



Inflation Proofing During Service

Your Armed Forces pension is growing as you serve but have you ever wondered how it grows? In this article, Mary Petley of the Forces Pension Society explains how they accrue and how pensions are protected from inflation during service.

All Service personnel will have been AFPS 15 members since 1 April 2022 and most will have protected benefits in either AFPS 75, AFPS 05 or RFPS. Each scheme has a different method of calculating pensions as they grow during service:

- **AFPS 75 benefits** are based on the member's rank for pension, their length of service (including any Added Years purchased) and the Pension Code in force on their date of discharge. All AFPS 75 service is counted in the member's rank for pension on the date of discharge which is an advantage for those who have been promoted but, for those who haven't, if pay rises are low, there is little protection when inflation is high.
- **AFPS 05 and RFPS** use a Final Pensionable Salary (FPS) formula. FPS is the best consecutive 365 days' pay in the last 3 years of service, with the earliest 2 years' pay increased by inflation, and is used as the basis for the calculation. FPS is multiplied by the member's length of service (including any Added Years purchased) and divided by 70 to arrive at the value of the pension. So, if pay rises are lower than inflation, the figure used will factor in inflation from earlier years. This method applies to AFPS 05 Early Departure Payment (EDP) Scheme calculations too.
- **AFPS 15** pensions build up at a rate of $1/47^{\text{th}}$ of pensionable pay for each year of service and, the pension is re-valued annually by the Average Weekly Earnings (AWE) figures. AWE is calculated using information based on the Monthly Wages and Salaries Survey, which samples around 9,000 employers in Great Britain. It provides estimates of monthly and annual change for the main industrial sectors and is used to revalue previous years of AFPS15 accruals. The AWE increase applied in April 2023 is 7%. As AFPS 15 EDP benefits are based on the actual pension earned, this protection feeds through to EDP benefits too.
AFPS 15 offers members the opportunity to purchase Added Pension. Added Pensions contracts last up to a year and, once purchased, the value of the Added Pension bought is increased by the Consumer Price Index each year until they are drawn, and then every year thereafter.

So, in a nutshell, each of the Armed Forces schemes is very good – AFPS 15 is amongst the best in the Public Sector – and each does its best to protect your pensions earnings as they grow during service. Remember, you can monitor this growth by requesting a formal forecast on an AFPS Form 12 and by reading your annual Benefit Information Statement.

If you are member of the Forces Pension Society and have pension-related questions, contact us at pensionenquiries@forpen.co.uk. If you are not yet a member but would like to know more about us, visit www.ForcesPensionSociety.org.