to simplify the process and reduce the time taken to receive a final response. The streamlined process will see a reduction in the overall stages from five to three following the removal of the Independent Complaints Panel, whilst also reducing the internal target time for resolution from 60 to 40 days. It has been developed in consultation with, and endorsed by, the Chairs of the Veterans Advisory and Pensions Committees (VAPCs) and the Parliamentary and Health Service

Ombudsman (PHSO). This process is additional and separate to, the Internal Dispute Resolution Procedure (IDRP) which is for complaints about application of Armed Forces Pension Scheme rules and/or maladministration. The new process will be launched in September 2023 and the details will be published on GOV.UK.

Member Self-Service Portal

48. DBS aspires to achieve the digitisation of self-service provision for serving personnel and veterans, both in the short and long term; all forming part of the MOD modernisation agenda. Working alongside its contractor, DBS are continuing to develop their own digital rollout to help with improved member service which will include a Member Self Service portal which will allow members to run their own forecasts, update personal details and view information such as P60 and the Quarterly Digest. We aim to have this functionality by March 25.
49. In the short-term, Veterans UK will be further digitising online forms and services to increase accessibility and efficiency of its service in the digital age (see paragraphs 51-54).

A Single IT Platform

50. Linked to the Self-Service Portal, Veterans UK are transitioning to a single IT platform which will bring membership data and some processes onto one system. This will incorporate a data matching programme and, in line with the portal, is expected to be ready in early 2025.

Further Digitisation of Forms/Services

51. Expanding on the previous digitisation of the AFPS Form 12 (forecast requests for active members), DBS is currently developing an online AFPS Form 12 using Power Apps. This new version is more intuitive and user friendly, allowing a seamless process from user submission through to contractor receipt. Users are emailed a PDF copy of their AFPS Form 12, and the contractor receives the customer's PDF, along with additional Excel files for internal processing. This new version will be released in Autumn 2023.
52. DBS and external stakeholders are in the process of creating of a digitised AFPS Form 8 and 8a (for the claim of preserved pensions and EDP). Once approved, the AFPS Form 8 and 8a will be the first public-facing forms to be developed using Power Apps. This will allow our members a more streamlined process when making a claim for the early payment of preserved pension benefits.
53. DBS will continue to develop online forms where there is the capability to do so, improving its provision of online services in preparation for transitioning to the single IT platform, with member self-service.
54. Finally, DBS has begun the process of creating a digital distribution method for the annual member Benefit Information Statement (BIS), which will allow members to access their BIS from any place, any time, in full colour. It is anticipated that this distribution method will be launched in the next scheme year.

The Pension Landscape 2022- 2023

The 2015 Pension Remedy (previously known as The McCloud Judgement)

55. This refers to the Court of Appeal's ruling that the Government's 2015 public sector pension reforms unlawfully discriminated against public sectors based upon members' age on the 1 April 2012.
56. As part of the 2015 reforms which applied to most public service pension schemes, those within 10 years of retirement were allowed to remain in their legacy pension scheme; this was known as 'full protection'. Following legal challenges in December 2018, the Court of Appeal found that the transitional protection arrangements applied to judicial and firefighters pension schemes, gave rise to unlawful discrimination against younger members. As a result, in July 2020, the Government published a public consultation where it was confirmed that they would remove the age discrimination. This would be achieved by giving eligible public sector workers the opportunity to choose which scheme benefits they would wish to receive (legacy scheme or the reformed 2015 scheme) for the period of 1 April 2015 – 31 March 2022 - known as the remedy period. The remedy applies to pension scheme members who were in service both on or before 31 March 2012 and on 1 April 2015, including those with a gap in service no longer than 5 years. From 1 April 2022, all public servants, including all serving Armed Forces personnel, were transferred to AFPS 15.
57. The Government delivered a Bill early this year which closed the legacy schemes with effect from 1 April 2022. A consultation followed this Bill which set out in detail, the changes made to the Armed Forces Pension Schemes specifically and how it affects members. The Bill also introduced Regulations to provide a remedy for those who suffered discrimination between 1 April 2015 and 31 March 2022 (the remedy period). These regulations were introduced in Secondary legislation in late 2022.
58. The MOD is working in collaboration with other Public Service Pension Schemes to write and lay the legislation required to implement the rollback, which will rectify the discrimination. This will be delivered later in 2023 and will come into force on 1 October.
59. The MOD developed a 2015 Remedy calculator to help assist members in making their decision regarding which scheme to remain in for the remedy period, alongside a comprehensive communications plan to assist members through their decision-making progress.

Pension Tax

60. The changes to Pensions Savings Tax announced in the Spring Budget 2023, which included the raising of the Annual Allowance (AA) from £40,000 to £60,000 and the removal (and subsequent abolition) of the Lifetime Allowance (LTA) tax charge will apply for Tax Year 2023/2024 onward. Prior to the Government's decision to increase the standard AA limit by 50% to £60,000 the AA limit had remained static at £40,000 since 2016 and had led to an increase in personnel affected by pension taxation. The Chancellors Budget announcement is welcome news for members and will significantly reduce the number impacted by pension taxation. The Department continues to provide a

wealth of education and guidance for those affected, with the creation of new digital content to supplement the comprehensive guidance and advice published in previous years.

Cross Whitehall Participation

61. The Department is keen to ensure that the pensions offered to Service Personnel reflect the unique nature of the Armed Forces and are in line with other Government departments. The Department regularly engages with the HM Treasury Official Committee on Occupational Pensions (MOCOP), who are in place to ensure that a cross Departmental view is taken for any significant policy changes. This ensures that the requirements of the Armed Forces are being considered across Whitehall. The Pension Board are committed to building upon relationships to improve the Board's effectiveness and I regularly meet with the Chairs of the other Big 4 public sector pension schemes, (Civil Service, NHS, Teachers and AFPS), and with tPR's public service schemes forum where information and best practice are shared on central and local government pensions. The Department also participates in cross Whitehall meetings with public sector scheme representatives and HMT to consider the issues that may be involved in deciding a remedy, following the McCloud judgment.

Valuation Exercise

62. Pensions are paid from Annually Managed Expenditure with the employer's contribution paid from the Departmental Expenditure Limit through the Superannuation Contribution Adjusted for Past Experience (SCAPE) mechanism. SCAPE partially funds in-year AFPS pension payments and HM Treasury funds the remainder. The rate of SCAPE contributions is set following a valuation carried out, under HM Treasury direction, by the Government Actuary's Department every four years.

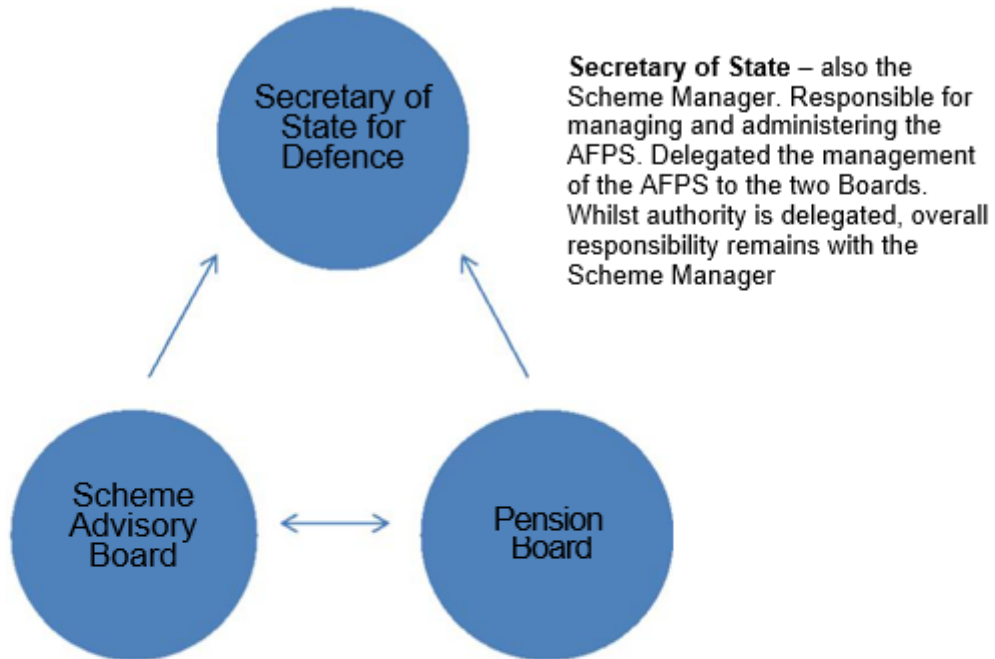
63. The employer cost cap framework was introduced by the Public Service Pensions Act 2013 – this is aimed at maintaining the affordability of public service pensions. At the previous scheme valuation, if the cost of AFPS (as measured by this framework), changed by more than 2% of payroll, this would've required action to return the scheme to its original level of cost. Initially, the cost cap technically breached in excess of the 2% of pensionable pay, but acknowledgement of the cost of the Deferred Choice Underpin as the McCloud remedy returned the scheme to within 2% of target cost. The 2016 valuation was therefore finalised with no changes to AFPS 15 benefits. Work is now underway to conduct the next scheme valuation, and the cost cap mechanism will be reformed in three areas following consultation by the Government.

Conclusion

64. I am pleased to be able to present a positive report for a year that has had a wide range of challenges for all those involved with the Schemes. Next year will be equally challenging with increasing regulatory, operational and commercial issues to address but I am confident that Board members will continue to assist with the delivery of a well governed and high-quality service for all members.

Annex A

GOVERNANCE STRUCTURE FOR ARMED FORCES PENSION SCHEME



Secretary of State – also the Scheme Manager. Responsible for managing and administering the AFPS. Delegated the management of the AFPS to the two Boards. Whilst authority is delegated, overall responsibility remains with the Scheme Manager

Scheme Advisory Board – has responsibility for providing advice on the desirability of changes to the scheme when required to do so by the Scheme Manager. Chaired by the Permanent Secretary, the Scheme Advisory Board will only be required to make decisions on major changes to the scheme design; as such, it sits by exception.

It has authority to make recommendations to the Scheme Manager on major changes to the Scheme rules.

Pension Board - responsible for assisting the Scheme Manager in complying with scheme regulations and other legislation relating to governance and administration, as well as requirements imposed by the Pension Regulator.

Annex B

PENSION BOARD TERMS OF REFERENCE

General

1. The Pension Board was established as of 1 April 2015 in compliance with the Public Service Pensions Act 2013. The Board is responsible for assisting the Scheme Manager in ensuring compliance with the scheme regulations and other legislation relating to the governance and administration of the scheme and any statutory pension scheme that is connected with it.

The Pensions Regulator

2. The Pension Board is also responsible for assisting the Scheme Manager in securing compliance with requirements imposed in relation to the scheme and any connected scheme by the Pensions Regulator (tPR). The Pension Board will, always, work to protect the reputation of the scheme for effective governance and administration and for proper use of taxpayers' money in accordance with such good practice guidance that may be issued by the Pensions Regulator. The Pension Board will respond to any requests/directions made by tPR and ensure that they oversee the development and ongoing delivery of processes and systems to incorporate any new statutory requirements.

Purpose of the Pension Board

3. In addition to its' statutory responsibilities¹ the Pension Board has key functions in addition to ensuring that those in receipt of a benefit receive accurate, timely benefits under the scheme rules and satisfactory customer service thereby ensuring that schemes are administered correctly and appropriately, and in accordance with Regulations as follows;

- Responsibility for the effective and efficient governance of the Armed Forces Pension Schemes.
- Oversee and advise on pension delivery and represent Pension Schemes interest in MOD's management of the wider Shared Services contract.
- Provide advice on policy issues which affect members' interests.
- Contribute to the planning and influencing of the risk management and audit activity for Armed Forces Pension Scheme, to include internal audit programmes, internal control procedures and the making and reviewing of recommendations arising from such activities.

¹ Section 5 of Public Services Pension Act 2013

- Advise and influence the selection, appointment and reappointment of all third-party providers including the Scheme Administrator in conjunction with the provision of wider people services.
- Oversee and contribute to communications on pension management issues.
- Monitor all Pension Scheme material issues to ensure consistency of application and a seamless service for members.
- Develop positive, co-operative working relationships with all the stakeholders and provide a forum to receive feedback from them on issues affecting the scheme.

Changes to the Terms of Reference

4. The Terms of Reference will usually be reviewed every year but can be amended outside of the review period subject to Chair agreement.

Chair

5. The Pension Board will be chaired by an independent, voting Non-Executive Director (NED) who has responsibility for ‘...assisting the Scheme Manager to comply with the scheme regulations and other legislation relating to the governance and administration of the scheme and requirements imposed by the Pension Regulator.’² Chief of Defence People (CDP) will appoint the Chair on behalf of the Scheme Manager.

Pension Board Members

6. The Pension Board will have an equal number of employer³ and employee⁴ members. All appointments to the Pension Board are personal. All members will represent the interests of all of the Schemes’ beneficiaries and stakeholders. There are 15 members (including the Chair) and 4 attendees in an advisory capacity. At the time of writing;

Name	Role
<u>Employer Representatives</u>	
Helen Helliwell	Director Armed Forces People Policy (People-AFPPol-D) – 2* Civil Servant
Philip Bassingham-Searle	Head of Armed Forces Remuneration (Hd AF REM) - 1* Military
James Freemantle	Deputy Director Defence Resources (D Res-DD) - 1* Civil Servant

² tPR Draft Code of Practice.

³ Employer representatives means persons appointed to the board for the purpose of representing employers for the scheme and any connected scheme.

⁴ Employee or member representatives means persons appointed to the board for the purpose of representing members of the scheme and any connected scheme.

Anthony Lamb	Reserve Forces & Cadets Assistant Head Capability (RFC AHd Cap) -
Suzy Conway	Royal Navy Pay Colonel – Captain Royal Navy
Louise Green	Army Pay Colonel - Colonel
Gordon Bettington	Royal Air Force Pay Colonel – Group Captain
<u>Employee Representatives</u>	
Neil Marshall	Forces Pension Society
Maria Lyle	Single representative from the Forces Families' Federation
Stephen Bennett	SIAP (Services Insurance and Investment Advisory Panel)
William Grove	Reservists Members' representative: a volunteer from the Chain of Command
David Smith	Members representative from the Royal Navy; a volunteer from the Chain of Command
Sarah Cox	Members representative from the Army; a volunteer from the Chain of Command
Lee Twyning	Members representative from the Royal Air Force; a volunteer from the Chain of Command

Not Board Members, but can be invited to attend to provide technical, legal, and actuarial advice as and when required:

- **Defence Business Service (DBS), the Service Provider**
- **Command Legal Service (CLS)**
- **Government Actuary's Department (GAD)**
- **Assistant Head Armed Forces Pension Schemes (AHd AFPS) – Secretary**
- **SSCL Project and BAU representatives**
- **MoD – Commercial/ Change**

Tenure and Attendance

7. The Chair's appointment was for an initial 3 years but this has since been extended. The Chairs' current term ends on 5 January 2024. Military employer members will typically change every 2 to 3 years as this is the normal length of an assignment. Where the Board member is a Civil Servant, the tenure will endure whilst the incumbent is in the appointment. Employee members can remain for an indefinite period but must put themselves forward for re-election to

the Board by its members every 4 years; allowing the Board to consider alternative representation. The Chair will need to consult with Pension Board members to try, if possible, to avoid too many Board members changing at the same time.

8. Pension Board members are expected to attend all meetings in person. Any alternate representation must be cleared by the Chair in advance. If a short notice meeting is called, all Board members should make their best efforts to attend.

9. Each member must agree that information provided or gleaned in the course of their duties as a member of the Board (which may include confidential/personal information) will not be used for purposes outside of the delivery of the Board's function unless specifically agreed.

10. For the Board meeting to be quorate, there must be the Chair, and at least 3 employer and 3 employee representatives present.

Removal

11. Pension Board members (including the Chair) may only be removed from office during a term of appointment by the Scheme Manager.

12. Members of the Pension Board may resign from the Pensions Board by giving one month notice in writing to the Chair.

13. In the event of resignation or other removal the Chair will work with the Secretary to ensure that an alternative member is appointed within three months of the date of resignation or removal.

14. Members of the Pension Board may be removed should they fail to attend three consecutive meetings.

15. In the event of resignation or other removal, the Pension Board can continue to meet and conduct its business, subject to 10 above, although every effort should be made to ensure that there is a balance of employers/employees.

Voting

16. All 15 members of the Pension Board are voting members. Items arising at any meeting will be decided by a majority of voting members present. The Chair will have the casting vote. Nominated deputies attending meetings are unable to vote.

Conflict of Interest

17. Conflict of interest means a financial or other interest which is likely to prejudice a person's exercise of functions as a member of the board (but does not include a financial or other interest arising merely by virtue of membership of the scheme or any connected scheme).

18. Subject to the agreement of the Scheme Manager, the Chair must be satisfied that none of the members have any conflict of interest. If it is determined that a member of the Pensions Board has an enduring conflict of interest, the appointment of the member must be terminated.

19. All members are to sign the Conflict-of-Interest declaration form, and these should be held as a record and reviewed annually. Any individual conflict of interest should be declared before each meeting. Conflict of interest will be a standing agenda item.

Conduct of Business

20. The Chair of the Pension Board will report annually at the end of the FY on the activities of the Pension Board to the Responsible Authority (S of S). This is to include a suitable response to the Pension Regulator's annual report. This annual report should include input and support from Pension Board members.

21. The Pension Board will meet at least every six months but usually no more than 4 meetings a year.

22. The Chair of the Pension Board may call a meeting at any time providing two weeks' notice is given, if practicable. Such meetings may be in person, via telephone, video conference or other media as appropriate.

23. Minutes of all Pension Board Meetings will be recorded. Draft minutes will be circulated to the Pension Board and will be ratified by members at the next meeting; paperwork should be circulated at least 5 days before the next meeting.

24. A standing agenda will be used to guide the meeting and where there are specific issues to discuss, these will be put in as separate agenda items.

25. The Pension Board can decide to ask its professional advisers, representatives from third party suppliers, including the scheme administrator, and any other person to attend its meetings as it sees fit.

26. The Secretary will update the training log quarterly, or as and when necessary.

27. The Pension Board may agree on a decision outside of a meeting if the Chair, as well as 3 employee representatives and 3 employer representatives confirm their agreement either in writing or by electronic mail. Any such decision will be as valid and effective as if it had been passed by a meeting of the Board.

Committees and Sub-Groups

28. The Pension Board may establish such committees and sub-groups as it sees fit. They will decide if they need to have separate ToRs and if so, they will take responsibility for writing them within the Pension Board ToRs; any ToRs will be approved by the Chair.

29. Minutes of any subcommittee meetings will also be recorded. The Chair of the Pension Board will appoint the Chair of each sub-group.

Pension Board's Responsibilities

29. The Pension Board will monitor the effectiveness and efficiency of the scheme administration and focus on scheme performance, continuous improvement, value for money, risk management and compliance with statutory requirements.

30. The Pension Board will:

- monitor and advise the Responsible Authority on the performance of the service administration of the Pension Schemes including performance of the third-party scheme administrator throughout the implementation phase and into the future through the analysis of management information and key performance indicators, providing challenge where appropriate;
- ensure that an appropriate risk management strategy is in place for the scheme and monitor the Scheme Administrator's risk management framework and internal control procedures;
- ensure that the Scheme Administrator has an effective audit strategy in place for the scheme and monitor the internal audit programme to check compliance;
- ensure there is a process to allow compliance with data management requirements and compliance with the record keeping requirements as set out in The Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014;
- monitor the process and viability of the System Administrator's electronic data storage to assist with data extracts needed for actuarial valuations;
- reviewing trends and patterns in the information provided by the DBS and SSCL, and making recommendations to the Scheme Manager as appropriate;
- report breaches of the law to the Regulator, when they have reasonable cause to believe that a legal duty which is relevant to the administration of the scheme has not been, or is not being, complied with; and the failure to comply is likely to be of material significance to the regulator in the exercise of any of its functions;
- may consider and advise on (but not give final approval as not solely a pension's contract) any amendments to the terms of the Commercial Contract in place with the Scheme Administrator;
- may request (if Department funding is agreed) additional services from the Scheme Administrator; and
- carry out its responsibilities, having due regard for compliance with the Public Sector Equality Duty.

Pension Board Member's Responsibilities

31. Members will be expected to:

- contribute in a way that will benefit scheme members, employers, and the taxpayer;

- contribute to any discussion on policy issues as it affects the management and oversight of the Armed Forces Pension Schemes;
- be a credible and visible consultative body for Armed Forces Pension Schemes;
- have or be prepared to develop, appropriate knowledge and understanding of pensions legislation and best practice pensions governance; have a good understanding of and conversance⁵ with the Armed Forces Pension Schemes⁶ and allocate sufficient time to consider Pension Board Papers prior to boards;
- take part in training to gain and retain, up to date and working knowledge of the Armed Forces Pension Schemes. Thereafter keep their knowledge up to date by undergoing training as required; this will include but not be limited to:
 - a. taking part in themed training on administration, actuarial practice, benchmarking, and member experience as provided at Board meetings by external contacts; and
 - b. completion of the Public Service Toolkit provided by the Pension Regulator within six months of taking up post.
- know where scheme rules and administration policies are relevant and where a particular provision or policy may apply;
- be aware of the range and extent of pensions law applying to the scheme and recognise when and how it impacts on their responsibilities;
- be able to challenge failures to comply with the scheme rules and legislation relating to governance and administration;
- make every effort to attend any short notice meetings;
- understand that if they fail to attend three consecutive meetings, they may be removed as a member; and
- will be expected to inform the Chair of any changes in respect of possible conflicts of interest.

⁵ Conversance is working knowledge of scheme rules and policy documents, so members can use them effectively in carrying out their duties.

⁶ AFPS 75, AFPS 05, AFPS 15, FTRS 97, RFPS 05 and NRPS

Annex C – Armed Forces Pension Board Training Log

	TOPIC	Robert Branagh	Helen Helliwell	Adrian Bettridge	James Freemantle	Mark Cox	Louise Green	Gordon Bettington	Neil Marshall	Collette Musgrave	William Grove	Ian Wilson	David Smith	Dean Morgan	Sarah Cox	Lee Twynning	Stephen Bennett	
	Public Service Pensions toolkit																	
8th Mar 22	26th PENSION BOARD MEETING: The Pensions Regulator brief CEM Benchmarking brief	✓	✓	✓	absent	✓	✓	✓	✓	absent	✓	✓	Not yet in post	absent	Not yet in post	✓	Not yet in post	
30th June 22	27th PENSION BOARD MEETING: The Pensions Regulator brief CEM Benchmarking brief	✓	absent	✓	✓	absent (sent rep)	✓	✓	✓	✓	✓	✓		✓		✓	✓	✓
15th September 22	28th PENSION BOARD MEETING: The Pensions Regulator brief CEM Benchmarking brief	✓	✓	✓	✓	absent (sent rep)	absent (sent rep)	absent (sent rep)	✓	absent	✓	✓				absent	✓	absent
22nd November 22	29th PENSION BOARD MEETING: Review of TORs 2015 Remedy brief	✓	✓	✓	✓	✓	✓	✓	✓	absent	✓	left post, replaced by David Smith		✓	left post, replaced by Sarah Cox	absent	✓	✓
23rd March 22	30th PENSION BOARD MEETING: Risk and Assurance Update Escalations to SAB	✓	✓	left post	absent	✓	✓	absent	✓	✓	✓	absent		absent	absent	absent	absent	✓

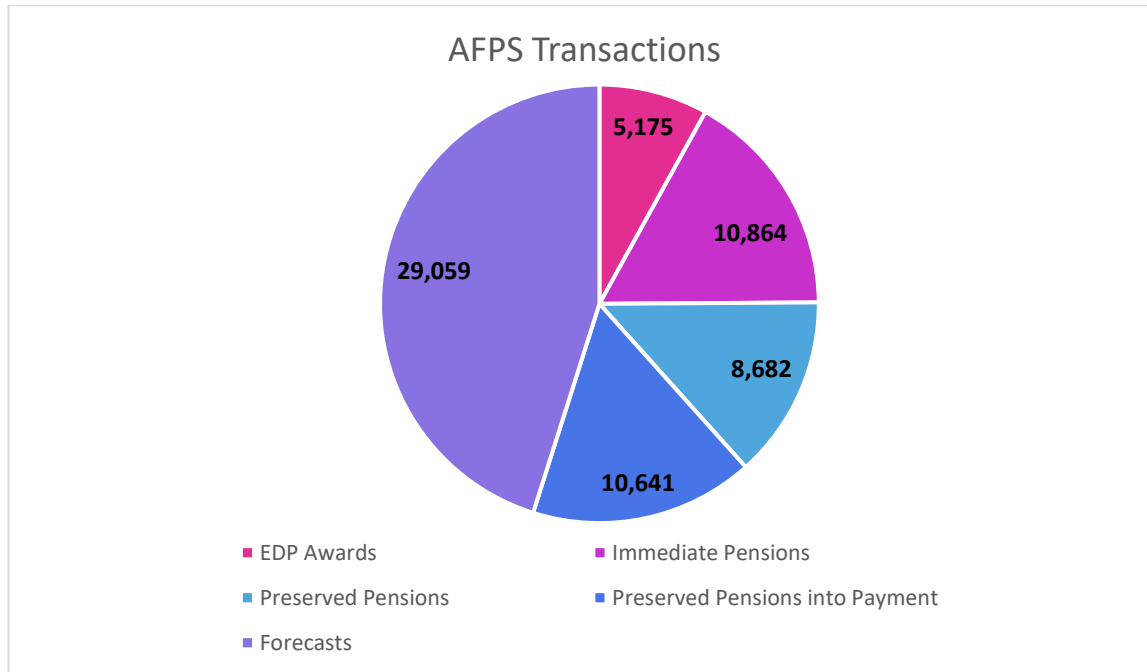
Annex D – Armed Forces Pension Board Work Programme

March 2022	SSCL and Commercial update DBS update McCloud Remedy Pension Board Refresh Admin Levy tPR Engagement
June 2022	SSCL and Commercial update DBS update McCloud –PDD's Valuation Exercise & Discount Rate Communications Risk & Assurance
September 2022	SSCL and Commercial update DBS update Transformation Pension Calculator McCloud Communications Risk & Assurance
November 2022	SSCL and Commercial update DBS update Transformation Pension Calculator McCloud Pension Taxation Communications Risk & Assurance
March 2023	SSCL and Commercial update DBS update Performance Measures CEM Benchmarking Conference Risk and Assurance Escalations to SAB AWE revaluations 2015 Remedy (previously known as McCloud)
July 2023	SSCL and Commercial update DBS update Performance Measures Overseas Schemes HRAFI AWE revaluations

Annex E

AFPS High Level Transactions

The following data has been provided by the contractor and details the number of AFPS high level transactions processed during 2022-23 by transaction type.



Source: SSCL

Benefit Information Statement (BIS)

Veterans UK continuing to monitor BIS feedback following the review carried out in 2022-23 and will consider enhancements to the process and BIS template on an ongoing basis.

	Apr 22	May 22	Jun 22	Jul 22	Aug 22	Sep 22	Oct 22	Nov 22	Dec 22	Jan 23	Feb 23	Mar 23	Total
No. BIS Issued	16,262	16,070	17,022	17,032	17,175	16,807	14,632	16,137	15,490	16,293	14,376	16,136	193,432

Annex F

Appeals and Disputes

The number of complaints in relation to the population remains exceptionally low and represents a strong service delivered to customers in the majority of cases.

SSCL Complaints:

Total complaints received by SSCL was 48; 4 (8%) were justified. The majority were queries/disagreements with policy.

Thank you

In the last year 2,014 Thank You's were received by our Complaints Resolution Team, WP and AFCS Operations and Vets UK Helpline.

IDRP & Reviews:

Members of an occupational pension scheme have a legislative right to have their complaint/appeal reviewed if they are dissatisfied with any decisions made in relation to the AFPS Schemes. This review process is known as the Internal Disputes Resolution Procedure. If members are unhappy with the decisions made by the administrators of the scheme under this process they will have recourse to the Pensions Ombudsman, whose decision is final and binding on both parties (unless the case is taken to the appropriate Court on a point of law).

Total Internal Disputes Resolution Process (IDRP) and Discretionary Awards Reviews processed by AFPS Authority staff during 2022-23:

Discretionary Award Review (DAR)	12
Discretionary Award Appeal Review (DAAR)	19
Internal Dispute Review Process (IDRP)	90

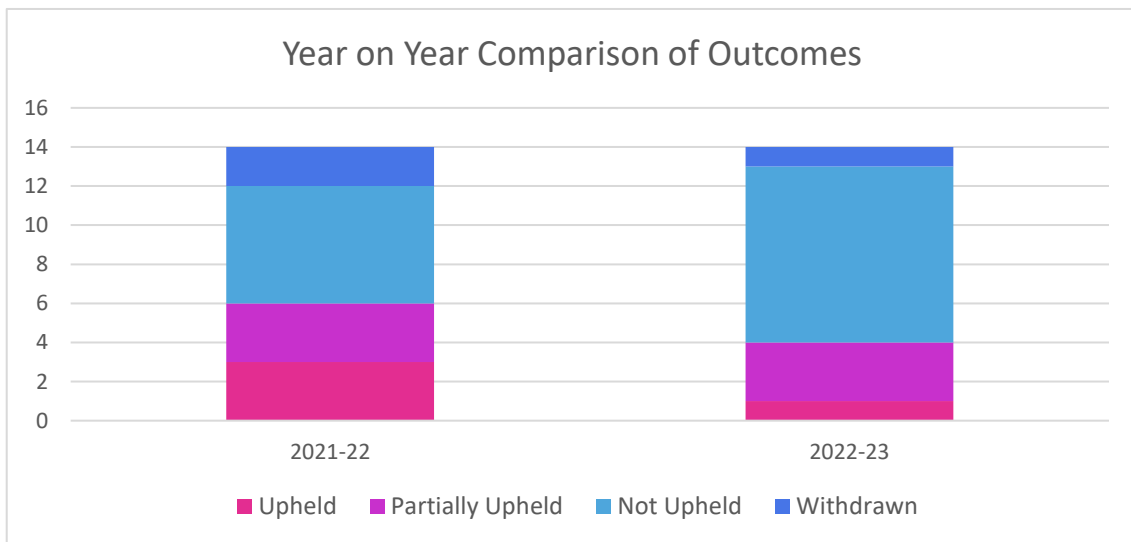
The IDR procedure is broken down into two categories: formal complaints/disputes and ill-health appeals against ill-health Tier assessments. Of cases closed during the performance year, approximately 33% (30) of IDRPs were ill-health Tier appeals; 67% (60) were IDRP formal complaints alleging maladministration.

- 1,966 ill-health Tier assessments were closed in the period. Total ill-health appeals closed in comparison was just 30 (appeal rate of less than 2%) and were upheld at a rate of 33% during the period.

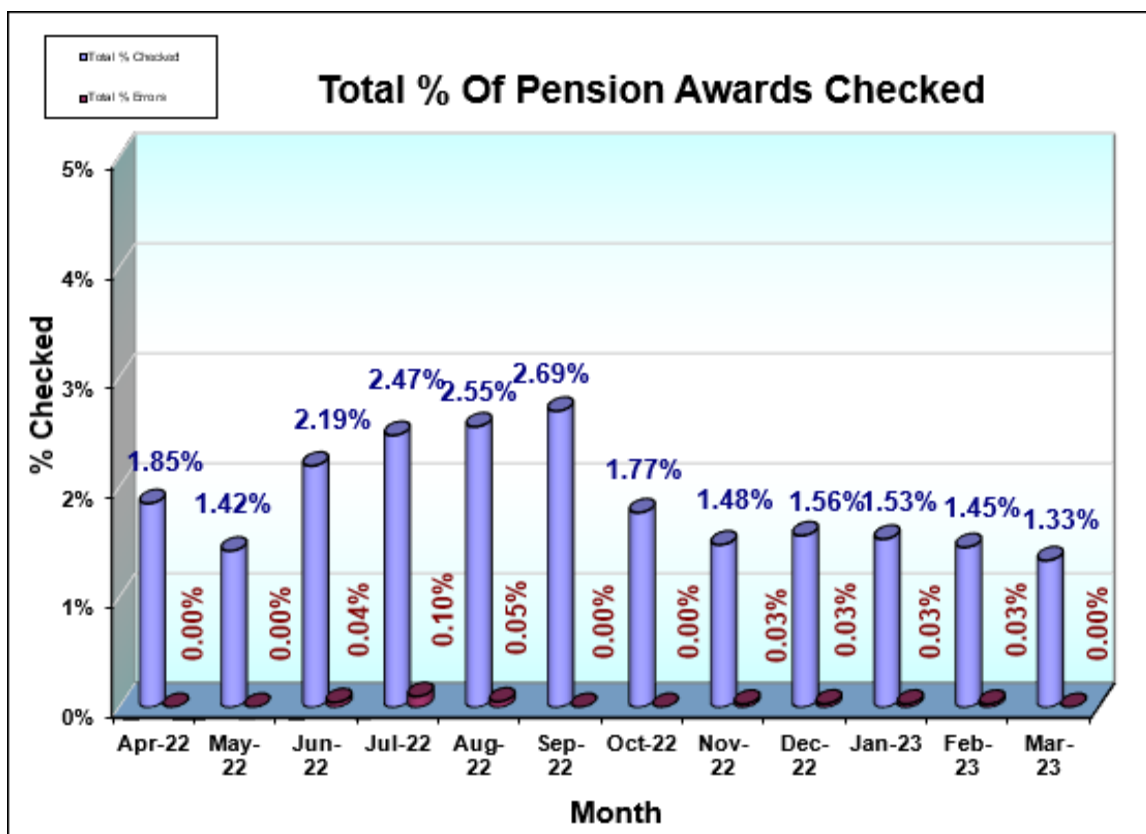
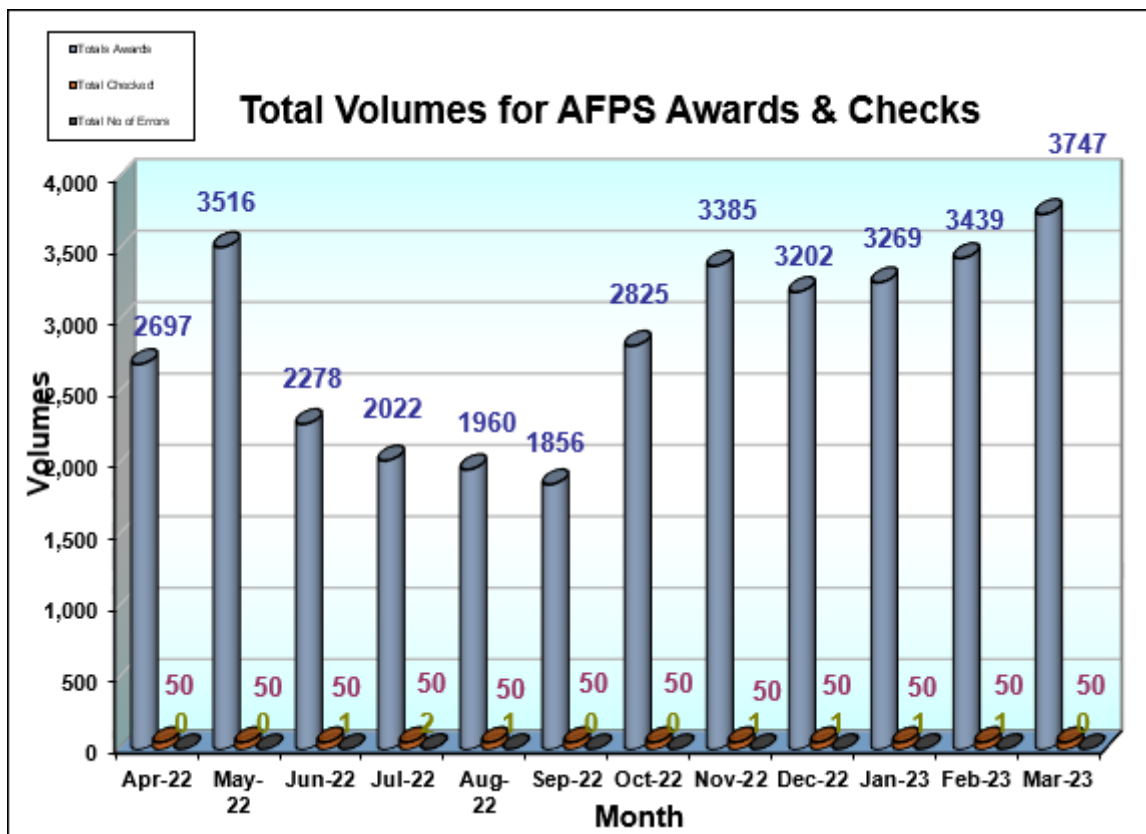
Investigations by Pension Ombudsman

Ombudsman adjudication outcomes in the year 2022-23:

Complaint Topic	2022-23	Outcome
Ill-health Pension	9	7 were not upheld, 1 upheld, 1 partially upheld
Calculation of Benefits	1	Not Upheld
Overpayment	2	2 partially upheld
Pension Liberation	1	Not Upheld
Retirement Benefits	1	Not upheld
Total	14	8 not upheld, 3 partially upheld, 3 upheld



Annex G



Source: Contract Performance Management Team (CPMT)