

Research Briefing

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Armed Forces Pension Scheme



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Summary

What is the Armed Forces Pension Scheme?

The Armed Forces Pension Scheme (AFPS) is a defined benefit occupational pension open to most members of the armed forces. A defined benefit scheme pays a promised income in retirement. Unlike other public service pension schemes, members do not make contributions to their pensions, but the value of pension benefits is taken into account in setting pay.

The AFPS is ‘unfunded’ and operates on a pay-as-you-go basis, meaning that there is no fund of assets which is invested and from which pension benefits are paid. Employer contributions are paid to the Ministry of Defence. The Ministry of Defence uses the contributions to pay benefits to current pensioner members. The AFPS employer contributions are set as a percentage of pensionable pay. Pensionable pay is usually based on a member’s basic pay, and excludes bonuses and other allowances.

Since April 2019, the employer contribution rate was 65.5% of pensionable pay. This was forecasted to rise to [73.5% of pensionable pay from 1 April 2024](#).

The government [reformed public service pensions](#) in 2014 and 2015 following a review into their long-term affordability.

The current scheme, Armed Forces Pension Scheme 2015 (AFPS 15), was introduced from 1 April 2015 as a result of the 2014/15 reforms.

The schemes

There are different armed forces pension schemes.

The [Armed Forces Pension Scheme 1975 \(AFPS 75\)](#) was open to entrants who joined the armed forces before 5 April 2005.

The [Armed Forces Pension Scheme 2005 \(AFPS 05\)](#) was open for new entrants to the regular armed forces on 6 April 2005 until the introduction of AFPS 15.

In April 2005, the government also introduced the Reserve Forces Pension Scheme (RFPS) for those who started or restarted full-time reserve service on or after 6 April 2005. The AFPS 75, AFPS 05 and RFPS offer members final salary pension benefits, meaning members will receive a pension that is based on their final pensionable earnings, and length of service.

The current scheme, [Armed Forces Pension Scheme 2015 \(AFPS 15\)](#), was introduced on 1 April 2015. The scheme provides pension benefits based on career average earnings rather than final salary. This means that pension benefits are calculated according to average earnings over a member's career. All serving members on that date transferred to the 2015 scheme unless they qualified for 'transitional protections'.

McCloud remedy

The government reformed public service pensions in 2014 and 2015. Like other public service schemes, serving members of the armed forces were transferred to a reformed scheme. The government decided that members closest to retirement would not be affected by the reforms. In many cases, these members could stay in the existing 'legacy' schemes rather than moving to the newer 'reformed' schemes.

In 2018, the government was found to have discriminated against younger members of public service pension schemes. The judgment, known as McCloud, resulted in the government making changes to public service pension schemes to remedy discrimination which had taken place.

More information on the McCloud remedy is available in the Library briefing '[Public service pensions – response to McCloud](#)'.

Further information

See the following Library briefings for further information:

- [Armed forces pensions – 2015](#)
- [Armed Forces Pension Scheme legacy issues – survivors' benefits](#)
- [Public service pensions – the 2015 reforms](#)
- [Support for UK Veterans](#)
- [The campaign for Gurkha pensions](#)

1 Background

Armed forces pensions can be traced back as far as 1831, although it was not until April 1975 when legislation was changed to provide the right to a preserved pension for early leavers.¹ A preserved (or deferred) pension is a pension that's maintained after a member leaves their employer, and is paid out once the member reaches retirement.

The Armed Forces Pension Scheme 1975 (AFPS 75) incorporated the requirement to award “preserved pensions” for early leavers. Prior to that, while entitlement to a pension was reached after 22 years’ pensionable service (16 years in the case of officers), commissions or engagements would not entitle personnel to a pension.² Instead, personnel who had served on short service commissions, or short career commissions, were awarded a lump sum gratuity at the end of their service.³

The Armed Forces Pension Scheme (AFPS) is an unfunded, defined benefit occupational pension open to most members of the armed forces which pays a promised income in retirement. ‘Unfunded’ schemes operate on a pay-as-you-go basis, meaning that there is no fund of assets which is invested and from which pension benefits are paid. Instead, pension contributions are paid to the Ministry of Defence and rather than investing these contributions, they are used to pay the benefits of current pensioner members. Defined benefit schemes pay members a promised income in retirement, usually based on pensionable pay and length of service. Pensionable pay is usually based on a member’s basic pay, and excludes bonuses and other allowances.

Whilst most public service pension schemes are unfunded, the AFPS is unique in that members do not contribute to the scheme.⁴ However, how much members will receive in pension benefits is taken into account in setting pay.

Like other public service pension schemes, retired members of the AFPS receive an income from the scheme which is taxed, and may also receive a tax-free lump sum. More information is available in the Library briefing on [Pensions tax](#).⁵

¹ [HC Deb, 27 November 2006, c 362W](#); See [box 1](#) for an explanation of preserved and deferred pensions.

² Ministry of Defence, [JSP 854 Armed Forces Pension Scheme 1975](#), [PDF] p9

³ The Armed Forces Pension Scheme, [A Guide to Deferred and Preserved Pension Entitlement](#), [PDF], accessed 7 January 2024, p4

⁴ Gov.uk, [Armed forces pensions](#), 19 December 2024

⁵ Commons Library research briefing SN-00625, [Pensions tax](#)

2 Pension Schemes

2.1 Armed Forces Pension Scheme 1975

Legislative background

The [Armed Forces Pension Scheme 1975 \(AFPS 75\)](#) is the primary scheme for armed forces personnel prior to 2005. The scheme closed to new entrants on 5 April 2005.⁶

Provisions for the scheme for each branch of the armed forces are contained in three different pieces of legislation:

- Royal Navy: section 3 of the Naval and Marine Pay and Pensions Act 1865;⁷
- British Army: section 2 of the Pensions and Yeomanry Pay Act 1884;⁸
- Royal Air Force: section 2 of the Air Force (Constitution) Act 1917;⁹

The scheme rules are contained in statutory instruments which are amended from time to time. The scheme rules are contained in the following pieces of legislation:

- Naval and Marine Pensions (Armed Forces Pension Scheme 1975 and Attributable Benefits Scheme) Order 2010;
- Army Pensions (Armed Forces Pension Scheme 1975 and Attributable Benefits Scheme) Warrant 2010;
- Air Force (Armed Forces Pension Scheme 1975 and Attributable Benefits Scheme) Order 2010;¹⁰

Further information on the relevant legislation can be found in the [Armed Forces Pension Scheme 1975 \(JSP 854\)](#) guidance.¹¹

⁶ With the exception of those taking advantage of the Gurkha Offer to Transfer. This is covered in more detail in the Commons Library research briefing SN-04375 [‘The campaign for Gurkha pensions’](#)

⁷ [Naval and Marine Pay and Pensions Act 1865](#), s 3

⁸ [Pensions and Yeomanry Pay Act 1884](#), s 2

⁹ [Air Force \(Constitution\) Act 1917](#), s 2

¹⁰ The full list of associated regulations (with amendments) are available on Gov.uk, [Armed Forces Pension Scheme 1975 Regulations](#), 20 May 2019

¹¹ Ministry of Defence, [Armed Forces Pension Scheme 1975 \(JSP 854\)](#), 17 March 2023

Scheme benefits

The Ministry of Defence publishes guidance for each scheme. The [Armed Forces Pension Scheme 1975 \(JSP 854\)](#) document sets out information on the scheme benefits and rules.¹²

- Defined benefit ‘final salary’ benefits: A promised income in retirement based on final rank and length of service. For ranks 1* and below, this is based on representative rates of pay. For ranks 2* and above, it is calculated on final pensionable earnings.¹³
- Normal pension age: Members who leave the service at age 55 or over and have completed 34 years’ service as an officer (or 37 years’ service as other ranks) will be entitled to a full career (maximum) immediate pension.¹⁴ Those who leave the service before age 55 after at least 16 years’ qualifying service for officers, and 22 years’ qualifying service for other ranks, will receive an immediate pension.¹⁵ For officers, ‘qualifying service’ starts from age 21. For other ranks, this begins from age 18.¹⁶ In addition to an immediate pension, a tax-free lump sum equal to three times the annual pension is also payable.
- Maximum pension can be earned after 34 years’ pensionable service for officers and 37 years’ pensionable service for other ranks.¹⁷
- Deferred pension: For members who don’t qualify for an immediate pension, a deferred or preserved pension is payable at age 60 for service before 6th April 2006, and age 65 for service post 6 April 2006. A lump sum of three times the annual pension is also payable.¹⁸
- Ill-health benefits: Members who leave the armed forces early due to ill-health or injury and have completed more than 2 years’ pensionable service will receive an ill-health award. The type of benefits a member will receive is dependent upon whether the ill-health is attributable or non-attributable to service.¹⁹
- Dependant’s benefits: The eligible dependants of members with at least 2 years’ qualifying service will receive benefits in the event of the member’s

¹² Ministry of Defence, [Armed Forces Pension Scheme 1975 \(JSP 854\)](#), April 2022

¹³ See the British Forces Broadcasting Service guide to [‘UK Armed Forces Ranks’](#) [PDF]. For instance, ‘1*’ means a one-star rank, which would include positions such as a commodore or brigadier. ‘2*’ means a two-star rank, for positions such as a rear admiral or major general. ‘Representative rate of pay’ means that members with the same rank and same number of years of pensionable service are normally awarded the same pension, regardless of their actual pay. Representative pay is calculated using specially selected rates of military salary and does not include extra amounts for those on bespoke pay spines. Representative rates of pay are set out in the [Pension Codes](#).

¹⁴ Ministry of Defence, [Armed Forces Pension Scheme 1975: Your Pension Scheme Explained](#) [PDF], p7

¹⁵ Ministry of Defence, [Armed Forces Pension Scheme 1975 \(JSP 854\)](#), April 2022, p7

¹⁶ As above, p6

¹⁷ As above

¹⁸ As above, p7

¹⁹ As above, p10

death. These may consist of a tax-free lump sum and a taxable pension. For attributable deaths from 31st October 2000, and non-attributable deaths from 1st April 2015, a dependant's pension is payable for life.²⁰

- 'Death in service' pension: If the member dies in service, their spouse or civil partner will receive a short-term pension (paid in the immediate aftermath of the member's death), a long-term pension (once the short-term pension is paid), and a tax-free lump sum.²¹
- Pension increases: For immediate pensions, the pension will be a fixed sum until the member reaches age 55. At this point, it will be increased to take account of the total rise in the cost of living since the member's service ended and it will then increase annually in line with the Consumer Price Index (CPI).²² For deferred pensions, the pension will be increased in line with CPI once in payment.²³

2.2

Armed Forces Pension Scheme 2005

Legislative background

The Armed Forces Pension Scheme 2005 (AFPS 05) was introduced under the Armed Forces (Pensions and Compensation) Act 2004.²⁴ New entrants to the armed forces automatically joined the scheme from 6 April 2005. Scheme members who were already in service on 6 April 2005 and still in service on 6 April 2006 were given the opportunity to transfer to the new scheme on 6 April 2006.²⁵

The scheme rules are contained in the Armed Forces Pension Scheme Order 2005, as amended.²⁶

Further information on the relevant legislation can be found in the [Armed Forces Pension Scheme 2005 \(JSP 764\)](#) guidance.²⁷ From 31 March 2015 AFPS 05 was closed to new members. 75,000 members transferred to the new AFPS 15 scheme, whilst the government allowed approximately 5,000 members closest to retirement to remain in the AFPS 05 scheme. This is known as transitional protection.²⁸ Further information is available in section 6 of this briefing.

²⁰ Ministry of Defence, [Armed Forces Pension Scheme 1975 \(JSP 854\)](#), April 2022, p12

²¹ As above, p7

²² As above, p13

²³ As above, pp7-8

²⁴ [Armed Forces \(Pensions and Compensation\) Act 2004](#); Gov.uk, [Armed forces pensions](#), 23 October 2024

²⁵ [HC Deb, 27 November 2006, c 362W](#)

²⁶ The Armed Forces Pension Scheme Order 2005 [SI 2005/438](#)

²⁷ Ministry of Defence, [Armed Forces Pension Scheme 2005 \(JSP 764\)](#), 6 June 2023

²⁸ Armed Forces Pension Scheme, [Annual Accounts 2014-15](#), [PDF] 14 July 2015, p2

Scheme benefits

The [Armed Forces Pension Scheme 2005: Your Pension Scheme Explained](#) (PDF) document sets out information on the scheme benefits and rules.²⁹

- Defined benefit ‘final salary’ benefits: A promised income in retirement based on a member’s earnings when they leave the service.³⁰ Members will also receive a tax-free lump sum of three times the annual pension.
- Qualifying service: Members need to have completed at least 2 years of qualifying service to qualify for most pension benefits.³¹
- Normal pension age: Members who retire at age 55 or over will be entitled to an immediate pension.³²
- Maximum pension can be earned after 40 years’ service.³³
- Preserved or ‘deferred’ pension: Members who leave service before age 55 having completed at least 2 years’ pensionable service, will be entitled to a preserved pension and a tax-free lump sum, which is payable at the age of 65.³⁴ The difference between preserved and deferred pensions is explained in the box below.

1 Preserved v deferred pensions

Older scheme documents generally refer to a ‘preserved pension’, whereas newer scheme documents refer to a ‘deferred pension’. These terms essentially mean the same thing. The main difference is that the AFPS 75 and AFPS 05 schemes provide a final salary pension which is preserved once a person leaves active service until they retire. Inflation is added to the pension benefits once the member withdraws their benefits. The AFPS 2015 scheme provides a career average revalued earnings pension which is deferred once a person leaves active service, but has not yet retired, and which benefits are increased every year by inflation.

- Early Departure Payments Scheme: Members who leave service before age 55, but having reached at least age 40 and having served at least 18

²⁹ Ministry of Defence, [Armed Forces Pension Scheme 2005: Your Pension Scheme Explained](#) [PDF], July 2020

³⁰ As above, p5; The calculation of pension benefits is based on the greatest amount of pensionable earnings a member received for 365 consecutive days over the last 3 years of reckonable service.

³¹ Ministry of Defence, [Armed Forces Pension Scheme 2005: Your Pension Scheme Explained](#) [PDF], July 2020, p4. ‘Qualifying service’ is defined in the scheme rules as “the amount of time you have been a member of AFPS 05. It is the calendar days that you are in receipt of pensionable earnings or assumed earnings in AFPS 05. Hypothetically, if you worked 1 day a week for 2 years, your qualifying service would still be 2 years.” (p30)

³² As above, p5

³³ As above, p5

³⁴ As above, p5

years, will get a tax-free lump sum equal to three times the annual deferred pension and an income paid until age 65.³⁵ From age 65, members will then receive their deferred pension.

- Ill-health benefits: Members who leave the armed forces early due to ill-health or injury and have completed at least 2 years' pensionable service will receive an ill-health award. The amount is based on a three-tier system. For less serious conditions, tier 1 provides a tax-free lump sum only. If you have a serious condition, covered by tiers 2 and 3, the ill-health award will be paid as pension payable for life and a tax-free lump sum.³⁶
- Attributable ill-health benefits: If a member's condition is mainly due to or worsened by their service in the armed forces, they may be entitled to a pension paid without deduction for income tax.³⁷ Any attributable benefits to which members may be eligible will be considered under the War Pensions Scheme, the Armed Forces Attributable Benefits Scheme, or the Armed Forces Compensation Scheme. This will depend on the date that the injury or illness was caused.³⁸
- Dependant's benefits: In the event of a member's death, eligible dependants, including a spouse, civil partner, eligible partner or eligible children, will receive benefits. These may consist of a tax-free lump sum and a taxable pension. A dependant's pension is payable for life, irrespective of remarriage or the forming of a new civil partnership or cohabitation. Dependants' pensions are only payable if the member has completed at least 2 years' qualifying service.³⁹
- 'Death in service' pension: If the member dies in service, their spouse, civil partner or eligible partner will receive an immediate pension paid for life and a tax-free lump sum.⁴⁰
- Pension increases: Once the pension is in payment, it will increase annually in line with the Consumer Price Index (CPI).⁴¹

³⁵ Ministry of Defence, [Armed Forces Pension Scheme 2005: Your Pension Scheme Explained](#) [PDF], July 2020, p10. The amount is determined by the age of the member and their length of service.

³⁶ As above, p7-8

³⁷ As above, p9

³⁸ As above, p9

³⁹ As above, p13

⁴⁰ As above, pp13-14

⁴¹ As above, p6

2.3

Reserve Forces Pension Scheme 2005

Legislative background

The Reserve Forces Pension Scheme 2005 (RFPS) was introduced under powers granted by the Reserve Forces Act 1996.⁴² The RFPS was introduced on 6 April 2005, at the same time as the AFPS 05, and is available to reserve forces members who started or restarted full-time reserve service on or after 6 April 2005.⁴³

The scheme closed to new members on 31 March 2015. Any reserve forces members joining after this date were automatically enrolled in the Armed Forces Pension Scheme 2015.⁴⁴

The scheme rules are contained in the Reserve Forces Pension Scheme Regulations 2005, as amended.⁴⁵

2 Legal challenge to reserve forces pensions

A successful legal challenge against the Ministry of Defence may affect the pension entitlement of some reserve forces members.⁴⁶

Prior to 2015, reservists were not entitled to a full armed forces pension. The Ministry of Defence claimed that granting reservists access to the pension scheme would have brought ‘relatively few benefits’ to those reservists whilst being ‘disproportionately expensive to administer’.⁴⁷ However, in 2024, in a case brought by a retired reservist, an Employment Tribunal ruled that the administrative burden and cost of allowing reservists to join the scheme was not high enough to justify their exclusion.⁴⁸

Further information on the relevant legislation can be found in the [Reserve Forces Pension Scheme 2005: regulations and guidance](#).⁴⁹

⁴² [Reserve Forces Act 1996](#), s 8

⁴³ Previously, the AFPS 75 Full Time Reserve Service was available to eligible reserve service personnel. This scheme was incorporated into AFPS 75 in 1997, and was then replaced with the 2005 RFPS. Members of the previous scheme were able to transfer into the new RFPS on 6 April 2006.

⁴⁴ Ministry of Defence, [Armed Forces Pension Scheme 2015: Your Pension Scheme Explained](#), May 2023, p4

⁴⁵ The full list of associated regulations (with amendments) are available on Gov.uk, [Reserve Forces Pension Scheme 2005: regulations and guidance](#), 2 February 2015

⁴⁶ Gov.uk, [Major C Milroy v Advocate-General for Scotland: 4103202/2020 Employment Tribunal Decision](#), 5 August 2024; Personnel Today, [Reservist wins landmark Territorial Army pensions case](#), 16 August 2024

⁴⁷ Gov.uk, [Judgment of the Employment Tribunal](#), [PDF], pp2-3

⁴⁸ As above, p44, para 104

⁴⁹ Gov.uk, [Reserve Forces Pension Scheme 2005: regulations and guidance](#), 2 February 2015

Scheme benefits

The [Reserve Forces Pension Scheme: Your Pension Scheme Explained](#) (PDF) document sets out information on the scheme benefits and rules.

- **Defined benefit scheme:** A promised income in retirement based on a member's pensionable service and their final pensionable pay.⁵⁰ Members will also receive a tax-free lump sum of three times the annual pension. Short periods of service will result in an entitlement to a very small pension which a member may be able to convert into a one-off lump sum.
- **Maximum pension:** Pension benefits build up from a member's first day of reserve service for a maximum of 40 years.⁵¹
- **Normal pension age:** Members who retire at age 60 or over will be entitled to an immediate pension and a tax-free lump sum of three times the annual pension.⁵²
- **Preserved pension:** Members who leave service before age 60 will be eligible for a preserved pension which is paid at age 65.⁵³ There is no qualifying period to be entitled to a preserved pension, however these pensions are not paid automatically and must be claimed from the Service Personnel and Veterans Agency.
- **Early payment of preserved pension:** Those who leave the armed forces before age 60 can apply to receive their preserved pension and lump sum early. The pension will be paid at a reduced level to reflect the fact that the pension will be paid over a longer period than would normally be expected. The earliest this can be paid from is age 55.⁵⁴ A preserved pension may be paid early if a member becomes permanently unable to work full-time through ill health.⁵⁵ Those with a life expectancy of less than 12 months can apply to have a lump sum of five times their annual preserved pension paid immediately instead of a pension.⁵⁶
- **Ill-health benefits:** Members may be entitled to ill-health benefits if they are medically discharged from service and have completed 2 years' qualifying service. The amount is based on a tier system. This benefit is

⁵⁰ Ministry of Defence, [Reserve Forces Pension Scheme: Your Pension Scheme Explained](#) [PDF], July 2020, p6; The calculation of pension benefits is based on the greatest amount of pensionable earnings a member received for 365 consecutive days over the last 3 years of pensionable service. If a member has several periods of RFPS service, entitlement for each period will be calculated separately and when the pension becomes payable, they will be increased to take account of inflation and added together to give a single award.

⁵¹ Ministry of Defence, [Reserve Forces Pension Scheme: Your Pension Scheme Explained](#) [PDF], July 2020, p6

⁵² As above, p6

⁵³ As above, p7

⁵⁴ As above, p7

⁵⁵ As above, p7

⁵⁶ As above, p7

paid as an annual pension, as well as a lump sum worth three times the annual pension.⁵⁷ Any other preserved awards under RFPS are also payable.

- **Attributable ill-health benefits:** If a member is medically discharged due to a condition mainly caused by service in the armed forces, the member may be entitled to additional attributable benefits.⁵⁸
- **Dependant's benefits:** In the event of a member's death, eligible dependants, including a spouse, civil partner, eligible partner or eligible children, will receive benefits. This will consist of a taxable pension. A dependant's pension is payable for life, irrespective of remarriage or the forming of a new civil partnership or cohabitation. Dependants' pensions are only payable if the member has completed at least 2 years' qualifying service.⁵⁹
- **Lump sum benefits on death:** Members can nominate anyone to receive their death lump sum. The lump sum amount will depend on whether the member died in service, in deferment, or in retirement (this lump sum is then only payable if the death occurs within five years of a member's pension coming into payment).⁶⁰
- **Pension increases:** Once in payment, pensions are increased annually in line with the Consumer Price Index (CPI). Preserved pensions are increased in line with CPI once the member leaves the armed forces.⁶¹

2.4

Armed Forces Pension Scheme 2015

Legislative background

The Armed Forces Pension Scheme 2015 (AFPS 15) was introduced under powers granted by the Public Services Pension Act 2013.⁶² The AFPS 15 was introduced on 1 April 2015 and all new entrants to the armed forces from that date joined the scheme. The scheme rules are set out in the Armed Forces

⁵⁷ Ministry of Defence, [Reserve Forces Pension Scheme: Your Pension Scheme Explained](#) [PDF], January 2010, p9

⁵⁸ As above, p9. If the illness or injury is caused by service before 6 April 2005, benefits are payable under the Reserve Forces (Attributable Benefits etc.) Regulations (RFAB) and the War Pensions Scheme For injuries caused by service on or after 6 April 2005, pain and suffering lump sums and in some cases Guaranteed Income Payments are payable under the Armed Forces Compensation Scheme. See p2 of the scheme guide for further information.

⁵⁹ As above, p11

⁶⁰ As above, p12

⁶¹ As above, p3. The scheme guidance states that the RFPS uses the RPI, however this guidance was last updated in 2010. From 2011, the government has used the CPI instead. This is explained in the Commons Library research briefing SN-05434, [Public service pension increases](#)

⁶² [Public Service Pensions Act 2013](#)

Pension Regulations 2014, as amended.⁶³ Further guidance is available in the '[Your Pension Scheme Explained](#)' (PDF) guidance.⁶⁴

From 31 March 2015, some 96,000 members of the AFPS 75 were moved to the new AFPS 15 scheme, whilst the government allowed approximately 10,000 members closest to retirement to remain in the AFPS 75 scheme. This is known as transitional protection.⁶⁵ See the box below for further information.

3 McCloud remedy

All active members of the AFPS 75 and AFPS 05, apart from those closest to retirement, were placed into the 2015 scheme following government reform of public service pension schemes. In a subsequent legal case, the government was found to have unlawfully discriminated against younger scheme members as they were not given transitional protections. To remedy this discrimination, the government made changes to the affected schemes. The remedy is known as McCloud. See [section 6](#) of this paper for further detail on McCloud and how it may affect members of the AFPS.

Scheme benefits

The [Armed Forces Pension Scheme 2015: Your Pension Scheme Explained](#) (PDF) document sets out information on the scheme benefits and rules.⁶⁶

- Career Average Revalued Earnings (CARE) pension benefits: The pension is calculated according to a member's average earnings over their career. The pension will start to build up from the first day of paid service into a 'pension pot'. Each year, the pot increases with inflation and further pensionable service is added. This process continues each year until the member leaves the armed forces, and this pot becomes the member's pension.⁶⁷ See the box below for how CARE pensions differ to final salary schemes.

4 Final salary v CARE pension benefits

The Armed Forces Pension Scheme was reformed in 2015.⁶⁸ The previous legacy schemes provided pensions based on final salary. The reformed scheme provides pensions based on career average earnings.

⁶³ The Armed Forces Pension Regulations 2014 [SI 2014/2336](#)

⁶⁴ Ministry of Defence, [Armed Forces Pension Scheme 2015](#), [PDF] May 2023

⁶⁵ Armed Forces Pension Scheme, [Annual Accounts 2014-15](#), [PDF] 14 July 2015, p3

⁶⁸ [Public Service Pensions Act 2013](#)

- Final salary pensions are based on the amount you're paid at the point you retire or leave the scheme.
 - Career Average Revalued Earnings (CARE) pension benefits are based on an average of your salary throughout your career.
-
- There is no maximum number of years' service that can count towards the pension.⁶⁹
 - Normal pension age: Members who retire at age 60 or over will be entitled to a pension paid immediately.⁷⁰
 - Deferred pension: Members who leave the armed forces before age 60 having completed at least 2 years' qualifying service will be entitled to a deferred pension, which is payable at State Pension age).⁷¹
 - Lump sum entitlement: There is no automatic entitlement to a pension lump sum. However, a member can create a tax-free lump sum by surrendering part of their annual pension. This is known as commutation. Members can take up to 25% of their pension benefits as a lump sum.⁷²
 - Early Departure Payments (EDP) Scheme: Members who leave service before age 60 (but at least age 40) with at least 20 years' service will get a tax-free lump sum and a taxable monthly income paid until age 60.⁷³ Once a member reaches State Pension age, EDP stop as the member will then receive their deferred pension. Members can choose to convert their lump sum in order to increase their monthly income. This is known as inverse commutation.⁷⁴
 - Ill-health benefits: Members who leave the armed forces early due to ill-health or injury and have completed more than 2 years' qualifying service may be entitled to ill-health benefits. The amount and type of benefit is based on the seriousness of the condition, according to the criteria set by a three-tier system.⁷⁵
 - Attributable ill-health benefits: If the condition is mainly due to or worsened by service in the armed forces, a member may be entitled to a

⁶⁷ Ministry of Defence, [Armed Forces Pension Scheme 2015: Your Pension Scheme Explained](#), [PDF] May 2023, p6

⁶⁸ [Public Service Pensions Act 2013](#)

⁶⁹ Ministry of Defence, [Armed Forces Pension Scheme 2015: Your Pension Scheme Explained](#), [PDF] May 2023, p6

⁷⁰ As above, p7

⁷¹ As above, p7; See the gov.uk website to [check the relevant State Pension age](#).

⁷² Ministry of Defence, [Armed Forces Pension Scheme 2015: Your Pension Scheme Explained](#), [PDF] May 2023, p8

⁷³ As above, p13

⁷⁴ As above, pp13-14

⁷⁵ As above, pp9-10

pension paid without deduction for income tax.⁷⁶ Benefits may also be paid under the Armed Forces Compensation Scheme, the Armed Forces Attributable Benefits Scheme 2010, or the War Pensions Scheme.

- **Dependant's benefits:** In the event of a member's death, eligible dependants, including a spouse, civil partner, eligible partner or eligible children, will receive benefits. These may consist of a tax-free lump sum and a taxable pension. A dependant's pension is payable for life, irrespective of remarriage or the forming of a new civil partnership or cohabitation. Dependants' pensions are only payable if the member has completed at least 2 years' qualifying service.⁷⁷
- **'Death in service' pension:** If the member dies in service, their spouse, civil partner or eligible partner will receive an immediate pension paid for life and a tax-free lump sum.⁷⁸
- **Pension increases:** Once the pension is in payment, it will increase annually in line with the Consumer Price Index (CPI) inflation.⁷⁹

2.5 Comparison of scheme benefits

Table 1 Armed Forces Pension Scheme benefits			
Benefit	AFPS 75	AFPS 05	AFPS 15
Basis of pension	Final salary	Final salary	Career average revalued earnings
Normal pension age	Age 55	Age 55	Age 60
Maximum pensionable service	Maximum pension can be earned after 34 years' pensionable service for officers and 37 years' pensionable service for other ranks	Maximum pension can be earned after 40 years' service	No maximum service

⁷⁶ Ministry of Defence, [Armed Forces Pension Scheme 2015: Your Pension Scheme Explained](#), May 2023, p11; Attributable benefits are also paid under the Armed Forces Compensation Scheme (AFCS), if ill-health is caused by service on or after 6th April 2005. If ill-health is caused by service before 6th April 2005, attributable ill-health benefits may be payable under the Armed Forces Attributable Benefits Scheme 2010 and the War Pensions Scheme.

⁷⁷ As above, p16

⁷⁸ As above, p17

⁷⁹ As above, p8

Lump sum entitlement	Tax-free lump sum	Tax-free lump sum	No automatic entitlement to a lump sum ⁸⁰
Early departure payment	No early departure payment scheme	Members who leave service before age 55 (but at least age 40) with at least 18 years' service can receive early departure benefits until they reach age 65, when they can then receive their deferred pension.	Members who leave service before age 60 (but at least age 40) with at least 20 years' service can receive early departure benefits until they reach State Pension age, when they can then receive their deferred pension.
Ill-health benefits	Members who leave the armed forces early due to ill-health or injury and have completed more than 2 years' pensionable service will receive an ill-health award. The type of benefits will dependent upon whether the ill-health is attributable or non-attributable to service.	Members who leave the armed forces early due to ill-health or injury and have completed more than 2 years' pensionable service will receive an ill-health award. The amount is based on a three-tier system.	Members who leave the armed forces early due to ill-health or injury and have completed more than 2 years' pensionable service may be entitled to ill health benefits. The amount is based on a three-tier system.
Dependant's benefits in the event of death for members with 2 years or more qualifying service (spouses and eligible partners)	A spouse, civil partner, or eligible partner will receive a pension and a lump sum. The pension may depend on whether the death was attributable to service.	A spouse, civil partner, or eligible partner will receive an immediate pension payable for life and a tax-free lump sum. For retired members, the death must be within 5 years of the pension coming into payment to qualify for the lump sum.	A spouse, civil partner, or eligible partner will receive an immediate pension payable for life and a tax-free lump sum. For retired members, the death must be within 5 years of the pension coming into payment to qualify for the lump sum.

⁸⁰ See [section 3.4](#) of this briefing for further information.

Dependant's benefits in the event of death with qualifying service (eligible children)	An eligible child receives a pension for as long as they remain eligible. ⁸¹	An eligible child receives a pension for as long as they remain eligible. ⁸²	An eligible child receives a pension for as long as they remain eligible.
Deferred/preserved pensions	For members who don't qualify for an immediate pension, a deferred or preserved pension is payable at age 60 for service before 6th April 2006, and age 65 for service post 6 April 2006.	Members who leave service before age 55 having completed at least 2 years' pensionable service, will be entitled to a preserved pension and a tax-free lump sum, which is payable at the age of 65.	Members who leave the armed forces before age 60 having completed at least two years' qualifying service will be entitled to a deferred pension, which is payable at State Pension age).
Pension increases	The pension will be a fixed sum until the member reaches age 55. At this point, it will be increased to take account of the total rise in the cost of living since the member's service ended. After age 55 it will increase annually in line with the CPI. For deferred pensions, the pension will be increased in line with CPI once in payment.	Once the pension is in payment, it will increase annually in line with CPI.	Once the pension is in payment, it will increase annually in line with CPI.

Source: Ministry of Defence, [Armed forces pensions](#), 22 May 2023

⁸¹ An eligible child is under 17 on the date of the member's death or is in full-time secondary education up to age 19, or is under the age of 23 in full time education or vocational training. Children, at any age, who are unable to obtain employment due to a physical or mental impairment, are also eligible. The child must also have a qualifying relationship to the member. See Ministry of Defence, [Armed Forces Pension Scheme 1975 \(JSP 854\)](#), April 2022, p14

⁸² An eligible child is under 18, and was financially dependent on the member upon the date of their death. Those under the age of 23 in full time education or training are also eligible, as are children, at any age, who are unable to obtain employment due to a physical or mental impairment. See Ministry of Defence, [Armed Forces Pension Scheme 2005: Your Pension Scheme Explained](#) [PDF], July 2020, p14. The same definition applies to AFPS 15.

3 Compensation schemes

The Ministry of Defence provides various compensation schemes for members in cases of injury or ill-health. Depending on the specific scheme and the severity of the injury, members may receive either or both a lump sum and a pension.

3.1 The War Pension Scheme

The War Pension scheme provides compensation for any injury, illness or death which was caused by service before 6 April 2005. This is separate to other armed forces pension schemes.

War pensions can be claimed at any time after leaving the armed forces, but the rules regarding the burden of proof are more restrictive if the claim is made more than seven years after leaving service, and an award will usually only start from the date of the claim.

The scheme is calculated on a percentage basis, relating to the severity of the disablement. Members with disablements of less than 20% receive a tax-free lump sum payment. Members with disablements of more than 20% receive a pension which is paid weekly or monthly.⁸³

War Widow(er)s' Pensions

A War Widow(er)'s Pension is paid to the surviving spouse or civil partner of someone whose death was due to, or hastened by, their military service. In some circumstances an unmarried partner can also qualify.

Further information is available in the Library briefing '[War widows' pensions](#)'.⁸⁴

3.2 The Armed Forces Attributable Benefits Scheme

The Armed Forces Attributable Benefits Scheme provides ill health benefits to those discharged from the armed forces on medical grounds. This must be

⁸³ Ministry of Defence and Veterans UK, [War Pension Scheme \(WPS\)](#), 7 November 2022

⁸⁴ Commons Library research briefing CBP-00568, [War widows' pensions](#)

due to an injury or illness caused by service on or before 5 April 2005. Eligible recipients are those who have been awarded a benefit under the War Pension Scheme and whose degree of disablement due to the disabling condition is 20% or more.⁸⁵ Recipients will receive a guaranteed minimum income according to the individual's rank and degree of disablement.⁸⁶

3.3 The Armed Forces Compensation Scheme (AFCS)

The Armed Forces Compensation Scheme was introduced on 6 April 2005 and compensates for injuries, illnesses or deaths caused by service from that date onwards.⁸⁷ The scheme rules are set out in The Armed Forces and Reserve Forces (Compensation Scheme) Order 2011.⁸⁸ The scheme is administered by Veterans UK, which is part of the Ministry of Defence.

The scheme provides lifetime survivors' benefits for a surviving spouse, civil partner or surviving adult dependant. A surviving adult dependant is someone who was living with the deceased in a substantial and exclusive relationship, was not prevented from forming a civil partnership with or marrying them and was financially dependent or interdependent on them.⁸⁹

See government guidance on the scheme '[Armed Forces Compensation Scheme \(AFCS\)](#)'.⁹⁰ Further information is available in the Library briefing '[The Armed Forces Compensation Scheme](#)'.⁹¹

⁸⁵ Ministry of Defence, [JSP 854 Armed Forces Pension Scheme 1975](#), [PDF] April 2022, p121

⁸⁶ Ministry of Defence, [JSP 765 Armed Forces Compensation Scheme Statement of Policy](#), [PDF], September 2023

⁸⁷ Ministry of Defence, [Guidance: Armed Forces Compensation Scheme \(AFCS\)](#), 7 November 2022

⁸⁸ The Armed Forces and Reserve Forces (Compensation Scheme) Order 2011 [SI 2011/517](#)

⁸⁹ Ministry of Defence, [JSP 756, Armed Forces Compensation Scheme – Statement of Policy](#), 6 November 2023

⁹⁰ Ministry of Defence, [Armed Forces Compensation Scheme \(AFCS\)](#), 7 November 2022

⁹¹ Commons Library research briefing CBP-7923, [Armed Forces Compensation Scheme](#)

4 Statistics on scheme membership

The AFPS is financed through the payment of employer contributions made in respect of serving members of the scheme. Employees do not make any contributions to the scheme. This differs from most other pension schemes which require both the employer and employee to contribute to the pension

4.1 Scheme membership

Due to the different schemes included in the AFPS, membership data is described as “member benefits” as individuals may be a member of more than one scheme.

The latest Armed Forces Pensions Schemes (AFPS) annual report shows that in 2023/24 there were:

- 260,650 active member benefits.
- 491,941 deferred member benefits (benefits for those who have left pensionable employment or decided to opt out of the scheme).
- 463,866 pensions in payment – 383,931 in relation to members and 76,804 for dependants.⁹²

4.2 Pension contributions

The AFPS employer contributions are set as a percentage of pensionable pay. Since April 2019, the employer contribution rate was 65.5% of pensionable pay. This was forecasted to rise to 73.5% of pensionable pay from 1 April 2024.⁹³

⁹² Ministry of Defence, [Armed Forces Pension Scheme annual accounts 2023 to 2024](#), 18 July 2024, p6

⁹³ As above, p11

4.3 Pension Payments

In 2023/24 AFPS pension payments totalled £5.7 billion, of which £5.1 billion were pension payments and £0.6 billion in lump sums and commutations.⁹⁴

The average annual pension payment in 2023/24 was around £11,000.

The AFPS is responsible for ensuring the scheme can meet future payments. The pension benefits that the scheme expects to pay in the future is known as the scheme liability. The AFPS makes provision for liabilities to pay pensions and other benefits in future years. The scheme liability as measured in 2023/24 was £114.1 billion.⁹⁵

⁹⁴ Ministry of Defence, [Armed Forces Pension Scheme annual accounts 2023 to 2024](#), 18 July 2024, p61; A 'commutation' is when a member surrenders part of their annual pension to create a tax-free lump sum. Members can take up to 25% of their pension benefits as a lump sum.

⁹⁵ As above, p60.

5 McCloud remedy

In 2018 the government was found to have discriminated against younger members of the judges' and firefighters' pension schemes.⁹⁶ The government accepted that the judgment, known as McCloud, would apply to all similar public service pension schemes, including the Armed Forces Pension Scheme.

To remedy the age discrimination which had taken place, the government made changes to the affected schemes. The remedy intends to put scheme members back into the same financial position as if the discrimination had not occurred.⁹⁷

5.1 Legal challenge: Lord Chancellor v McCloud and others

The government reformed public service pensions in 2014 and 2015 following a review into their long-term affordability.⁹⁸ A new Armed Forces Pension Scheme was introduced on 1 April 2015 (AFPS 15).

All serving members of the armed forces who were members of the Armed Forces Pension Scheme were automatically transferred to the new scheme unless they qualified for transitional protection. The government offered transitional protection to members who were within 10 years of their normal pension age on 1 April 2012.⁹⁹

This means that older scheme members who were closest to retirement were granted protections, whereas younger scheme members were placed in the newer AFPS 15.

The Court of Appeal ruled that younger members of the judges' and firefighters' pension schemes had been unlawfully discriminated against because these transitional protections did not apply to them in 2018.¹⁰⁰ As a result, the government accepted that the judgment would apply to all public service schemes which had similar arrangements protecting members closer to retirement from the reforms.¹⁰¹

⁹⁶ [The Lord Chancellor & Anor v McCloud & Ors \[2018\] EWCA CIV 2844](#)

⁹⁷ Ministry of Defence, [Retrospective Remedy FAQs](#), [PDF] accessed 5 November 2024, p2

⁹⁸ [Explanatory Notes to the Public Service Pensions Act 2013](#), para 3-5

⁹⁹ Ministry of Defence, [Armed Forces Pension Scheme 2015: new video launched](#), 8 September 2014

¹⁰⁰ [The Lord Chancellor & Anor v McCloud & Ors \[2018\] EWCA CIV 2844](#)

¹⁰¹ [HCWS 1275 15 July 2019](#)

For information on the legal challenges which led to the Court of Appeal ruling, see section 3 of the Library briefing '[Public service pensions: Response to McCloud](#)'.¹⁰²

5.2 The McCloud remedy

The remedy to McCloud is made up of two parts. For each scheme the retrospective remedy will address the discrimination which has already occurred, and the prospective remedy is intended to prevent further discrimination.

The prospective remedy

To prevent further discrimination, the main legacy schemes were closed to further pension accrual on 1 April 2022.¹⁰³ From this date, members who had previously been able to remain in these schemes were transferred to the AFPS 15 scheme.¹⁰⁴

The retrospective remedy

To remedy the discrimination which had occurred, affected AFPS members are able to choose which scheme they were a member of between 1 April 2015 and 31 March 2022.¹⁰⁵ This is known as the remedy period. The individual member's circumstance may determine whether they would receive better pension benefits in their legacy scheme or the AFPS 2015. Affected members will receive a remediable service statement (RSS) from the scheme which sets out both the value of the benefits in the legacy scheme and the 2015 scheme that were accrued during the remedy period.

All members will receive their RSS by 1 April 2025.¹⁰⁶

Further background to the McCloud remedy is available in the Library briefing '[Public service pensions – response to McCloud](#)'.¹⁰⁷

¹⁰² Commons Library research briefing CBP-9177, [Public service pensions – response to McCloud](#)

¹⁰³ Ministry of Defence, [Your 2015 Pension Remedy Explained](#), [PDF] October 2023, p3

¹⁰⁴ As above

¹⁰⁵ As above, p7

¹⁰⁶ As above

¹⁰⁷ Commons Library research briefing CBP-9177, [Public service pensions – response to McCloud](#)

5.3

Eligibility

The McCloud judgment and remedy applies both to younger members without transitional protections and older members with transitional protections.¹⁰⁸

Eligible members

Members need to have been in service on or before 31 March 2012 and not have a gap in service of more than five years to be eligible for the retrospective remedy to the discrimination which had already occurred.¹⁰⁹

Eligible members include active members who are still building up their pension, retired members, and deferred members who are no longer building up a pension but not yet retired (for example those who moved to another employer).

Ineligible members

The retrospective remedy does not apply to anyone with a disqualifying gap in their pensionable service of over five years or who joined after 31 March 2012 as they were not subject to the unlawful discrimination identified in the McCloud judgment.¹¹⁰ Transitional protection was not available to anyone joining a scheme after this date regardless of how close they were to their retirement age.¹¹¹

The government said it would not extend protection to those who could not reasonably have expected it and that the introduction of the reformed schemes had been well publicised at the time.¹¹²

5.4

Guidance

Guidance on the [2015 Pension Remedy](#) is provided by the Ministry of Defence, Veterans Advisory and Pensions Committee, and Veterans UK.¹¹³

¹⁰⁸ [Explanatory Notes to the Public Service Pensions and Judicial Offices Act 2022](#), paras 20-22

¹⁰⁹ [Public Service Pensions and Judicial Offices Act 2022](#), s 1, s 39, and s 77

¹¹⁰ As above

¹¹¹ [Public Service Pensions Act 2013](#), s 18

¹¹² HM Treasury, [Public service pension schemes: changes to the transitional arrangements to the 2015 schemes. Consultation](#), 19 July 2021, para 2.17

¹¹³ Ministry of Defence, Veterans Advisory and Pensions Committees and Veterans UK, [2015 Pension Remedy](#), accessed 4 December 2024

6 Armed forces pensions: policy background and discussion

6.1 Pre-1975 policy

Armed forces pensions can be traced back as far as 1831, although it was not until April 1975 when the [Social Security Act 1973](#) changed legislation requiring pensions to be paid for those who did not serve a full career.¹¹⁴

Prior to April 1975, members of the armed forces could qualify for an immediate pension after 22 years' service (or 16 years' service for officers). Pension benefits built up before 1975 are included in AFPS 75.

Those who left service before completing the required number of years had no entitlement to a pension, unless they were medically retired.¹¹⁵ Members who completed commissions or engagements for shorter periods were awarded a gratuity, as this service was on non-pensionable terms.¹¹⁶

Further information on preserved pension provisions for members of the armed forces is available in the Library briefing '[Armed Forces Pension Scheme - preserved pensions](#)'.¹¹⁷

6.2 Introduction of preserved pensions

The Social Security Act 1973 introduced for the first time, for those who left service after April 1975, a right to a preserved or 'deferred' pension.¹¹⁸ The Armed Forces Pension Scheme was introduced in 1972 but was amended in 1975 to incorporate preserved pension rights.¹¹⁹

¹¹⁴ [HC Deb, 19 June 2009, c. 589](#)

¹¹⁵ Gov.uk, [A Guide to Deferred and Preserved Pension Entitlement](#), [PDF] p4, accessed 9 January 2025

¹¹⁶ As above

¹¹⁷ Commons Library research briefing SN-01151, [Armed Forces Pension Scheme and preserved pensions](#), 13 August 2020

¹¹⁸ [Social Security Act 1973](#), s 63 and sch 16

¹¹⁹ For further background to the Social Security Act 1973 and the introduction of preserved occupational pensions, see [HC Deb 30 November 1971 vol 827 cc252-384](#); C.M Stewart, [Pension Problems and Their Solution](#), [PDF], 24 January 1983, p293 (accessed 8 November 2024); J.E Ager et al., Articles, [Papers and Publications of Actuarial Interest](#), [PDF], 1973, p98 (accessed 8 November 2024)

Expansion of preserved pension rights

Preserved pension rights were initially restricted to those who were over the age of 25 and had completed at least 5 years' pensionable service. The age requirement was subsequently removed, and the five-year period reduced to two.¹²⁰

Initially, preserved benefits to which the early leaver was entitled were set in terms of prices and earnings levels at the time of leaving but were paid at retirement age, by which time both might have changed considerably. Since 1986 there has also been a requirement to revalue preserved benefits in line with inflation up to a statutory limit.¹²¹ Revaluing involves increasing the value of preserved benefits in line with inflation. See the box below for an explanation on revaluation and indexation.

5 Revaluation and indexation

Revaluing preserved benefits involves increasing the value of the benefit in line with an inflation index. Since 2012 the government has used the Consumer Price Index (CPI) as the measure of prices used for setting the statutory minimum increase each year. Further information is available in the Library briefing [Occupational pension increases](#).¹²²

Each change to the provisions covering preserved benefits only applied to those who left after the change in the legislation and, in some cases, only applied to rights which accrued from the date of the legislation coming into force.¹²³ Further information on the principle of non-retrospection is available in [section 7.5](#).

The Ministry of Defence has produced a factsheet to explain the history of entitlement to preserved pensions in the scheme.¹²⁴

Campaigns to extend entitlement for pre-1975 service

There have been several campaigns to extend entitlement to a preserved pension to those who left before April 1975.¹²⁵

¹²⁰ [Social Security Act 1985](#), pt 1; [Social Security Act 1986](#), section 10

¹²¹ [Pension Schemes Act 1993](#), s 84 as amended by [Social Security Act 1985](#), s 2 and sch 1

¹²² Commons Library research briefing SN-05656, [Occupational pension increases](#)

¹²³ There is a more detailed history of provision for early leavers in chapter 4.7 of the Report of the Pension Law Review Committee, *Pension Law Reform*, Cm 2342, September 1993

¹²⁴ MoD, [Armed Forces Pension Schemes \(AFPS\) – Deferred Pensions](#), [PDF], accessed 8 November 2024

¹²⁵ [EDM-244, of 2001-02 session \(Armed Forces Pension Group\)](#). Tabled on 16 October 2001; British Armed Forces Federation, [The 'Pre-1975 service pensions injustice'](#), 22 January 2009 (accessed 11

In 2003, the Armed Forces Pension Group pursued a legal challenge against the government regarding preserved pensions for pre-1975 leavers. However, this was unsuccessful in the High Court, the Court of Appeal, and the European Court of Human Rights.¹²⁶ The court concluded that, despite their “undoubted sense of grievance”, the pre-1975 leavers did not have a remedy in law.¹²⁷

Successive governments have argued that it is a long-standing principle that improvements to public service schemes are not applied retrospectively, and that such change would be prohibitively expensive.¹²⁸

See [section 7.5](#) for further information on the principle of non-retrospection.

6.3

Introduction of AFPS 05

Review of AFPS 75, 2001-2003

In March 2001, the Labour government published a consultation on a review of the AFPS 75.¹²⁹ This identified that some of the scheme’s features were “inconsistent with other public sector schemes” and that some provisions “fell short of best practice in modern pension schemes generally.”¹³⁰ For example, benefits were linked to the representative rate of pay for each rank, rather than an individual’s actual earnings, and the qualifying age for pensionable service differed between ranks.¹³¹

Proposals for the new scheme were published in October 2003. Measures included:

- using individual earnings to calculate pension benefits, rather than a “representative” rate of pay;
- pensionable service would start from the first day of service, rather than from age 21 for officers and 18 for other ranks;
- accrual would be the same for officers and other ranks and would be even throughout service;

November 2024); Combined Armed Forces Federation UK, [Our Mission](#) (accessed 11 November 2024); 38 Degrees, [Equal pension rights for Veterans of His Majesty’s Forces](#), (accessed 11 November 2024)

¹²⁶ For further information, see [HC Deb 31 January 2007, c 338](#)

¹²⁷ [Hudson & Ors v HM Treasury & Anor, Court of Appeal, 4 November 2003](#)

¹²⁸ [HC Deb 25 March 2024, vol 747, 902193](#); [HC Deb 16 March 2015 c188WH](#); [HC Deb 2 February 2007, c551w](#)

¹²⁹ Ministry of Defence, [The Armed Forces Pension Scheme Review: a consultation document](#), [PDF] March 2001

¹³⁰ As above, para 3.1

¹³¹ As above, para 3.2-3

- instead of an Immediate Pension available from, at the earliest, age 38 for officers and age 40 for other ranks, there would be a system of Early Departure Payments to those leaving after age 40 with at least 18 years' service, regardless of rank;
- reform of ill-health benefits, with the introduction of a three-tier system, dependent on the seriousness of the disability;
- improvements to survivors' benefits, including an increased death in-service lump sum.¹³²

The measures were taken forward in the AFPS 05, introduced for new entrants from April 2005. For further discussion of the introduction of AFPS 05, see the Library briefing '[Armed forces pension reform, 1995 – 2005](#)' (7 September 2015).¹³³

6 Armed Forces' Pay Review Body

The Armed Forces' Pay Review Body (AFPRB) was established in 1971 to provide independent advice to the Prime Minister and Secretary of State for Defence on remuneration and charges for members of the armed forces.¹³⁴ In setting pay, it takes account of the value of the pension scheme.

In April 2004, the then Parliamentary Under-Secretary of State for Defence, Ivor Caplin, announced that the AFPRB would be responsible for “externally validating” the provisions of the AFPS against other pension schemes to ensure the scheme met the recruitment and retention needs of the armed forces.¹³⁵

The AFPRB's first assessment of the AFPS 05 was published in 2011. It concluded that the scheme compared favourably with other public and private sector pension schemes, and that whilst it had not been a strong recruitment tool in the past, the benefits were a “very powerful” retention tool.¹³⁶

¹³² The 'Framework Document for the new Armed Forces Pension Scheme, October 2003 (Dep 03/2568)' is discussed in Defence Committee, [Armed Forces Pensions and Compensation](#), 10 December 2003

¹³³ Commons Library research briefing SN-05892, [Armed forces pension reform, 1995 – 2005](#), 24 August 2015.

¹³⁴ Armed Forces' Pay Review Body, [AFPRB 23rd report \(1994\)](#), [PDF], piii

¹³⁵ [HC Deb, 30 April 2004, c66WS](#): The AFPRB provides independent advice to the Prime Minister and Secretary of State for Defence on remuneration and charges for members of the armed forces. In setting pay, it takes account of the value of the pension scheme.

¹³⁶ Armed Forces' Pay Review Body, [AFPRB 40th report \(2011\)](#), para 6.54; See also Pensions Policy Institute, [An assessment of the Government's reforms to public sector pensions](#), 16 October 2008

6.4

Introduction of AFPS 15

The Independent Public Service Pensions Commission

In 2010, the coalition government established the Independent Public Service Pensions Commission, chaired by Lord Hutton (former Labour Work and Pensions Secretary of State) to review the structure of public service pensions.¹³⁷

Interim Report

In its interim report, the commission stated that long-term structural reform of public service pensions was needed.¹³⁸

The commission concluded that an increase in member contribution rates was the most effective way of making short-term savings. However, it did not recommend introducing contribution rates for the armed forces (members of the armed forces do not pay contributions to their occupational pension scheme).¹³⁹

Commenting on the AFPS 05, the review found that expected savings from the reforms would build up over time, but that due to protections for existing members, it would be “some time” before the impact of the reforms are reflected in the employer contribution rates.¹⁴⁰

In response to the commission’s interim report, the government said it intended to introduce “progressive” increases to employee contributions from April 2012, to be phased in from April 2012. However, the armed forces would be exempt from this. In May 2011, the government said that the scheme would remain non-contributory, but that this was likely to be reviewed with the introduction of future schemes.¹⁴¹

Final Report

The main recommendation of the commission’s final report, published on 10 March 2011, was that members of the current public service schemes should be moved to the new schemes for future service, with pension benefits based on career average earnings rather than final salary.¹⁴² It also recommended that the government consider setting a new normal pension age of 60 across

¹³⁷ National Audit Office, [Public Service Pensions](#), 19 March 2021

¹³⁸ HM Treasury, [Independent Public Service Pensions Commission: Final Report](#), 10 March 2011, Ex. 26

¹³⁹ HM Treasury, [Independent Public Service Pensions Commission: Interim Report](#), [PDF] 7 October 2010, p4, (accessed 12 November 2024); The AFPS is non-contributory for members, for more information, see Armed Forces’ Pay Review Body, [Thirty-sixth report 2007](#), March 2007, p10

¹⁴⁰ HM Treasury, [Independent Public Service Pensions Commission: Interim Report](#), [PDF] 7 October 2010, para 2.8-10, (accessed 12 November 2024)

¹⁴¹ Ministry of Defence, [The Armed Forces Covenant: Today and Tomorrow](#), [PDF], May 2011, p54

¹⁴² HM Treasury, [Independent Public Service Pensions Commission: Final Report](#), 10 March 2011, recommendations 5 and 7

the uniformed services, including police and the armed forces, and to keep this under regular review.¹⁴³

These recommendations were incorporated into the introduction of the AFPS 15.

2012 consultation on AFPS 15

In 2012, the Ministry of Defence consulted on the design of the new AFPS.¹⁴⁴ The consultation was based on the recommendations of Lord Hutton's final report and reflected the concern that public service pension schemes should be "affordable, sustainable and fair."¹⁴⁵

As part of the consultation, the government committed to protecting the pension benefits of existing scheme members and confirmed that the new scheme would remain non-contributory for members.¹⁴⁶

Transitional protections

The consultation included provisions for transitional protections for members closest to retirement.¹⁴⁷ This meant that scheme members who were within 10 years of their Normal Pension Age (NPA) on 1 April 2012 were allowed to stay in their current pension scheme.

Transitional protections were included in the new scheme, AFPS 2015, and were later the subject of an age discrimination legal challenge. See [section 6](#) for further information.

For further discussion of the introduction of AFPS 15, see section 3 of the Library briefing '[Armed forces pensions – 2015](#)' (24 August 2015).¹⁴⁸

6.5

Principle of non-retrospection

Successive governments have maintained a policy of non-retrospection towards changes in public service pension provisions. The basis for this position is that retrospective changes would be prohibitively expensive.

Speaking in May 1991, then Minister of State for the Armed Forces, Archie Hamilton, suggested that the policy of non-retrospection applies to the armed forces scheme as it does in other occupational pension schemes:

¹⁴³ HM Treasury, [Independent Public Service Pensions Commission: Final Report](#), 10 March 2011, p112, recommendation 14

¹⁴⁴ Ministry of Defence, [The New Armed Forces Pension Scheme: Initial Consultation](#), [PDF], March 2012, p3

¹⁴⁵ As above, foreword

¹⁴⁶ As above

¹⁴⁷ As above, p11

¹⁴⁸ Commons Library research briefing SN-05891, [Armed forces pensions – 2015](#), 24 August 2015.

As an occupational pension scheme, the armed forces scheme is managed in accordance with the same principles which apply to such schemes in general. There are two important and allied points. First, entitlements under the scheme are, for any individual and through him his dependants, derived from the rules of the scheme which were in force at the date of his retirement. Secondly, when rules are changed, those changes do not apply to those who are no longer serving at the time when they are brought into effect.¹⁴⁹

The minister also explained that retrospective changes would prevent future improvements to the scheme provisions:

As I mentioned earlier, improvements must be paid for. If we had applied every improvement retrospectively, the costs involved would have been significantly greater and it is unlikely that we would have been able to reach the standard which exists today.¹⁵⁰

This approach has been maintained through successive governments, citing the fact that retrospective changes to the armed forces would also trigger changes to their approach to other public service pension schemes and that the issue had been unsuccessfully tried in the courts.¹⁵¹

The coalition government did go on to make some very limited exceptions to the principle of non-retrospection. This was for a group of widows who would otherwise lose their survivors' pension on remarriage. This was in recognition of "the difficulties many partners of armed forces personnel face in earning their own occupational pensions, often due to having to relocate their homes within in the UK as well as overseas."¹⁵² This exception was later extended to survivors of police officer and firefighters who died in the course of duty.¹⁵³

¹⁴⁹ [HC Deb 23 May 1991 c 1124](#)

¹⁵⁰ [HC Deb 23 May 1991 c 1125](#)

¹⁵¹ [HC Deb 30 October 2001 c 563W](#); [HC Deb, 31 January 2007, c 338](#); See also [HC Deb 30 October 2001 c 563W](#): PQ 145123 [on [Pensions: War Widow\(er\)s](#)], answered 8 February 2021

¹⁵² Ministry of Defence, [Pensions for life for surviving spouses and civil partners of personnel](#), 8 November 2014; The Naval, Military and Air Forces Etc. (Disablement and Death) Service Pensions (Amendment) Order 2015 [SI 2015/208](#)

¹⁵³ The Police Pensions and Police (Injury Benefit) (Amendment) Regulations 2015 [SI 2015/2057](#)

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