Government Actuary's Department

Armed Forces Pension Scheme

2024 Actuarial Valuation

Results

15 July 2026

Fiona Dunsire FIA C.Act, Government Actuary
Joanne Rigby FIA C.Act

Navigating risk | Cutting through complexity

Contents

Introduction

This Results report sets out the results of the actuarial valuation of the Armed Forces Pension Scheme (AFPS) (the Scheme) as at 31 March 2024. This report was prepared by Fiona Dunsire, Government Actuary, FIA C.Act and Joanne Rigby FIA C.Act, and was published on 15 July 2026.

Important

This report is a subset of the valuation reporting provided for the Scheme; the other reports are Overview, Approach, Data, Assumptions and Climate Risk. The full set of valuation reporting information can be found in the Summary report.

Key results

> ⓘ **Important**
>
> **Valuation outcomes**
>
> **Employer contribution rate:** The Secretary of State for Defence should make arrangements for implementing the revised employer contribution rate from 1 April 2027.
>
> **Cost control mechanism:** The Secretary of State for Defence does not need to take steps to achieve the target cost for the Scheme and no subsequent changes are required to the employer contribution rate.

Employer contribution rate
52.3%
of pensionable pay which is equivalent to **£3.5bn** in 2024 monetary terms

Comparison to current employer contribution rate
19.2%
decrease from 71.5%
of pensionable pay which is equivalent to **£1.3bn** in 2024 monetary terms

i. Monetary amounts are annual, based on pensionable pay at the valuation date

Core cost cap cost of the scheme
32.0%
of pensionable pay
which is **2.6%** below
the **34.6%** employer cost cap

Economic cost cap cost of the scheme
39.6%
of pensionable pay
which is **5.0%** above
the **34.6%** employer cost cap

The core cost cap cost of the Scheme lies within the 3% cost cap corridor. As the cost cap corridor is not breached, there is no requirement for the Secretary of State for Defence to consult on changes to the scheme.

The economic check (which compares the economic cost cap cost to the cost control corridor) does not apply.

The above allows for the impact of the restatement of the notional assets as at 31 March 2024 to exclude contributions from the Armed Forces Compensation Scheme (AFCS), which had been included in error in the 2016 and 2020 valuations. The effect of overstating the notional assets previously has meant that the deficit as at 31 March 2024 is £1.4bn higher than previously expected. This deficit arising is spread over 15 years in the usual way, constituting 1.5% of pensionable pay and included in the above employer contribution rate.

All figures are rounded to the nearest 1 decimal place.

Key results: employer contribution rate

The employer contribution rate is the percentage of Scheme members' pensionable salaries which employers pay into the Scheme.

More information on the calculation of the employer contribution rate can be found in the Overview and Approach reports.

Results

Important

The employer contribution rate is calculated as 52.3% of pensionable pay.

The employer contribution rate is payable in respect of the period from 1 April 2027 to 31 March 2031.

This employer contribution rate is equivalent to £3.5bn per annum in 2024 monetary terms.

This is a decrease of 19.2% from the employer contribution rate calculated at the 2020 valuation (equivalent to a decrease of £1.3bn per annum in 2024 monetary terms).

As there is no breach of the cost control mechanism, there is no requirement to take steps to achieve the target cost for the Scheme. As a result, there will not be any adjustment to the above rate in respect of the cost control mechanism.

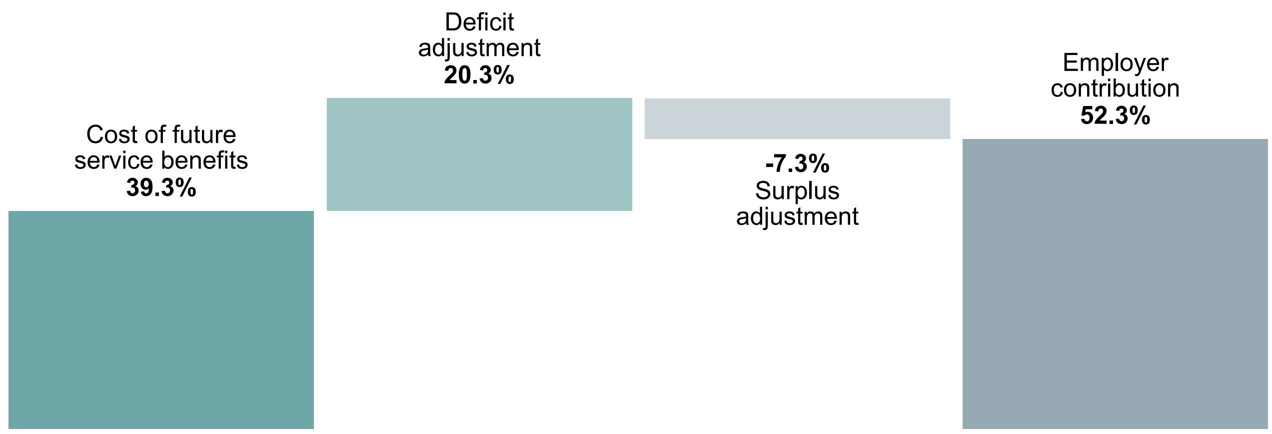
Note

Contribution rate results are sensitive to the data and assumptions underlying them:

Data: Details of the data used and any limitations or uncertainties are set out in the Data report.

Assumptions: Details of the sensitivity of the results to the main assumptions used are set out in the Sensitivities of results to assumptions section below.

The following chart shows a breakdown of the employer contribution rate into its component parts:



i. All percentages shown are of pensionable pay per annum.

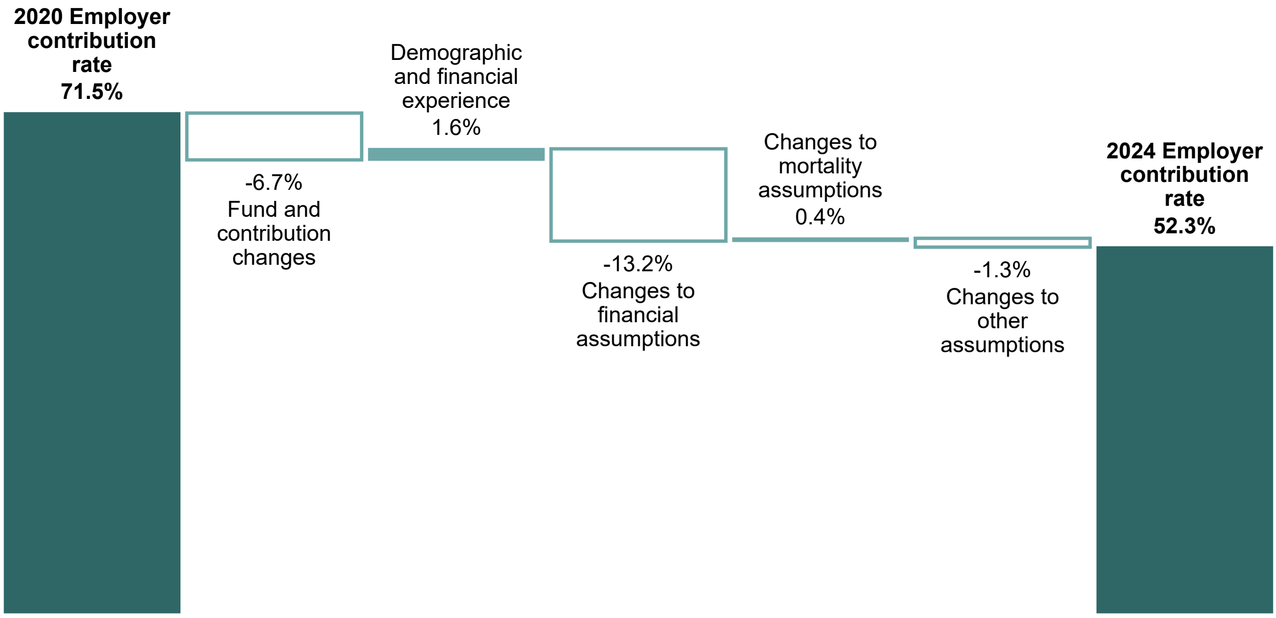
- Cost of future benefits which will be built up from 2027 to 2031.
- Adjustment due to deficit at 31 March 2024.
- Adjustment due to surplus arising between 2024 and 2027, caused by cost of benefits built up over this time being less than contributions paid.
- Employer contribution rate payable from 2027 to 2031.

The total employer contribution rate payable by employers is 52.3% of pensionable pay.

An explanation of these component parts is set out in the Approach report. Details of the calculation of these component parts is provided in the Other information: employer contribution rate section below.

Change in employer contribution rate since 2020

The chart below shows the main factors contributing to the change in the employer contribution rate since the last valuation in 2020.



i. All percentages shown are of pensionable pay per annum.

2020 employer contribution rate – this is the employer contribution rate calculated at the previous valuation

Fund and contribution changes – this includes the impact of employer contributions paid since the last valuation. These have exceeded the cost of benefits accruing and reduced the deficit in the scheme.

Demographic and financial experience – this is the impact of actual experience over the inter-valuation period (such as actual inflation and actual rates of mortality) differing from that assumed at the previous valuation. This item also includes the impact of the 1.5% of pensionable pay correction due to the notional assets error at the previous valuation.

Changes to financial assumptions – this is the impact of the changes to the financial assumptions since the previous valuation, including changes to the discount rate assumption. In isolation, the discount rate change acted to reduce the employer contribution rate by approximately 11.6%.

Changes to mortality assumptions – this is the impact of the changes to the mortality assumptions since the previous valuation, including the changes to the mortality improvement assumption.

Changes to other assumptions – this is the impact of the changes to the other demographic assumptions since the previous valuation, including changes to the assumed rates of active members leaving the scheme or retiring with ill-health, and the changes to proportion married assumptions.

2024 employer contribution rate – this is the resulting employer contribution rate calculated at this valuation

Note

Although the 2024 employer contribution rate would be unaffected, the individual figures in this breakdown depend on various factors, such as the order of the calculations. The precise amount attributable to any one cause, such as the change in discount rate, therefore depends on the method used.

Key results: cost control mechanism

The cost control mechanism compares scheme costs (core cost cap cost and economic cost cap cost) to the original employer cost cap. If both of these have moved outside the cost control corridor in the same direction, a breach has occurred and steps are required to be taken to achieve the target cost.

Further background on the cost control mechanism is set out in the Overview and Approach reports.

Results

Important

There is no breach of the cost control mechanism. As a result, the Secretary of State for Defence does not need to take steps to achieve the target cost for the Scheme and no subsequent changes are required to the employer contribution rate.

Core cost cap cost of the scheme

32.0%

of pensionable pay
which is **2.6%** below
the **34.6%** employer cost cap

Economic cost cap cost of the scheme

39.6%

of pensionable pay
which is **5.0%** above
the **34.6%** employer cost cap

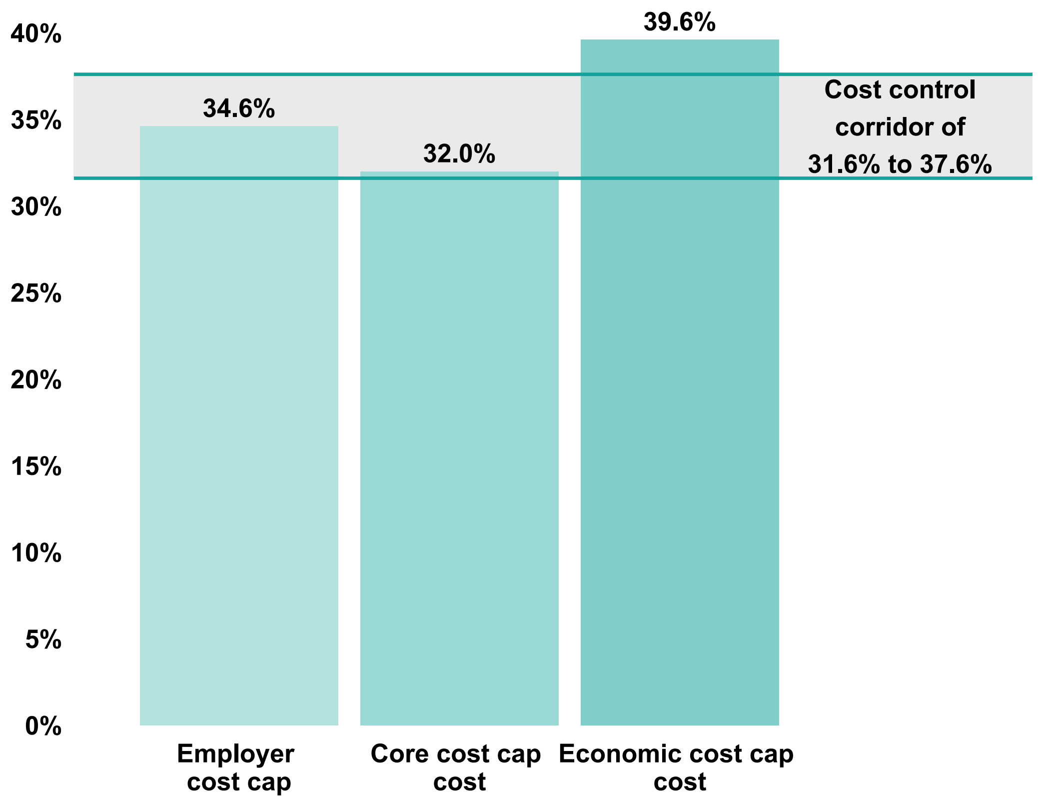
The chart below illustrates the position of the core cost cap cost and economic cost cap cost of the scheme against the cost control corridor.

As the core cost cap is within the cost control corridor no overall breach of the cost control mechanism has occurred.

The wider economic situation represented by the economic cost cap cost does not need to be taken into account for the purposes of the cost control mechanism.

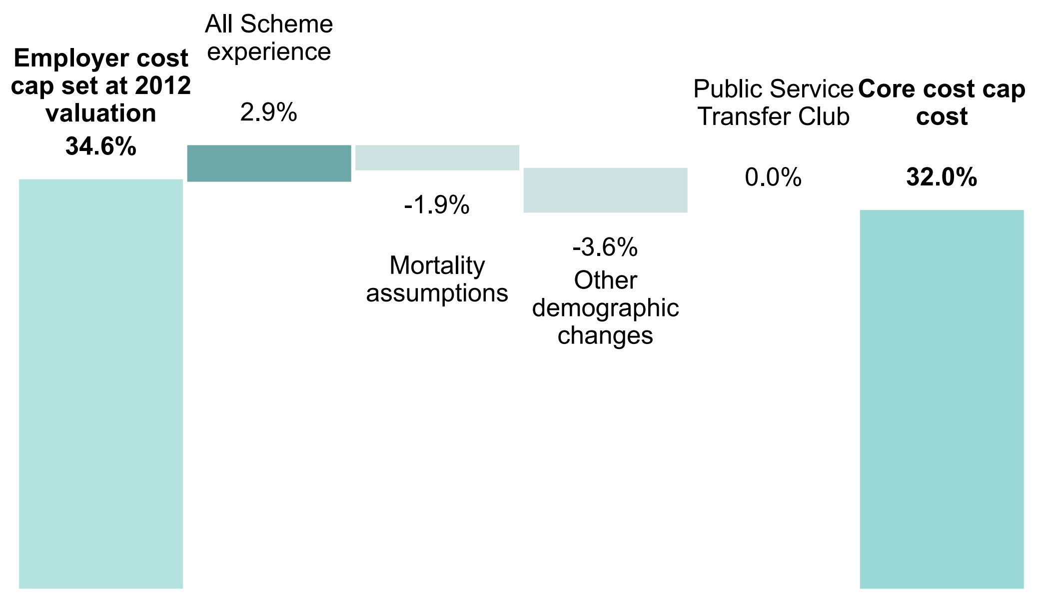
The Secretary of State for Defence does not need to take steps to achieve the target cost for the Scheme. No adjustments need to be made to the employer contribution rate in respect of the cost control mechanism.

Cost control mechanism outcome



Changes in the core cost cap cost since 2012

The chart below shows the main factors contributing to the difference between the core cost cap cost of the scheme, and the employer cost cap, which was set at the 2012 valuation.



i. All percentages shown are of pensionable pay per annum.

Employer cost cap set at 2012 valuation – this is the contribution rate determined at the 2012 valuation to cover the cost of benefits accruing, and used as a target cost for the scheme

All Scheme experience – includes changes in Scheme membership since the employer cost cap was set.

Mortality assumptions – includes changes in mortality improvement assumptions. Future improvements in life expectancy are lower under ONS 2022 relative to ONS 2012.

Other demographic assumptions – covers all other changes in demographic assumptions since the employer cost cap was set including rates of leaving service, normal health retirement and ill-health retirement.

Public Service Transfer Club – this item is not material for AFPS.

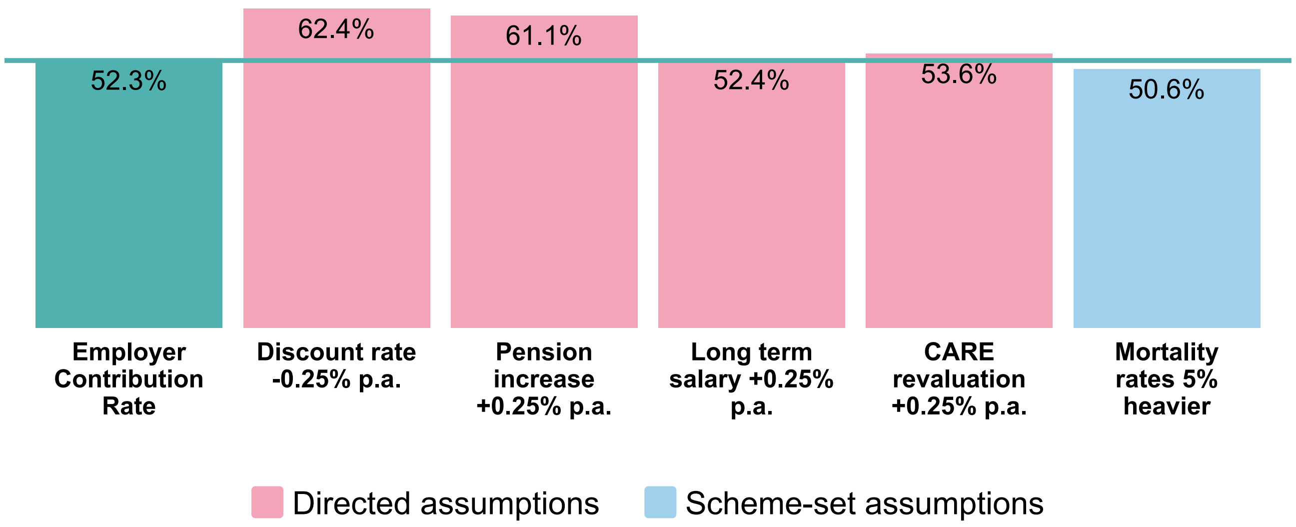
Core cost cap cost – this is the contribution rate determined at the 2024 valuation and compared to the employer cost cap.

Sensitivity

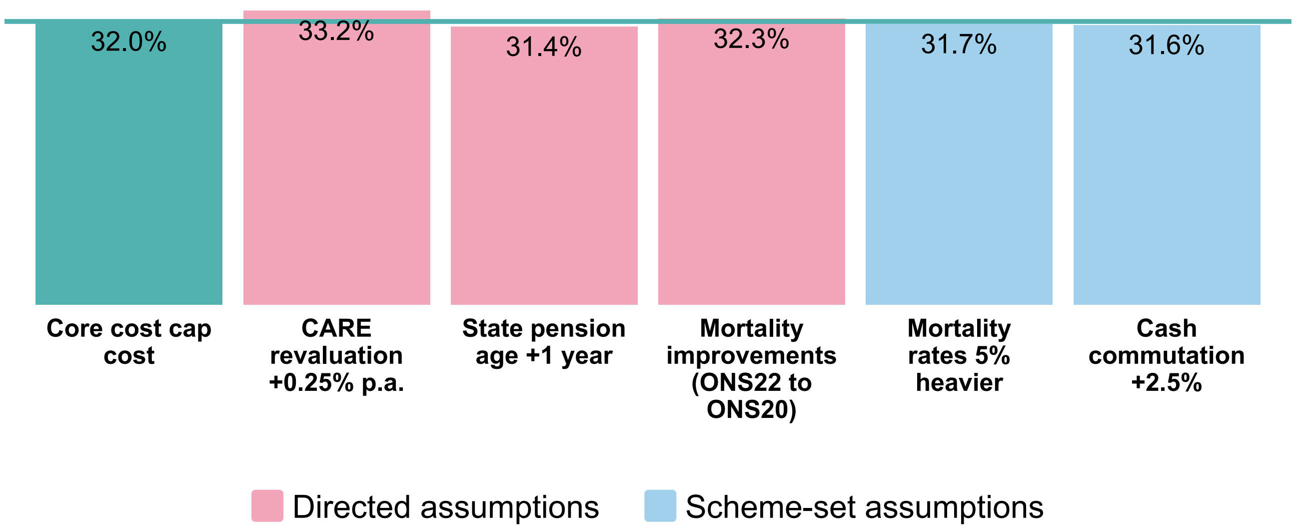
The charts and table in this section illustrate the sensitivity of the valuation results to a number of directed and scheme-set assumptions.

> ⓘ **Note**
>
> Full details of the assumptions are set out in the assumptions section of the Approach report and in the Assumptions report.

Key employer contribution rate sensitivities



Key core cost cap cost sensitivities



It should be noted that:

- The sensitivities have been calculated in isolation for each assumption, leaving all other assumptions unchanged.
- Sensitivities are not a prediction of future changes and are not minimum or maximum possible impacts.
- Changes to the assumptions in the opposite direction to those illustrated here will produce approximately equal and opposite impact on the valuation results.
- Sensitivity results are shown as a percentage of pensionable pay per annum.

The sensitivities of the economic cost cap cost of the scheme to the assumptions are similar to the sensitivities shown for the core cost cap cost of the scheme. However, whilst the core cost cap cost is not sensitive to the discount rate, a lower discount rate would lead to a higher economic cost cap cost of the scheme.

Note

Public service pension scheme valuations have long-term horizons, over which climate change can have a significant impact on actual experience and the assumptions required for valuations. The impacts of possible climate scenarios, including the associated aggregate impacts of changes in assumptions potentially used in future actuarial valuations, are set out in the Climate risk report.

Full sensitivities table

The tables below contain further information on the sensitivity of each of the employer contribution rate and core cost cap cost of the scheme to the assumptions adopted. Also shown is the sensitivity of the economic cost cap cost of the scheme to the discount rate.

It should be noted that both the cost of future service and the adjustment for past service deficit/surplus elements of these rates are affected by the sensitivities.

The assumptions are split between directed and scheme-set.

The sensitivities shown in brackets relate only to the change in assumption described. The impact of a combination of assumption changes will not necessarily equate to the sum of those individual rows.

Furthermore, they refer only to the results of this valuation and are expected to change materially over time. It is important to note that these sensitivities are not intended to reflect the possible variation in assumptions at future valuations.

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

<table>
<tr><th></th><th colspan="2">Increase in</th></tr>
<tr><th>Directed assumptions</th><th>Employer contribution rate</th><th>Core cost cap cost</th></tr>
<tr><td>Discount rate in excess of CPI
(-0.25% p.a.)</td><td>10.1%</td><td rowspan="4">The core cost cap cost of the scheme is not sensitive to the main CPI linked directed assumptions of discount rate, pension increases and long-term salary.

However, in relation to sensitivities, a 0.25% reduction to the discount rate is estimated to increase the economic core cost cap cost of the scheme by 4.2%.</td></tr>
<tr><td>Pension increases applied to deferred pensions and those in payment
(+0.25% p.a.)</td><td>8.8%</td></tr>
<tr><td>Long-term rate of public service earnings growth in excess of CPI
(+0.25% p.a.)</td><td>0.1%</td></tr>
<tr><td>Short-term rate of public service earnings growth
(+0.25% p.a. to each short-term rate)</td><td>0.3%</td></tr>
<tr><td>CARE revaluation rate
(+0.25% p.a.)</td><td>1.3%</td><td>1.2%</td></tr>
<tr><td>Allowance for future mortality improvements
(changing improvements, from ONS 2022 to ONS 2020, which increases life expectancy on average)</td><td>1.1%</td><td>0.3%</td></tr>
<tr><td>State Pension age
(one year later)</td><td>-0.7%</td><td>-0.6%</td></tr>
<tr><td>Deficit spreading period
(increased by 5 years)</td><td>-3.2%</td><td>-0.1%</td></tr>
</table>

	Increase in	
Scheme-set assumptions	**Employer Contribution Rate**	**Core cost cap cost**
Mortality rates (5%* heavier rates of baseline pensioner mortality)	-1.7%	-0.3%
Cash commutation (additional 2.5% of pension assumed to be commuted)	-0.4%	-0.4%
Ill-health retirement (5%* increase in number of retirements)	~0.0%	~0.0%
Proportions married / partnered (5%* more members assumed to have qualifying partners at death)	0.9%	0.3%
Resignations and opt outs (10%* more pre-retirement voluntary leavers assumed, net of rejoiners)	-0.4%	-0.4%

* Represents a multiplicative increase to rates, i.e. 5% means rates 1.05 times higher.

i. ~0.0% means the figure is too small to report after rounding.

Developments since the last valuation

Employer contributions

Regular employer contributions were paid at a rate of 63.5% of pensionable pay up to 31 March 2024. They have been paid at a rate of 71.5% of pensionable pay since 1 April 2024.

In-service revaluation and pension increases

The table below sets out the rates of revaluation applied to the accrued CARE pensions of members who were in service between the 2020 and 2024 valuations, and also the rates of increase applied to pensions in payment over this period.

Year commencing	In-service revaluation	Pension increase
April 2020	4.0%	1.7%
April 2021	2.6%	0.5%
April 2022	4.5%	3.1%
April 2023	7.0%	10.1%
April 2024	7.7%	6.7%
April 2025	4.5%	1.7%
April 2026	4.8%	3.8%

McCloud

Public service pension schemes generally laid regulations to bring the McCloud judgment into effect. Data considerations and our calculation methodology in relation to McCloud are detailed in the Data and Assumptions reports, respectively.

This valuation adopts the same approach for calculating the cost of McCloud as part of the employer contribution rate, as was adopted in the 2016 cost control valuation and the 2020 employer contribution rate valuation. The only changes are to allow for revised demographic and financial assumptions that apply at 31 March 2024 and to make allowance for any members that have been rolled back into the legacy scheme at 31 March 2024, where relevant.

Under the reformed cost control mechanism, there is no further McCloud impact on the 2020 and 2024 cost cap valuation of the Scheme.

Section 37 legal judgment

The case of Virgin Media Ltd vs NTL Pension Trustees II Limited (and Others) relates to actuarial certifications under Section 37 of the Pension Schemes Act 1993. This case potentially has implications for the validity of amendments made by schemes which were contracted-out on a salary-related basis between 6 April 1997 and the abolition of contracting-out in 2016.

In May 2026, the UK Government published legislation which introduced a statutory remedy for the Virgin Media Section 37 problem. The legislation allows a retrospective confirmation mechanism for historic scheme alterations that should have had a Section 37 actuarial confirmation but where evidence is missing.

The Scheme implemented several changes to regulations during the period 1997 to 2016 and if surviving documentation does not appropriately evidence that Section 37 confirmation was obtained, it would likely be necessary for the scheme manager to use this legislation to seek retrospective confirmation for these changes. The Scheme continues to administer benefits in accordance with regulations currently in force and no allowance is made in the valuation for changes to the liabilities from an absence of Section 37 confirmations.

This is not expected to impact on benefits in the Scheme and therefore no adjustments have been made to the calculation of the employer contribution rate. There is no impact on the cost control mechanism.

Other legal cases

We note the case of Advocate General for Scotland v Mr Charles Milroy which relates to the accrual of pension benefits prior to the AFPS15 scheme for part-time voluntary reservists. There is considerable uncertainty around this case, including potential appeal or further court cases which could affect the scope of any redress. No allowance has been made for any potential redress arising from this court case.

Data considerations

We have been informed by the scheme administrators that there remain some issues with data in respect of some groups. We set out in this section the relevant groups and how we have treated them in our valuation calculations. The overall impact of these adjustments on the employer contribution rate is -0.6% of pensionable pay.

- Pending actives adjustment: This is in relation to around 9,000 members who have left active service but are listed as active members in the dataset. We have estimated the impact of these members being treated as deferred members instead of active members.
- Undetermined cases: These member records were excluded from the dataset as their status was set to “undetermined”. We understand that many of these records have been assessed and found to have no liability, but we have allowed for 3,588 additional records

to have a small pension of £1,347 p.a. on average. These estimates are consistent with the profile of the cases checked prior to the provision of the 2024 dataset.

- No liability members: These records were excluded from the dataset as they were thought to have no liability. Estimates from the administrators suggest that 2,400 records may have a small liability. We have therefore allowed for 2,400 additional records with the same average pension as for the undetermined cases.
- AF OTHER cases: This is a group of historic pensioner records which were not included in the data provided, but which we subsequently received limited data for, comprising around 2,000 records with a total of around £14m pa in payment. We have estimated the liability based on the data provided.

Results - other notes

Public Sector Transfer Club (PSTC)

Transfers into the scheme on a Public Sector Transfer Club basis can result in liabilities in excess of the transfer values received. We have analysed recent transfer data in order to estimate the potential impact on the future costs of the Scheme.

No allowance over the implementation period has been made to the 2024 employer contribution rate (as our estimate of the impact is smaller than 0.05% p.a.).

The cost control mechanism requires that only transfers of reformed scheme benefits are considered. No allowance over the cost cap implementation period has been made at the 2024 valuation (as our estimate of the impact is smaller than 0.05% p.a.).

Guaranteed Minimum Pensions

For pensioners who reached State Pension age prior to 6 April 2016, certain increases on the Guaranteed Minimum Pensions part of pensions are not the responsibility of the Scheme. This is reflected through an overall adjustment to the past service liabilities. No allowance has been made in the 2024 employer contribution rate (as our estimate of the impact is smaller than 0.05% p.a. due to pre-2001 pensioner liabilities being excluded). There is no impact on the cost control mechanism.

Timing of increases

Pension increases and CARE revaluations are assumed to occur annually in April.

General salary increases are assumed to occur annually, at the beginning of the calculation period.

Progression / promotional increases are assumed to occur evenly throughout the year (so on average halfway through).

Final Pensionable Pay

Members' legacy scheme final salary benefits have been valued by projecting salary data at the valuation date up to the point of their assumed retirements. No explicit allowance has been made for the impact of prior years' earnings, where this can impact on final pensionable pay, as the impact is not expected to be material.

Actuarial factors

Certain benefit options available to members of the Scheme are determined using tables of factors. These are typically generated following advice from the actuary and are generally set to be broadly cost-neutral against the assumptions used for a valuation. In our calculations, we have assumed that, where material, the factors used at a particular point in time in our calculations are reflective of those that were / are expected to be in force at that date.

Income tax and National Insurance

The valuation framework considers cash amounts into and out of the pension scheme. Calculated liabilities therefore reflect full payments and do not, for example, allow for any deductions applicable prior to receipt by members.

Impact of change to discount rate

Where we have estimated the impact on the employer contribution rate of the change in the SCAPE discount rate since the previous valuation, we have assumed:

- The SCAPE discount rate change occurs prior to all other changes in the contribution rate reconciliation
- The impact includes costs related to future benefit accrual, past service liabilities, and also any shortfall / surplus occurring over the period 2024 to 2027

Pre-2001 pensioners

For the purpose of the valuation calculations, liabilities and notional assets for members whose pensions commenced before 1 April 2001, and their dependants, are excluded as required by Direction 30(2). The assets and liabilities shown throughout this report are determined after this exclusion. If the pre-2001 pensioners were included then the balance sheet would be as follows:

	£bn[1]
Past service liability: Excluding Pre-2001 pensioners	134.0
Past service liability: Pre-2001 pensioners	26.9
All scheme past service liabilities	**160.8**

[1] At 31 March 2024

Other adjustments

Members with outstanding AWE revaluation adjustments: Some member records as at 31 March 2024 did not include adjustments for the change in AWE revaluation resulting from the government announcement of 6 July 2023 and subsequently included in the AFPS 15 regulations via SI 2024 no. 491. We have made allowance for these adjustments in our valuation calculations.

Early leavers: The Scheme has identified that it has not been meeting its legal obligations to inform non-vested early leavers of their right to transfer a cash sum to an alternative pension provided or receive a refund of contributions (where the member has made voluntary contributions). We have allowed for an adjustment in relation to early leaver cash sums that had previously been considered as having been extinguished between April 2006 and 31 March 2024.

LGBT veterans pensions redress: We have made an allowance for possible costs of LGBT veterans pensions redress, assuming that 50% of those entitled make a claim.

The total impact of these adjustments is to add 0.2% of pensionable pay to the employer contribution rate.

Schemes valued

We have not considered the Armed Forces Compensation Scheme (AFCS) as part of this valuation and the employer contribution rate does not include allowance for AFCS.

The following schemes have been included in the valuation calculations. The relevant regulations are linked, but please note that some of the links are not consolidated regulations and therefore should be read in conjunction with the associated amendments, where applicable:

The Armed Forces Pension Scheme 1975

The Armed Forces Pension Scheme 2005

[The Early Departure Payments Scheme 2005]

[The Armed Forces Pension Scheme 2015]

[The Early Departure Payments Scheme 2015]

[The Full-Time Reserve Service Pension Scheme 1997]

[The Reserve Forces Non Regular Permanent Staff Pension Scheme 2011]

[The Reserve Forces Pension Scheme 2005]

[The Gurkha Pension Scheme]

[The Royal Gibraltar Regiment]

In some cases the benefits provided by these schemes accrue at different rates throughout members' careers. In accordance with Direction 12(2), we have allocated benefit accrual to service periods in line with the approach set out in International Accounting Standard 19: Employee Benefits.

Benefits in the Gurkha Pension Scheme are assumed to increase in line with the long-term earnings assumption. In practice, the applicable increases are determined in accordance with the 'principle of parity' as established by the Tripartite Agreement of 1947 between the UK, India and Nepal, and are therefore expected to diverge from the long-term earnings assumption. Differences between the increases assumed and the actual increases will result in a surplus or deficit assessed at the next valuation; this surplus or deficit is then incorporated into the employer contribution rate over a period of 15 years as usual.

Minor assumptions

The impact of the factors set out below have been considered in aggregate. As such, we have determined that no material adjustments are required when setting the employer contribution rate, or as part of the cost cap mechanism.

Children and dependants' pensions

The cost to the scheme of paying existing and future pensions to children, or short-term dependants' pensions, on the death of a scheme member.

'Pension debits' for active / deferred members

Savings arising from 'pension debit' deductions to be applied to divorcing members' retirement pensions as a result of a pension sharing order.

'Scheme pays' deductions for active / deferred members

Savings arising from 'scheme pays' debits to be applied to retirement pensions as a result of the scheme having previously paid pension tax charges on behalf of members.

Additional voluntary contributions

The cost of additional pension benefits secured through the payment of additional voluntary contributions through the scheme's regulations. Additional contributions purchasing benefits on a defined contribution basis are separate to the pension scheme and have not been considered in the valuation.

Earnings Cap

Savings to the scheme arising from members whose pensions at retirement are restricted by the Earnings Cap. This cap limits the final pensionable pay which can be used to calculate the final salary benefits payable in certain legacy schemes.

Expenses

The costs of administering the scheme are outside the framework set by the Directions and so are not directly included in our valuation calculations.

Other information: employer contribution rate

An introduction to the components used in the calculation of the employer contribution rate is set out in the Approach report. The derivation of these components is set out below.

Projected pensionable payroll

In order to carry out our calculations, pensionable payroll is projected from the effective date to the start and end of the implementation period. These projections, using the associated directed assumption, are shown in the table below:

	Pensionable Payroll (£bn)
Effective date (31 March 2024)[1]	6.5
Start of implementation period (1 April 2027)	7.6
End of implementation period (31 March 2031)[2]	8.4

[1] The pensionable payroll shown as at 31 March 2024 excludes the assumed pay rise as at 1 April 2024. Our calculations assume that this increase is applied at the valuation date.

[2] The pensionable payroll as at 31 March 2031 includes the assumed pay increase as at 1 April 2031.

Implied expected future pensionable service

In assessing the cost of past and future service benefits we have made assumptions about the future service and salaries of Scheme members, and the length of time over which they will receive benefits.

In doing so we are assuming that a largely stable active population will be maintained. Our calculations therefore assume that over the period from the effective date to the end of the implementation period, the overall profile of the membership in terms of distribution of headcount and pay by age and gender will remain stable.

The implied expected future pensionable service and length of time over which members receive benefits (duration of liabilities) are summarised in the table below.

Member Type	Average expected future pensionable service (years)	Duration of liabilities (years)
Active Member	6.8	24.6
Current Pensioner	N/A	14.5

Adjustment due to surplus or deficit at 31 March 2024

The employer contribution rate includes an adjustment for the Scheme's surplus or deficit as at 31 March 2024. This is based on spreading the surplus or deficit over a period of 15 years from 1 April 2027.

The following table summarises the Scheme's surplus or deficit calculated at this valuation and the previous valuation:

Past service liabilities (£bn)	31 March 2020	31 March 2024
Active	32.8	38.7
Deferred	21.6	22.7
Pensioner	54.9	72.5
Total past service liability	**109.4**	**134.0**
Notional assets	**85.2**	**115.4**
Surplus (deficit)	**(24.2)**	**(18.6)**

The notional assets have been calculated based on the following cashflow and notional investment returns information. Income and benefit payments have been derived from Scheme accounts, and the notional investment returns are calculated by compounding interest using the prevailing SCAPE discount rate and relevant changes in the Consumer Price Index (CPI).

	2020-21	2021-22	2022-23	2023-24	Total
Income Received (£bn)	3.8	3.9	3.9	4.1	15.8
Benefits Paid (£bn)	2.8	3.0	3.4	3.7	12.9
Notional Investment Returns (£bn)	2.5	5.0	12.1	9.1	28.7
Notional Investment Returns (%)	2.9%	5.6%	12.7%	8.5%	
Change in value of notional assets (£bn)	3.5	5.8	12.7	9.6	31.6

In addition to the income and benefit payments shown in the table, we have adjusted the notional assets as at 31 March 2024 to remove AFCS contributions. This has resulted in a reduction of £1.4bn to the notional assets as at 31 March 2024.

Change in surplus (deficit) since 2020

	£bn
Surplus (deficit) at 31 March 2020	**(24.2)**
Interest on surplus (deficit)	(8.0)
Excess of contributions paid against cost of benefits accruing (as calculated at 2020 valuation)	0.1
Repayment of deficit	6.2
Experience effects	(0.6)
Change in financial assumptions	8.0
Change in demographic assumptions	0.2
Unattributed	(0.2)
Surplus (deficit) at 31 March 2024	**(18.6)**

The Experience effects figure includes additional liabilities that have materialised due to the McCloud Judgment for service to 31 March 2024.

Adjustment due to surplus or deficit arising between 2024 and 2027

The surplus or deficit arising between 2024 and 2027 is spread over a period of 15 years from 1 April 2027 and incorporated into the employer contribution rate as summarised in the table below:

	% p.a. [1]
Employer contribution rate actually paid	71.5%
+ Member contribution rate actually paid	0.0%
– Cost of benefits accruing	−38.0%
Net contribution surplus (deficit) p.a. 2024 to 2027	**33.5%**
Adjustment to employer contribution rate (allowing for surplus/deficit spreading)	**−7.3%**

[1] All percentages shown are of pensionable pay per annum

Other information: cost control mechanism

ⓘ **Note**

An introduction to the components of the cost control mechanism is set out in the Approach report.

The calculation of these components is set out below, as required by the Directions.

Core cost cap cost

First, the core cost cap cost of the scheme is assessed as at 31 March 2024:

	% p.a.[1]
Cost cap future service cost	**39.9%**
+ Core cost cap past service cost	0.5%
– Cost cap contribution yield	0.0%
– Cumulative future service technical immunity adjustment	−8.4%
Core cost cap cost of the scheme	**32.0%**

[1] All percentages shown are of pensionable pay per annum

The core cost cap past service cost component of the core cost cap cost is calculated with reference to the core cost cap fund balance. The core cost cap fund balance as at 31 March 2024 is:

	£bn
Core cost cap fund at 31 March 2020	**3.1**
+ Core cost cap income	7.2
– Cost cap benefits paid	−0.2
+ Core cost cap notional investment returns	2.0
+ Past service technical immunity adjustment	−1.3
Core cost cap fund at 31 March 2024	**10.8**
– Cost cap liabilities at 31 March 2024	11.2
Core cost cap fund balance at 31 March 2024	**−0.4**

The items in the reconciliation above have been estimated for illustration purposes only and do not impact on the outcome of the cost control mechanism.

To determine the core cost cap income above, the core cost cap fund contribution rate is required and is calculated as follows:

	% p.a.[1]
Cost cap future service cost 2020 to 2024	40.5%
+ Core cost cap past service cost at 2020	−0.4%
– Member contributions paid 2020 to 2024	0.0%
Core cost cap fund contribution rate	**40.1%**

[1] All percentages shown are of pensionable pay per annum

Comparison with employer cost cap

The core cost cap cost is then compared to the Scheme's employer cost cap:

	% p.a.[1]
Core cost cap cost of the scheme	**32.0%**
– Employer cost cap	34.6%
Difference	**−2.6%**

[1] All percentages shown are of pensionable pay per annum

The core cost cap cost does not lie outside the +/-3% corridor, therefore the economic check is not required.

Economic cost cap cost

Since the core cost cap cost is within the cost control corridor, no breach of the cost control mechanism has occurred and no economic cost assessment is required. However, for completeness the calculations required for the economic check are set out below.

The economic cost cap cost is calculated as follows:

	% p.a.[1]
Cost cap future service cost	**39.9%**
+ Economic cost cap past service cost	−0.3%
– Cost cap contribution yield	0.0%
Economic cost cap cost	**39.6%**
– Employer cost cap	34.6%
Difference	**5.0%**

[1] All percentages shown are of pensionable pay per annum

Since there is no breach of the core cost control mechanism, there is no requirement for the Secretary of State for Defence to take steps to achieve the target cost for the Scheme.

The economic cap past service cost component of the economic cost cap cost is calculated with reference to the economic cost cap fund balance. The economic cost cap fund balance as at 31 March 2024 is:

	£bn
Economic cost cap fund at 31 March 2020	**2.5**
+ Economic cost cap income	7.3
– Cost cap benefits paid	−0.2
+ Economic cost cap notional investment returns	1.9
Economic cost cap fund at 31 March 2024	**11.5**
– Cost cap liabilities at 31 March 2024	11.2
Economic cost cap fund balance at 31 March 2024	**0.3**

The items in the reconciliation above have been estimated for illustration purposes only and do not impact on the outcome of the cost control mechanism.

To determine the economic cost cap income, the economic cost cap fund contribution rate is required and is calculated as follows:

	% p.a.[1]
Expected cost of benefits accrued 2020 to 2024	40.5%
+ Economic cost cap past service cost at 2020	0.4%
– Member contributions paid 2020 to 2024	0.0%
Economic cost cap fund contribution rate	**40.9%**

[1] All percentages shown are of pensionable pay per annum

Total cumulative technical immunity adjustment

The total cumulative technical immunity adjustment is the difference between the core cost cap cost and the economic cost cap cost:

	% p.a.[1]
Core cost cap cost of the scheme	32.0%
Economic cost cap cost of the scheme	39.6%
Difference (total cumulative technical immunity adjustment)	**−7.6%**

[1] All percentages shown are of pensionable pay per annum

Compliance and limitations

The Overview report should be referred to and contains compliance and limitation information covering this and other component parts of the valuation reports.

Directions

This report has been prepared to meet the following reporting requirements set out in the Directions:

Reporting Direction	Description	Relevant Directions (where applicable)
23(1)(c)	Average expected future pensionable service of scheme members in service at the effective date	
23(1)(d)	Total projected payroll at i) effective date, ii) the implementation date and iii) last day of implementation period	
23(1)(j)	Other liabilities of the scheme	
23(1)(k)	Any other matters the scheme actuary considers to be relevant	
23(2)(b)	Sensitivities to assumptions specified in the Directions	15, 16, 17, 18, 19a, 19d
24(a)	Liabilities as at effective date	27
24(b)	Notional assets as at effective date	28
24(c)	Information about notional assets	29
24(d)	Contribution rates calculated in accordance with direction 30	30
24(e)	Contribution yields calculated in accordance with direction 31	31
24(f)	Employer Contribution Rate calculated in accordance with direction 32	32
25(a)	Cost cap liabilities at the effective date	34
25(b)	Prior value of the core cost cap fund	35
25(c)	Core cost cap fund contribution rate	36
25(d)	Core cost cap income	37
25(e)	Cost cap benefits paid	38
25(f)	Core cost cap notional investment returns	39
25(g)	Past service technical immunity adjustment	40

Reporting Direction	Description	Relevant Directions (where applicable)
25(h)	Value of the core cost cap fund at the effective date	41
25(i)	Change in the value of the core cost cap fund	42
25(k)	Cost cap future service cost	44
25(l)	Cost cap contribution yield	45
25(m)	Future service technical immunity adjustment	46
25(n)	Cumulative future service technical immunity adjustment	47
25(o)	Core cost cap cost of the scheme	48
25(p)	Prior value of the economic cost cap fund	60
25(q)	Economic cost cap fund contribution rate	61
25(r)	Economic cost cap income	62
25(s)	Economic cost cap notional investment return	63
25(t)	Value of the economic cost cap fund at the effective date	64
25(u)	Change in value of the economic cost cap fund	65
25(v)	Economic cost cap past service cost	66
25(w)	Economic cost cap cost of the scheme	67
25(x)	Total cumulative technical immunity adjustment	68
25(aa)	Comparison of the core cost cap of the scheme with the employer cost cap	70
25(bb)	Comparison of the economic cost cap of the scheme with the employer cost cap	
25(cc)	Notification to the responsible authority of a cost control mechanism breach	
25(dd)	Analysis of difference between the employer cost cap cost of the scheme and the core cost cap cost of the scheme	