Armed Forces Pension Scheme

Annual Report and Accounts 2025-26

HC 388

Armed Forces Pension Scheme

(Incorporating the Armed Forces Compensation Scheme)

Annual Report and Accounts 2025-26

For the period 1 April 2025 to 31 March 2026

Presented to the House of Commons pursuant to Section 6(4) of the Government Resources and Accounts Act 2000

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Accountability Report

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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 12). 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, India and 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

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 (C&AG) is appointed by statute to audit these accounts; his certificate and report appear on pages 39-46. The fee for the year is £170,586 (2024-25: £162,773) 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.

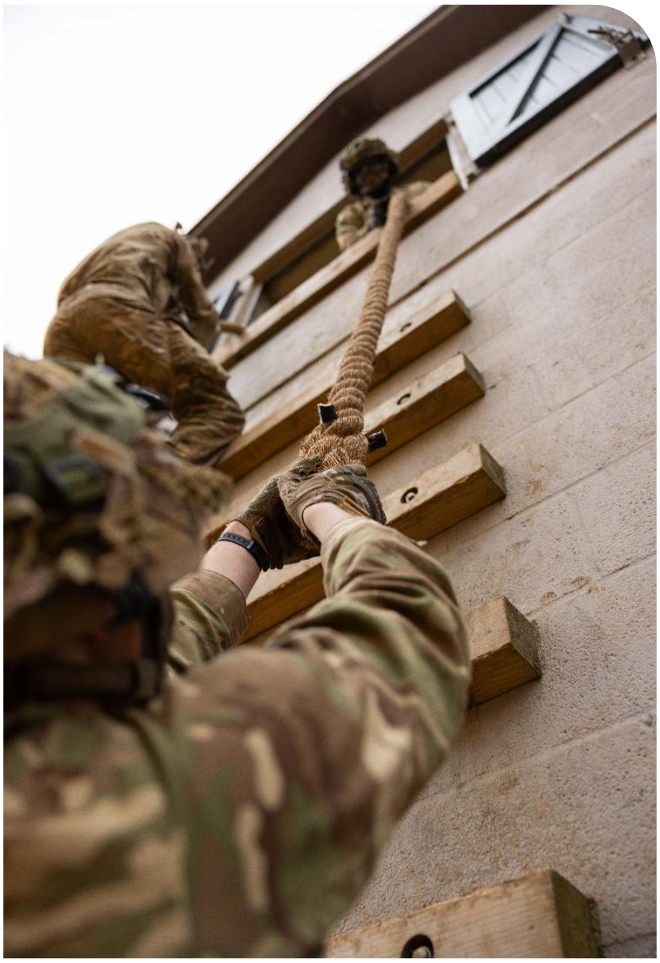
The employer contribution rate is set out in the actuarial valuation as at 31 March 2020 and has been 73.6% of pensionable pay since April 2025 (inclusive of 2.1% in relation to the AFCS) for both Officers and Other Ranks.

Pension Increase Rate

Pension payments were reviewed in accordance with the Scheme regulations and were increased by 1.7% from 7 April 2025 (2024: 6.7% increase).

Compensation Increase Rate

During the year compensation payments under the AFCS were reviewed and were increased by 1.7% with effect from 7 April 2025 (2024: 6.7% increase) in keeping with pension payments.



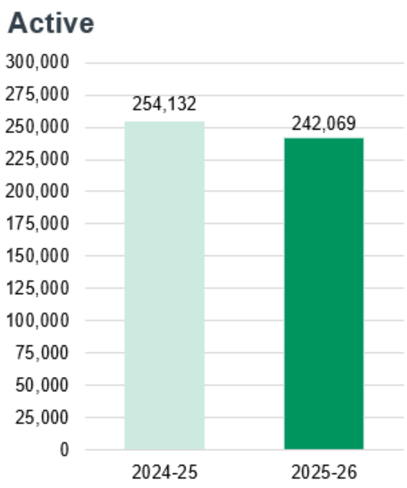
Membership Statistics

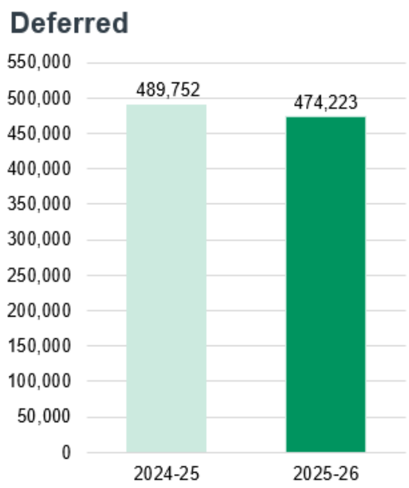
Due to the complexity of the AFPS, the membership data shown in the graph below shows the number of 'members' which is not the same as an 'individual'. In order to show the movements within each category, the graph shows 'Benefits' instead of 'Members'.

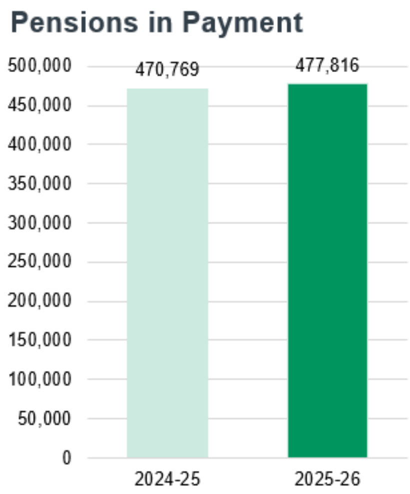
Individual members may be a member of more than one Scheme. A member may be entitled to more than one benefit under a Scheme.

The figures for pensions in payment are provided for both the year ended 31 March 2026 and the year ended 31 March 2025 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 12 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 2025-26 therefore there has been no change to the provision.

Reserve Service – Employment Tribunal

The MOD is currently seeking permission to appeal the outcome of an Employment Tribunal relating to the lack of pension provision before 2015 for certain types of reserve service. Further details can be found on pages 13 and 66.

Virgin Media Limited

Government 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. However, the Government introduced new legislation in the Pension Schemes Act in April 2026 allowing pension schemes the ability to retrospectively obtain the required written actuarial confirmation. As a result, the risk of any impact on benefits and Scheme liabilities is effectively mitigated

There have been no further legal cases in 2025-26 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.

2025-26 Financial Outturn

The table below shows the performance against the 2025-26 control totals as agreed by Parliament in the 2025-26 Supplementary Estimates.

The 2025-26 net Resource AME outturn was £4,944 million, which was within the voted estimate of £5,201 million.

In cash terms, the Net Cash Requirement (NCR) of £1,180 million against the voted estimate of £1,760 million, resulted in surplus cash of £580 million which will be returned to the HM Treasury Consolidated Fund during 2026-27.

Type of spend	**2025-26**			**2024-25**		
	Estimate	**Outturn**	**Variance**	**Estimate**	**Outturn**	**Variance**
	£m	£m	£m	£m	£m	£m
Resource AME	5,201	4,944	257	5,285	4,818	468
Net cash	1,760	1,180	580	1,705	1,297	407

Further details can be found in the Statement of Outturn against Parliamentary Supply on page 35.

Variance analysis

Resource AME

The Resource AME outturn was £257 million lower than the Estimate (2024-25: £468 million lower), this represents 4.9% of the Estimate. The variance is primarily due to pension contribution receipts being higher than forecast as a result of the 2025-26 military pay award being higher than the original assumption applied in the Estimate.

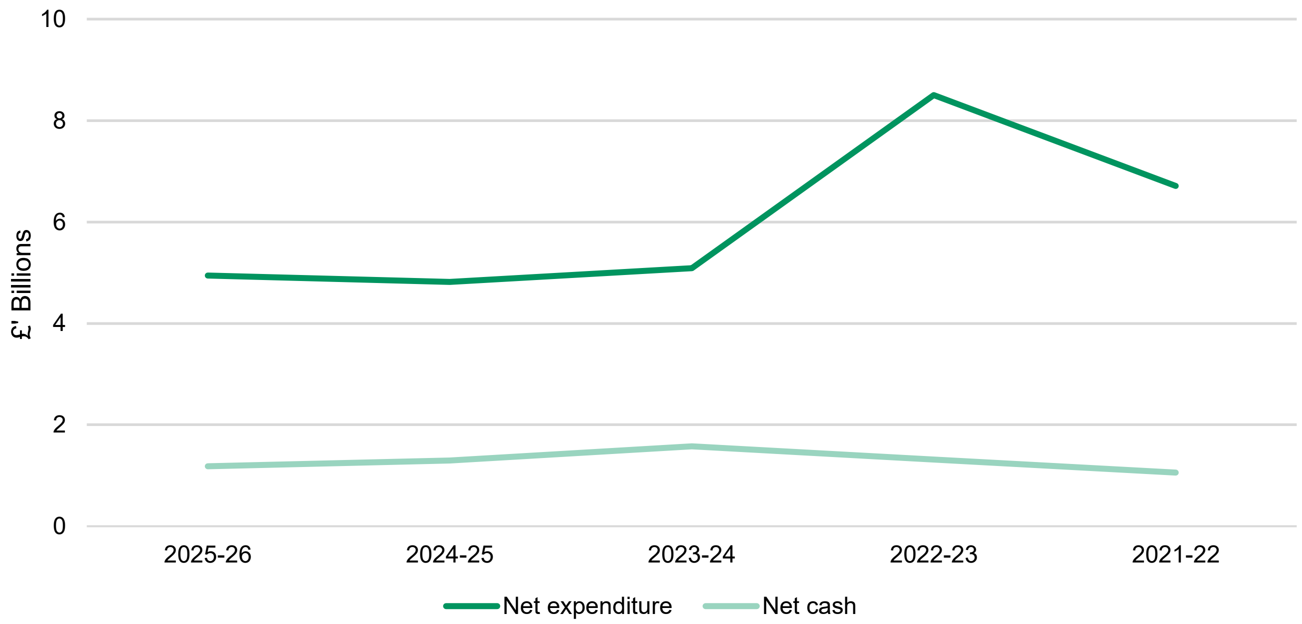
Net Cash Requirement

The NCR was £580 million lower than the Estimate (2024-25: £407 million lower), 33.0% 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 2021-22.

Type of spend	2025-26 Outturn	2024-25 Outturn	2023-24 Outturn	2022-23 Outturn	2021-22 Outturn
	£m	£m	£m	£m	£m
Net expenditure	4,944	4,818	5,086	8,502	6,711
Net cash	1,180	1,297	1,576	1,317	1,058



Movements in Outturn

Net expenditure

The key drivers of net expenditure are the financial assumptions used for the current service cost and interest rates. Although the active membership level impacts on the current service costs it has a relatively minor impact on a year-to-year basis.

The 2025-26 net expenditure is £126 million higher than 2024-25, the amount of £4,944 million is driven by an increase in the interest rate, the impact of which is partially offset by an increase in contribution receipts.

Current Service Costs

The current service cost rate changes annually and can lead to significant changes in current service costs and net expenditure. The current service cost rate decreased marginally in 2025-26 due to the adoption of the latest population projections published by the Office for National Statistics (ONS). Movements in current service costs since 2021-22 are shown in the following table:

	2025-26	2024-25	2023-24	2022-23	2021-22
Current service cost rate	31.7%	31.9%	41.3%	128.1%	116.0%
	£m	£m	£m	£m	£m
Current service cost	2,257	2,168	2,685	7,953	7,077
Contributions received	5,240	4,996	4,258	4,069	3,999

Net cash

The net cash requirement for 2025-26 is £117 million lower than 2024-25. 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 2024-25) due to the natural growth in the pensioner pay-bill.

Future plans

The Main Estimate for 2026-27 is shown in the table below. The projected decrease in net expenditure is driven primarily by a decrease in current service costs combined with an increase in pension contribution receipts. This is offset by an increase in interest costs, due to an increase in the interest rate, 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	2026-27 Main Estimate	2025-26 Outturn
	£m	£m
Net expenditure	4,759	4,925
Net cash requirement	1,684	1,180

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, 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 at 73.5% of pensionable pay from April 2024 (inclusive of 2.0% in relation to the AFCS). This rate changed 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 currently underway 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. The 2024 valuation results are expected to be published in the same month as the Scheme accounts. As the calculations are separate to the funding valuation calculations, the results of the funding valuation do not affect the accounting results.

Scheme liabilities as at 31 March 2026

As at 31 March 2026 the pension liability of the AFPS was valued at £143.9 billion. The total change in liability represents a net decrease of £6.5 billion, which includes an actuarial gain of £10.3 billion. The £10.3 billion consists of:

- £12.9 billion gain due to changes in actuarial assumptions; and
- £2.6 billion loss due to experience items arising on pension liabilities.

The remaining £3.8 billion is due to standard movements consisting of:

- £9.9 billion increase in the liability as a result of current service costs, past service costs, and interest; and
- £6.1 billion decrease in the liability as a result of benefits paid.

As at 31 March 2026 the compensation liability of the AFCS was valued at £2.517 billion (£2.531 billion as at 31 March 2025). The total change in liability represents a net decrease of £0.014 billion, which includes an actuarial gain of £0.129 billion due primarily to changes in financial assumptions. 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 13.4 and note 16 to the financial statements respectively.

Key Activity & Issues for 2025-26

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 public sector 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 Armed Forces pension 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 ensure no further discrimination.

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 Early Departure Payments, 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.

As of 22 June 2026, a total of 98,554 RSSs have been sent across Active, Deferred and Pensioner members. This is made up of 54,963 (83%) RSSs for Active members, 20,469 (58%) RSSs for Deferred members and 23,122 (65%) RSSs for Pensioner members. There are 38,060 RSSs outstanding for issue.

We have communicated with members in December 2024, June 2025 and August 2025 advising that the initial 1 April 2025 deadline would be missed and latterly advising of a new revised deadline of 31 March 2026.

However, in December 2025 DBS announced that despite significant progress, we would not meet the revised deadline of 31 March 2026. 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 regular updates are being provided to members on gov.uk and via the Quarterly Digest.

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, DBS 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.

As highlighted in the 2019-20 accounts, pension schemes will bear the cost of the additional benefits paid to members through 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. The rehearing of the tribunal ruled in favour of the claimant on both counts. An appeal was heard in December 2025, and the MOD was informed in February 2026 that the appeal had been lost. The MOD is now seeking permission to appeal further. Further information is provided at note 18 on page 66.

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) provides options for 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 these options apply are classified as ‘Early Leavers’.

As reported in the prior year, at present, there is no fully systemised end-to-end process to identify and notify affected members. Existing systems do not automatically flag individuals with less than two years’ service on exit. MOD is working on the introduction of interim system enhancements.

Mitigating actions are underway. These include updates to member communications, such as the Service Leavers Pack, to provide clearer information on pension rights and member responsibilities. Broader guidance materials are being drafted to improve governance and ownership and to ensure effective implementation.

The strategic direction is to deliver a fully automated, compliant end-to-end process through the Compendia Touch system, supported by aligned policy and updated guidance. This is currently expected to be delivered following the implementation of Compendia Touch system (scheduled for early 2027), subject to feasibility within the wider transformation programme.

An amount of £41.5 million was recognised in the 2024-25 Scheme accounts. An additional amount of £3.5 million has been included in 2025-26. Therefore, a total adjustment of £45 million is included within the total scheme liability to account for the estimated impact (see note 13.4 of the financial statements on page 62). The C&AG has also provided updated comment on this issue in his Report on page 45.

Pension Sharing Order

In 2021-22, an exercise began to review and correct approximately 3,500 historical Pension Sharing Order (PSO) cases.

It was agreed at the outset that affected members and former spouses whose pensions reduced would not be required to repay overpayments arising from the misinterpretation. HM Treasury has approved write-off of these overpayments up to £1.7 million.

Following completion of the exercise, the AFPS Assurance Team carried out a post-project assurance check. This identified a significant number of incorrect calculations, raising concerns about the accuracy of the completed exercise. Sopra Steria confirmed that corrective action, including a full review of all cases, was required. The check also identified separate overpayment issues, unrelated to the original misinterpretation, which must be managed outside the HM Treasury-approved write-off.

The exercise has therefore continued through 2025-26 and is expected to conclude in 2026-27.

Undetermined Records

During the 2022-23 Scheme audit, the NAO's completeness testing identified one member record that was not included in the data lists provided to Government Actuary's Department (GAD) to calculate the year-end liability.

The case was classified as 'undetermined' when the lists were produced. This status was traced to the 2006 migration of legacy data to the Compensation & Pensions System (CAPS). Sopra Steria completed a system scan and identified approximately 56,000 records with an 'undetermined' status.

A review began in 2023-24 and concluded in March 2026. Of the 56,396 records reviewed and updated, 2,698 (4.8%) had a liability not previously accounted for. As these cases were not included in the data used by GAD to calculate the 2025-26 Scheme liability, a £45 million adjustment has been included to reflect the estimated impact (see note 13.4 of the financial statements on page 62).

Deferred Record Exclusions

During the 2023-24 Scheme audit, the NAO identified a deferred member record 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 because records with this pension amount are excluded under the defined parameters.

The NAO requested a full system scan to identify deferred records within the 'penny pension' parameter. DBS expanded the search and identified approximately 16,319 deferred records that were not included on the deferred membership lists.

The review and correction exercise began in December 2025. As at 31 May 2026, approximately 15,865 records (97%) had been successfully updated. From these updates 1,529 records (9.6%) had a liability not previously accounted for. As these cases were excluded from the data used by GAD to calculate the 2025-26 Scheme liability, a £50 million adjustment has been included in the financial statements to reflect the estimated impact (see note 13.4 of the financial statements on page 62).

National Insurance Adjustments

Targeted assurance checks of pensions in payment carried out during 2024-25 uncovered a systematic issue in the application of pension increases at state pension age (SPA) where a member is subject to a national insurance (NI) adjustment. A total of c.1,900 members were identified as requiring review with 323 cases identified as being overpaid. Corrective work commenced in 2025-26 and a total amount of £5.1 million identified as overpaid (see note 10 of the financial statements on page 58). A small number of cases were also identified as underpaid and have now been corrected. DBS are continuing to work with Sopra Steria to resolve this issue and correct payments.

Future Improvements

Following the award of the Service Delivery Contract (SDC) to Sopra Steria 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. Sopra Steria and DBS continue to work collaboratively to drive the programme forward. It is anticipated that these improvements will be implemented in early 2027. 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 72 for information for members.

Jeremy Pocklington
Permanent Secretary and Accounting Officer
6 July 2026

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 2026, and the movement in the Scheme liability over the year 2025-26, prepared in accordance with the requirements of Chapter 12 of the 2025-26 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 2026. This is consistent with the approach taken last year. However, we have refined the approach taken for missing data ('up-rating') in the active membership since last year, to reflect the analysis undertaken as part of the 31 March 2024 valuation.

Membership data

4. Tables A to C summarise the principal membership data (allowing for the up-rating change mentioned above) as at 31 March 2024 used to prepare this statement.

Table A – Active members

	Number thousands	Total pensionable pay* (p.a.) £ millions
Males	165	5,945
Females	23	794
Total	188	6,739

* Pensionable pay is the full-time equivalent figure.

Table B – Deferred members

	Number thousands	Total deferred pension* (p.a.) £ millions
Males	324	1,051
Females	46	181
Total	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
Males	348	4,582
Females	21	199
Spouses & dependants	62	488
Total	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 2026 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 2026. The current service cost (expressed as a percentage of pensionable pay) in respect of accruing costs in the year ended 31 March 2026 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 2025 in the 2024-25 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

Assumption	31 March 2026 p.a.	31 March 2025 p.a.
Nominal discount rate	5.60%	5.15%
Rate of increase in pensions in payment and deferred pensions (assuming CPI inflation)	2.55%	2.65%
Rate of general pay increases	3.30%	3.40%
Rate of short-term general pay increase	n/a	n/a
Real discount rate in excess of:		
• CPI inflation	2.95%	2.40%
• Long–term pay increases	2.20%	1.65%
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 (2025) 09, dated 4 December 2025, 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 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 (in payment, in deferment and in active service) up to and including April 2026, as well as an allowance for changes in CPI since September 2025.

11. Additionally, for the accounts as at 31 March 2026, allowance has been made for known inflation experience published at time of issue (i.e. up to February 2026) to inform, in part, the pension increase that is expected to apply in April 2027. This is consistent with the approach taken for the accounts as at 31 March 2025.

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 ‘S4 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
Males		
Retirements in normal health	S4NMA_H	84%
Current ill-health pensioners	S4NMA_H	84%
Future ill-health pensioners	S4NMA_H	84%
Dependants	S4NMA_H	84%
Females		
Retirements in normal health	S4NFA_H	102%
Current ill-health pensioners	S4NFA_H	102%
Future ill-health pensioners	S4NFA_H	102%
Dependants	S3DFA	87%

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 2024 funding valuation of the Scheme. Note that the accounts as at 31 March 2025 were also based on the assumptions adopted for the 2020 valuation. All else being equal, the updates to the demographic assumptions (including mortality) serve to increase the liabilities very slightly (0.2% increase in aggregate).

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 is the same approach taken as per the 2024-25 accounts. ONS published 2024-based projections in April 2026. However, these population projections will require detailed review before adoption. As such, these projections will not be used in the 31 March 2026 accounts.

15. The Scheme's actuarial factors were updated in 2023-24 and remain in force. Consistent to the accounts calculations as at 31 March 2025, these have not been allowed for in calculating the accounting position as at 31 March 2026. The expectation is that the scheme's actuarial factors will be reviewed following the announcement of the SCAPE discount rate. The impact of any updates to actuarial factors as part of this review will be allowed for in next year's disclosures.

Liabilities

16. Table F summarises the assessed value as at 31 March 2026 of benefits accrued under the scheme prior to this date based on the data, methodology and assumptions described in paragraphs 5 to 15. The corresponding figures for the previous year are shown for comparison. The liabilities at 31 March 2025 and 2026 both include an allowance for the higher cost of benefits accrued under McCloud. This approach is consistent with last year.

Table F – Statement of Financial Position

	31 March 2026 £ billion	31 March 2025 £ billion
Total market value of assets	nil	nil
Value of liabilities	143.9	150.4
Surplus/(Deficit)	(143.9)	(150.4)
of which recoverable by employers	n/a	n/a

Accruing costs

17. The cost of benefits accrued in the year ended 31 March 2026 (the current service cost) is assessed as 31.7% 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 2025-26 as a percentage of pensionable pay and compares the total contributions with the current service cost assessed for the 2025-26 accounts.

Table G – Contribution rate

	2025-26 % of pay	2024-25 % of pay
Employer contributions (excluding expenses and AFCS 2.0% allowance)	71.5%	71.5%
Employee contributions	0.0%	0.0%
Total contributions	**71.5%**	**71.5%**
Current service cost (expressed as a % of pay)	**31.7%**	**31.9%**

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 2025-26 was £7.1 billion (derived from contributions payable by employers over the year). Based on this information, the accruing cost of pensions in 2025-26 (at 31.7% of pay) is assessed to be £2.3 billion.

21. Past service costs arise when an employer undertakes to provide a different level of benefits than previously promised. A past service cost was recognised in last year's disclosures in respect of a change to AWE revaluation (£70m) and pension redress for LGBT veterans (£45m). No further past service costs need to be recognised in relation to these matters this year. I am not aware of any other events that have led to a significant past service cost over 2025-26.

22. I am not aware of any events that have led to a significant settlement or curtailment gain or loss over 2025-26.

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 2026 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 2026 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**	
Financial assumptions			
(i) discount rate*:	+0.5% p.a.	- 7.5%	- £10.8 billion
(ii) (long-term) earnings increase*:	+0.5% p.a.	+ 0.5%	+ £0.7 billion
(iii) pension increases*:	+0.5% p.a.	+ 7.5%	+ £10.8 billion
Demographic assumptions			
(iv) additional 1 year increase in life expectancy at retirement		+ 2.5%	+ £3.6 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 16 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 2025-26 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 2022-based population mortality 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
Chartered Actuary (Fellow)
Government Actuary's Department
28 May 2026

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 until 30 November 2025 and Executive Committee since, 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 2026 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.

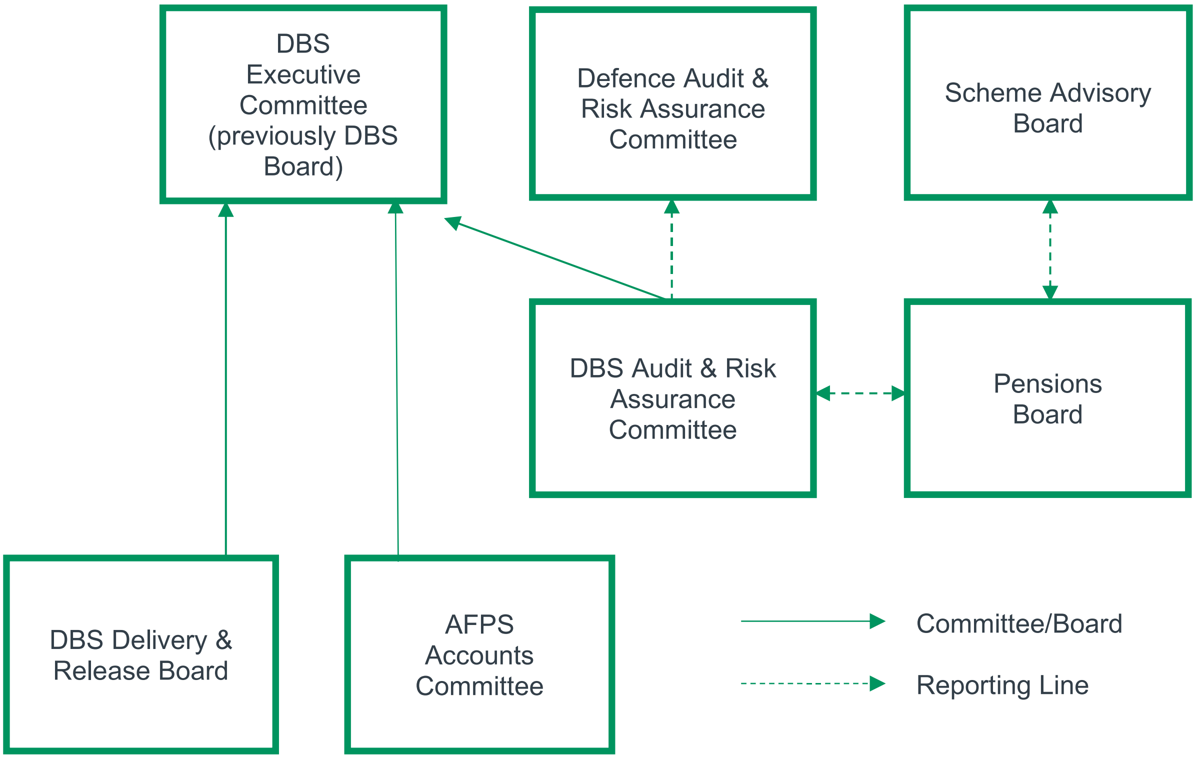
The Scheme Governance Framework

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, Sopra Steria, via a commercial partnering agreement which came into effect on 1 June 2020.

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

Boards and Committees

as at 31st March 2026



The DBS Executive Committee 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. Up until 30 November 2025, DBS operated a Board which also included three Non-Executive Directors (NEDs) who attended four times a year. Due to governance changes within the National Armament Director's Group (NAD), the Board was replaced with the Executive Committee and the NEDs no longer attend, albeit will remain in post until the 2025-26 AFPS Accounts are laid in Parliament.

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

The Board/Executive Committee has met once a month during 2025-26 and was attended by the NEDs in May 25, September 25 and November 25.

Composition of the DBS Executive Committee (previously known as the DBS Board)		Meetings Attended	Out of a possible
Jennifer Chard	Chief Executive Officer	10	12
Andy King	Chief Operating Officer (left the MOD in Oct 25)	5	6
Andy White	Defence, Information & Technology Head (until Jan 2026) Chief Operating Officer (from Jan 26)	10	12
Joanne Davies	Financial, Procurement & Civilian People Services Head	12	12
Andy Dowds	Commercial Strategy Head and Workplace Programme SRO (left the MOD in Dec 25)	8	8
Clare Finn	Finance & Corporate Services Head (left the MOD in Feb 26)	10	11
Graeme Macaulay	Programme Delivery Head	10	12
Suzanne Sims	Strategy and Service Development Head	9	12
Brig. Pat Wright	Armed Forces & Veterans Services Head	10	12
Louise Wearing	Civilian Personnel Casework Services Head (joined MOD June 2025)	4	10
Christopher Davies	DBS Chief of Staff (since Dec 25)	3	3
Helen Aston	Non-Executive Director (role as NED to the DBS Board terminated on 11 Nov 25)	3	3
Mark Barclay	Non-Executive Director (role as NED to the DBS Board terminated on 11 Nov 25)	3	3
John Clarke	Non-Executive Director (role as NED to the DBS Board terminated on 11 Nov 25)	3	3

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 Executive Committee, comprises three Non-Executive Directors and is attended by members of the DBS Executive Committee. The chair of the Pensions Board also has a standing invitation and attended three out of the four meetings. 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 2025-26 AFPS Accounts prior to approval by the DARAC. The ARAC met four times between April 2025 and March 2026.

Composition of the DBS Audit & Risk Assurance Committee		Meetings Attended	Out of a possible
Helen Aston	Non-Executive Director and Chair	4	4
Mark Barclay	Non-Executive Director	4	4
John Clarke	Non-Executive Director	4	4

DBS Delivery and Release Board (DRB), a committee of the DBS Executive Committee, the DRB manages the delivery of the services as outlined in the Service Delivery Contract (SDC). The Contract Performance Management Team within DBS actively monitors performance against the 64 Key Performance Indicators (KPIs), 37 Reportable Subsidiary Performance Indicators (RSPIs) and a selection of other lower-level performance indicators contained within Schedule 2.2 of 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 Sopra Steria 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 Executive Committee where the impacts are assessed, and appropriate mitigating actions agreed.

The AFPS Accounts Committee, a committee of the DBS Executive Committee, undertakes a detailed review of financial performance of the Scheme on a monthly basis. Membership of the AFPS Accounts Committee includes three DBS Executive Committee 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 Executive Committee 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 Executive Committee. 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. Sopra Steria provides an operations dashboard of pension volumes/values which is reviewed by the DRB on a monthly basis. The DBS Executive Committee 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 as are live issues. Risks and issues 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 and issues have undergone regular review and discussion at the DBS Executive Committee.

The DBS ARAC have oversight of all corporate level risks and issues raised within DBS. Any risks or issues not capable of being wholly managed or mitigated by DBS are discussed with DBS leadership and then escalated to the relevant areas within Defence for support, or managing, with ongoing monitoring activity being undertaken by the DBS Enterprise Risk and Assurance Team for any risks transferred. Two risks were raised to NAD relating to oversight of pensions and wider DBS resource levels during the year, with no risks transferred outside of DBS during the year.

The following are examples of risks and issues that were formally raised for ARAC attention and discussion during 2025-26.

- Armed Forced Pension issues relating to operations, particularly under and over payments, and ability to meet legislative and transformation timelines;
- Data quality, particularly inconsistent data across multiple systems;

- Contractor commitments and continuity of service; and DBS resource levels and resilience – Depleted resource in all areas, including some critical roles due to recruitment restrictions.

The Risk and Control Framework

The DBS Enterprise Risk Management Strategy Framework has been structured around and is compliant with MOD's Directive Joint Services Publication (JSP) 892 and the Treasury's Orange Book. During the year, the DBS Executive Committee ensured that the key principles of the Framework were used to underpin the way in which risks are managed within DBS. The DBS Executive Committee also reviewed and approved the refreshed DBS risk appetite statement, with the DBS Enterprise Risk and Assurance Team enhancing the assurance processes across all aspects of operational control.

A framework of internal controls is in place within the day-to-day operations (including authorisations, reconciliations, and separation of duties) to control the risk 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 staff via the MOD intranet. The DBS Enterprise Risk and Assurance Team also manage risk guidance and documentation that is accessible to all DBS staff via the DBS Risk Assurance Hub.

An ongoing scope of work is in place to ensure this material is kept up to date. Additionally, oversight rules, policies and advice is provided by the Defence People Team (DPT) Policy branch as required.

Fraud

All Ministry of Defence personnel have direct access to the department's Confidential Hotline, which serves as the single, dedicated channel for reporting any concerns relating to fraud, bribery, corruption, theft, or other irregularities.

Reports can be made anonymously and in confidence. Members of the public can also use this service. Any suspected fraudulent activity relating to AFPS or AFCS claims is referred to the Confidential Hotline for investigation.

The Scheme participates in the Cabinet Office's biannual National Fraud Initiative (NFI), through which approved data is securely submitted for matching against a range of national datasets. This process helps confirm that pension payments continue to be issued to the individuals legitimately entitled to receive them.

In addition, the Scheme engages with the Department for Work and Pensions' cross government 'Tell Us Once' service. This voluntary service enables citizens to notify central and local government of a bereavement in a single interaction, whether during death registration, by telephone or online. This streamlined process shortens the time between a person's death and notification to the scheme, helping to prevent or minimise overpayments and reducing the associated administrative burden and recovery costs.

Information Assurance

Data is managed in accordance with the principles of the National Cyber Security Centre (NCSC) Cyber Assurance Framework and departmental policies. The CEO is the Senior Information Risk Owner (SIRO) for DBS, with Information Asset Owners (IAOs) and the DBS Enterprise Risk and Assurance Team supporting the SIRO. Data protections and Information Management training remains a mandatory requirement.

The Cyber team continue to focus on the information governance structure, cyber security risk management, and upward reporting through the IAOs, the DBS Enterprise 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 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 ongoing protection of the information and compliance with United Kingdom General Data Protection Regulation (UK 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 and improvements against the measures under Government Functional Standard GovS 007: Security, Cyber Security and UK GDPR.

There were forty-one incidents reported internally to the MOD Data Protection Officer Team (DPOT) during the year: thirty-two of these relate to AFCS and nine relate to AFPS. The incidents were categorised as; ‘data handling incidents / internal process failures’; ‘mis-sent correspondence’ resulting from human error; ‘files declared as unlocated in the building and subsequently found’ and ‘correspondence lost by Royal Mail’. Given the high volume of casework processed on an annual basis, the number of incidents was deemed very low.

Regular security improvement meetings are held with the DBS AFVS operational teams and the DBS Cyber team. These meetings review the plan to improve operational processes and reduce personal data incidents.

Business Continuity

AFPS output from DBS sites at Norcross and Glasgow, development and implementation of the Compensation and Pensions System (CAPS), and 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 (The Defence Manual of Resilience) and has undergone update and release at the new version (7.0) on 14 November 2025.
The DBS/MOD Authority pensions operations BC Business Impact Analysis (BIA) annual review and update was completed in June 2025. The 2026 BIA for contractor (Sopra Steria) pensions operations was completed in March 2026.

CAPS was successfully migrated from Crown hosted premises to the Oracle Cloud Infrastructure (OCI / ‘the cloud’) between 18 April and 5 May 2025. A post migration technical Disaster Recovery (DR) test for all migrated Armed Forces and Veterans Services (AFVS) systems/applications was scheduled for early March 2026 but was postponed due to MOD operational reasons.

An alternative, provisional date is set for October 2026. A single OCI DR Plan is in draft and includes DR solutions for all migrated AFVS systems/applications. The plan will be finalised and released when the rescheduled DR test is completed.

The current Sopra Steria Business Process Outsourcing (BPO) Service Delivery BC Plan covers the Joint Personnel Administration Centre (JPAC), the JPAC Enquiry Centre and back-office pensions activity. It was exercised on 14 July 2025. The exercise scenario focussed on total loss of electrical power to DBS Gosport. The most recent exercise was undertaken on 3 June 2026 and focussed on loss of electrical power and CAPS failure at DBS Glasgow.

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 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 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 over governance, processes and controls and for advising the DBS Executive Committee, DBS CEO and DARAC accordingly, and 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 and AFCS with a rolling year on year programme of assurance, based on a three-year plan. The programme is reviewed by the Pensions Board and the DBS ARAC, with progress reports into the DBS ARAC throughout 2025-26. 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 2025-26 identified continuing internal control weaknesses. There was a continued need to update instructions and internal policies; personal information was not being protectively marked and although some first and second line quality checks were in place, these had reduced due to resource constraints. Internal audit work also identified examples of errors in calculations and payments.

A process was found to be in place to track and implement management actions, however there were eleven which were not implemented within the timeframes agreed.

GIAA has continued to strengthen working relationships with the DBS Enterprise 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.

Summary of Issues

While no single issue represents a material breakdown in governance, control weaknesses identified in recent years require continued focus. These relate primarily to data quality, calculation accuracy and administrative controls, as reflected in the Government Internal Audit Agency's Limited Assurance opinion. Sustained resourcing pressures continue to make timely resolution and implementation more challenging.

A significant issue concerns the Early Leavers population, where, since April 2006, eligible individuals were not issued with the required statutory notification of their entitlement to a transfer or refund. Although liabilities were initially recognised, they were subsequently extinguished without members being given the opportunity to exercise their rights. This has resulted in a substantial retrospective remediation requirement, affecting up to 60,000 individuals. Liabilities were reinstated in the 2024–25 accounts, and work is progressing to establish compliant processes for current cases and to determine the appropriate approach for resolving historical cases. This remains complex and subject to ongoing development.

In addition, the Scheme continues to manage a programme of significant remediation activity, including delivery of the 2015 Pension Remedy, resolution of Pension Sharing Order calculation issues, and correction of data completeness and payment accuracy issues identified through audit and assurance processes.

Plans are in place, including targeted remediation and transformation activity to improve data integrity and administrative processes. However, these actions must be prioritised carefully, as resourcing pressures continue to affect the pace of implementation and resolution.

Overall Assessment

Overall, I conclude that the Scheme has continued to operate in line with the principles of the Corporate Governance Code for Central Government, with an established governance framework supported by defined roles, oversight committees, and risk management processes.

Whilst the financial management of the Scheme remains robust and effective, the year has highlighted a number of operational and control challenges, particularly in relation to data quality, legacy processing issues, and the delivery of complex programme changes. These issues have contributed to a Limited Assurance audit opinion and underline the importance of ongoing remediation and transformation activity.

Taking these factors into account, the governance, risk management and internal control framework remains appropriate and continues to support oversight of the Scheme. Continued focus on strengthening internal controls, improving data integrity, and delivering transformation initiatives will be essential to maintaining and enhancing the robustness of the Scheme in future years.

Jeremy Pocklington
Permanent Secretary and Accounting Officer
6 July 2026

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 and 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 2026

Summary of Resource Outturn 2025-26

This section has been subject to audit.

£000		Outturn			Estimate			2025-26	2024-25
	Note	Voted	Non-Voted	Total	Voted	Non-Voted	Total	Outturn vs Estimate saving / (excess)	Prior Year Outturn Total
Annually Managed Expenditure - Resource	SOPS1	4,943,957	-	4,943,957	5,200,978	-	5,200,978	257,021	4,817,527
Total Budget		4,943,957	-	4,943,957	5,200,978	-	5,200,978	257,021	4,817,527
Non-Budget -Resource		-	-	-	-	-	-	-	-
Total		**4,943,957**	**-**	**4,943,957**	**5,200,978**	**-**	**5,200,978**	**257,021**	**4,817,527**

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 2025-26

2025-26 Outturn £000	Estimate £000	2025-26 Outturn vs Estimate saving/(excess) £000	2024-25 Prior Year Outturn Total £000
1,180,270	**1,759,603**	579,333	1,297,178

Administration costs

2025-26 Outturn £000	Estimate £000	2025-26 Outturn vs Estimate saving/(excess) £000	2024-25 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 36 to 38 form part of this Statement.

Notes to the Statement of Outturn against Parliamentary Supply

SOPS1. Analysis of Resource outturn by Estimate line

£000	2025-26									2024-25
	Resource Outturn							Estimate	Outturn vs Estimate saving / (excess)	Prior Year Outturn Total
	Administration			Programme						
	Gross	Income	Net	Gross	Income	Net	Total	Total	Total	Total
Spending in Departmental Expenditure Limit										
Voted:	-	-	-	-	-	-	-	-	-	-
Non-Voted:	-	-	-	-	-	-	-	-	-	-
Annually Managed Expenditure										
Voted:										
A: Armed Forces Pension & Compensation Schemes	-	-	-	10,193,384	(5,249,427)	4,943,957	4,943,957	5,200,978	257,021	4,817,527
Non-Voted:	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	10,193,384	(5,249,427)	4,943,957	4,943,957	5,200,978	257,021	4,817,527

Explanation of the variance between Resource Estimate and outturn:

The outturn is less than the Estimate due to:

- Pension contributions received by the Scheme being £353 million higher as a result of the 2025-26 military pay award being higher than the original assumption applied at the original Estimate.
- Current service cost being £92 million higher than the Estimate, this offsets against the increased contributions received due to the driver of this cost being the total pensionable pay-bill (from which pension contributions are also derived).
- A combination of smaller variances with a net decrease of £4 million against the Estimate.

SOPS2. Reconciliation of outturn to net operating expenditure

The total resource outturn of £4.944 billion shown above in the SOPS summary table on page 35 is the same as the combined net expenditure shown in the Statement of Comprehensive Net Expenditure (SoCNE) on page 48. Therefore, no reconciliation table is required.

SOPS3. Reconciliation of net resource outturn to net cash requirement

Item	Reference	Outturn Total £000	Estimate £000	2025-26 Outturn vs Estimate savings/ (excess) £000	2024-25 Outturn £000
Resource Outturn	SOPS1	**4,943,957**	**5,200,978**	**257,021**	**4,817,527**
Capital Outturn		**-**	**-**	**-**	**-**
Accruals to cash adjustments:					
Adjustments to remove non-cash items:					
New provisions and adjustments to previous provisions		(10,179,347)	(10,299,978)	(120,631)	(9,816,116)
Adjustments to reflect working balances:					
Increase/(decrease) in receivables		18,845	14,157	(4,688)	80,035
Decrease/(increase) in payables		137,179	(68,699)	(205,878)	(85,319)
Use of provision: Pension Compensation		 6,107,333 152,303	 6,726,076 187,069	 618,743 34,766	 6,148,974 152,077
Net cash requirement		**1,180,270**	**1,759,603**	**579,333**	**1,297,178**

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

		2025-26	2024-25
Total number of losses		3,676	3,069
Total value of losses £000		9,624	732

The 2025-26 losses are inclusive of 629 cases totalling an amount of £8,799,000, approved for write-off by HM Treasury. This amount includes a write-off of £360,000 in respect of one case.

Special Payments

		2025-26	2024-25
Total number of special payments		-	-
Total value of special payments £000		-	-

There were no special payments during 2025-26.

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 2026 under the Government Resources and Accounts Act 2000. The Scheme's financial statements comprise the combined:

- Statement of Financial Position as at 31 March 2026;
- 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 2026 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 2026 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 45 to 46 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 Acts, 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 DBS Audit and Risk Assurance 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. 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

7 July 2026

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 Sopra Steria under a service delivery contract with DBS.

The outstanding pension liability on 31 March 2026 is £143.9bn with benefit payments of £6.1bn being made in the 2025-26 financial year.

The purpose of my report

This report provides an update to my report in 2024-25 on 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 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.

As in 2024-25, 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 continued to fail to discharge 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 Scheme's 2024-25 Annual Report and Accounts, the Scheme 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 in the future to take the transfer they had not previously been offered. In 2025-26, a further £3.5m has been recognised in respect of estimated amounts payable to leavers during the year.

Pages 13-14 of the Report of the Managers and page 33 of the Governance Statement note that steps have been taken to address the issues identified in 2025-26. However, at the date of my report, the Scheme has not yet implemented the necessary process changes to ensure that those individuals leaving the Scheme now with less than two years' service are notified of their early leaver entitlement, in line with statutory requirements. Furthermore, the exercise to communicate with historic early leavers has not commenced. The Governance Statement notes the competing resource demands across a number of areas of administration, but this does not override the Scheme's obligations to meet its statutory obligations to members.

Whilst I have not assessed this matter as a material regularity breach, it is disappointing that remedial actions have not been implemented in a more timely manner. In my audit of the 2026-27 accounts, I will again evaluate the progress of actions taken, with the expectation that the Scheme will be able to demonstrate prospective compliance with laws and regulations and have taken steps to notify those impacted by historic non-compliance.

Gareth Davies
Comptroller and Auditor General

7 July 2026

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 2026

	Note	2025-26 £000	2024-25 £000
Principal arrangements – Armed Forces Pension Scheme			
Income			
Contributions	3	(5,248,011)	(4,998,456)
Transfers in	4	(1,416)	(133)
Expenditure			
Current service cost	5	2,256,857	2,168,170
Past service cost	5	-	115,000
Enhancements	6	8,117	2,829
Transfers in	7	1,416	133
Pension financing cost	8	7,646,127	7,278,626
Pension Remedy – compensation cost	9	14,037	-
Net expenditure		**4,677,127**	**4,566,169**
Armed Forces Compensation Scheme			
Current service cost - AFCS	16	136,237	134,882
Compensation financing cost	16	130,593	116,476
Net expenditure		**266,830**	**251,358**
Combined net expenditure	SOPS1	**4,943,957**	**4,817,527**
Other comprehensive net expenditure			
Pension re-measurements			
Actuarial (gain)/loss – Armed Forces Pension Scheme	13.7	(10,305,184)	2,345,216
Actuarial (gain)/loss – Armed Forces Compensation Scheme	16	(128,927)	154,119
Total comprehensive net (income)/expenditure		**(5,490,154)**	**7,316,862**

The notes on pages 52 to 67 form part of these financial statements.

Combined Statement of Financial Position

as at 31 March 2026

	Note	2025-26 £000	2024-25 £000
Principal arrangements – Armed Forces Pension Scheme			
Current assets			
Receivables	10	466,520	440,036
Cash and cash equivalents	11	126,248	110,518
Total current assets		**592,769**	**550,554**
Current liabilities			
Payables (within 12 months)	12	(753,481)	(869,825)
Total current liabilities		**(753,481)**	**(869,825)**
Net current liabilities, excluding pension liability		**(160,713)**	**(319,271)**
Pension liability	13.4	(143,900,000)	(150,400,000)
Net liabilities, including pension liability		**(144,060,713)**	**(150,719,271)**
Armed Forces Compensation Scheme			
Receivables	14	1,540	9,179
Payables (within 12 months)	15	(7,086)	(12,191)
Provision for liabilities and charges	16	(2,517,000)	(2,531,400)
Net liabilities		**(2,522,546)**	**(2,534,412)**
Combined schemes – total net liability		**(146,583,259)**	**(153,253,683)**
Taxpayers' equity			
General fund		(146,583,259)	(153,253,683)
Total equity		**(146,583,259)**	**(153,253,583)**

Jeremy Pocklington
Permanent Secretary and Accounting Officer
6 July 2026

The notes on pages 52 to 67 form part of these financial statements.

Combined Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2026

	Note	2025-26 £000	2024-25 £000
Balance at 1 April		**(153,253,683)**	**(147,233,999)**
Net Parliamentary Funding			
– drawn down		1,196,000	1,374,000
– deemed		110,518	33,696
Supply payable adjustments	11	(126,248)	(110,518)
Comprehensive Net Expenditure for the Year	SOPS 1	(4,943,957)	(4,817,527)
Actuarial gain/(loss) – Armed Forces Pension Scheme	13.7	10,305,184	(2,345,216)
Actuarial gain/(loss) – Armed Forces Compensation Scheme	16	128,927	(154,119)
Net Change in Taxpayers' Equity		**6,670,424**	**(6,019,684)**
Balance at 31 March		**(146,583,259)**	**(153,253,683)**

The notes on pages 52 to 67 form part of these financial statements.

Combined Statement of Cash Flows

for the year ended 31 March 2026

	Note	2025-26 £000	2024-25 £000
Cash flows from operating activities			
Net expenditure for the year	SOPS1	(4,943,957)	(4,817,527)
Adjustments for non-cash transactions:			
Increase in receivables – principal arrangements	10	(26,484)	(72,041)
(Decrease)/increase in receivables – AFCS	14	7,639	(7,994)
(Decrease)/increase in payables – principal arrangements	12	(132,074)	78,190
(Decrease)/increase in payables – AFCS	15	(5,105)	7,129
Increase in pension provision	13.4	9,902,984	9,561,796
Increase in pension provision – enhancements and transfers in	13.4	9,533	2,962
Use of provisions – pension liability	13.5	(6,102,188)	(6,143,923)
Use of provisions – refunds and transfers	13.6	(5,145)	(5,051)
Increase in provisions – compensation scheme	16	266,830	251,358
Use of provisions – compensation scheme	16	(152,303)	(152,077)
Net cash outflow from operating activities		**(1,180,270)**	**(1,297,178)**
Cash flows from financing activities			
From the Consolidated Fund (Supply) – current year		1,196,000	1,374,000
From the Contingencies Fund		-	-
Repayment to the Contingencies Fund		-	-
Net financing		**1,196,000**	**1,374,000**
			-
Net increase in cash and cash equivalents in the year before adjustment for receipts and payments to the Consolidated Fund		**15,730**	**76,822**
Receipts due to the Consolidated Fund which are outside the scope of the Scheme's activities		**-**	-
Payments of amounts due to the Consolidated Fund		**-**	-
Net increase in cash and cash equivalents in the year after adjustment for receipts and payments to the Consolidated Fund	11	**15,730**	**76,822**
			-
Cash and cash equivalents at the beginning of the year	11	**110,518**	**33,696**
			-
Cash and cash equivalents at the end of the year	11	**126,248**	**110,518**

The notes on pages 52 to 67 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 2025-26 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 2026 shows a combined pension and compensation liability of £146.4 billion (2024-25: £152.9 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 2026-27 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. Note 13.3 provides further information on the sensitivity of the pension liability to each of the significant actuarial assumptions.

2.2 Changes in Accounting Standards

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

- 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. The full impact of IFRS18 won't be known until it is adopted for use in the public sector, which is yet to be confirmed.

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 5.15% pa (i.e. 2.40% in excess of CPI inflation). This was 5.10% pa (i.e. 2.45% in excess of CPI inflation) in 2024-25.

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 5.15% pa (i.e. 2.40% in excess of CPI inflation). This was 5.10% pa (i.e. 2.45% in excess of CPI inflation) in 2024-25.

2.9 Pension Remedy compensation cost

Payments made to members relating to Pension Remedy compensation costs are accounted for on a cash basis, and do not impact the Scheme liability or the funding arrangements of the Scheme. Pension Remedy compensation costs relate to payments made to members who have incurred tax charges and/or have incurred professional fees because of the impact of Pension Remedy on their pension tax position.

2.10 Other expenditure

Other payments are accounted for on an accruals basis.

2.11 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 2026 was discounted at 5.60% pa (i.e. 2.95% in excess of CPI inflation). The discount rate at 31 March 2025 was 5.15% pa (i.e. 2.40% in excess of CPI inflation). Further details of the financial assumptions used are set out at note 13 to these financial statements and in the Report of the Actuary starting on page 17.

2.12 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.

2.13 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.

2.14 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.

2.15 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.

2.16 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.

2.17 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.

2.18 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.

2.19 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 11.

2.20 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

		2025-26 £000	2024-25 £000
Employers		5,239,894	4,995,627
Employees: Purchase of added years		8,117	2,829
		5,248,011	**4,998,456**

£5.3 billion contributions are expected to be payable to the Scheme in 2026-27. During the year ended 31 March 2026, employer contributions were paid at a rate of 73.6% of pensionable pay (2024-25: 73.5%).

Note 4: Transfers in (see also note 7)

	Note	2025-26 £000	2024-25 £000
Individual transfers in from other schemes	7	1,416	133
		1,416	**133**

Note 5: Service cost

	Note	2025-26 £000	2024-25 £000
Current service cost	13.4	2,256,857	2,168,170
Past service cost	13.4	-	115,000
		2,256,857	**2,283,170**

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 HM Treasury legislation.
- £45 million in relation to restorative pension measures arising from the LGBT Veterans Independent Review (the 'Etherton Review').

Note 6: Enhancements

	Note	2025-26 £000	2024-25 £000
Purchase of added pension and years	13.4	8,117	2,829
		8,117	**2,829**

Note 7: Transfers in - additional liability

	Note	2025-26 £000	2024-25 £000
Individual transfers in from other schemes	13.4	1,416	133
		1,416	**133**

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	2025-26 £000	2024-25 £000
Net interest on defined benefit liability	13.4	7,646,127	7,278,626
		7,646,127	**7,278,626**

Note 9: Pension Remedy compensation cost

	Note	2025-26 £000	2024-25 £000
Net interest on defined benefit liability		14,037	-
		14,037	**-**

Amounts relate to payments to existing pensioners who have incurred tax charges and professional fees as a result of their pension remedy choice. As agreed by HM Treasury these costs are paid via Scheme AME but have been accounted for separately as cash items that do not impact on the total scheme liability (i.e. the costs associated are not treated as being a release of provision).

Statement of Financial Position – Armed Forces Pension Scheme

Note 10: Receivables

		2025-26 £000	2024-25 £000
Amounts falling due within one year:			
Overpaid pensions		18,678	15,502
Bereavement Scholarship Scheme		652	376
Ministry of Defence – SCAPE & AVC receipts and Transfers In		440,998	418,716
		460,328	**434,594**
Amounts falling due after more than one year:			
Overpaid pensions		6,192	**5,442**
		466,520	**440,036**

- 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.
- The overpaid pensions amount shown above is inclusive of £5.1m in relation to overpayments due to National Insurance adjustments as referenced in the Report of the Manager on page 15.

Note 11: Cash and cash equivalents

		2025-26 £000	2024-25 £000
Balance at 1 April		110,518	33,696
Net change in cash balances		15,730	76,822
Balance at 31 March		**126,248**	**110,518**
The following balances at 31 March were held at:			
Government Banking Service		126,248	110,518
Balance at 31 March		**126,248**	**110,518**

Note 12: Payables

		2025-26 £000	2024-25 £000
Amounts falling due within one year:			
Pensions		341,878	411,118
Lump sums		171,519	231,458
HM Revenue & Customs		73,047	69,119
Third party organisations		1,810	1,395
Ministry of Defence		38,979	46,217
		627,233	**759,307**
Amounts issued from the Consolidated Fund for supply but not spent at year end		126,248	110,518
		753,481	**869,825**

Note 13: Pension Liabilities

Note 13.1: 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 2026. The Report of the Actuary starting on page 17 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 2026	At 31 March 2025	At 31 March 2024	At 31 March 2023	At 31 March 2022
Long term rate of increase in salaries	3.30%	3.40%	3.55%	3.65%	4.15%
Inflation assumption	2.55%	2.65%	2.55%	2.40%	2.90%
Discount rate net of pension increases	2.95%	2.40%	2.45%	1.70%	(1.30%)
Mortality rate at age 60	Years	Years	Years	Years	Years
- Current Pensioners					
• Officers Men	26.4	26.0	26.2	26.1	26.2
• Officers Women	28.6	28.6	28.3	28.2	27.8
• Other Ranks Men	26.4	26.0	26.2	26.1	26.2
• Other Ranks Women	28.6	28.6	28.3	28.2	27.8
- Future Pensioners (from active status) *					
• Officers Men	28.1	27.7	28.1	28.0	28.0
• Officers Women	30.1	30.1	30.0	29.9	29.5
• Other Ranks Men	28.1	27.7	28.1	28.0	28.0
• Other Ranks Women	30.1	30.1	30.0	29.9	29.5
Mortality rate at age 65					
- Current Pensioners					
• Officers Men	21.8	21.5	21.5	21.4	21.5
• Officers Women	23.8	23.7	23.4	23.3	23.0
• Other Ranks Men	21.8	21.5	21.5	21.4	21.5
• Other Ranks Women	23.8	23.7	23.4	23.3	23.0
- Future Pensioners (from active status) *					
• Officers Men	23.4	23.0	23.3	23.2	23.2
• Officers Women	25.3	25.2	25.0	24.9	24.7
• Other Ranks Men	23.4	23.0	23.3	23.2	23.2
• Other Ranks Women	25.3	25.2	25.0	24.9	24.7

* 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 2026, 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 17.

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 13.2: Analysis of the provision for pension liability

	At 31 March 2026 £bn	At 31 March 2025 £bn	At 31 March 2024 £bn	At 31 March 2023 £bn	At 31 March 2022 £bn
Pensions in Payment	95.3	100.1	95.6	91.5	131.9
Deferred Pensions	17.1	18.4	17.3	23.9	50.8
Active members (Past Service)	31.5	31.8	31.7	41.0	96.4
Total	**143.9**	150.4	144.6	156.5	279.1

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 13.7 and 13.8. 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 13.3: 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 2026 of changes to these assumptions (rounded to the nearest ½%).

Change in Assumption		Approximate effect on total liability	
Financial Assumptions			
Discount rate [1]	+ 0.5% a year	- 7.5%	- £10.8 billion
Earnings increases[1]	+ 0.5% a year	+ 0.5%	+ £0.7 billion
Pension increases[1]	+ 0.5% a year	+ 7.5%	+ £10.8 billion
Demographic assumptions			
Additional one year increase to life expectancy at retirement[1]		+ 2.5%	+£3.6 billion

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

Note 13.4: Analysis of movements in the Scheme liability

	Note	2025-26 £000	2024-25 £000
Scheme liability at 1 April		**(150,400,000)**	**(144,639,000)**
Current service cost	5	(2,256,857)	(2,168,170)
Past service cost	5	-	(115,000)
Pension financing cost	8	(7,646,127)	(7,278,626)
Enhancements	6	(8,117)	(2,829)
Pension transfers in	7	(1,416)	(133)
		(160,312,517)	**(154,203,758)**
Benefits payable	13.5	6,102,188	6,143,923
Pension payments to and on account of leavers	13.6	5,145	5,051
		6,107,333	**6,148,974**
Actuarial gain/(loss)	13.7	10,305,184	(2,345,216)
Scheme liability at 31 March		**(143,900,000)**	**(150,400,000)**

The Scheme liability at 31 March 2026 shown above is inclusive of adjustments that management have advised GAD to apply in respect of the following items/issues:

- Early Leavers – whilst this issue remains unresolved (i.e. liabilities have still to be discharged) we have advised GAD to include an additional adjustment of £45 million (see pages 13-14)
- Undetermined Records - £45 million (see page 15)
- Deferred Record Exclusions - £50 million (see page 15)

Note 13.5: Analysis of benefits paid

		2025-26 £000	2024-25 £000
Pensions to retired employees and dependants (net of recoveries or overpayments)		5,571,620	5,518,840
Commutations and lump sum benefits on retirement		530,568	625,083
Total benefits paid		**6,102,188**	**6,143,923**

Note 13.6: Analysis of payments to and on account of leavers

		2025-26 £000	2024-25 £000
Individual transfers to other schemes		5,145	5,051
Total payments to and on account of leavers		**5,145**	**5,051**

Note 13.7: Analysis of actuarial gains / (losses)

		2025-26 £000	2024-25 £000
Experience (loss) / gain arising on the Scheme liabilities		(2,600,000)	(1,800,000)
Changes in assumptions underlying the present value of Scheme liabilities		12,905,184	(545,216)
Total actuarial gain/(loss)		**10,305,184**	**(2,345,216)**

Note 13.8: History of experience gains / (losses)

	2025-26	2024-25	2023-24	2022-23	2021-22
Experience (losses) / gains on scheme liabilities: (£000)	(2,600,000)	(1,800,000)	(6,802,500)	(11,858,707)	2,800,000
Percentage of the present value of the scheme liabilities	(1.81%)	(1.20%)	(4.70%)	(7.58%)	1.00%
Gains / (losses) arising due to changes in actuarial assumptions: (£000)	12,905,184	(545,216)	22,131,451	141,471,530	(22,386,252)
Percentage of the present value of the scheme liabilities	8.97%	(0.36%)	15.31%	90.40%	(8.02%)
Total amount recognised in Combined Statement of Comprehensive Net Expenditure: (£000)	10,305,184	(2,345,216)	15,328,951	129,612,824	(19,586,252)
Percentage of the present value of the scheme liabilities	7.16%	(1.56%)	10.60%	82.82%	(7.02%)
Total cumulative actuarial (loss) / gain: (£000)	(9,244,848)	(19,550,032)	(17,205,316)	(32,533,267)	(162,146,091)

Statement of Financial Position – Armed Forces Compensation Scheme

Note 14: Receivables

		2025-26 £000	2024-25 £000
Amounts falling due within one year:			
Overpaid compensation		1,540	9,179
		1,540	**9,179**

Note 15: Payables

		2025-26 £000	2024-25 £000
Amounts falling due within one year:			
Compensation		7,086	12,191
		7,086	**12,191**

Note 16: 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 2026	31 March 2025
Gross discount rate	5.60%	5.15%
CPI inflation	2.55%	2.65%
GIP increases	2.55%	2.65%
Discount rate net of CPI	2.95%	2.40%
Discount rate net of GIP increases	2.95%	2.40%

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 2026. 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.

		2025-26 £000	2024-25 £000
Balance at 1 April		**(2,531,400)**	**(2,278,000)**
Use of provision in year		152,303	152,077
Interest on Scheme liabilities		(130,593)	(116,476)
Current service cost – AFCS		(136,237)	(134,882)
Gain / (loss) due to change in assumptions underlying the present value of Scheme liabilities		128,927	(154,119)
Balance at 31 March		**(2,517,000)**	**(2,531,400)**
Breakdown of Balance at 31 March:			
Incidents incurred but not yet claimed – Lump Sums and Guaranteed Income Payments		(374,100)	(335,100)
Guaranteed Income Payments – In Payment		(2,040,100)	(2,091,000)
Guaranteed Income Payments – Underlying Entitlement		(102,800)	(105,300)
		(2,517,000)	**(2,531,400)**

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 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. The rehearing of the tribunal ruled in favour of the claimant on both counts. An appeal was heard in December 2025, and the MOD was informed in February 2026 that the appeal had been lost. The MOD is now seeking permission to appeal further.

A contingent liability has been disclosed in the Scheme accounts since 2021-22 in relation to this case. However, it has recently been determined that no obligation lies with the Scheme at this point in time.

This matter is being monitored by the MOD and the accounting treatment in future Scheme accounts may change dependent on future developments, including the outcome of the case and decisions around any remedial action deemed necessary.

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 2025-26, the Scheme received employer contributions (SCAPE) and employees' contributions from the MOD in respect of active members of the AFPS. These contributions totalled £5.248 billion (£4.998 billion in 2024-25, 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 2025-26 these totalled £512.6 million (£568.4 million in 2024-25).

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 shown in the graph below shows the number of ‘members’ which is not the same as an ‘individual’. 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 2026, equating to 59 active members, 109 deferred members and 1,249 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		2025-26	2024-25
	Active members brought forward from 31 March 2025	254,132	260,650
	Adjustments (Membership Statistics note 1)	(1,808)	(2,012)
	Total active members’ benefits at 1 April 2025	**252,324**	**258,638**
Add:	New entrants in the year	16,081	15,409
	Transfers in	12	5
	Total joiners	**16,093**	**15,414**
Less:	Death in service benefits	(149)	(122)
	Left active service with no benefits (Membership Statistics note 2)	(5,119)	(3,860)
	Left active service with deferred benefits	(17,620)	(12,297)
	Left active service and received benefits	(3,458)	(3,639)
	Benefits transferred out (Membership Statistics note 3)	(2)	(2)
	Total leavers/death in service	**(26,348)**	**(19,920)**
	Total active members’ benefits at 31 March 2026	**242,069**	**254,132**
	Active Full Time members at 31 March 2026	151,932	154,365
	Active Voluntary Reservist members at 31 March 2026	29,619	33,174

Deferred members’ benefits		2025-26	2024-25
	Deferred benefits brought forward from 31 March 2025	489,752	491,941
	Adjustments (Membership Statistics note 1 & note 4)	(21,351)	(2,263)
	Total deferred and unclaimed benefits at 1 April 2025	**468,401**	**489,678**
Add:	Benefits not immediately payable	17,821	12,424
	New benefit on divorce	97	186
	Total new deferred and unclaimed benefits	**17,918**	**12,610**
Less:	Benefits transferred out (Membership Statistics note 3)	(112)	(101)
	Benefits taken up	(9,585)	(9,823)
	Benefits elapsed	(1,284)	(1,209)
	Death in deferment benefits	(363)	(396)
	Re-joiners	(752)	(1,007)
	Total removed from deferred population	**(12,096)**	**(12,536)**
Being:	Deferred benefits	457,205	474,639
	Benefits due but unclaimed	17,018	15,113
	Total deferred and unclaimed benefits at 31 March 2026	**474,223**	**489,752**
	Deferred members at 31 March 2026	364,187	366,884
	Deferred Voluntary Reservist members at 31 March 2026	29,432	24,411

Pensions benefits in payment		2025-26	2024-25
	Benefits brought forward from 31 March 2025		
	- Members	394,050	388,289
	- Dependants	76,719	75,577
	Total	**470,769**	**463,866**
	Adjustments (Membership Statistics note 1)		
	- Members	(53)	(66)
	- Dependants	(20)	(17)
	Total benefits at 1 April 2025	**(73)**	**(83)**
Add:	Benefits that became payable in the year		
	- Members	13,651	14,202
	- Dependants	4,833	4,724
	Total benefits into payment	**18,484**	**18,926**
Less:	Benefits that have ceased in the year		
	- Members	(7,994)	(8,375)
	- Dependants	(3,370)	(3,565)
	Total benefits ceased in the year	**(11,364)**	**(11,940)**
	Benefits in payment at 31 March 2026		
	Members	399,654	394,050
	Dependants	78,162	76,719
	Total	**477,816**	**470,769**

Membership Statistics Notes

1. The brought forward balances from 31 March 2025 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 2025-26 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 2025-26 adjustment for Deferred members is primarily due to the re-classification (roll-back) of scheme benefit periods/records into legacy schemes due to Scheme Remedy processes. This has the effect of reducing the ‘benefit count’ as individuals with service in multiple schemes (who discharged prior to April 2022) are now only counted once within the statistics (i.e. within the legacy scheme). This is as per the guidance laid down by HM Treasury.

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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