



Ministry  
of Defence

# Armed Forces Pension Scheme Annual Report and Accounts 2024-25





# Armed Forces Pension Scheme

(Incorporating the Armed Forces Compensation Scheme)

## Annual Report and Accounts 2024-25

For the year 1 April 2024 to 31 March 2025

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# Accountability Report

## Report of the Managers

This report provides a summary of the arrangements to ensure the Armed Forces Pension Scheme (AFPS) affairs are managed effectively and gives a broad outline of the major benefits offered by the individual Schemes.

### Background to the Schemes

#### The Armed Forces Pension Scheme 2015 (AFPS 15)

On 1 April 2015, the AFPS 15 was introduced for all new members of the Armed Forces. All serving Service personnel who were members of an AFPS were automatically transferred to the AFPS 15 unless they qualified for Transitional Protection (see page 13). The AFPS 15 is a voluntary, non-contributory, Career Average Revalued Earnings (CARE), unfunded, defined benefit, occupational pension scheme.

The Scheme rules are set out in the Armed Forces Pension Regulations Statutory Instrument Order 2014, the Armed Forces Early Departure Payments (EDP) Scheme Regulations Statutory Instrument 2014 and the Armed Forces (Transitional Provisions) Pensions Regulations Statutory Instrument 2015.

Pensions are paid immediately if an individual serves to age 60 with at least two years' qualifying service. Those who have at least two years' service who leave before age 60 will have their pensions preserved until State Pension Age. The Scheme also includes an EDP for those who leave before

age 60 providing they have at least 20 years' service and are at least 40 years of age. The EDP is paid from the date of the individual's departure from the Armed Forces until State Pension Age, at which time the EDP stops and is replaced by the preserved pension. Pensions may be payable to the spouse, civil partner, partner or to eligible children. Death-in-service lump sums are payable to nominated recipients or eligible dependants.

#### The Armed Forces Pension Scheme 2005 (AFPS 05)

From 6 April 2005 until 31 March 2015, the AFPS 05 was the primary scheme for all new members of the Armed Forces. The Armed Forces (Pensions & Compensation) Act 2004 is the primary legislation covering the AFPS 05 and the EDP Scheme 05. The AFPS 05 is a voluntary, non-contributory, final salary, unfunded, defined benefit, occupational pension scheme.

Pensions are paid immediately if an individual serves to age 55 with at least two years' qualifying service. Those who have at least two years' service who leave before age 55 will have their pensions preserved until age 65. The Scheme also includes an EDP for those who leave before age 55 providing they have at least 18 years' service and are at least 40 years of age. The EDP is paid from the date of the individual's departure from the Armed Forces until age 65, at which time the EDP stops and is replaced by the preserved pension. Pensions may be payable to the spouse, civil partner, partner or to eligible



children. Death-in-service lump sums are payable to nominated recipients or eligible dependants.

On 1 April 2015, all active AFPS 05 members were transferred to AFPS 15 unless they qualified for Transitional Protection. Those members who transferred to the AFPS 15 had their AFPS 05 accrued pensions protected.

### The Armed Forces Compensation Scheme (AFCS)

The AFCS was introduced on 6 April 2005, replacing two separate compensation arrangements under the Armed Forces Pension Scheme 1975 and the War Pension Scheme. The Armed Forces (Pensions & Compensation) Act 2004 is the primary legislation covering the AFCS. The AFCS covers injury, illness and death that are caused by service on or after 6 April 2005. The AFCS is a tariff-based compensation scheme, which has been designed to be simple to understand and to produce consistent and equitable decisions, using an evidence-based approach.

### The Armed Forces Pension Scheme 1975 (AFPS 75)

The AFPS 75 was the primary Scheme for Armed Forces personnel prior to 6 April 2005. The Scheme rules are set out in "Prerogative Instruments" that derive their authority from His Majesty The King and are not subject to approval, annulment, or amendment by Parliament. The current Prerogative Instruments are the Naval and Marine (AFPS 75 and Attributable Benefits Scheme) Order 2010, the Army Pensions (AFPS 75 and Attributable Benefits Scheme) Warrant 2010 and the Air Force (AFPS 75 and Attributable Benefits

Scheme) Order 2010. The AFPS 75 regulations are set out in Schedule 1 to the Prerogative Instruments.

The AFPS 75 is a voluntary, non-contributory, salary related, unfunded, defined benefit, occupational pension scheme. It provides immediate pension benefits to those who have completed at least 16 years' reckonable service for Officers and 22 years' reckonable service for Other Ranks. The full career pension can be earned relatively early, at age 55, and invaliding and death benefits are available in the event of illness, injury or death at different rates depending upon whether these are caused by service. From 6 April 2005, unless already in payment at that date, these benefits are not provided for service-related illness, injury or death but are provided by the Armed Forces Attributable Benefits (AFAB) Scheme where the cause is service prior to that date and the AFCS where the cause is service after that date. For those who leave without entitlement to immediate pension but who have completed at least two years' reckonable service, a preserved pension is payable at the age of 60 for service before 6 April 2006 and age 65 for service from that date.

The AFPS 75 was closed to new members from 6 April 2005. Members of the AFPS 75 were given the opportunity to transfer to the AFPS 05 from this date.

On 1 April 2015, all active AFPS 75 members were transferred to AFPS 15 unless they qualified for Transitional Protection. Those members who transferred to the AFPS 15 had their AFPS 75 accrued pensions protected.



## The Armed Forces Attributable Benefits (AFAB) Scheme

The current Scheme Rules are set out in Schedule 2 to the following Prerogative Instruments; the Naval and Marine (AFPS 75 and Attributable Benefits Scheme) Order 2010, the Army Pensions (AFPS 75 and Attributable Benefits Scheme) Warrant 2010 and the Air Force (AFPS 75 and Attributable Benefits Scheme) Order 2010.

The Scheme provides invaliding benefits to those discharged from service on medical grounds in respect of injuries caused by service on or before 5 April 2005, who have been awarded a benefit under the War Pensions Scheme and whose degree of disablement due to the disabling condition is 20% or more, and death benefits to dependants.

## Reserve Forces Pension Schemes

There are two non-contributory Reserve Forces occupational pension schemes for members of the Reserve Armed Forces: Full Time Reserve Services Pension Scheme (FTRSPS 97) and the Reserve Forces Pension Scheme (RFPS 05).

FTRSPS 97 is the Scheme applicable to those who gave Full Time Reserve Service as a member of the Reserve Forces before 6 April 2005. It was closed to new entrants and those starting new commitments from 6 April 2005.

RFPS 05 is the Scheme applicable to those starting or renewing a Full Time Reserve Service (FTRS) commitment, including those on Additional Duties Commitment terms on or after 6 April 2005. Personnel mobilised under parts 4, 5 or 6 of the Reserve Forces Act 1996 (or corresponding

provisions of the Reserve Forces Act 1980) from that date may choose to become members of RFPS 05. Members of FTRSPS 97 were given an opportunity to transfer to RFPS 05 from this date.

On 1 April 2015, all active FTRSPS 97 and RFPS 05 members were transferred to AFPS 15 unless they qualified for Transitional Protection. Those members who transferred to the AFPS 15 had their FTRSPS 97 and RFPS 05 accrued pensions protected.

## Non-Regular Permanent Staff Pension Scheme (NRPSPS)

The NRPSPS, which covers non regular personnel in support of the Territorial Army, is a non-contributory pension scheme available to all members of the Non-Regular Permanent Staff. The NRPSPS closed to new entrants effective 31 August 2011 with any new appointments being FTRS appointments covered under the RFPS 05.

On 1 April 2015, all active NRPSPS members were transferred to AFPS 15 unless they qualified for Transitional Protection. Those members who transferred to the AFPS 15 had their NRPSPS accrued pensions protected.

## Gurkha Pension Scheme (GPS)

The GPS was established by Royal Warrant in 1949. It is a voluntary, non-contributory pension scheme that provides pensions for former members of the Brigade of Gurkhas, who have completed 15 years or more service, at rates based on those of the Indian Army.

In March 2007, the Government announced the outcome of a Review of Gurkha Terms

and Conditions of Service. It was announced that serving Gurkhas, and those who left service on or after 1 July 1997, would be given the right to transfer to either the AFPS 75 or AFPS 05, from October 2007.

From 1 April 2015 all new members of the Brigade of Gurkhas have joined the AFPS 15.

### Smaller Pension Schemes

In addition to the above Schemes, the AFPS also manages several smaller pension schemes covering locally employed military personnel in places such as Malta, Gibraltar, Singapore, Hong Kong, Seychelles, Sri Lanka, and India/Pakistan. All these schemes are now closed to new members.

### Further details

Further details on the above Schemes can be found at:

<https://www.gov.uk/government/publications/armed-forces-and-reserve-forces-pension-schemes-guidance-booklets>

## Corporate Governance

### Change in Accounting Officer

On the 1 December 2025 the MOD appointed Jeremy Pocklington as its new Permanent Secretary and Accounting Officer for the Scheme.

### Management of the Schemes

The AFPS and AFCS, collectively “the Scheme”, are managed and operated by Defence Business Services (DBS), a business unit within the Ministry of Defence (MOD). The cost of administering the Scheme is borne by the MOD and is reflected in the Department’s Annual Report and Accounts.

The Departmental Accounting Officer has designated the Chief Executive Officer (CEO) of DBS to be the Scheme Administrator. The DBS CEO has sub-delegated the administrative management of the Scheme to DBS Head of Armed Forces & Veterans Services (AFVS). The Director General Finance has designated the DBS Head of Finance & Corporate Services to be the Scheme Senior Finance Officer.

### Audit

The Comptroller and Auditor General is appointed by statute to audit these accounts; his certificate and report appear on pages 42-49. The fee for the year is £161,260 (2023-24: £160,000) and relates to the statutory audit of the Scheme accounts. This notional fee is reflected in the department’s Annual Report and Accounts. The National Audit Office (NAO), as the Scheme’s external auditors, provided no other services during the year.

## Contribution & Annual Increase Rates

### Employee Contribution Rates

Most pension schemes require both the employer and employee to make monthly contributions to fund the cost of the benefits accruing. However, the AFPS is free for its members, therefore employees do not make personal contributions.

### Employer Contribution Rates

The AFPS is financed through the payment of employer contributions made in respect of serving members of the Scheme. Employer contributions are set as a percentage of Pensionable Pay.

The employer contribution rate is set out in the actuarial valuation as at 31 March 2020 and has been 73.5% of pensionable pay since April 2024 (inclusive of 2% in relation to the AFCS) for both Officers and Other Ranks.

### Pension Increase Rate

Pension payments were reviewed in accordance with the Scheme regulations and were increased by 6.7% from 8 April 2024 (2023: 10.1% increase).

### Compensation Increase Rate

During the year compensation payments under the AFCS were reviewed and were increased by 6.7% with effect from 8 April 2024 (2023: 10.1% increase) in keeping with pension payments above.



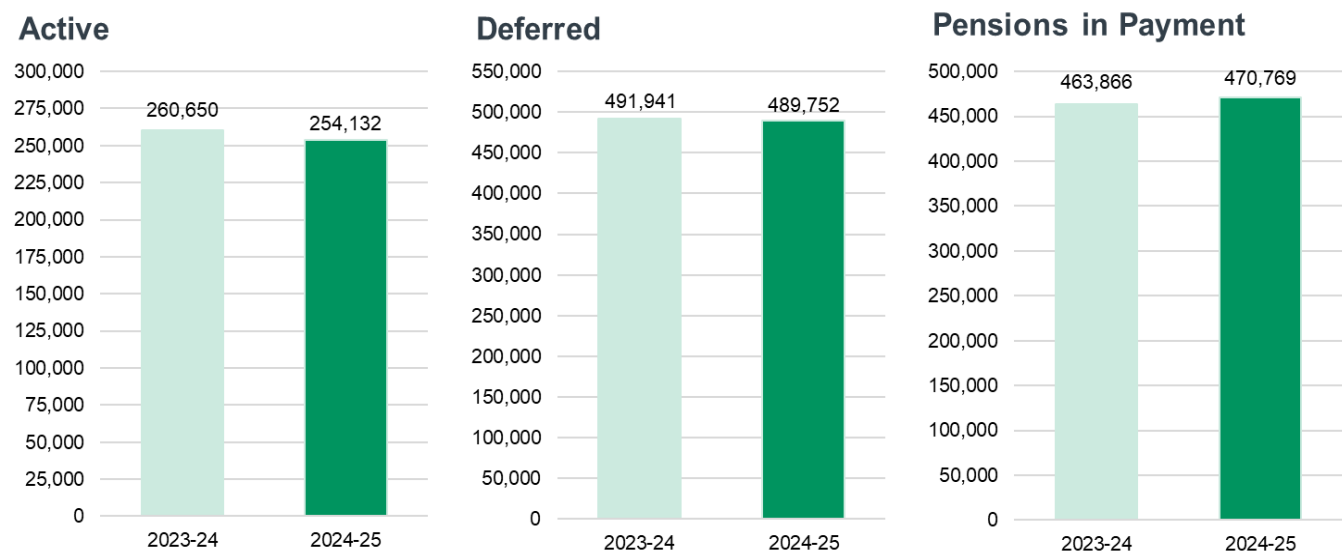
## Membership Statistics

Due to the complexity of the AFPS, the membership data shown in the graph below has moved away from an ‘individual’ being synonymous with a ‘member’. In order to show the movements within each category, the graph shows ‘Benefits’ instead of ‘Members’.

Individual members may be a member of more than one Scheme. A member may be entitled to more than one benefit under a Scheme.

The figures for pensions in payment are provided for both the year ended 31 March 2025 and the year ended 31 March 2024 for comparison. More detail is provided in Annex A.

### Movement in Active, Deferred and Pensions in Payment Member Benefits



**Active member**  
Still serving in the Armed Forces and still building up future benefits in the AFPS.

**Deferred member**  
No longer serving in the Armed Forces and no longer building up benefits in the AFPS, but not yet in receipt of pension.

**Pensions in payment**  
Members who are now in receipt of their AFPS pension.



## Financial Review of the Year

### Significant Events

#### Legal Cases

##### McCloud / 2015 Pension Remedy

In recent years there have been several legal challenges which have impacted all public sector pension schemes. The one that has had the most significant impact on AFPS was the McCloud-Sargeant case noted on page 13 and now referred to as the 2015 Pension Remedy. Provision was made in previous years in respect of this case. There have been no significant developments in the case during 2024-25 therefore there has been no change to the provision.

##### Cost Cap Judicial Review

In December 2021, several unions filed for a joint judicial review against the Government on the inclusion of the 2015 Pension Remedy costs within the cost control mechanism at the 2016 valuations. The judicial review was heard in early 2023. A ruling against this Remedy approach could have potentially resulted in higher costs of accrual from 1 April 2019 onwards.

The claims made in the judicial review were dismissed by the High Court in a judgment handed down on Friday 10 March 2023. Permission to appeal this judgment was granted by the Court of Appeal on 26 May 2023 but was rejected on 23 February 2024.

The Fire Brigade Union requested permission to appeal to the Supreme Court, in May 2024 but this was dismissed on 25 July 2024. There are no further grounds for appeal therefore the risk of increased costs referred to above no longer applies.

### Reserve Service – Employment Tribunal

The MOD is currently appealing the outcome of an Employment Tribunal relating to the lack of pension provision before 2015 for certain types of reserve service. This has been disclosed as a Contingent Liability within these accounts. Further details can be found on pages 14 and 71.

#### Revaluation of AFPS15 Accrued Pensions

Accrued pensions of active members of the Armed Forces Pension Scheme 2015 (AFPS15) are revalued in April of each year based on Office for National Statistics (ONS) estimates of the September-to-September increase in average weekly earnings (AWE). ONS practice is to publish each year a provisional AWE figure for the September-to-September increase in November, followed by a revised figure in December. During work leading up to the laying of the Treasury revaluation order published in April 2023, it was noted that the Treasury revaluation orders for 2021 and 2022 specified an AWE figure based on provisional ONS figures, rather than revised ONS figures, which had been used in previous Treasury revaluation orders from 2015 to 2020. Although the legislation setting out the revaluation of public sector pension schemes does not specify a figure of AWE growth to be used for the purposes of revaluation, it is the Government's view that the previous practice of using revised ONS estimates should have been maintained in 2021 and 2022.

The Government announced on 6 July 2023 its intention to correct the position affecting those currently active, deferred and pensioner members who were in active

service at any point between 1 April 2020 and 31 March 2022. This ensures all members receive the correct amount of pension. For a member who was in active service throughout the entire period, their accrued pension up to 31 March 2022 will be up to around 0.6% larger following this change. The cost to the Scheme as estimated by Government Actuary's Department is £70 million. The Government implemented legislation to enable the correction of member records on 15 April 2024. The Scheme has therefore recognised the additional past service costs in relation to the corrected amounts within the 2024-25 Accounts (see note 5 on page 60).

### Virgin Media Limited

We are aware of the Virgin Media Limited v NTL Pension Trustees II Limited court case, and its implications for UK defined benefit pension schemes that were contracted out of the additional state pension between April 1997 and April 2016.

There is uncertainty in relation to whether the judgment explicitly applies to public sector pension schemes. Therefore, it is unclear if the case could impact the Scheme and if so, what the impact may be (if any). The Government confirmed in June 2025 that it will introduce legislation to give affected pension schemes the ability to retrospectively obtain the required written actuarial confirmation. Once the legislation has been introduced, we will consider if any further steps need to be taken in relation to the Scheme.

There have been no further legal cases in 2024-25 which are expected to impact on the Scheme.

### Outturn by Budget Type

The Scheme budget sits within a category of spending known as Resource Annually Managed Expenditure (AME), which is revised annually through the Main and Supplementary Estimates process. The Scheme budget sits within AME as net expenditure and cash payments are largely outside the control of the Scheme and are affected by factors such as membership numbers, salary levels, mortality rates, age profile of members, and annual pension increases.

The AME sought under Main and Supplementary Estimates is the amount by which the Scheme's liabilities are estimated to increase during the year, less the employer contributions paid towards those liabilities. In addition, the net cash requirement represents the estimated net cash required for the year to cover payments of pensions and compensation, after taking account of estimated employer contributions and transfer values.

### 2024-25 Financial Outturn

Type of spend	2024-25			2023-24		
	Estimate	Outturn	Variance	Estimate	Outturn	Variance
	£m	£m	£m	£m	£m	£m
Resource AME	5,285	4,818	468	5,178	5,086	92
Net cash	1,705	1,297	407	2,022	1,576	446

The 2024-25 net Resource AME outturn was £4,818 million, which was within the voted estimate of £5,285 million.

In cash terms, the Net Cash Requirement (NCR) of £1,297 million against the voted estimate of £1,705 million, resulted in surplus cash of £407 million which will be returned to the HM Treasury Consolidated Fund during 2025-26.

The above table shows the performance against the 2024-25 control totals as agreed by Parliament in the 2024-25 Supplementary Estimates.

Further details can be found in the Statement of Outturn against Parliamentary Supply on page 38.

### Variance analysis

#### Resource AME

The Resource AME outturn was £468 million lower than the Estimate (2023-24: £92 million lower), this represents 8.9% of the Estimate. The variance was due to the following key factors:

- Pension contribution receipts being higher than forecast as a result of the 2024-25 military pay award.
- During the year, the Government Actuary's Department (GAD) revised its original calculation of the current service cost percentage (used to determine the current service cost). This was revised from 35.2% to 31.9%, resulting in lower costs than originally forecast.

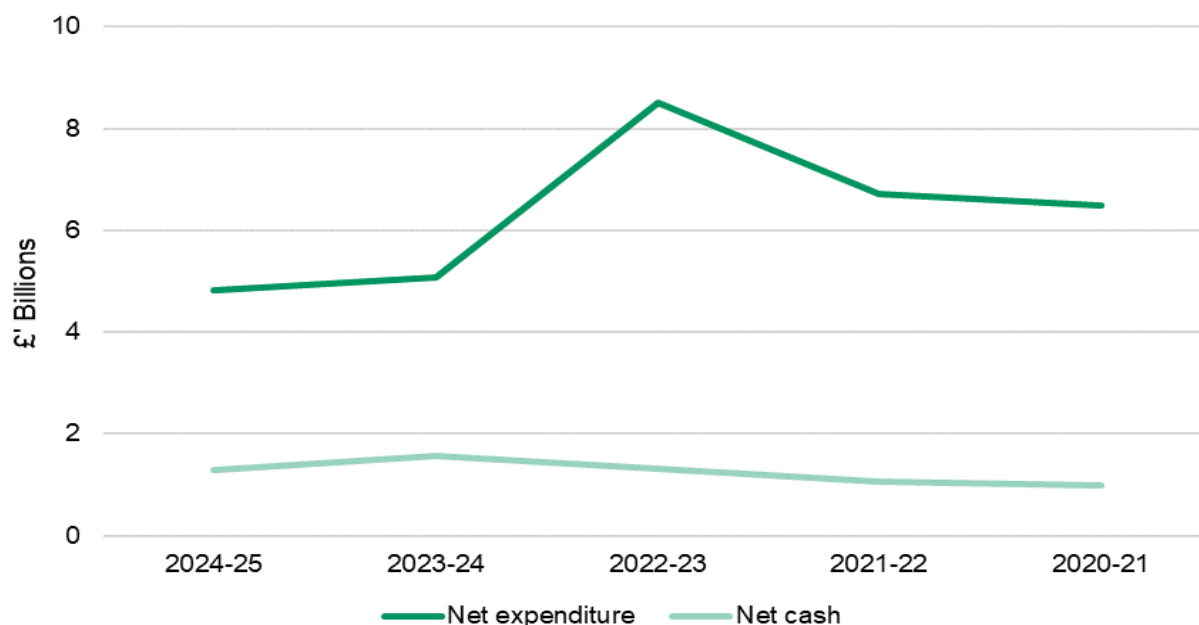
#### Net Cash Requirement

The NCR was £407 million lower than the Estimate (2023-24: £446 million lower), 23.9% of the Estimate. This was driven by a combination of pension contribution receipts being higher than forecast and benefit payments being lower than forecast.

### Trends in Outturn

The table and graph below represent a five-year summary of the movements in the net expenditure and net cash outturns since 2020-21.

Type of spend	2024-25 Outturn	2023-24 Outturn	2022-23 Outturn	2021-22 Outturn	2020-21 Outturn
	£m	£m	£m	£m	£m
Net expenditure	4,818	5,086	8,502	6,711	6,497
Net cash	1,297	1,576	1,317	1,058	991



## Movements in outturn

### Net expenditure

The key drivers of net expenditure are financial assumptions/interest rates. Although the active membership level impacts on the current service costs, the key drivers are the interest rate and current service cost percentage.

The 2024-25 net expenditure is lower than 2023-24, the amount of £4,818 million is driven by an increase in the interest rate combined with the level of contribution receipts. The increase in the interest rate creates a dual effect of **increased interest costs** offset by **decreased current service costs** (see below for further detail). The net effect of this together with increases in the level of pension contribution receipts between years leads to a reduction in net expenditure outturn of £268 million.

### Current Service Costs

The current service cost rate changes annually and can lead to significant changes in current service costs and net expenditure. The decrease in the current service cost percentage is primarily as a result of an increase in the real discount rate (i.e. the nominal discount rate net of inflation). The increase in the rate has the effect of decreasing costs (i.e. the current service cost percentage), as in effect less provision needs to be set aside today in order to achieve required liability amounts in the future. Other factors such as changes in mortality rates, assumptions for future earnings, changes in scheme membership and one-off adjustment costs (such as the 2015 Pension Remedy) can also impact on the percentage rate but on a year-to-year basis these are not a dominant factor. Movements in current service costs since 2020-21 are shown in the following table:



	2024-25	2023-24	2022-23	2021-22	2020-21
Current service cost rate	31.9%	41.3%	128.1%	116.0%	100.7%
	£m	£m	£m	£m	£m
Current service cost	2,168	2,685	7,953	7,077	6,050
Contributions received	4,996	4,258	4,069	3,999	3,937

## Net cash

The net cash requirement for 2024-25 is £279 million lower than 2023-24. This is due to an increase in the level of pension contribution receipts between years. This is offset by increased pension benefit spend (when compared to 2023-24) due to the natural growth in the pensioner pay-bill.

## Future plans

The Main Estimate for 2025-26 is shown in the table below. The projected increase in net expenditure is driven primarily by increased interest rates (interest costs), compounded by a higher opening Scheme liability.

Projected increases in the net cash requirement are mainly due to a forecast increase in pension benefit payments (due to natural growth of the pensionable pay-bill).

Type of spend	2025-26 Main Estimate	2024-25 Outturn
	£m	£m
Net expenditure	5,151	4,818
Net cash requirement	1,760	1,297



## Scheme Valuation

Actuarial valuation reports set out the rate of employer contributions required to meet the accruing cost of Scheme benefits, calculated in accordance with valuation Directions made by HM Treasury. When employer contributions are higher than Scheme benefits in payment then funds are returned to HM Treasury, but in years when employer contributions are lower than Scheme benefits in payment then the balance of funding required to meet Scheme benefits is provided by Parliament.

A full actuarial (funding) valuation is undertaken every four years, and its purpose is to assess the liability in respect of the benefits due under the Scheme (taking into account recent demographic experience), and to recommend contribution rates payable by the employer.

The latest completed actuarial valuation undertaken for the AFPS had an effective date of 31 March 2020. The results of this valuation (set out in the [Government Actuary's Department report](#) of 20 October 2023) set the employer contribution rate payable from 1 April 2024. The employer contribution rate has been 73.5% of pensionable pay since April 2024 (this is inclusive of 2% in relation to the AFCS) but will change to 73.6% of pensionable pay from 1 April 2025 (inclusive of 2.1% in relation to AFCS), due to a review of the AFCS completed in December 2024.

The 2020 funding valuation also tested the cost of the Scheme relative to the employer cost cap set following the 2012 valuation. While the core cost cap cost of the Scheme lies outside the 3% cost cap corridor, the result of the cost cap economic check means that no changes to the Scheme are required. Further details can be found in the [Government Actuary's Department report](#).

The next AFPS actuarial valuation is due with an effective date of 31 March 2024, with changes to employer contribution rates as a result of the 2024 valuation expected to take effect from 1 April 2027.

### Scheme liabilities as at 31 March 2025

As at 31 March 2025 the pension liability of the AFPS was valued at £150.40 billion. The total change in liability represents a net increase of £5.76 billion, which includes an actuarial loss of £2.35 billion. The £2.35 billion consists of:

- £0.55 billion loss due to changes in actuarial assumptions; and
- £1.80 billion loss due to experience items arising on pension liabilities.

The remaining £3.41 billion is due to standard movements consisting of:

- £9.56 billion increase in the liability as a result of current service costs, past service costs, and interest; and
- £6.15 billion decrease in the liability as a result of benefits paid.

As at 31 March 2025 the compensation liability of the AFCS was valued at £2.531 billion (£2.278 billion as at 31 March 2024). The total change in liability represents a net increase of £0.253 billion, which includes an actuarial loss of £0.154 billion due primarily to an experience loss.

An experience gain/loss reflects the extent to which events over the reporting period have not coincided with the actuarial assumptions made for the assessment. A full reconciliation of the change in the pension liability and the compensation liability over the year is provided in note 12.4 and note 15 to the financial statements respectively.

## Key Activity & Issues for 2024-25

### 2015 Pension Remedy

In February 2021, in response to the consultation arising from the McCloud and Sargeant legal cases, the Government announced it would remove the unlawful age-related discrimination that was brought about by offering older members transitional protection from transferring to reformed pension schemes. The Government's 'Deferred Choice Underpin' solution is referred to as the 2015 Pension Remedy for the AFPS. It gives all pension scheme members affected by the discrimination (those who were serving both on or before 31 March 2012 and on or after 1 April 2015, including those with a break in service of five years or less) a choice of legacy scheme benefits or the equivalent of reformed scheme benefits for the Remedy period (1 April 2015 to 31 March 2022) during which the discrimination occurred.

The Public Service Pensions and Judicial Offices Act 2022 brought forward the prospective and retrospective changes required to implement the 2015 Pension Remedy. All legacy schemes were closed to future accrual on 31 March 2022; from 1 April 2022 all those who continue in service do so as members of AFPS 15, regardless of age, meaning all members will be treated equally to try and ensure no further discrimination in the future.

Following a successful consultation in Summer 2023 the Armed Forces Remediable Service Regulations 2023 were laid in Parliament on the 7 September 2023 and came into force on 1 October 2023, rolling back all in scope members into their relevant legacy schemes for the Remedy period. They will be offered the choice of legacy or equivalent reformed scheme

benefits when benefits, including EDP, come into payment.

A Remediable Service Statement (RSS) outlines the options available in respect of legacy or AFPS 15 equivalent benefits for the Remedy period, helping members make an informed choice. This statement is issued for information purposes and, in the run-up to benefits becoming due, to inform a member's election.

To date, around 35% of elections have been for AFPS 15 equivalent benefits rather than any of the legacy options. This confounded pre-implementation expectations and is an indication of the strength of the AFPS 15 scheme.

All personnel eligible for the 2015 Pension Remedy were to be issued with an initial RSS by the target date of 1 April 2025. As of 17 November 2025, c.79,000 have been issued, including c.70% of annual RSSs. The technical challenges facing the Remedy have led to a revision of the RSS delivery schedule as follows:

- In June 2025 we announced that we were unable to meet the April 2025 deadline for certain cohorts and wrote to those affected with a new deadline of 30 September 2025.
- On 12 August 2025 we announced that we will miss this deadline for some members with more complex circumstances. We wrote to those affected informing them of a new deadline of 31 March 2026.

- Further to this, on 1 December 2025 we announced that despite significant progress, we will not meet the revised deadline of 31 March 2026 for members with more complex circumstances. At this stage, we are unable to provide a specific completion date for all outstanding RSSs. However, we are committed to keeping members informed and a further update on progress and timescales will be shared in the new year.

We have informed relevant stakeholder groups and those who are directly affected, and have published an update on gov.uk.

Immediate Choice members (those with benefits in payment prior to 1 October 2023) continue to receive their current benefits. If upon receipt of their RSS, members elect to receive alternative pension benefits, interest on payments will be backdated.

Delivering the Remedy alongside other complex and resource intensive pension change and Transformation initiatives continues to present significant challenges. In response to these challenges, Defence is undertaking the following mitigations and activity to accelerate the delivery of Remedy:

- Resource Uplift: Deployment of additional administrators to increase capacity and throughput in RSS case management.
- Robotic Process Automation: Implementation of automation to reduce manual processing effort.
- Workforce Realignment: Reallocation of tasks to ensure Subject Matter Experts are focused on the most complex cases.

Alongside the requirement to issue RSSs, the Scheme also has to issue Pension Savings Statements (PSSs) by set deadlines. These statements are provided to individuals for tax purposes. The Scheme did not achieve the deadline for issuing PSSs for tax year 2023-24 and this was reported to the Pensions Regulator.

As highlighted in the 2019-20 accounts, pension schemes will bear the cost of Remedy. Past service costs totalling a net of £980 million were recognised in 2018-19 and 2019-20 accounts.

### Reserve Service – Employment Tribunal

The MOD is currently defending claims in an Employment Tribunal relating to the lack of pension provision before 2015 for certain types of reserve service. The claims are brought by former and serving reservists and also challenge the basis on which attendance-based pay for reserves is calculated. As with any contingent liability which is related to live litigation, the potential crystallisation of the liability is dependent upon the outcome of the litigation, including any appeals. The hearing concluded in April 2023 and was subsequently reheard due to the premature retirement of the judge. The rehearing of the tribunal ruled in favour of the claimant on both counts.

Legal advice from Senior Counsel confirmed there were stateable grounds for MOD to appeal, and an appeal was subsequently filed in September 2024. The judge has sifted the appeal and agreed that there were arguable errors of law. The appeal date is scheduled for December 2025.

A Contingent Liability has been disclosed in relation to these claims, see note 18 on page 71.



## Early Leavers

A member with salary-related benefits must have at least two years' qualifying service when they leave service to be entitled to a deferred pension under the scheme, payable from their Normal Pension Age (or earlier if they chose to retire before then). Section 101AB of the Pension Schemes Act 1993 (PSA 93) protects members who leave a scheme before Normal Pension Age and before reaching the qualification point for a deferred pension. This protection applies after three months of qualifying service in the scheme.

If a member leaves service with at least three months' qualifying service but does not have accrued (vested) rights, they are entitled to choose between receiving a contribution refund or requesting a cash transfer sum be paid to another registered pension scheme or qualifying recognised overseas pension scheme (QROPS). Members to whom this protection applies are classified as 'Early Leavers'.

Where a member has a right to a cash transfer sum or a contribution refund, in accordance with section 101AB of PSA 93, the governing body must provide them with a written notice (as stated under section 101AC of PSA 93).

In November 2024, an Internal Dispute Resolution Procedure (IDRP) claim highlighted that the MOD has failed to provide "Early Leavers" with this written notice and inform them of their right to transfer their pension benefits to another scheme or claim a contribution refund since the provisions were introduced on 6 April 2006.

Analysis estimates that up to 60,000 ex-service personnel could be impacted since April 2006. The Scheme has correctly set

aside liabilities at the point of service but has cleared down these liabilities without individuals being offered the required settlement. Therefore, to correct this the liabilities (previously assumed to have been extinguished) have been added back into the total scheme liability via a prior period adjustment, impacting both the actuarial experience item and the overall liability (see pages 35 and 69 for further detail).

## Pension Sharing Order

An exercise commenced in 2021-22 to review and correct approximately 3,500 historical Pension Sharing Order (PSO) cases. The DBS Armed Forces and Veterans Services (AFVS) team is guided by policy, and uses age related factors provided by the GAD to apportion the AFPS benefits of a Scheme member under a PSO following a divorce or dissolution of a civil partnership. Historical guidance provided by the Department for Work and Pensions on dates to be used to value the share of benefits when PSOs were sealed by the Court was misinterpreted. As a result, members and their former spouses who have had a PSO in place since the year 2004 may have been paid at an incorrect rate, and were therefore reviewed and recalculated as part of this exercise.

On completion of the exercise, the AFPS Assurance Team conducted a post-project assurance check. A significant number of incorrect calculations were identified, which raised significant risks and concerns about the accuracy of the completed exercise. Following investigation, Shared Services Connected Limited (SSCL) confirmed that several awards reviewed were incorrect and corrective action would be required as well as a 100% review of all cases in the arrears

category with further investigation of the overpayment cohort also necessary.

For this reason, the exercise has continued throughout 2024-25 and it is expected to conclude in 2026-27.

At the outset of this exercise, it was agreed that any members and their former spouses affected by a reduction in their pension will not be required to repay any overpayment incurred. HM Treasury has approved the write-off of overpayments resulting from any misinterpretation errors up to a total value of £1.7 million.

### Undetermined Records

As part of the completeness testing process conducted by the National Audit Office (NAO) during the 2022-23 Scheme audit, the NAO discovered one case that was not present on any of the member data lists produced as at 31 March 2022. The completeness testing process samples member records on the systems and checks that these are all present on the annual member data lists that are provided to GAD to facilitate calculation of the year-end liability.

The reason the case was not present on the data lists was due to the case being classified with a status of 'undetermined' at the time the lists were produced. On investigation it was discovered that the 'undetermined' status originated from the migration of legacy data on to the Compensation & Pensions System (CAPS) in 2006. SSCL ran a complete scan of the system and discovered that c.56,000 records fell within the 'undetermined' status.

An exercise commenced in 2023-24 to analyse and re-classify these cases as appropriate. As at 30 November 2025 c.49,000 records have been successfully updated (88% of overall volume of undetermined records). It is anticipated that the exercise will conclude during 2026-27. An amount of £75 million has been included in the total scheme liability to account for the estimated impact.

### Deferred Record Exclusions

As part of the completeness testing process conducted by the NAO during the 2023-24 Scheme audit, a deferred member record was discovered with a pension amount of £0.01 ('penny pension'). This record had been excluded from the GAD membership data lists used to calculate the scheme liability as a pension amount of £0.01 recorded on the system is excluded from the GAD data list in line with the defined parameters.

As a consequence, the NAO requested a complete scan of the system to determine how many deferred records fall within the 'penny pension' parameter. DBS expanded the search parameters and have identified details of c.16,000 records with a deferred status where the records are not on the deferred membership lists.

DBS has undertaken work to investigate a sample of these records. Initial analysis of the entire population has indicated that c.2,400 cases potentially carry deferred pension liabilities and should therefore be included within the GAD data lists. There are c.1,600 where initial investigations have not determined status of liability and these will therefore require full investigation. It is anticipated that most of the remaining c.12,000 should have a 'no liability' status; however, further investigations are required to confirm this. The work to review and correct the records is expected to conclude during 2026-27. An amount of £50m has been included in the total scheme liability to account for the estimated impact.

### Lord Etherton Review

In response to the Lesbian, Gay, Bisexual and Trans (LGBT) Veterans Independent Review conducted by Lord Etherton, the MOD will qualify administrative discharges that resulted from the previous policy prohibiting homosexuality in the Armed Forces and restore rank if demotion had been applied.

As a consequence of these restorative measures, re-assessments of Armed Forces pensions may be required in some cases. Re-assessments may lead to payment of arrears for pensions. A past service cost of £45m has been recognised in the 2024-25 accounts based on the potential 'pension-specific' costs calculated by GAD.

### Potential Data Breach

In April 2024, a compromise was reported to a system that forms part of the Armed Forces payment network, separate to the MOD core network. This incident potentially impacted personal data of current regular and reservist personnel and a small number of veterans. Those who may potentially have been affected by the potential data breach have since been written to.

Immediate remedial action was undertaken, including taking the network offline to minimise risk. Investigations found no evidence that any data was removed from the network.

The potential data breach had no impact on the Armed Forces Pension Scheme with the pensioner payroll system/pension scheme processes running on a different platform and therefore being unaffected. This matter was reported to the Pensions Regulator in June 2024.

## Future Improvements

Following the award of the Service Delivery Contract (SDC) to SSCL on 1 June 2020, DBS has embarked on a substantial transformation programme of digitalisation which will significantly improve administrative processes in support of our members. SSCL and DBS continue to work collaboratively to drive the programme forward. It is anticipated that these improvements will be implemented by mid-2026. Some of the main enhancements being introduced are listed below:

- Self Service will see DBS provide a platform to enable members to securely complete digital claims, forms, reviews, and appeals. It will provide a single user interface with an individual's complete records extracted from current pensions and compensation systems. A single screen window will display a member's pension and compensation scheme entitlements alongside personal data from where the member will be able to access the details of each scheme. This will be a significant improvement providing the member with instant access to accurate and real time information.
- Single View will provide a new view and enquiry resolution facility providing real time information in respect of AFPS, AFCS, the War Pension Scheme and other aspects of Armed Forces and Veterans Services. The new system will allow interrogation by DBS when resolving enquiries. The current AFVS systems are not compliant with Government Digital Standards and will therefore not be supported for AFPS (05 and 75) and AFCS. This improvement, therefore, is not only beneficial to the administrators of the Scheme but required for business continuity.
- Integrated Document Management will provide document storage for both member and general documents. Member documents that have been imported or created by the system will be stored in one location making retrieval more efficient. Barcoding of forms issued to individuals will remove the burden of manually indexing scanned documentation, reducing the risk of human error.

## Events after the Reporting Period

There are no events to disclose after the reporting period.

## Information for Members

Please see Annex B on page 77 for information for members.

### **Jeremy Pocklington**

Permanent Secretary and Accounting Officer  
10 December 2025



## Report of the Actuary

### Introduction

1. This statement has been prepared by the Government Actuary's Department (GAD) at the request of the Ministry of Defence (MOD). It provides a summary of GAD's assessment of the Scheme liability in respect of the Armed Forces Pension Scheme (AFPS) as at 31 March 2025, and the movement in the Scheme liability over the year 2024-25, prepared in accordance with the requirements of Chapter 12 of the 2024-25 version of the Financial Reporting Manual.
2. The AFPS is a defined benefit scheme providing pension and lump sum benefits on retirement, death, and resignation. The Scheme is wholly unfunded. I am not aware of any informal practices operated within the Scheme which led to a constructive obligation.
3. The assessment has been carried out by calculating the liability as at 31 March 2024 based on the data provided as at 31 March 2024 and rolling forward that liability to 31 March 2025.

### Membership data

4. Tables A to C summarise the principal membership data as at 31 March 2024 used to prepare this statement.

**Table A – Active members**

	Number thousands	Total pensionable pay* (p.a.) £ millions
<b>Males</b>	165	5,999
<b>Females</b>	23	799
<b>Total</b>	188	6,798

\* Pensionable pay is the full-time equivalent figure.

**Table B – Deferred members**

	Number thousands	Total deferred pension* (p.a.) £ millions
<b>Males</b>	324	1,051
<b>Females</b>	46	181
<b>Total</b>	369	1,233

\* Pension amounts include the pension increase granted in April 2024.

Table C – Pensions in payment

	Number thousands	Annual pension* (p.a.) £ millions
<b>Males</b>	348	4,582
<b>Females</b>	21	199
<b>Spouses &amp; dependants</b>	62	488
<b>Total</b>	430	5,269

\* Pension amounts include the pension increase granted in April 2024.

### Methodology

5. The present value of the liabilities as at 31 March 2025 has been determined using the Projected Unit Credit Method (PUCM), with allowance for expected future pay increases in respect of active members, and the demographic and financial assumptions applying as at 31 March 2025. The current service cost (expressed as a percentage of pensionable pay) in respect of accruing costs in the year ended 31 March 2025 was determined using the PUCM and the demographic and financial assumptions applicable at the start of the year, that is, those adopted as at 31 March 2024 in the 2023-24 accounts.
6. This statement takes into account the benefits normally provided under the Scheme, including age retirement benefits, ill-health retirement benefits and benefits applicable following the death of the member. It does not include the cost of injury benefits (in excess of ill-health benefits). It does not include premature retirement and redundancy benefits in respect of current active members, although the assessment of liabilities includes pensions already in payment in respect of such cases.

### Financial assumptions

7. The principal financial assumptions adopted to prepare this statement are shown in Table D.

**Table D – Principal financial assumptions**

<b>Assumption</b>	<b>31 March 2025 p.a.</b>	<b>31 March 2024 p.a.</b>
Nominal discount rate	5.15%	5.10%
Rate of increase in pensions in payment and deferred pensions (assuming CPI inflation)	2.65%	2.55%
Rate of general pay increases	3.40%	3.55%
Rate of short-term general pay increase	n/a	n/a
Real discount rate in excess of:		
• CPI inflation	2.40%	2.45%
• Long-term pay increases	1.65%	1.45%
Expected return on assets	n/a	n/a

8. The assumptions for the discount rate and pension increases are specified by HM Treasury in the PES (2024) 09, dated 3 December 2024, and remain unchanged for these accounts. The PES assumptions reflect market conditions at the previous 30 November and are typically not amended for any changes between November and the accounting date.
9. The long-term salary assumption is set by MOD, having taken actuarial advice, and is intended to be an average over the future careers of scheme members, with a recognition that increases in any particular year may be lower or higher than the assumption. The assumption allows for a reduction in our view of the long-term salary increases as well as lower short-term forecasts from the Office for Budget Responsibility (relative to CPI inflation).
10. The assessment of the liabilities allows for the known pension increases up to and including April 2025.
11. Additionally, for the accounts as at 31 March 2025, allowance has been made for known inflation experience up to March 2025 to inform, in part, the pension increase that is expected to apply in April 2026. This is consistent with the approach taken for the accounts as at 31 March 2024.

### Demographic assumptions

12. Table E summarises the mortality assumptions adopted to prepare this statement, which were derived from the specific experience of the Scheme membership. The table refers to the standard mortality tables prepared by the Continuous Mortality Investigation (part of the Actuarial Profession) known as the 'S3 tables' with the percentage adjustments to those tables derived with reference to Scheme experience.

**Table E – Post-retirement mortality assumptions**

Baseline mortality	Standard table	Adjustment
<b>Males</b>		
Retirements in normal health	S3NMA_H	85%
Current ill-health pensioners	S3NMA_H	85%
Future ill-health pensioners	S3NMA_H	85%
Dependants	S3NMA_H	85%
<b>Females</b>		
Retirements in normal health	S3NFA_H	95%
Current ill-health pensioners	S3NFA_H	95%
Future ill-health pensioners	S3NFA_H	95%
Dependants	S3PFA_H	88%

13. The assumptions in Table E above, and the other demographic assumptions such as commutation and family statistics, are in line with those recommended for the 31 March 2020 funding valuation of the Scheme. Note that the accounts as at 31 March 2024 were also based on the assumptions adopted for the 2020 valuation.
14. Mortality improvements are assumed to be in line with the 2022-based projections for the United Kingdom published by the ONS in January 2025. This represents an update to the assumption used for the 2023-24 accounts, where 2020-based improvements were used. Adopting the latest ONS 2022-based mortality projections for setting mortality improvements has also affected the liabilities disclosed. The impact is different for male and female members and also differs by age, due to the resulting changes in life expectancies. These differences are illustrated in Section 3.
15. The Scheme's actuarial factors were updated in 2023-24 and remain in force. Consistent to the accounts calculations as at 31 March 2024, these have not been allowed for in calculating the accounting position as at 31 March 2025. The factors are only used in the calculation of the McCloud cost, and the impact of updating these factors is very small compared to the overall liability (less than 0.01%).

### Liabilities

16. Table F summarises the assessed value as at 31 March 2025 of benefits accrued under the scheme prior to this date based on the data, methodology and assumptions described in paragraphs 4 to 14. The corresponding figures for the previous year are shown for comparison. The liability as at 31 March 2024 includes a prior period adjustment of £39m in relation to early leaver cash sums. The liabilities at 31 March 2024 and 2025 both include an allowance for the higher cost of benefits accruing under McCloud.

**Table F – Statement of Financial Position**

	<b>31 March 2025 £ billion</b>	<b>31 March 2024 £ billion</b>
<b>Total market value of assets</b>	nil	nil
<b>Value of liabilities</b>	150.4	144.7
<b>Surplus/(Deficit)</b>	(150.4)	(144.7)
<b>of which recoverable by employers</b>	n/a	n/a

\* Please note the re-stated 2023-24 liability amount of £144.7 billion quoted in the table above is based on brought forward unrounded numbers as assessed by GAD which have then been adjusted for the prior period adjustment. This results in the rounded figure increasing by £0.1 billion. However the 2023-24 liability amount quoted in the financial statements of these accounts continues to round to £144.6 billion due to the brought forward numbers within the accounts being rounded in advance.

### Accruing costs

17. The cost of benefits accrued in the year ended 31 March 2025 (the current service cost) is assessed as 31.9% of pensionable pay.
18. For the avoidance of doubt, the actual rate of contributions payable by employers and employees is different from the current service cost assessed for the accounts. A current service cost below (or above) the total contribution rate does not indicate that the MOD has paid contributions more (or less) than the costs of benefits accrued during the year. The actual employer contribution rate was determined as part of a funding valuation using different assumptions. Members do not contribute to the Scheme. Table G shows the employer and employee contributions during the year 2024-25 as a percentage of pensionable pay and compares the total contributions with the current service cost assessed for the 2024-25 accounts.

**Table G – Contribution rate**

	<b>2024-25 % of pay</b>	<b>2023-24 % of pay</b>
Employer contributions (excluding expenses and AFCS 2.0% allowance)	71.5%	63.5%
Employee contributions	0.0%	0.0%
Total contributions	<b>71.5%</b>	<b>63.5%</b>
Current service cost (expressed as a % of pay)	<b>31.9%</b>	<b>41.3%</b>

19. The key difference between the assumptions used for funding valuations and accounts is the discount rate, although price inflation and salary increases are also determined differently. The discount rate for accounts is set each year by HM Treasury to reflect the requirements of the accounting standard IAS 19.
20. The pensionable payroll for the financial year 2024-25 was £6.8 billion (derived from contributions payable by employers over the year). Based on this information, the accruing cost of pensions in 2024-25 (at 31.9% of pay) is assessed to be £2.2 billion.



21. Past service costs arise when an employer undertakes to provide a different level of benefits than previously promised. A past service cost of £70m has been recognised in respect of a change to AWE revaluation and a past service cost of £45m has been recognised in respect of pensions redress for LGBT veterans. I am not aware of any other events that have led to a significant past service cost over 2024-25.
22. I am not aware of any events that have led to a significant settlement or curtailment gain or loss over 2024-25.

### Sensitivity analysis

23. The results of any actuarial calculation are inherently uncertain because of the assumptions which must be made. In recognition of this uncertainty, I have been asked to indicate the approximate effects on the actuarial liability as at 31 March 2025 of changes to the most significant actuarial assumptions.
24. The most significant financial assumptions are the discount rate, general earnings increases, and pension increases (currently based on CPI). A key demographic assumption is pensioner mortality.
25. Table H shows the indicative effects on the total liability as at 31 March 2025 of changes to these assumptions (rounded to the nearest 0.5%).

**Table H – Sensitivity to significant assumptions**

Change in assumption		Approximate effect on total liability	
<b>Financial assumptions</b>			
(i) discount rate*:	+0.5% p.a.	- 7.5%	- £11.3 billion
(ii) (long-term) earnings increase*:	+0.5% p.a.	+ 0.5%	+ £0.8 billion
(iii) pension increases*:	+0.5% p.a.	+ 7.5%	+ £11.3 billion
<b>Demographic assumptions</b>			
(iv) additional 1 year increase in life expectancy at retirement		+ 2.5%	+ £3.8 billion

\* Opposite changes in the assumptions will produce approximately equal and opposite changes in the liability.

The discount rate sensitivity shown implies a Scheme duration of around 18 years.

### Covid-19 and climate change implications

26. Covid-19 and climate change are areas where there remains significant uncertainty, which could affect both future economic and demographic experience. In line with previous years, the assumptions used in the preparation of the 2024-25 Resource Accounts allow for the current impacts of Covid-19 and climate change to the extent that they are reflected in the market data used to set or derive assumptions.

27. The 2020-based population mortality projections allowed for the short-term impacts of Covid-19 for 2019 to 2024 in line with the average views of an expert independent panel. The 2022-based population projections consider Covid-19 as a mortality shock event, applying an appropriate short-term adjustment rather than projecting its effects forward. Death rates from Covid-19 in excess of that already allowed for in the mortality assumptions and reflected in the membership data would emerge as an experience gain in future years' accounts.

**Joanne Rigby FIA C.Act**  
**Actuary**  
**Government Actuary's Department**  
**6 November 2025**

## Statement of Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act 2000, the Ministry of Defence, with the consent of HM Treasury, has directed the Armed Forces Pension Scheme to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the combined Schemes and its net resource outturn, Statement of Financial Position and cashflows for the financial year.

In preparing the Accounts the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- Observe the Accounts Direction issued by HM Treasury including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Make judgements and estimates on a reasonable basis;
- State whether applicable accounting standards, as set out in the Government Financial Reporting Manual, have been followed or disclose and explain any material departures in the Accounts;
- Prepare the Accounts on a going concern basis; and

- Confirm that the Annual Report and Accounts as a whole is fair, balanced, and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced, and understandable.

HM Treasury has appointed the Permanent Secretary of the Department as Accounting Officer for the Armed Forces Pension Scheme. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the assets of the pension scheme, are set out in Managing Public Money published by HM Treasury.

So far as I am aware, there is no relevant audit information of which the Scheme's auditor is unaware. I have taken all steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the Scheme's auditor is aware of that information.

I take personal responsibility for the Annual Report and Accounts and the judgements required for determining that they are fair, balanced, and understandable. I can confirm that the Annual Report and Accounts as a whole are fair, balanced, and understandable.

## Governance Statement

### Scope of Responsibility

As the Accounting Officer for the Armed Forces Pension Scheme (AFPS) and the Armed Forces Compensation Scheme (AFCS), collectively “the Scheme”, I am required to provide assurances about the stewardship of the Scheme. These assurances are provided in this Governance Statement, in line with HM Treasury guidance. I also have responsibility for maintaining a sound system of governance that supports the achievement of the Scheme policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money. Where necessary I, or officials on my behalf, engage with HM Treasury officials on funding and policy issues pertaining to the Scheme.

In discharging this responsibility, I am responsible for putting in place proper arrangements for the governance of the Scheme affairs which facilitate the effective discharge of their statutory functions, and which include arrangements for the management of risk.

The Scheme has adopted the Corporate Governance Code for Central Government as far as is practicable in the context of a pension scheme. The Defence Business Services (DBS) Board has operated in accordance with the recognised precepts of good corporate governance: leadership, effectiveness, accountability, and sustainability.

### The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values, by which the Scheme is administered and controlled. It also includes the activities by which they account to Parliament. The governance framework has been in place for the Scheme for the year ended 31 March 2025 and up to the date of the approval of the annual accounts.

The system of internal control is a significant part of the governance framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and therefore can only provide reasonable, and not absolute, assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Scheme policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

### The Scheme Governance Framework

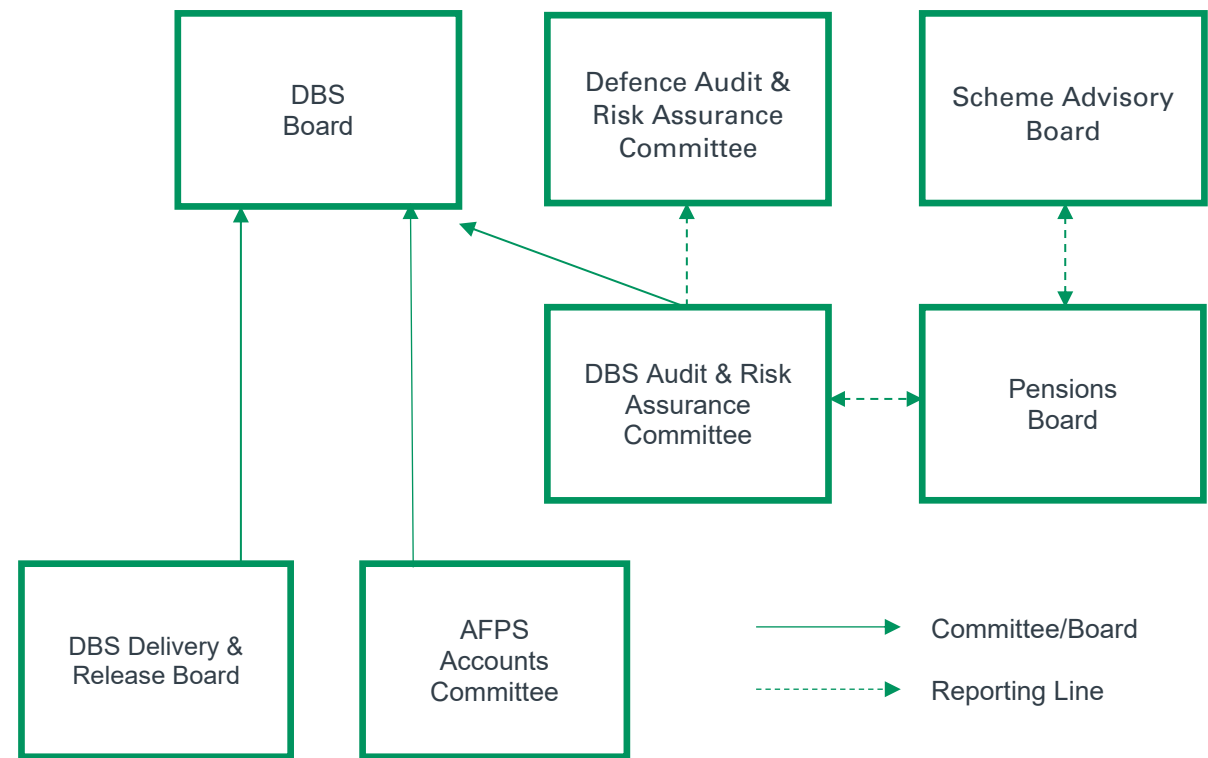
I delegated budget holder and delivery authority responsibility of the Scheme to the Chief Executive Officer (CEO) of DBS, who sub-delegated the administrative management of the Scheme to DBS Head of Armed Forces & Veterans Services (AFVS). Director General Finance

delegated the role of Senior Finance Officer (SFO) for the Scheme to DBS Head of Finance & Corporate Services (FCS). Administration of the Scheme is delivered through a combination of Ministry of Defence (MOD) civilian personnel and contractors, Shared Services Connected Ltd (SSCL), via a commercial partnering agreement which came into effect on 1 June 2020.

The arrangement for joint working with SSCL is governed by commercial agreements and is managed by DBS Delivery & Release Board.



Boards and Committees  
as at 31<sup>st</sup> March 2025





The DBS Board gives strategic direction, sets risk appetite and ensures the good conduct of DBS business and development of a corporate strategy for future business success. It is chaired by the CEO and comprises the DBS Executive Heads and the Scheme's SFO. Three Non-Executive Directors (NEDs) attend the board four times a year.

The Board is responsible for managing DBS within departmentally agreed financial limits, and is the primary authority for day-to-day management of DBS.

The Board has met once a month during 2024-25 and was attended by the NEDs in May 24, September 24, November 24, and February 2025.

Composition of the DBS Board (Dec 23 Onwards)		Meetings Attended	Out of a possible
Jennifer Chard	Chief Executive Officer (arrived in post 16 September 24)	6	6
Andy King	Chief Operating Officer (interim CEO from Mar 24 to Sep 24)	11	12
Joanne Davies	Financial, Procurement & Civilian People Services Head	11	12
Andy Dowds	Commercial Strategy Head and Workplace Programme SRO	11	12
Clare Finn	Finance & Corporate Services Head	11	12
Graeme Macaulay	Programme Delivery Head	9	12
Suzanne Sims	Strategy and Service Development Head	11	12
Andy White	Digital, Information & Technology Head	10	12
Brig. Pat Wright	Armed Forces & Veterans Services Head	10	12
Fay Sandford	MOD Non-Executive Director (no longer a NED as of September 24)	2	2
Helen Aston	Non-Executive Director (period of absence 31 May 24 to 1 January 25)	2	4
Mark Barclay	Non-Executive Director	4	4
John Clarke	Non-Executive Director	4	4

Defence Audit & Risk Assurance Committee (DARAC) is responsible for reviewing the AFPS Accounts and providing feedback to the Accounting Officer, who is then responsible for approval of the AFPS Accounts. The DARAC gains assurance on the reliability of the financial and reporting disclosures from the DBS Audit & Risk Assurance Committee (ARAC) review. The DARAC comprises a Non-Executive Chair and three other NEDs. The DARAC is also attended by the Permanent Secretary for Defence or the MOD Director General Finance, the MOD Group Chief Internal Auditor of Government Internal Audit Agency (GIAA), and a representative from the NAO.

DBS Audit & Risk Assurance Committee (ARAC), a committee of the DBS Board, comprises three Non-Executive Directors and is attended by members of the DBS Board. The chair of the Pensions Board also has a standing invitation and attends at least once per year. The ARAC supports the CEO in discharging their responsibilities for Risk, Control, and Governance by reviewing the comprehensiveness, reliability and integrity of DBS's Risk, Audit, and Assurance framework, agreeing priority risk areas for the GIAA annual programme, reviewing the outcome of work by GIAA and the NAO and following progress on completion of actions. The ARAC reviewed the 2024-25 AFPS Accounts prior to approval by the DARAC. The ARAC met six times between April 2024 and March 2025.

Composition of the DBS Audit & Risk Assurance Committee		Meetings Attended	Out of a possible
Helen Aston	Non-Executive Director and Chair (period of absence 31 May 24 to 1 January 2025)	2	6
Mark Barclay	Non-Executive Director (Chair from May 24 to December 24)	6	6
John Clarke	Non-Executive Director (member of ARAC since June 24)	4	5
Fay Sandford	Head Office Business Operations – MOD Member (no longer a NED as of September 24)	3	3

**DBS Delivery and Release Board (DRB)**, a committee of the DBS Board, manages the delivery of the services as outlined in the Service Delivery Contract. The Contract Performance Management Team within DBS actively monitors the performance of SSCL against the 64 KPIs, 37 Reportable Subsidiary Performance Indicators (RSPIs) and a selection of other lower-level performance indicators contained within Schedule 2.2 to the Service Delivery Contract. Any failure to meet Performance Measures, and actions to ensure future compliance, are discussed at the monthly Service Delivery Working Group attended by representatives from both DBS and SSCL and reported to the DRB. The DRB is also responsible for resolving issues relating to the delivery of SDC services, driving solutions and monitoring risks and issues to ensure any threats to service delivery are addressed and opportunities are acted upon as appropriate escalating to the DBS Board where the impacts are assessed, and appropriate mitigating actions agreed.

**The AFPS Accounts Committee**, a committee of the DBS Board, undertakes a detailed review of financial performance of the Scheme on a monthly basis. Membership of the AFPS Accounts Committee includes three DBS Board members: the Head of DBS FCS (as

Scheme SFO), the Head of DBS AFVS, and the Head of Commercial Strategy and Workplace Programme (as an independent). Escalations and a monthly summary report from the AFPS Accounts Committee are submitted to the DBS Board for review, decision, and endorsement.

**The Scheme Advisory Board and the Pensions Board.** The Government introduced a framework for the governance and administration of public service pension schemes under the Public Service Pensions Act 2013, which also provides an extended regulatory oversight by the Pensions Regulator. The Scheme Advisory Board is responsible for advising the Scheme Manager in relation to the desirability of changes to the Scheme.

The Pensions Board meets quarterly and is responsible for assisting the Scheme Manager with compliance of the Scheme rules and legislation relating to the governance and administration of the Scheme, including any requirements imposed by the Pensions Regulator. The Pensions Board produces an Annual Report of its activities which is publicly available.

## Financial Management

The Scheme financial management arrangements conform to the requirements of HM Treasury as laid out in “Managing Public Money”. The Head of DBS FCS is the SFO for the Scheme and is a key member of the DBS Board. The Scheme financial management reports provide the level of detail for effective oversight and are reviewed by the AFPS Accounts Committee on a monthly basis. SSCL provides an operations dashboard of pension volumes/values which is reviewed by the DRB on a monthly basis. The DBS Board reviews performance against Key Performance Indicators. Management's confidence in the financial/management information and reporting is supported through the work of these Committees/Boards and is reviewed by GIAA as part of a rolling three-year audit programme of the Scheme.

The Pensions Finance Team, with input from GAD and challenge from HM Treasury and the Office for Budget Responsibility, refined future forecasts to take into account new and emerging trends, central assumptions and anticipated changes in behaviour arising from perceived and actual changes to the Scheme. The Pensions Finance Team falls under the responsibility of the Head of DBS FCS but worked closely with the DBS AFVS Team throughout the financial year to ensure emerging issues were factored into in-year forecasts. The Pensions Finance and the AFVS Teams also liaised with other major UK Public Pension Schemes throughout the year to identify best practice on several ongoing initiatives.

## Risk Management

Risk management processes within DBS are in place throughout the year, as stipulated by the Enterprise Risk Management Strategy and Framework. Risks are identified and recorded on business area risk registers. Risks identified as having a corporate impact, or spanning the organisation are captured in the Corporate Risk Register for management by senior/director level risk owners. These risks undergo a deep dive at the DBS Board in accordance with the Corporate Risk Deep Dive programme. The DBS ARAC has oversight of all corporate level risks raised within DBS. Any risks not capable of being wholly managed or mitigated by DBS would be escalated to the Defence Functions for managing, with ongoing monitoring activity being undertaken by the Enterprise Risk Management team for all risks transferred to Functions. No risks were formally escalated for action by Functions during 2024-25.

## The Risk and Control Framework

The DBS Enterprise Risk Management Strategy Framework is compliant with MOD's Directive JSP892 and the Orange Book. During the year, the DBS Board ensured that the key principles of the Framework were used to underpin the way in which risks are managed within DBS. The DBS Board also reviewed and refreshed the DBS risk appetite statement, and the DBS Risk and Assurance team have enhanced assurance processes across all aspects of operational control.

A framework of internal controls within the Scheme's day-to-day operations (including

authorisations, reconciliations, and separation of duties) controls the risks of fraud or error. The framework is documented to current best practice standards and is incorporated within the process guides provided for staff. There are multiple layers to the control framework, including control self-assessment activity, control mapping to risks, and the identification and mapping of processes to controls to a business analysis standard.

Risk owners and control managers are identified as part of the risk management process. Risk management information and guidance is available to all on the MOD intranet, along with specific DBS Risk Assurance guidance on the DBS Risk Assurance Hub. Oversight of the Scheme rules and policies and advice on their application is provided by the Defence People Team (DPT) Policy branch.

The emergence of the issue connected with Early Leaver Rights (see page 15 for further detail), identified a significant control weakness in the AFPS, specifically the application and assurance of regulatory change. Further detail on the steps being taken to rectify the situation and improve controls is provided on pages 35-36.

## Fraud

All staff within MOD have direct access to the department's Confidential Hotline, which is the single place to report fraud, bribery, corruption, theft, and irregularity within the MOD, including by the public. Suspicions or concerns can be reported anonymously or confidentially. Potential AFPS and AFCS fraudulent claims are reported to Confidential Hotline for investigation.

The Scheme participates in the Cabinet Office's biannual National Fraud Initiative (NFI). This initiative allows the Scheme to submit approved data to the Cabinet Office who match it against other data sources to ensure the payments are still being made to the individual originally entitled to the pension. There are currently no potential fraud cases under investigation identified through the NFI exercise.

The Scheme also participates in the Department for Work and Pensions cross-government 'Tell Us Once' service. This allows citizens on a voluntary basis to inform central and local government of bereavement in a single engagement, either at the point of registering a death with a Registrar, by telephone or via the internet, reducing the number of days between the death of a pensioner and the Scheme being informed. The aim is to stop or reduce the number and value of overpayments and associated activities and costs of recovery.

## Information Assurance

Data is managed in accordance with the principles of the National Institute of Standards and Technology (NIST) and departmental policies. The CEO is the Senior Information Risk Owner (SIRO) for DBS, with Information Asset Owners (IAOs) and DBS Risk and Assurance Team supporting the SIRO. Information Assurance (IA) training remains a mandatory requirement. The IA team have produced additional training aids for Cyber Awareness, Security Briefing, updated DBS induction process and specific IAO training and guidance along with providing training directly to IAOs, current staff and new starters.

The IA team continue to focus on the IA governance structure, IA risk management, and upward reporting through the IAOs, DBS Risk and Assurance Team, SIRO, MOD Head Office and to the MOD Chief Information Officer (CIO). Building on the identification of the information assets within DBS, where required, Memoranda of Understandings (MOUs) or contracts are now in place with third parties and Delivery Partners responsible for handling DBS information assets and work is underway to implement a programme of assurance activity to ensure on-going protection of the information and compliance with General Data Protection Regulation (GDPR).

Work continues to identify areas for improvement across DBS and how Information Assurance and Security and Data Protection is integrated across the organisation. The team continues to document evidence against the measures under NIST, Government Functional Standard GovS 007: Security, Cyber Security and GDPR.

There were thirty-four incidents reported internally to the MOD Data Protection Officer Team (DPOT) during the year, thirty-one of these relate to incidents involving the AFCS and three related to the AFPS. The incidents were categorised as; 'data handling incidents / internal process failures' created by human error; 'files declared as unlocated in the building or at Restore (archiving facility) and subsequently found'; 'correspondence lost by Royal Mail' which have no culpability for DBS and 'mis-sent correspondence'. Given the high volume of case work processed on an annual basis, the number of incidents was deemed very low.

Regular security improvement meetings are held with the DBS AFVS operational and policy teams and DBS Integrated Assurance team (IA and Security policy leads). These meetings review the plan to improve operational processes, reduce hardcopy holdings, and reduce personal data incidents.

## Business Continuity

AFPS output from DBS sites at Norcross and Glasgow and development and implementation of the Compensation and Pensions System (CAPS) pensions and allowances solutions at DBS Gosport are governed by Business Continuity (BC) measures outlined in the DBS Business Continuity Management Strategy.

The strategy is based on full compliance with the Joint Services Publication (JSP) 503. Due to ongoing changes to DBS BC ways of working, the draft strategy review/update for 2025-26 is delayed and its target for release is December 2025. The 2025 BC Business Impact Analysis (BIA) for Contractor (SSCL) pensions operations is ongoing (target date for completion is end December 2025). The DBS Authority pensions operations BIA was completed in June 2025.

The CAPS Disaster Recovery (DR) Plan was reviewed/updated to V3.0 on 12 August 2024. The plan and the system were subject to a live test on 8 December 2024 as part of a wider DR failover event in preparation for multi-systems migration to the Oracle Cloud Infrastructure (OCI). Migration was successfully undertaken between 18 April 2025 and 5 May 2025. A post migration follow-up DR test is scheduled for January 2026 after which all Armed Forces and



Veterans Services (AFVS) systems/applications will be migrated to a common OCI DR Plan.

The SSCL Business Process Outsourcing (BPO) Service Delivery BC Plan is complete and was released at V3.0 on 18 November 2024. The plan covers the Joint Personnel Administration Centre (JPAC), the JPAC Enquiry Centre (JPAC EC) and back-office pensions activity. It was last exercised on 14 July 2025. The exercise focussed on a loss of electrical power scenario.

DBS continue to support smarter working and remains alert to future pandemic risk. DBS can reinstate all safety/mitigation measures to their full extent at short notice and DBS was subject to a pan-organisation pandemic exercise on 4 November 2025. This encompassed all DBS priority operations.

## Review of Effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the governance framework. My review is informed by the Director General Corporate who has oversight and ownership of DBS, the executive leadership team within DBS which has responsibility for the development and maintenance of the internal control framework, the DBS ARAC which is responsible for reviewing assurances as to its effectiveness over governance and for advising the DBS Board and DBS CEO accordingly, the DARAC which is responsible for reviewing and endorsing the year end accounts, the work of the internal auditors, and comments made by the external auditors in their management letter and other reports.

## Audit

The Government Internal Audit Agency (GIAA) provides AFPS with a rolling year on year programme of assurance, based on a three-year plan. The programme is reviewed by the Pensions Board Chair and the DBS ARAC, with progress reports into the DBS ARAC throughout 2024-25. The GIAA Group Chief Internal Auditor – Ministry of Defence, or one of his senior managers, attends meetings of the DBS ARAC and provides expert advice on audit issues.

GIAA has reported its Annual Audit Opinion for the AFPS as one of Limited Assurance based on the evaluation of four audits. Whilst audit activities were limited in number and scope, the work undertaken in 2024-25 identified internal control weaknesses around the need to update and clarify instructions and internal policies; the timeliness and accuracy of updates to member information, and although second line quality checks were in place, internal audit work identified examples of errors in calculations and payments.

A robust process was found to be in place to track and implement management actions, of which all except one, were implemented within the timeframes agreed.

GIAA has continued to strengthen working relationships with the DBS Risk and Assurance Team and AFVS Operational Audit & Assurance Team, who provide the second line assurance to management over the AFPS and AFCS operational functions.

## Significant Governance Issues

The emergence of the issue connected with Early Leaver Rights, created a significant control issue during 2024-25.

As a result of the IDRP claim submitted in relation to Early Leaver Rights, it has been identified that MOD has failed to notify 'Early Leavers' of their right to transfer to another registered pension scheme or request a refund of their employee contributions, as required by the Pension Schemes Act 1993 (PSA 93), which for some members will have resulted in a financial loss.

The MOD has determined that the Scheme has failed to comply with PSA 93. Further analysis has determined that all non-vested early leavers since 6<sup>th</sup> April 2006 (with qualifying service between 3-months and 2-years) are potentially impacted by this oversight. DBS have analysed the available early leavers data and worked with Government Actuary's Department (GAD) to calculate the liability amount which needs to be recognised within the financial statements to account for this issue.

The estimated cost of rectification (i.e. retrospectively offering the option of cash equivalent transfers) has been assessed at £41.5m. An experience loss has been included in these accounts to recognise this amount, and due to the impact on previous financial years it has been necessary to recognise the majority of the experience loss via a prior period adjustment.

The prior period adjustment re-states the 2023-24 opening liability to include an additional amount of £36.5m, the closing scheme liability for 2023-24 also captures the 2023-24 specific experience loss of £2.5m (resulted in a restated closing liability for 2023-24 of £39m in total). The remaining amount of £2.5m feeds through the 2024-25 actuarial experience loss (see note 12.7).

Changes to the 2023-24 Statement of Comprehensive Net Expenditure, Statement of Financial Position and Statement of Change in Taxpayer's Equity as a result of these restatements have been summarised at Note 16 of the Accounts (see page 69) together with further detail on the assumptions applied within the calculation of the £41.5m.

As a result of this issue, the Comptroller and Auditor General (C&AG) has issued a report highlighting the non-compliance with laws and regulations. The Report of the Comptroller and Auditor General is set out on pages 48-49, noting that the overall potential error is estimated at £41.5m.

## Rectification

The MOD acknowledges the oversights in its administrative processes that have resulted in this breach in legislation. To address this, the MOD is actively implementing changes to the processes for new 'Early Leavers' to ensure that all eligible members receive the written notice required under Section 101AB PSA 93 in a timely and appropriate manner moving forward.

In parallel, DBS administrators are working in collaboration with delivery partners and Policy colleagues to develop a rectification exercise for impacted members. The MOD anticipates that this exercise will provide impacted members with the choice of either a cash transfer sum to another registered pension scheme or, where applicable, a refund of their employee contributions. The exercise is currently in development and detailed plans for its delivery are yet to be finalised.

## Lessons Learnt

To strengthen assurance and governance in response to this legislative breach, the following actions have been undertaken internally:

- A comprehensive review of all joint service pension publications is currently being conducted to ensure alignment with the current legislation across all schemes and to ensure no other administrative obligations have been overlooked or misinterpreted.
- A formal root cause analysis exercise will be undertaken to understand how this issue occurred and to prevent similar occurrences in the future.

The MOD is committed to rectifying this matter. Initial communications have already been shared on GOV.UK, and further communications will be disseminated once the rectification exercise has been finalised with delivery partners.

Separate to the issue regarding 'Early Leavers', the various membership data issues detailed in the Report of the Manager present additional resource challenges for Scheme administration. These issues, together with the overall GIAA opinion of Limited Assurance in relation to a small number of specifically targeted internal audits, outline the need for improvement in a number of areas moving forward. DBS is currently working with SSCL to ensure robust plans are in place to deal with these issues and improve controls in these specific areas.

The issues identified have not impacted on the material truth or fairness of the financial statements presented in these accounts.

## Jeremy Pocklington

Permanent Secretary and Accounting Officer  
10 December 2025

# Parliamentary Accountability and Audit Report

## Statement of Outturn against Parliamentary Supply

This section has been subject to audit.

In addition to the primary statements prepared under International Financial Reporting Standards (IFRS), the Government Financial Reporting Manual (FReM) requires the Armed Forces Pension & Compensation Schemes to prepare a Statement of Outturn against Parliamentary Supply (SOPS) and supporting notes.

The SOPS and related notes are subject to audit, as detailed in the Certificate and Report of the Comptroller and Auditor General to the House of Commons.

The SOPS is a key accountability statement that shows, in detail, how an entity has spent against its Supply Estimate. Supply is the monetary provision (for resource and capital purposes) and cash (drawn primarily from the Consolidated Fund) that Parliament gives statutory authority for entities to utilise. The Estimate details supply and is voted on by Parliament at the start of the financial year.

Should an entity exceed the limits set by their Supply Estimate, called control limits,

their accounts will receive a qualified opinion.

The format of the SOPS mirrors the Supply Estimates, published on gov.uk, to enable comparability between what Parliament approves and the final outturn.

The SOPS contains a summary table, detailing performance against the control limits that Parliament have voted on, cash spent (budgets are compiled on an accruals basis and so outturn will not exactly tie to cash spent) and administration.

The supporting notes detail the following: Outturn by estimate line, providing a more detailed breakdown (SOPS 1); and a reconciliation of outturn to net cash requirement (SOPS 3).

The SOPS provides a detailed view of financial performance, in a form that is voted on and recognised by Parliament. The financial review, in the Performance Report, provides a summarised discussion of outturn against estimate and functions as an introduction to the SOPS disclosures.

## Statement of Outturn against Parliamentary Supply for the year ended 31 March 2025

### Summary of Resource Outturn 2024-25

This section has been subject to audit.

£000	Outturn				Estimate			2024-25	2023-24
	Note	Voted	Non-Voted	Total	Voted	Non-Voted	Total	Outturn vs Estimate saving / (excess)	Prior Year Outturn Total
Annually Managed Expenditure - Resource	SOPS1	4,817,527	-	4,817,527	5,285,271	-	5,285,271	467,744	5,085,897
Total Budget		4,817,527	-	4,817,527	5,285,271	-	5,285,271	467,744	5,085,897
Non-Budget -Resource		-	-	-	-	-	-	-	-
<b>Total</b>		<b>4,817,527</b>	<b>-</b>	<b>4,817,527</b>	<b>5,285,271</b>	<b>-</b>	<b>5,285,271</b>	<b>467,744</b>	<b>5,085,897</b>

Figures in the areas outlined in thick line cover the voted control limits voted by Parliament. Refer to the Supply Estimates guidance manual, available on gov.uk, for detail on the control limits voted by Parliament.

### Net cash requirement 2024-25

2024-25		2024-25	2023-24
Outturn £000	Estimate £000	Outturn vs Estimate saving/(excess) £000	Prior Year Outturn Total £000
<b>1,297,178</b>	<b>1,704,671</b>	407,493	1,576,166

### Administration costs

2024-25		2024-25	2023-24
Outturn £000	Estimate £000	Outturn vs Estimate saving/(excess) £000	Prior Year Outturn Total £000
-	-	-	-

Although not a separate voted limit, any breach of the administration budget will also result in an Excess Vote.

As explained in the Report of the Managers on page 4, the costs of administering the Scheme is borne by the MOD and is reflected in the department's Annual Report and Accounts.

The Notes on pages 39 to 41 form part of this Statement.



## Notes to the Statement of Outturn against Parliamentary Supply

### SOPS1. Analysis of Resource outturn by Estimate line

£000	2024-25							Outturn vs Estimate saving / (excess)	2023-24 Prior Year Outturn Total
	Resource Outturn						Estimate		
	Administration			Programme					
	Gross	Income	Net	Gross	Income	Net	Total	Total	Total
Spending in Departmental Expenditure Limit									
Voted:	-	-	-	-	-	-	-	-	-
Non-Voted:	-	-	-	-	-	-	-	-	-
Annually Managed Expenditure									
Voted:									
A: Armed Forces Pension & Compensation Schemes									
	-	-	-	9,816,116	(4,998,589)	4,817,527	4,817,527	5,285,271	467,744
Non-Voted:	-	-	-	-	-	-	-	-	-
Total	-	-	-	9,816,116	(4,998,589)	4,817,527	4,817,527	5,285,271	467,744

#### Explanation of the variance between Resource Estimate and outturn:

The outturn is less than the Estimate due to:

- Current service cost being £298 million lower than the Estimate primarily due to a reduction to the percentage rate used to calculate the cost, resulting in actual costs being significantly lower than the original Estimate.
- Pension contributions received by the Scheme being £122 million higher than that forecast at the original Estimate.
- A combination of smaller variances with a net decrease of £48 million against the Estimate.

## SOPS2. Reconciliation of outturn to net operating expenditure

The total resource outturn of £4.818 billion shown above in the SOPS summary table on page 38 is the same as the combined net expenditure shown in the Statement of Comprehensive Net Expenditure (SoCNE) on page 51. Therefore, no reconciliation table is required.

## SOPS3. Reconciliation of net resource outturn to net cash requirement

Item	Reference	Outturn Total £000	Estimate £000	2024-25 Outturn vs Estimate savings/ (excess) £000	2023-24 Outturn £000
Resource Outturn	SOPS1	4,817,527	5,285,271	467,744	5,085,897
Capital Outturn		-	-	-	-
<b>Accruals to cash adjustments:</b>					
<i>Adjustments to remove non-cash items:</i>					
New provisions and adjustments to previous provisions		(9,816,116)	(10,161,271)	(345,155)	(9,347,711)
<i>Adjustments to reflect working balances:</i>					
Increase/(decrease) in receivables		80,035	20,850	(59,185)	18,004
(Increase)/decrease in payables		(85,319)	(29,538)	55,781	(18,108)
Use of provision:					
Pension		6,148,974	6,417,632	268,658	5,690,234
Compensation		152,077	171,727	19,650	147,850
<b>Net cash requirement</b>		<b>1,297,178</b>	<b>1,704,671</b>	<b>407,493</b>	<b>1,576,166</b>

As noted in the introduction to the SOPS above, Outturn and Estimates are compiled against the budgeting framework, not on a cash basis. Therefore, this reconciliation bridges the resource and capital outturn to the net cash requirement.

## Parliamentary Accountability Disclosures

This section has been subject to audit.

### Losses statement

		2024-25	2023-24
Total number of losses		3,069	1,709
Total value of losses £000		732	439

### Special Payments

		2024-25	2023-24
Total number of special payments		-	-
Total value of special payments £000		-	-

There were no individual losses greater than £300,000 or special payments during 2024-25.

# The Certificate of the Comptroller and Auditor General to the House of Commons

## Opinion on financial statements

I certify that I have audited the financial statements of the Armed Forces Pension Scheme (incorporating the Armed Forces Compensation Scheme) (“the Scheme”) for the year ended 31 March 2025 under the Government Resources and Accounts Act 2000. The Scheme’s financial statements comprise the combined:

- Statement of Financial Position as at 31 March 2025;
- Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers’ Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the combined financial statements is applicable law and UK adopted international accounting standards.

In my opinion, the financial statements:

- give a true and fair view of the state of the Scheme’s affairs as at 31 March 2025 and its combined net expenditure for the year then ended; and
- have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

## Opinion on regularity

In my opinion, in all material respects:

- the Statement of Outturn against Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2025 and shows that those totals have not been exceeded; and
- the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

## Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law, Practice Note 15 (revised) *The Audit of Occupational Pension Schemes in the United Kingdom* and Practice Note 10 *Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2024)*. My responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the financial statements* section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council’s *Revised Ethical Standard 2024*. I am independent of the Scheme in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have

fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

## Conclusions relating to going concern

In auditing the financial statements, I have concluded that the Scheme's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Scheme's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for the Scheme is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which requires entities to adopt the going concern basis of accounting in the preparation of the financial statements where it is anticipated that the services which they provide will continue into the future.

## Other Information

The other information comprises information included in the Annual Report, but does not include the financial statements and my auditor's certificate and

report. The Accounting Officer is responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

## Opinion on other matters

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.



## Matters on which I report by exception

In the light of the knowledge and understanding of the Scheme and its environment obtained in the course of the audit, I have not identified material misstatements in the Accountability Report.

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- Adequate accounting records have not been kept by the Scheme or returns adequate for my audit have not been received from branches not visited by my staff; or
- I have not received all of the information and explanations I require for my audit; or
- the financial statements and the parts of the Accountability Report subject to audit are not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

## Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's responsibilities, the Accounting Officer is responsible for:

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial

statements such as records, documentation, and other matters;

- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the Scheme from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;
- preparing financial statements, which give a true and fair view in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000;
- preparing the annual report, in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000; and
- assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by the Scheme will not continue to be provided in the future.

## Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

#### Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures can detect non-compliance with laws and regulations, including fraud is detailed below.

#### Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I:

- considered the nature of the sector, control environment and operational performance including the design of the Scheme's accounting policies.
- inquired of management, the Scheme's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to

the Scheme's policies and procedures on:

- identifying, evaluating and complying with laws and regulations;
- detecting and responding to the risks of fraud; and
- the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Scheme's controls relating to compliance with the Government Resources and Accounts Act 2000, Managing Public Money, the Naval and Marine (AFPS 75 and Attributable Benefits Scheme) Order 2010, the Army Pensions (AFPS 75 and Attributable Benefits Scheme) Warrant 2010, the Air Force (AFPS 75 and Attributable Benefits Scheme) Order 2010, the Armed Forces (Pension & Compensation) Act 2004, the Armed Forces Pension Regulations Statutory Instrument Order 2014, the Armed Forces Early Departure Payment (EDP) Scheme Regulations Statutory Instrument 2014, the Armed Forces (Transitional Provisions) Pensions Regulations Statutory Instrument 2015, the Armed Forces (Pension & Compensation) Act 2004, the Public Service Pensions Act 2013, the Pension Schemes Act 1993 and the regulations set down by The Pensions Regulator.
- inquired of management, the Scheme's head of internal audit and

those charged with governance whether:

- they were aware of any instances of non-compliance with laws and regulations. I refer to my report on pages 48 to 49 in this respect;
- they had knowledge of any actual, suspected, or alleged fraud,
- discussed with the engagement team and actuarial specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Scheme for fraud and identified the greatest potential for fraud in the following areas: posting of unusual journals, complex transactions, bias in management estimates and selection of inappropriate methodology or assumptions underpinning the pensions liability. In common with all audits under ISAs (UK), I am required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the Scheme's framework of authority and other legal and regulatory frameworks in which the Scheme operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Scheme. The key laws and regulations I considered in this context included Government Resources and Accounts Act 2000, Managing Public Money, Supply and Appropriation (Main Estimates) Act 2024, the Naval and Marine (AFPS 75 and Attributable Benefits Scheme) Order 2010, the Army Pensions (AFPS 75 and

Attributable Benefits Scheme) Warrant 2010, the Air Force (AFPS 75 and Attributable Benefits Scheme) Order 2010, the Armed Forces (Pension & Compensation) Act 2004, the Armed Forces Pension Regulations Statutory Instrument Order 2014, the Armed Forces Early Departure Payment (EDP) Scheme Regulations Statutory Instrument 2014, the Armed Forces (Transitional Provisions) Pensions Regulations Statutory Instrument 2015, the Armed Forces (Pension & Compensation) Act 2004, Public Service Pensions Act 2013, the Pension Schemes Act 1993 and regulations set by The Pensions Regulator.

I considered the control environment in place at the Scheme, the administrator and the actuary in respect of membership data, the pension liability, parliamentary funding due, contributions receivable and benefits payable.

#### Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management, the Audit and Risk Committee and legal counsel concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board; and internal audit reports;
- I addressed the risk of fraud through management override of controls by

testing the appropriateness of journal entries and other adjustments; assessing whether the judgements on estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business;

- I engaged an auditor's expert to review the actuarial methods and assumptions used by the Scheme Actuary, reviewed the expert's report and undertook any further procedures as necessary;
- I performed substantive testing of parliamentary funding received, contributions received and benefits paid in the year to ensure compliance with laws and regulations and regularity; and
- I reviewed significant correspondence with the Pensions Regulator.

I communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members, including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my certificate.

### Other auditor's responsibilities

I am required to obtain appropriate evidence sufficient to give reasonable assurance that the Statement of Outturn against Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement.

I am required to obtain sufficient appropriate audit evidence to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control I identify during my audit.

Gareth Davies  
Comptroller and Auditor General

11 December 2025

National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP

## Report of the Comptroller and Auditor General to the House of Commons

### Introduction

The Armed Forces Pension Scheme (the “Scheme”) reports the administration by Defence Business Services (“DBS”), on behalf of the Ministry of Defence (“MOD”), of the payment of pensions and related benefits to former members of the Armed Forces.

Pension payments are administered by Shared Services Connected Limited (“SSCL”) under a service delivery contract with DBS.

The outstanding pension liability on 31 March 2025 is £150.4bn with benefit payments of £6.1bn being made in the 2024-25 financial year.

### The purpose of my report

This report draws attention to the Scheme’s non-compliance with laws and regulations in relation to early leavers, as explained in the Accountability Report and the Governance Statement.

### *Compliance with laws and regulations*

In performing my audit under the Government Resources and Accounts Act 2000, I am required to identify and assess potential risks relating to non-compliance with laws and regulations, including fraud. I am also required to obtain sufficient evidence to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

It is Parliament’s intention that appropriate benefits are paid to all members with a legitimate claim to them, in accordance with the relevant laws and regulations governing the Scheme. Where the Scheme has failed to fulfil its statutory obligation to notify members of their entitlement and, where relevant, settle these obligations, I am required to consider the impact of this on my opinion.

Whilst I do not consider this matter to represent a material regularity breach, and as such, my regularity opinion is unqualified, I note that the Scheme has not been discharging its statutory obligations under the Pension Schemes Act 1993.

### *Legislative requirements*

Since April 2006, occupational pension schemes have been required by the Pension Schemes Act 1993 to notify early leavers (those with more than three months’, but less than two years’ pensionable service) of their entitlement to either a refund of their employee contributions or their right to transfer their pension benefit to another registered pension scheme. During 2024-25, following a member complaint, it was identified that the Scheme had not been meeting its obligation to notify members of their option to transfer in the period since the legislation became effective.



As a result, members did not have the opportunity to exercise this option and the value of the transfers potentially payable has been periodically written back as an actuarial gain as the members' benefits were effectively extinguished.

### Action by the Scheme

As set out in the governance statement on page 35 and in the financial statements on pages 69 to 71, the Scheme has recognised a provision of £41.5m, representing its best estimate of the cost of settling transfer values on behalf of those individuals who are impacted and who elect now to take the transfer they had not previously been offered.

The Scheme is currently implementing changes to the processes for early leavers to ensure that the required communications are issued to members in future. In parallel, a rectification exercise is also currently underway to identify and communicate with those members who did not receive appropriate notification of their options in the period since the relevant legislation came into effect. In my audit of the 2025-26 accounts, I will evaluate the effectiveness of this action in establishing the Scheme's compliance with laws and regulations.

Gareth Davies  
Comptroller and Auditor General

11 December 2025

National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP



# Financial Statements

## Financial Statements

### Combined Statement of Comprehensive Net Expenditure

for the year ended 31 March 2025

		2024-25 £000	Restated (Note 16) 2023-24 £000
	Note		
<b>Principal arrangements – Armed Forces Pension Scheme</b>			
<b>Income</b>			
Contributions	3	(4,998,456)	(4,261,525)
Transfers in	4	(133)	(289)
<b>Expenditure</b>			
Current service cost	5	2,168,170	2,685,098
Past service cost	5	115,000	-
Enhancements	6	2,829	3,076
Transfers in	7	133	289
Pension financing cost	8	7,278,626	6,433,222
<b>Net expenditure</b>		<b>4,566,169</b>	<b>4,859,871</b>
<b>Armed Forces Compensation Scheme</b>			
Current service cost - AFCS	15	134,882	132,012
Compensation financing cost	15	116,476	94,014
<b>Net expenditure</b>		<b>251,358</b>	<b>226,026</b>
<b>Combined net expenditure</b>	SOPS1	<b>4,817,527</b>	<b>5,085,897</b>
<b>Other comprehensive net expenditure</b>			
<b>Pension re-measurements</b>			
Actuarial loss/(gain) – Armed Forces Pension Scheme	12.7	2,345,216	(15,328,951)
Actuarial loss/(gain) – Armed Forces Compensation Scheme	15	154,119	(61,676)
<b>Total comprehensive net (income)/expenditure</b>		<b>7,316,862</b>	<b>(10,304,730)</b>

The Combined Statement of Comprehensive Net Expenditure, and the relevant supporting notes, as at 31 March 2024 have been restated to include a prior period adjustment in respect of a correction to the scheme liability. Additional detail is provided at note 16 to the financial statements.

The notes on pages 55 to 72 form part of these financial statements.



## Combined Statement of Financial Position

as at 31 March 2025

	Note	2024-25 £000	Restated (Note 16) 31 March 24 £000	Restated (Note 16) 1 April 2023 £000
<b>Principal arrangements – Armed Forces Pension Scheme</b>				
<b>Current assets</b>				
Receivables	9	440,036	367,995	350,015
Cash and cash equivalents	10	110,518	33,696	44,862
<b>Total current assets</b>		<b>550,554</b>	<b>401,691</b>	<b>394,877</b>
<b>Current liabilities</b>				
Payables (within 12 months)	11	(869,825)	(714,813)	(708,493)
<b>Total current liabilities</b>		<b>(869,825)</b>	<b>(714,813)</b>	<b>(708,493)</b>
<b>Net current liabilities, excluding pension liability</b>		<b>(319,271)</b>	<b>(313,122)</b>	<b>(313,616)</b>
Pension liability	12.4	(150,400,000)	(144,639,000)	(156,536,500)
<b>Net liabilities, including pension liability</b>		<b>(150,719,271)</b>	<b>(144,952,122)</b>	<b>(156,850,116)</b>
<b>Armed Forces Compensation Scheme</b>				
Receivables	13	9,179	1,185	1,161
Payables (within 12 months)	14	(12,191)	(5,062)	(4,440)
Provision for liabilities and charges	15	(2,531,400)	(2,278,000)	(2,261,500)
<b>Net liabilities</b>		<b>(2,534,412)</b>	<b>(2,281,877)</b>	<b>(2,264,779)</b>
<b>Combined schemes – total net liability</b>		<b>(153,253,683)</b>	<b>(147,233,999)</b>	<b>(159,114,895)</b>
<b>Taxpayers' equity</b>				
General Fund		(153,253,683)	(147,233,999)	(159,114,895)
<b>Total equity</b>		<b>(153,253,683)</b>	<b>(147,233,999)</b>	<b>(159,114,895)</b>

The Statement of Financial Position, and the relevant supporting notes, as at 1 April 2023 and 31 March 2024 have been restated to include a prior period adjustment in respect of a correction to the scheme liability. Additional detail is provided at note 16 to the financial statements.

**Jeremy Pocklington**

Permanent Secretary and Accounting Officer  
10 December 2025

The notes on pages 55 to 72 form part of these financial statements.

## Combined Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2025

	Note	2024-25 £000	Restated (Note 16) 2023-24 £000
<b>Balance at 1 April (previously stated)</b>			<b>(159,078,395)</b>
Actuarial (loss) in respect of prior period adjustment	16		(36,500)
<b>Balance at 1 April (re-stated)</b>		<b>(147,233,999)</b>	<b>(159,114,895)</b>
Net Parliamentary Funding			
– drawn down		1,374,000	1,565,000
– deemed		33,696	44,862
Supply payable adjustments	10	(110,518)	(33,696)
Comprehensive Net Expenditure for the Year	SOPS 1	(4,817,527)	(5,085,897)
Actuarial (loss)/gain – Armed Forces Pension Scheme	12.7	(2,345,216)	15,328,951
Actuarial (loss)/gain – Armed Forces Compensation Scheme	15	(154,119)	61,676
<b>Net Change in Taxpayers' Equity</b>		<b>(6,019,684)</b>	<b>11,880,896</b>
<b>Balance at 31 March 2025</b>		<b>(153,253,683)</b>	<b>(147,233,999)</b>

The Combined Statement of Changes in Taxpayers' Equity, and the relevant supporting notes, as at 31 March 2024 have been restated to include a prior period adjustment in respect of a correction to the scheme liability. Additional detail is provided at note 16 to the financial statements.

The notes on pages 55 to 72 form part of these financial statements.



## Combined Statement of Cash Flows

for the year ended 31 March 2025

	Note	2024-25 £000	2023-24 £000
<b>Cash flows from operating activities</b>			
Net expenditure for the year	SOPS1	(4,817,527)	(5,085,897)
Adjustments for non-cash transactions:			
Increase in receivables – principal arrangements	9	(72,041)	(17,980)
Increase in receivables – AFCS	13	(7,994)	(24)
Increase in payables – principal arrangements	11	78,190	17,486
Increase in payables – AFCS	14	7,129	622
Increase in pension provision	12.4	9,561,796	9,118,320
Increase in pension provision – enhancements and transfers in	12.4	2,962	3,365
Use of provisions – pension liability	12.5	(6,143,923)	(5,686,003)
Use of provisions – refunds and transfers	12.6	(5,051)	(4,231)
Increase in provisions – compensation scheme	15	251,358	226,026
Use of provisions – compensation scheme	15	(152,077)	(147,850)
<b>Net cash outflow from operating activities</b>		<b>(1,297,178)</b>	<b>(1,576,166)</b>
<b>Cash flows from financing activities</b>			
From the Consolidated Fund (Supply) – current year		1,374,000	1,565,000
From the Contingencies Fund		-	-
Repayment to the Contingencies Fund		-	-
<b>Net financing</b>		<b>1,374,000</b>	<b>1,565,000</b>
			-
<b>Net (decrease)/increase in cash and cash equivalents in the year before adjustment for receipts and payments to the Consolidated Fund</b>		<b>76,822</b>	<b>(11,166)</b>
Receipts due to the Consolidated Fund which are outside the scope of the Scheme's activities		-	-
Payments of amounts due to the Consolidated Fund		-	-
<b>Net increase/(decrease) in cash and cash equivalents in the year after adjustment for receipts and payments to the Consolidated Fund</b>	10	<b>76,822</b>	<b>(11,166)</b>
			-
<b>Cash and cash equivalents at the beginning of the year</b>	10	<b>33,696</b>	<b>44,862</b>
			-
<b>Cash and cash equivalents at the end of the year</b>	10	<b>110,518</b>	<b>33,696</b>

The notes on pages 55 to 72 form part of these financial statements.

# Notes to the Financial Statements

## Note 1: Accounting Policies

### 1.1 Basis of Preparation of the Scheme Financial Statements

The financial statements of the combined Scheme have been prepared in accordance with the relevant provisions of the 2024-25 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector. IAS 19 Employee Benefits and IAS 26 Accounting and Reporting by Retirement Benefit Plans are of particular relevance to these statements.

In addition to the primary statements prepared under IFRS, the FReM also requires the Scheme to prepare an additional statement – a Statement of Parliamentary Supply. This statement, and its supporting notes, shows Outturn against Estimate in terms of the net resource requirement and the net cash requirement.

The Armed Forces Pension Scheme (AFPS) is a non-contributory, unfunded, defined benefit, pay-as-you-go, occupational pension scheme operated by the Ministry of Defence (MOD) on behalf of members of the Armed Forces who satisfy the membership criteria.

Contributions to the Scheme by the employer are set at rates determined by the Scheme's Actuary and approved by HM Treasury. The contributions partially fund payments made by the Scheme; the balance of funding being approved by Parliament through the annual Supply Estimates process.

The administrative expenses associated with the operation of the Scheme are borne by the MOD and are reported in the department's Statement of Comprehensive Net Expenditure.

The financial statements of the Scheme show the financial position of the AFPS at the year end and the income and expenditure during the year. The Statement of Financial Position (SoFP) shows the unfunded net liabilities of the Scheme; the Statement of Comprehensive Net Expenditure (SoCNE) shows, amongst other things, factors contributing to the change in the net liability analysed between the pension cost, enhancements and transfers in, and the interest on the Scheme liability. Further information about the actuarial position of the Scheme is dealt with in the Report of the Actuary, and the Scheme financial statements should be read in conjunction with that Report.

The Armed Forces Compensation Scheme (AFCS) provides payments to Scheme members in compensation for deaths and injuries, occurring on or after 6 April 2005 and which are considered to be attributable to service in the Armed Forces.

The AFCS is accounted for in the same way as the AFPS. Contributions are received from the employer at rates set by the Scheme's Actuary, with the remaining balance of funding being approved by Parliament through the annual Supply Estimates process. Administration costs for the AFCS are also borne by the MOD and are reported in the department's SoCNE.

## 1.2 Going Concern

The Statement of Financial Position as at 31 March 2025 shows a combined pension and compensation liability of £152.9 billion (2023-24: £146.9 billion). Other movements in the liability reflect the inclusion of liabilities falling due in the long-term, which are to be financed mainly by drawings from the Consolidated Fund. Such drawings will be grants of Supply approved annually by Parliament to meet the Scheme's pension benefits, which come into payment each year.

Under the Government Resources and Accounts Act 2000, no money may be drawn from the Fund other than as required for the service of the specified year or retained in excess of that need.

In common with other public service pension schemes, the future financing of the Scheme's liabilities is to be met by future grants of supply to be approved annually by Parliament. Such approval for amounts required for 2024-25 has already been given. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

## Note 2: Statement of Accounting Policies

The accounting policies contained in the FReM follow IFRS to the extent that they are meaningful and appropriate in the public sector context.

Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the Scheme for the purpose of giving a true and fair view has been selected. The accounting policies adopted have been applied consistently in dealing with items considered material in relation to the Scheme financial statements.

### 2.1 Critical Accounting Judgments and Key Sources of Estimation Uncertainty

The preparation of these financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenditure. These assessments are based on historical and other factors that are believed to be reasonable, the results of which form the basis for making judgements. The estimates and underlying assumptions are reviewed on an on-going basis. These estimates have the most significant impact on the valuation of the pension and compensation liabilities and the associated costs and actuarial gains/losses.

## 2.2 Changes in Accounting Standards

Accounting standards issued but not yet adopted by the FReM at the reporting date:

- IFRS 17 Insurance Contracts – there are no material balances within the AFPS financial statements affected by the changes to IFRS 17.
- IFRS 18 Presentation and Disclosure in Financial Statements – this standard will replace IAS1 Presentation of Financial Statements, and sets out requirements for the presentation and disclosure of information in financial statements to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.

## 2.3 Contributions receivable

Employer's normal pension contributions (SCAPE) are accounted for on an accruals basis in the period to which the associated salaries relate.

Employer contributions are out of scope for IFRS 15 Revenue as they are not considered revenue generating transactions within the context of a customer contract.

Employees' purchase of added years is accounted for on an accruals basis. Contributions deducted from employees' salaries are in respect of 'in-Scheme' enhancements. The associated increase in the Scheme liability is recognised as expenditure. Neither Free-Standing Additional Voluntary Contributions (FSAVCs) nor payments to providers of stakeholder pensions are included in these financial statements.

## 2.4 Transfers in

Transfers into the Scheme in respect of individual members are accounted for as income and expenditure (representing the associated increase in the Scheme liability) on a cash basis since the transfer of the liability occurs on receipt of the transfer value by the Scheme.

## 2.5 Other income

Other income is accounted for on an accruals basis. To the extent that this income represents an increase in the Scheme liability, it is also reflected in expenditure.

## 2.6 Current service cost

The current service cost is the increase in the present value of the Scheme liabilities arising from current members' service in the current period and is recognised in the SoCNE. The cost is based on a discount rate of 5.10% pa (i.e. 2.45% in excess of CPI inflation). This was 4.15% pa (i.e. 1.70% in excess of CPI inflation) in 2023-24.

## 2.7 Past service costs

Past service costs are increases in the present value of the Scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of,

or improvement to, retirement benefits. Past service costs are recognised in the SoCNE on a straight-line basis over the period in which increases in benefit vests.

## 2.8 Pension financing cost

The financing cost is the increase during the period in the present value of the Scheme liabilities because the benefits are one period closer to settlement and is recognised in the SoCNE. The financing cost is based on the discount rate of 5.10% pa (i.e. 2.45% in excess of CPI inflation). This was 4.15% pa (i.e. 1.70% in excess of CPI inflation) in 2023-24.

## 2.9 Other expenditure

Other payments are accounted for on an accruals basis.

## 2.10 Scheme liability

Provision is made for liabilities to pay pensions and other benefits in the future. The Scheme liability is measured on an actuarial basis using the Projected Unit Credit Method and as at 31 March 2025 was discounted at 5.15% pa (i.e. 2.40% in excess of CPI inflation). The discount rate at 31 March 2024 was 5.10% pa (i.e. 2.45% in excess of CPI inflation). Further details of the financial assumptions used are set out at note 12 to these financial statements and in the Report of the Actuary starting on page 19.

## 2.11 Pension benefits payable

Pension benefits payable are accounted for as a decrease in the Scheme liability on an accruals basis in the period to which they relate.

## 2.12 Unclaimed pension benefits

Unclaimed pension benefits are accounted for as a decrease in the Scheme liability on an accruals basis for up to seven years past pension entitlement age.

## 2.13 Pension payments to those retiring at normal retirement age

The allocation of benefits between lump sum and pension is set out in the Scheme regulations. The transaction is accounted for as a decrease in the Scheme liability on an accruals basis.

## 2.14 Pension payments to and on account of leavers before normal retirement age

The AFPS is a non-contributory pension Scheme; therefore no refund will be made to members on leaving the Scheme. Members may request that the value of their service be transferred to a salary related occupational pension scheme, or to a statutory scheme as long as the receiving scheme is not a funded defined contribution scheme. Transfers out of the Scheme are accounted for on a cash basis, as a reduction in Scheme liability, since the transfer of the liability occurs on payment of the transfer value to the receiving Scheme.



### 2.15 Lump sums payable on death in service

Lump sum payments on death in service are accounted for on an accruals basis. They are funded through normal pension contributions and are a charge on the pension provision.

### 2.16 Actuarial gains and losses

Actuarial gains and losses arising from any new valuation and from updating the latest actuarial valuation to reflect conditions at the SoFP date are recognised in the SoCNE for the year.

### 2.17 Armed Forces Compensation Scheme

A provision is made within these financial statements to provide for payments due to Scheme members in compensation for deaths and injuries, occurring on or after 6 April 2005 and which are considered to be attributable to service in the Armed Forces.

### 2.18 Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand and current balances with banks and similar institutions, which are readily convertible to cash and are subject to insignificant risk of changes in value and have an original maturity of three months or less. For the purpose of the consolidated cash flow statement, cash and cash equivalents are stated net of bank overdrafts. Where relevant, bank overdrafts are included within payables on the Combined SoFP, and separately disclosed within note 10.

### 2.19 Payables and receivables

Payables and receivables are held at amortised cost in accordance with 'IFRS 9 Financial Instruments'. Owing to the immaterial size of such receivables balances and losses thereon, any expected credit losses are not considered to be material to the Scheme.

## Note 3: Contributions receivable

		2024-25 £000	2023-24 £000
Employers		4,995,627	4,258,449
Employees: Purchase of added years		2,829	3,076
		<b>4,998,456</b>	<b>4,261,525</b>

£4.9 billion contributions are expected to be payable to the Scheme in 2025-26. During the year ended 31 March 2025, employer contributions were paid at a rate of 73.5% of pensionable pay (2023-24: 65.5%).

## Note 4: Transfers in (see also note 7)

	Note	2024-25 £000	2023-24 £000
Individual transfers in from other schemes	7	133	289
		<b>133</b>	<b>289</b>

## Note 5: Service cost

	Note	2024-25 £000	2023-24 £000
Current service cost	12.4	2,168,170	2,685,098
Past service cost	12.4	115,000	-
		<b>2,283,170</b>	<b>2,685,098</b>

Past Service Costs in 2024-25 consist of the following:

- £70 million in relation to the revaluation of AFPS15 pensions as a result of amended HMT legislation.
- £45 million in relation to restorative pension measures arising from the LGBT Veterans Independent Review (the 'Etherton Review').

## Note 6: Enhancements

	Note	2024-25 £000	2023-24 £000
Purchase of added pension and years	12.4	2,829	3,076
		<b>2,829</b>	<b>3,076</b>

## Note 7: Transfers in - additional liability

	Note	2024-25 £000	2023-24 £000
Individual transfers in from other schemes	12.4	133	289
		<b>133</b>	<b>289</b>

Amounts receivable in respect of inward transfers increase the pension liability to the same extent. This increase is reflected in the SoCNE as expenditure as part of the movements in the provision during the year.

## Note 8: Pension financing cost

	Note	2024-25 £000	2023-24 £000
Net interest on defined benefit liability	12.4	7,278,626	6,433,222
		<b>7,278,626</b>	<b>6,433,222</b>

## Statement of Financial Position – Armed Forces Pension Scheme

### Note 9: Receivables

		2024-25 £000	2023-24 £000
<b>Amounts falling due within one year:</b>			
Overpaid pensions		15,502	10,210
Bereavement Scholarship Scheme		376	854
Ministry of Defence – SCAPE & AVC receipts and Transfers In		418,716	352,201
Prepayments		-	502
		<b>434,594</b>	<b>363,767</b>
<b>Amounts falling due after more than one year:</b>			
Overpaid pensions		5,442	4,228
		<b>440,036</b>	<b>367,995</b>

Overpayments to pensioners are inherent in the nature of the Scheme. Payments to pensioners continue until notification of death is received or until non-return of a life certificate.

### Note 10: Cash and cash equivalents

		2024-25 £000	2023-24 £000
Balance at 1 April		33,696	44,862
Net change in cash balances		76,822	(11,166)
<b>Balance at 31 March</b>		<b>110,518</b>	<b>33,696</b>
The following balances at 31 March were held at:			
Government Banking Service		110,518	33,696
<b>Balance at 31 March</b>		<b>110,518</b>	<b>33,696</b>

## Note 11: Payables

		2024-25 £000	2023-24 £000
<b>Amounts falling due within one year:</b>			
Pensions		411,118	356,893
Lump sums		231,458	221,704
HM Revenue & Customs		69,119	61,049
Third party organisations		1,395	1,052
Ministry of Defence		46,217	40,419
		<b>759,307</b>	<b>681,117</b>
Amounts issued from the Consolidated Fund for supply but not spent at year end		110,518	33,696
		<b>869,825</b>	<b>714,813</b>

## Note 12: Pension Liabilities

### Note 12.1: Assumptions underpinning the pension liability

The AFPS is an unfunded defined benefit scheme. The Government Actuary's Department carried out an assessment of the Scheme liabilities as at 31 March 2025. The Report of the Actuary starting on page 19 sets out the scope, methodology and results of the work the Actuary has carried out.

The Scheme managers together with the Actuary and the Auditor have signed a Memorandum of Understanding that identifies, as far as practicable, the range of information that the Scheme managers should make available to the Actuary in order to meet the expected requirements of the Scheme Auditor. This information includes, but is not limited to, details of:

- Scheme membership, including age and gender profiles, active membership, deferred pensioners, and pensioners;
- benefit structure, including details of any discretionary benefits and any proposals to amend the Scheme;
- income and expenditure, including details of expected bulk transfers into or out of the Scheme; and
- following consultation with the Actuary, the key assumptions that should be used to value the Scheme liabilities, ensuring that the assumptions are mutually compatible and reflect a best estimate of future experience.

The key assumptions used by the actuary were:

	At 31 March 2025	At 31 March 2024	At 31 March 2023	At 31 March 2022	At 31 March 2021
Long term rate of increase in salaries	3.40%	3.55%	3.65%	4.15%	3.72%
Inflation assumption	2.65%	2.55%	2.40%	2.90%	2.22%
Discount rate net of pension increases	2.40%	2.45%	1.70%	(1.30%)	(0.95%)
Mortality rate at age 60	Years	Years	Years	Years	Years
- Current Pensioners					
• Officers Men	26.0	26.2	26.1	26.2	26.1
• Officers Women	28.6	28.3	28.2	27.8	27.7
• Other Ranks Men	26.0	26.2	26.1	26.2	26.1
• Other Ranks Women	28.6	28.3	28.2	27.8	27.7
- Future Pensioners (from active status) *					
• Officers Men	27.7	28.1	28.0	28.0	27.9
• Officers Women	30.1	30.0	29.9	29.5	29.5
• Other Ranks Men	27.7	28.1	28.0	28.0	27.9
• Other Ranks Women	30.1	30.0	29.9	29.5	29.5
Mortality rate at age 65					
- Current Pensioners					
• Officers Men	21.5	21.5	21.4	21.5	21.4
• Officers Women	23.7	23.4	23.3	23.0	23.0
• Other Ranks Men	21.5	21.5	21.4	21.5	21.4
• Other Ranks Women	23.7	23.4	23.3	23.0	23.0
- Future Pensioners (from active status) *					
• Officers Men	23.0	23.3	23.2	23.2	23.1
• Officers Women	25.2	25.0	24.9	24.7	24.6
• Other Ranks Men	23.0	23.3	23.2	23.2	23.1
• Other Ranks Women	25.2	25.0	24.9	24.7	24.6

\* Life expectancies for active members have been calculated from a normal retirement age of 60 and 65 based on members aged 40 and 45 respectively as at 31 March 2025, who will reach age 60 and 65 respectively in 20 years' time. Age 65 was introduced from March 2016. The impact of Covid-19 has been considered by the Actuary, for further details see Report of the Actuary starting on page 19.

These key assumptions are inherently uncertain, since it is impossible to predict with any accuracy future changes in the rate of salary increases, inflation, longevity, or the return on corporate bonds. The Actuary uses professional expertise in arriving at a view of the most appropriate rates to use in the annual valuation of the Scheme liabilities. However, the Scheme managers acknowledge that the valuation reported in these financial statements is not certain, since a change in any one of these assumptions will either increase or reduce the liability. For example, on its own, even a small rise in the assumed rate of inflation will result in an increase in the pension liability.

The assumption that has the biggest impact on the amount of the reported liability is the discount rate net of price inflation (as prescribed by HM Treasury). As set out in the FReM, and as required by IAS 19, the discount rate net of price inflation is based on yields on high quality corporate bonds. The rates are set out in the above table. Any decrease in the discount rate net of price inflation leads to a significant increase in the reported liability.

In accordance with IAS 19 the Scheme Managers are required to undertake a sensitivity analysis for each significant actuarial assumption as of the end of the reporting period, showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumption that were reasonably possible at that date. This analysis, including details of the methods and assumptions used in preparing the sensitivity analyses, the limitations of these methods, and the reasons for any changes in methods and assumptions used in preparing the sensitivity analyses, are included in the analysis of the pension liability below.

## Note 12.2: Analysis of the provision for pension liability

	At 31 March 2025 £bn	At 31 March 2024 £bn	At 31 March 2023 £bn	At 31 March 2022 £bn	At 31 March 2021 £bn
Pensions in Payment	100.1	95.6	91.5	131.9	123.9
Deferred Pensions	18.4	17.3	23.9	50.8	43.8
Active members (Past Service)	31.8	31.7	41.0	96.4	86.3
<b>Total</b>	<b>150.4</b>	144.6	156.5	279.1	254.0

Note: Sum of parts may not align with total due to rounding.

Scheme liabilities accrue over employees' periods of service and are discharged over the period of retirement and, where applicable, the period for which a spouse or eligible partner survives the pensioner. In valuing the Scheme liability, the Actuary must estimate the impact of several inherently uncertain variables into the future. The variables include not only the key financial assumptions noted in the table above, but also assumptions about the changes that will occur in the future in the mortality rate, the age of retirement and the age from which a pension becomes payable.

The value of the liability on the SoFP may be significantly affected by even small changes in assumptions. For example, if at a subsequent valuation, it is considered appropriate to increase or decrease the assumed rate of inflation, or increases in salaries, the value of the Scheme liability will increase or decrease. The Managers of the Scheme accept that, as a consequence, the valuation provided by the Actuary is inherently uncertain. The increase or decrease in future liability charged or credited for the year resulting from changes in assumptions is disclosed in notes 12.7 and 12.8. The notes also disclose 'experience' gains or losses for the year, showing the amounts charged or credited for the year because events have not coincided with assumptions made for the last valuation.

## Note 12.3: Sensitivity Analysis

A sensitivity analysis for each significant actuarial assumption as at the end of the reporting period is detailed below. The most significant assumptions are the discount rate, general earnings increases and pension increases (currently based on CPI). A key demographic assumption is pensioner mortality.



The table below shows the indicative effects on the total liability as at 31 March 2025 of changes to these assumptions (rounded to the nearest ½%).

Change in Assumption		Approximate effect on total liability	
<b>Financial Assumptions</b>			
Discount rate <sup>1</sup>	+ ½% a year	- 7.5%	- £11.3 billion
Earnings increases <sup>1</sup>	+ ½% a year	+ 0.5%	+ £0.8 billion
Pension increases <sup>1</sup>	+ ½% a year	+ 7.5%	+ £11.3 billion
<b>Demographic assumptions</b>			
Additional one year increase to life expectancy at retirement <sup>1</sup>		+ 2.5%	+£3.8 billion

<sup>1.</sup> Opposite changes in the assumptions will produce approximately equal and opposite changes in the liability.

## Note 12.4: Analysis of movements in the Scheme liability

	Note	2024-25 £000	Re-stated (Note 16) 2023-24 £000
<b>Scheme liability at 1 April</b>		<b>(144,639,000)</b>	<b>(156,536,500)</b>
Current service cost	5	(2,168,170)	(2,685,098)
Past service cost	5	(115,000)	-
Pension financing cost	8	(7,278,626)	(6,433,222)
Enhancements	6	(2,829)	(3,076)
Pension transfers in	7	(133)	(289)
		<b>(154,203,758)</b>	<b>(165,658,185)</b>
Benefits payable	12.5	6,143,923	5,686,003
Pension payments to and on account of leavers	12.6	5,051	4,231
		<b>6,148,974</b>	<b>5,690,234</b>
Actuarial gain/(loss)	12.7	(2,345,216)	15,328,951
<b>Scheme liability at 31 March</b>		<b>(150,400,000)</b>	<b>(144,639,000)</b>

## Note 12.5: Analysis of benefits paid

	2024-25 £000	2023-24 £000
Pensions to retired employees and dependants (net of recoveries or overpayments)	5,518,840	5,111,052
Commutations and lump sum benefits on retirement	625,083	574,951
<b>Total benefits paid</b>	<b>6,143,923</b>	<b>5,686,003</b>

## Note 12.6: Analysis of payments to and on account of leavers

	2024-25 £000	2023-24 £000
Individual transfers to other schemes	5,051	4,231
<b>Total payments to and on account of leavers</b>	<b>5,051</b>	<b>4,231</b>

## Note 12.7: Analysis of actuarial gains / (losses)

	2024-25 £000	Restated (Note 16) 2023-24 £000
Experience (loss) / gain arising on the Scheme liabilities	(1,800,000)	(6,802,500)
Changes in assumptions underlying the present value of Scheme liabilities	(545,216)	22,131,451
<b>Total actuarial (loss) / gain</b>	<b>(2,345,216)</b>	<b>15,328,951</b>

The 2023-24 and 2024-25 experience losses shown above are inclusive of £2.5m respectively in relation to Early Leavers liabilities previously assumed to have been released/extinguished.

## Note 12.8: History of experience gains / (losses)

	2024-25	Restated (Note 16) 2023-24	2022-23	2021-22	2020-21
Experience (losses) / gains on scheme liabilities: (£000)	(1,800,000)	(6,802,500)	(11,858,707)	2,800,000	4,100,000
Percentage of the present value of the scheme liabilities	(1.20%)	(4.70%)	(7.58%)	1.00%	1.61%
(Losses) / gains arising due to changes in actuarial assumptions: (£000)	(545,216)	22,131,451	141,471,530	(22,386,252)	(22,837,035)
Percentage of the present value of the scheme liabilities	(0.36%)	15.31%	90.40%	(8.02%)	(8.99%)
Total amount recognised in Combined Statement of Comprehensive Net Expenditure: (£000)	(2,345,216)	15,328,951	129,612,824	(19,586,252)	(18,737,035)
Percentage of the present value of the scheme liabilities	(1.56%)	10.60%	82.82%	(7.02%)	(7.38%)
Total cumulative actuarial (loss) / gain: (£000)	(19,550,032)	(17,205,316)	(32,533,267)	(162,146,091)	(142,559,839)

## Statement of Financial Position – Armed Forces Compensation Scheme

### Note 13: Receivables

		2024-25 £000	2023-24 £000
<b>Amounts falling due within one year:</b>			
Overpaid compensation		9,179	1,185
		<b>9,179</b>	<b>1,185</b>

### Note 14: Payables

		2024-25 £000	2023-24 £000
<b>Amounts falling due within one year:</b>			
Compensation		12,191	5,062
		<b>12,191</b>	<b>5,062</b>

### Note 15: Provision for liabilities and charges

#### Armed Forces Compensation Scheme

The Armed Forces Compensation Scheme (AFCS) was introduced from 6 April 2005 to provide compensation where service is the only or main cause of an injury, illness, or death. As compensation for pain and suffering, the AFCS makes a lump sum payment for qualifying injuries and illnesses caused mainly by service. The value is determined by a tariff which has 15 levels. For more serious injuries and illnesses (within tariff levels 1-11) where a loss of earnings capacity may be expected, an ongoing Guaranteed Income Payment (GIP) is awarded.

The Scheme is required to provide for the injuries to military personnel that have occurred whilst in service. The provision reflects claims that have been made based on injuries that have occurred, including those injuries occurred but not yet claimed. Military personnel have up to seven years to make a claim under the AFCS.

### Assumptions underpinning the provision for AFCS liability

As for previous years, the actuarial assumptions used in assessing liabilities for GIPs are consistent with those used for resource accounting in respect of the AFPS. Assumptions fall into two categories, financial and demographic. The main financial assumptions adopted as prescribed by HM Treasury are set out below.

% per annum	31 March 2025	31 March 2024
Gross discount rate	5.15%	5.10%
CPI inflation	2.65%	2.55%
GIP increases	2.65%	2.55%
Discount rate net of CPI	2.40%	2.45%
Discount rate net of GIP increases	2.40%	2.45%

The key demographic assumption is in respect of mortality. The mortality assumptions adopted follow a consistent approach to the AFPS mortality assumptions for resource accounting as at 31 March 2025. Where members have been awarded a GIP but have not yet been discharged the liability has been estimated on the assumption that they are discharged on the accounting date.

For incidents incurred but not yet claimed, the GIP and Lump sum liability is estimated using the assumption that the amount to be awarded will be consistent with historical awards and rejections based on a comparable level of injury being sustained.

	2024-25 £000	2023-24 £000
<b>Balance at 1 April</b>	<b>(2,278,000)</b>	<b>(2,261,500)</b>
Use of provision in year	152,077	147,850
Interest on Scheme liabilities	(116,476)	(94,014)
Current service cost – AFCS	(134,882)	(132,012)
(Loss) / gain due to change in assumptions underlying the present value of Scheme liabilities	(154,119)	61,676
<b>Balance at 31 March</b>	<b>(2,531,400)</b>	<b>(2,278,000)</b>
<b>Breakdown of Balance at 31 March:</b>		
Incidents incurred but not yet claimed – Lump Sums and Guaranteed Income Payments	(335,100)	(295,300)
Guaranteed Income Payments – “In Payment”	(2,091,000)	(1,857,600)
Guaranteed Income Payments – “Underlying Entitlement”	(105,300)	(125,100)
	<b>(2,531,400)</b>	<b>(2,278,000)</b>

## Note 16: Prior Period Adjustment

### 16.1 Restated 2023-24 opening position

Effect on Combined Statement of Financial Position	Published 1 April 2023 £000	Adjustment 1 April 2023 £000	Restated 1 April 2023 £000
Pension liability	(156,500,000)	(36,500)	(156,536,500)
<b>Net liabilities, including pension liabilities</b>	<b>(156,813,616)</b>	<b>(36,500)</b>	<b>(156,850,116)</b>
<b>Combined schemes – Total net liabilities</b>	<b>(159,078,395)</b>	<b>(36,500)</b>	<b>(159,114,895)</b>
General Fund	(159,078,395)	(36,500)	(159,114,895)
<b>Total equity</b>	<b>(159,078,395)</b>	<b>(36,500)</b>	<b>(159,114,895)</b>

### 16.2 Restated 2023-24

Effect on Combined Statement of Comprehensive Net Expenditure	Published 2023-24 £000	Adjustment 2023-24 £000	Restated 2023-24 £000
<b>Actuarial (gain)/loss – Armed Forces Pension Scheme</b>	<b>(15,331,451)</b>	<b>2,500</b>	<b>(15,328,951)</b>
<b>Total Comprehensive Net (Income) / Expenditure</b>	<b>(10,307,320)</b>	<b>2,500</b>	<b>(10,304,730)</b>

Effect on Combined Statement of Financial Position	Published 2023-24 £000	Adjustment 2023-24 £000	Restated 2023-24 £000
Pension liability	(144,600,000)	(39,000)	(144,639,000)
<b>Net liabilities, including pension liabilities</b>	<b>(144,913,122)</b>	<b>(39,000)</b>	<b>(144,952,122)</b>
<b>Combined schemes – Total net liabilities</b>	<b>(147,194,999)</b>	<b>(39,000)</b>	<b>(147,233,999)</b>
General Fund	(147,194,999)	(39,000)	(147,233,999)
<b>Total equity</b>	<b>(147,194,999)</b>	<b>(39,000)</b>	<b>(147,233,999)</b>

Effect on Combined Statement of Taxpayers' Equity	Published 2023-24 £000	Adjustment 2023-24 £000	Restated 2023-24 £000
<b>Balance at 1 April 2023</b>	<b>(159,078,395)</b>	<b>(36,500)</b>	<b>(159,114,895)</b>
Actuarial gain/(loss)	15,331,451	(2,500)	15,328,951
<b>Net Change in Taxpayers' Equity</b>	<b>11,883,396</b>	<b>(2,500)</b>	<b>(11,880,896)</b>
<b>Balance at 31 March 2024</b>	<b>(147,194,999)</b>	<b>(39,000)</b>	<b>(147,233,999)</b>

The prior period adjustment is required as a result of the issue regarding Early Leavers (see pages 15 and 35 for more detail). It has been assessed that c.36,000 early leavers from regular service are impacted. In order to calculate the associated cost, DBS has analysed available data to establish the average age, salary, and length of service. The results of which have been used to inform key assumptions provided to Government Actuary's Department (GAD) in order to calculate estimated liabilities. An amount has also been included to account for early leavers from the reserves. Although up to 25,000 reservists may be impacted, the associated costs are much lower due to the pensionable length of service being considerably lower than regular personnel and therefore this only makes up around 6% of the costs.

The table below shows the indicative effects of changes to the key assumptions on the overall costs.

Change in Assumption	Approximate effect on total cost
Average salary increased by 5%	+ £4 million
Average service increased by 5%	+ £4 million
Number of members increased by 5%	+ £4 million
Age assumption increased to age 22	+ £2 million

Opposite changes in the assumptions will produce approximately equal and opposite changes in the liability.

It should also be noted that the original amount calculated by GAD has been adjusted to take into account a reasonable assumption that the likelihood all individuals will take up the redress option is extremely low. Therefore, an overall '*take-up assumption*' of 50% has been applied to the original cost calculation provided by GAD.

The effect of the restatement on the financial statements is summarised above. Financial year ended 31 March 2023 resulted in an increased liability of £36.5 million, resulting in a revised opening liability for 2023-24 of £156.537 billion as shown in more detail at sections 16.1 and 12.4 '*analysis of movements in the Scheme liability*'. The re-statement of the opening liability together with the inclusion a 2023-24 experience loss of £2.5 million results in a revised closing



liability for 2023-24 of £144.639 billion as illustrated at section 16.2 '*effect on combined statement of financial position*'.

## Note 17: Financial Instruments

As the cash requirements of the Scheme are met through the Estimates process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector scheme of a similar size. There are no material financial instruments in relation to the Scheme.

## Note 18: Contingent Liabilities disclosed under IAS 37

### Reserve Service – Employment Tribunal

The MOD is currently defending claims in the Employment Tribunal relating to the lack of pension provision before 2015 for certain types of reserve service. The claims are brought by former and serving reservists and also challenge the basis on which attendance-based pay for reserves is calculated. As with any contingent liability which is related to live litigation, the potential crystallisation of the liability is dependent upon the outcome of the litigation, including any appeals.

The hearing concluded in April 2023 and was subsequently reheard due to the premature retirement of the judge. The rehearing of the tribunal ruled in favour of the claimant on both counts.

Legal advice from Senior Counsel confirmed there were stateable grounds for MOD to appeal, and an appeal was subsequently filed in September 2024. The judge has sifted the appeal and agreed that there were arguable errors of law. The appeal date is scheduled for December 2025.

## Note 19: Related party transactions

The Scheme falls within the ambit of the MOD which is regarded as a related party, and the Scheme has had various material transactions with the MOD during the year.

During 2024-25, the Scheme received employer contributions (SCAPE) and employees' contributions from the MOD in respect of active members of the AFPS. These contributions totalled £4.998 billion (£4.262 billion in 2023-24, see note 3).

AFPS also made repayment to MOD in regards to benefits that had been paid by the MOD on behalf of the AFPS. For transactions relating to 2024-25 these totalled £568.4 million (£542.9 million in 2023-24).

None of the managers of the Scheme, key managerial staff or other related parties has undertaken any material transactions with the Scheme during the year. Certain key managerial

staff and members of the DBS Executive Leadership Team are members of the Scheme. The benefits they are entitled to are not different to other members of the Scheme.

## Note 20: Events after the Reporting Period

There are no events to disclose after the reporting period.

## Note 21: Date of authorisation for issue

The financial statements have been authorised for issue by the Accounting Officer on the same date as the C&AG's certificate.





# Annexes

(Unaudited)





## Annex A

### Membership Statistics (Movement in Year)

Due to the complexity of the AFPS, the membership data below has moved away from an 'individual' being synonymous with a 'member'. In order to show the movements within each category, the membership table shows 'Benefits' instead of 'Members'.

Individual members may be a member of more than one Scheme. A member may be entitled to more than one benefit under a Scheme.

Where a member is divorced, and the ex-spouse is entitled to a proportion of the benefit, the deferred figures show both benefits when notified to AFPS post March 2006. Benefits in payment show both benefits. Where a member has not claimed benefits within seven years of pension age, the member is out of time to claim. This is an assumption for membership reporting and actuarial valuation purposes only.

The databases used to manage Active and Deferred members are dynamic systems that allow records to be updated retrospectively. Therefore, the opening balances in the membership table will not match to the previous year's closing balances. Active and Deferred benefits are held on a separate system to Benefits in Payment. Therefore, the movements between these categories will not reconcile due to timing differences.

The Smaller Pension Schemes' membership data as at 31 March 2025, equating to 61 active members, 109 deferred members and 1,285 benefits in payment, is excluded from the membership table.

There are three groups, defined as follows:

- Active members' benefits: benefits for personnel who are in service, and which are reckonable for pension purposes.
- Deferred and unclaimed benefits: benefits due at some future date or that have not been claimed that are attributable to former active members or their divorced spouses/civil partners.
- Benefits in payment: payments to former active members or divorced spouses/civil partners plus other beneficiaries such as widow(er)s, survivors, and other dependants of former active members.

Active members' benefits		2024-25	2023-24
	Active members brought forward from 31 March 2024	260,650	275,672
	Adjustments (Membership Statistics note 1)	(2,012)	(1,505)
	<b>Total active members' benefits at 1 April 2024</b>	<b>258,638</b>	<b>274,167</b>
Add:	New entrants in the year	15,409	13,164
	Transfers in	5	13
	<b>Total joiners</b>	<b>15,414</b>	<b>13,177</b>
Less:	Death in service benefits	(122)	(132)
	Left active service with no benefits (Membership Statistics note 2)	(3,860)	(2,370)
	Left active service with deferred benefits	(12,297)	(19,570)
	Left active service and received benefits	(3,639)	(4,614)
	Benefits transferred out (Membership Statistics note 3)	(2)	(8)
	<b>Total leavers/death in service</b>	<b>(19,920)</b>	<b>(26,694)</b>
	<b>Total active members' benefits at 31 March 2025</b>	<b>254,132</b>	<b>260,650</b>
	Active Full-Time members at 31 March 2025	154,365	155,534
	Active Voluntary Reservist members at 31 March 2025	33,174	32,703

Deferred members' benefits		2024-25	2023-24
	Deferred benefits brought forward from 31 March 2024	491,941	506,210
	Adjustments (Membership Statistics note 1 & note 4)	(2,263)	(22,302)
	<b>Total deferred and unclaimed benefits at 1 April 2024</b>	<b>489,678</b>	<b>483,908</b>
Add:	Benefits not immediately payable	12,424	19,828
	New benefit on divorce	186	187
	<b>Total new deferred and unclaimed benefits</b>	<b>12,610</b>	<b>20,015</b>
Less:	Benefits transferred out (Membership Statistics note 3)	(101)	(98)
	Benefits taken up	(9,823)	(9,689)
	Benefits elapsed	(1,209)	(1,125)
	Death in deferment benefits	(396)	(382)
	Re-joiners	(1,007)	(688)
	<b>Total removed from deferred population</b>	<b>(12,536)</b>	<b>(11,982)</b>
Being:	Deferred benefits	474,639	477,144
	Benefits due but unclaimed	15,113	14,797
	<b>Total deferred and unclaimed benefits at 31 March 2025</b>	<b>489,752</b>	<b>491,941</b>
	Deferred members at 31 March 2025	366,884	371,532
	Deferred Voluntary Reservist members at 31 March 2025	24,411	23,878



Pensions benefits in payment		2024-25	2023-24
	Benefits brought forward from 31 March 2024		
	- Members	388,289	383,931
	- Dependants	75,577	76,804
	<b>Total</b>	<b>463,866</b>	<b>460,735</b>
	Adjustments (Membership Statistics note 1)		
	- Members	(66)	(91)
	- Dependants	(17)	(1)
	<b>Total benefits at 1 April 2024</b>	<b>(83)</b>	<b>(92)</b>
Add:	Benefits that became payable in the year		
	- Members	14,202	14,273
	- Dependants	4,724	4,820
	<b>Total benefits into payment</b>	<b>18,926</b>	<b>19,093</b>
Less:	Benefits that have ceased in the year		
	- Members	(8,375)	(9,824)
	- Dependants	(3,565)	(6,046)
	<b>Total benefits ceased in the year</b>	<b>(11,940)</b>	<b>(15,870)</b>
	<b>Benefits in payment at 31 March 2025</b>		
	Members	394,050	388,289
	Dependants	76,719	75,577
	<b>Total</b>	<b>470,769</b>	<b>463,866</b>

## Membership Statistics Notes

1. The brought forward balances from 31 March 2024 have been restated to account for better information obtained from the membership databases. The databases used to manage member data records are dynamic systems that allow records to be updated retrospectively. It is therefore accepted that the opening balances will not reconcile to the previous year's closing balances, hence the adjustment lines present in the membership table.
2. Left active service with less than two years' service, therefore accrued no pension benefits.
3. Transfers Out are shown within the Deferred member benefit table above, however a small number are also captured within the 2024-25 Active member benefit table. This is due to workflow timings, i.e. the members have left active service and immediately transferred out and have therefore not 'reached' Deferred member status.
4. The 2023-24 adjustment for Deferred members is inclusive of 18,210 cases removed from the Deferred member cohort as a result of a targeted exercise to cleanse this cohort. In addition to this there were a further 1,068 cases removed following a review by the National Fraud Initiative advising that the member was deceased. Work has continued to regularly review the deferred cohort but the number of cases now adjusted for is much lower than the targeted exercise, as is evident in the 2024-25 adjustment.

## Annex B

### Information for Members

#### AFPS Additional Voluntary Contributions (AVCs)

**Added Pension:** Under AFPS 15, Active members (including Reserves) are able to pay personal contributions in order to purchase Added Pension. This is a choice between increasing just their own benefits, or both theirs and their dependants' benefits, and can be purchased by paying a lump sum or fixed monthly payments.

**Added Years:** Added Years AVCs purchased prior to April 2015 will remain unchanged in accordance with the AFPS 75 and AFPS 05 rules. Service personnel will pay their AVCs, and the additional years' service will be added to the individual's Scheme benefits when they leave Service.

These AVCs and their associated liabilities are recognised in these Accounts.

#### Freestanding Additional Voluntary Contributions (FSAVC)

Active members may contribute to a FSAVC (or other private pension arrangement). The contribution is passed to the relevant institution and is a private arrangement between the member and the institution, and as such these transactions are not recognised in these Accounts.

#### Stakeholder Pensions

The Stakeholder pension is a private pension. It was introduced by the government to help people save for their retirement. Scottish Widows is currently the provider of Stakeholder pensions to the Armed Forces. The contribution is passed to the relevant institution and is a private arrangement between the member and the institution, and as such these transactions are not recognised in these Accounts.

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