

Please note: all the names and figures in this report are fictitious and are included only to illustrate how the data could be laid out in your report.

### *Remuneration Policy*

The remuneration of senior civil servants is set by the Prime Minister following independent advice from the Review Body on Senior Salaries.

The Review Body also advises the Prime Minister from time to time on the pay and pensions of Members of Parliament and their allowances; on Peers' allowances; and on the pay, pensions and allowances of Ministers and others whose pay is determined by the Ministerial and Other Salaries Act 1975.

In reaching its recommendations, the Review Body is to have regard to the following considerations:

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- regional/local variations in labour markets and their effects on the recruitment and retention of staff;
- Government policies for improving the public services including the requirement on departments to meet the output targets for the delivery of departmental services;
- the funds available to departments as set out in the Government's departmental expenditure limits;
- the Government's inflation target.

The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations.

Further information about the work of the Review Body can be found at [www.ome.uk.com](http://www.ome.uk.com).

### *Service Contracts*

Civil service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointment to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made.

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Emily Evans was appointed on a three year contract commencing on 1 March 2004.

Further information about the work of the Civil Service Commissioners can be found at [www.civilservicecommissioners.gov.uk](http://www.civilservicecommissioners.gov.uk).

## Salary and pension entitlements

The following sections provide details of the remuneration and pension interests of the Ministers and most senior officials of the department.

### Remuneration

Ministers	Salary £	2006-07		2005-06	
		Benefits in kind (to nearest £100)	Salary	Benefits in kind (to nearest £100)	Salary
Rt Hon Alan Brown MP <i>Secretary of State</i>	75,651	7,600	74,902	7,500	
Caroline Dennis MP <i>Minister of State</i>	39,243	-	38,854	-	
Baroness Fletcher <i>Minister of State</i>	80,176	-	59,373 <sup>1</sup>	-	
Elena Fowler MP <i>Minister of State</i> <i>(to 7 June 2003)</i>	7,419 <sup>2</sup>	-	38,854	-	
George Hooper MP <i>Minister of State</i> <i>(from 8 June 2003)</i>	31,824 <sup>3</sup>	-	N/A	N/A	

<sup>1</sup> Figure quoted is for the period 1 July 2006 to 31 March 2007. The full year equivalent is £79,382.

<sup>2</sup> Figure quoted is for the period 1 April 2006 to 7 June 2006. The full year equivalent is £39,243.

<sup>3</sup> Figure quoted is for the period 8 June 2006 to 31 March 2007. The full year equivalent is £39,243.

<b>Officials</b>	Salary £'000	2006-07	2005-06	Benefits in kind (to nearest £100)
		Benefits in kind (to nearest £100)	Salary £'000	
Sir Humphrey Appleby <i>Permanent Secretary</i>	130-135	3,900	125-130	3,800
Mr Bernard Bear <i>Director</i>	105-110	500	100-105	500
Miss Caroline Cook <i>Director</i>	95-100	-	90-95	-
Miss Kala Krishnan <i>Director</i>	75-80	-	5-10  <i>(75-80 full year equivalent)</i>	-
Mrs Fiona Fanshaw <i>Director</i>	75-80	-	75-80	-
Mr Harold Smith-Bean <i>Director</i> (until 29 February 2005)	65-70  <i>(75-80 full year equivalent)</i>	-	75-80	-
Mrs Emily Evans <i>Director</i> (from 1 March 2005)	5-10  <i>(75-80 full year equivalent)</i>	-	N/A	N/A

### **Salary**

'Salary' includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation.

This presentation is based on payments made by the Department and thus recorded in these accounts. In respect of ministers in the House of Commons, departments bear only the cost of the additional ministerial remuneration; the salary for their services as an MP (£60,277 from 1 November 2006, £59,686 from 1 April 2006, 2005-06 £59.095) and various allowances to which they are entitled are borne centrally. However, the arrangement for ministers in the House of Lords is different in that they do not receive a salary but rather an additional remuneration, which cannot be quantified separately from their ministerial salaries. This total remuneration, as well as the allowances to which they are entitled, is paid by the department and is therefore shown in full in the figures above.

### **Benefits in kind**

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Revenue as a taxable emolument. The Rt Hon Alan Brown MP received living accommodation provided at public expense and chargeable to tax under s163 of the Income and Corporation Taxes Act 1988. Sir Humphrey Appleby and Mr Bernard Bear had the private use of an allocated car in the circumstances permitted by the Civil Service Management Code.

## Pension Benefits

Ministers	Accrued pension at age 65 as at 31/3/07	Real increase in pension at age 65	CETV at 31/3/07	CETV at 31/3/06	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Rt Hon Alan Brown MP <i>Secretary of State</i>	5-10	0-2.5	112	91	12
Caroline Dennis MP <i>Minister of State</i>	0-5	0-2.5	18	13	3
Baroness Fletcher <i>Minister of State</i>	0-5	0-2.5	23	9	8
Elena Fowler MP <i>Minister of State (to 7 June 2006)</i>	0-5	0-2.5	18	17	1
George Hooper MP <i>Minister of State (from 8 June 2006)</i>	0-5	0-2.5	4	0	4

## Ministerial pensions

Pension benefits for Ministers are provided by the Parliamentary Contributory Pension Fund (PCPF). The scheme is statutory based (made under Statutory Instrument SI 1993 No 3253, as amended).

Those Ministers who are Members of Parliament may also accrue an MP's pension under the PCPF (details of which are not included in this report). The arrangements for Ministers provide benefits on an 'average salary' basis, taking account of all service as a Minister. The accrual rate has been 1/40th since 15 July 2002 (or 5 July 2001 for those that chose to backdate the change) but Ministers, in common with all other members of the PCPF, can opt for a 1/50th accrual rate and a lower rate of employee contribution.

Benefits for Ministers are payable at the same time as MP's benefits become payable under the PCPF or, for those who are not MPs, on retirement from ministerial office from age 65. Pensions are increased annually in line with changes in the Retail Prices Index. Members pay contributions of 6% of their ministerial salary if they have opted for the 1/50th accrual rate.

Those members who have opted for the 1/40th accrual rate are required to pay an increased contribution. The rate was increased from 9% to 10% from 1 April 2004. There is also an employer contribution paid by the Exchequer representing the balance of cost. This is currently 26.8% of the ministerial salary.

The accrued pension quoted is the pension the Minister is entitled to receive when they reach 65, or immediately on ceasing to be an active member of the scheme if they are already 65.

## The Cash Equivalent Transfer Value (CETV)

This is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. It is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total ministerial service, not just their current appointment as a Minister. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

## The real increase in the value of the CETV

This is the increase in accrued pension due to the Departments contributions to the PCPF, and excludes increases due to inflation and contributions paid by the Minister and is calculated using common market valuation factors for the start and end of the period.

Officials	Accrued pension at age 60 as at 31/3/07 and related lump sum	Real increase in pension and related lump sum at age 60	CETV at 31/3/07	CETV at 31/3/06	Real increase in CETV	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	Nearest £100
Sir Humphrey Appleby <i>Permanent Secretary</i>	55-60 plus lump sum of 165-170	2.5-5 plus lump sum of 7.5-10	983	887	51	-
Mr Bernard Bear <i>Director</i>	50-55	2.5-5	680	605	37	-
Miss Caroline Cook <i>Director</i>	15-20 plus lump sum of 55-60	0-2.5 plus lump sum of 5-7.5	332	289	30	-
Miss Kala Krishnan <i>Director</i>	0-5	0-2.5	16	1	12	-
Mrs Fiona Fanshaw <i>Director</i>	-	-	-	-	-	11,600
Mr Harold Smith-Bean <i>Director</i> (until 29 February 2006)	35-40 plus lump sum of 115-120	7.5-10 plus lump sum of 22.5-25	614 <sup>4</sup>	467	121	-

<sup>4</sup> CETV at 29/2/07, Mr Smith-Bean received an early retirement package under the terms of the Civil Service Compensation Scheme which enhanced the value of his pension.

Mrs Emily Evans <i>Director</i> <i>(from 1 March 2006)</i>	25-30 plus lump sum of 80-85	0-2.5 plus lump sum of 2.5-5	410	397 <sup>5</sup>	1	-
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### Civil Service Pensions

Pension benefits are provided through the CSP arrangements. From 1 October 2002, civil servants may be in one of three statutory based 'final salary' defined benefit schemes (classic, premium, and classic plus). The Schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, and classic plus are increased annually in line with changes in the Retail Prices Index. New entrants after 1 October 2002 may choose between membership of premium or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium and classic plus. Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum (but members may give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per classic.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach 60, or immediately on ceasing to be an active member of the scheme if they are already 60.

Further details about the CSP arrangements can be found at the website [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)

### Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the CSP arrangements and for which the Cabinet Office's Civil Superannuation Vote has received a

<sup>5</sup> CETV at 1/3/07

transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

**Real increase in CETV**

This reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.