



Employer Pensions Notice

EPN 156

Departmental Resource Accounts

Disclosure of salary and pension information for 2006-07

Audience This Notice will be of particular interest to:

- **Finance Directors and Managers involved in the preparation of resource accounts.**

Action Replace chapter 13 of the Employers' Pension Guide (EPG) with the attached pages.

Timing You should use this guidance when you prepare the resource accounts for 2006-07.

The Remuneration Report

1. Resource accounts from 2005-06 onwards must include a separate "Remuneration Report". This contains all the information about the pay and pension packages of Ministers and the senior management team previously contained in a note to the accounts. These requirements have been agreed by the Treasury following the guidance of the Financial Reporting Advisory Board.

2. The Remuneration Report should also include information about your remuneration policy; the service contracts offered to senior staff and compensation payable on early severance or early retirement. In most cases, you will only need to describe these in general terms.

3. We attach Annexes 13A and 13B of the EPG which are the forms you can send to obtain the pension information you require for your accounts.



4. We attach an example of what a Remuneration Report could look like at Annex 13C. You should ensure that the text describes the policies relevant to you, although you should not make changes to the notes explaining pension benefits without the agreement of Civil Service Pensions Division.

5. You should send your request for the required pension information to your APAC as soon as possible so that they can ensure they have all the data they need on the individuals concerned. However you should be aware that your APAC will not be able to complete the calculations before 2 March 2007. It may be advisable to discuss with your APAC when your figures will be available.

Disclosure of personal information

6. Based on legal opinion obtained by the Cabinet Office at the time of the initial introduction of the requirement to disclose salary and pension information for named individuals, the FReM (and the RAM before it) noted that the individuals affected would need to give their consent to the information being disclosed. This was to avoid offending the provisions of the Data Protection Act regarding the disclosure of personal information.

7. However, a recent decision by the Information Commissioner has clarified that prior consent is not required. The decision was based on a case brought against a Health Trust in Northern Ireland under the Freedom of Information Act, but is also relevant in England and Wales, although not in Scotland. In brief, the Trust argued that it was not required to disclose information under the Freedom of Information Act about an individual's salary and pension as the individual had withheld consent and the information was not given in the accounts. A copy of the decision can be obtained from www.ico.gov.uk/upload/documents/decisionnotices/2006/decision_notice_fs50093734.pdf.

8. The Commissioner held that although the data is "personal data" under the Data Protection Act 1998 ("DPA"), it is not exempt information under section 40(2) of the Freedom of Information Act 2000 as none of the data protection principles would be breached by its release. As a result, entities are entitled to publish details of salary and pension entitlements of staff without their prior consent.

9. However, there is an exception – an individual would need to give consent if publication would prejudice his/her rights, freedoms or legitimate interests (as this would lead to the 6th condition in Sch 2 to the DPA not being met, and therefore a breach of the 1st Data protection principle), or where publication would cause or be likely to cause substantial damage or substantial distress to the individual or another and that damage or distress would be unwarranted (section 10 of the DPA). If a member states that publication would prejudice his/her rights, freedoms or legitimate interests then you must decide whether to accept this statement. If you decide not to publish details in a particular case then this may be challenged under the Freedom of Information Act.

10. You should advise the individuals concerned that details of their salary and pension entitlements will be published unless the individual can make a case for non-disclosure based on the criteria described in paragraph 8. However, where already agreed, disclosures need not be made where national security is involved or in cases where an individual's personal safety may be in danger, the amendments to the FreM will continue to allow non-disclosure in these circumstances.

11. As a result of this decision, references in the FreM to the need to obtain prior consent can be omitted, and (except in the circumstances noted above) employees will have to argue the case for non-disclosure.

12. Should there be a successful appeal against, or further consideration of the Information Commissioner's decision, further guidance will be issued.

Disclosure of other pension information

13. You should continue to disclose the information about retirement benefits, required by section 6.5 of the FreM, as a note to the resource accounts.

Reference This document replaces EPN 141

Contacts Enquiries about content, distribution or to receive in a different format

employerhelpdesk@cabinet-office.x.gsi.gov.uk

01256 846414

Employer Helpdesk, Civil Service Pensions, Grosvenor House, Basing View Basingstoke, RG21 4HG

You can find copies of all current EPNs and forms and a copy of the Employers' Pension Guide (EPG) on our website.

www.civilservice-pensions.gov.uk in the Employer and APACs section
username **employers** password **mc2fxqfy**

13.1

Resource Account Disclosure 2006-07

What is disclosure?

13.1.1 It is the publication of details of the salary and pension details of your senior management.

13.1.2 When you prepare resource accounts, you should apply the principles of transparency and openness. To achieve transparency and openness our accounting practices should reflect those used in the private sector. The Directors of the UK's largest companies must disclose the salary, pension and other benefits they receive. These requirements are the basis of what we require Civil Service Departments and Agencies to disclose.

Who is subject to disclosure?

13.1.3 You must disclose salary and pension information on all departmental ministers and members of the senior management team.

13.1.4 The senior management team will probably be your Management Board or a similar group of senior officials. You should find out who is included because each department or agency is responsible for deciding which posts are covered by the disclosure requirements.

13.1.5 You do not need the consent of the individual concerned in order to publish their personal details.

Important Reminder

Even though an individual's consent is not required you must provide them with the information that you intend to disclose so that they can understand it and, if necessary, query any inaccuracies. The member can also claim that publication would prejudice his/her rights, freedoms or legitimate interests. If you accept this claim then you should not publish the relevant information about that individual. Please note that you can be challenged under the Freedom of Information Act if you decide not to publish information about an individual.

What disclosure is required?

13.1.6 You should disclose the following information in a Remuneration Report:

- **Salary for 2006-07 & 2005-06**

You should include as salary: gross salary; performance pay or bonuses; overtime; London weighting or allowances; recruitment and retention allowances; private office allowances; ex-gratia payments; and any other taxable allowances or payments.

The payment of legitimate expenses is not part of salary.

Figures regarding Ministers' salaries are already available to the public and you should disclose them to the nearest £1.

For senior management these figures are not generally available to the public and you should disclose them in bands of £5,000.

- **Benefits in kind for 2006-07 & 2005-06**

You should include as “benefits in kind” any taxable benefits that are not given to the individual as cash. The most common taxable benefit is the provision of an allocated car. Most civil servants do not receive benefits in kind.

The payment of legitimate expenses is not a benefit in kind.

You should disclose these figures to the nearest £100.

- **Accrued pension and lump sum as at 31/3/07**

You should disclose the pension that the individual would receive if 31/3/07 were their last day in service. If the member is in **premium** then they will not receive an automatic lump sum and therefore there is no lump sum to disclose.

The accrued pension and lump sum includes any benefits that have accrued from the individual buying added years or transferring in benefits from another scheme.

If a member has a preserved award from previous civil service employment, you should only include this in the various pension calculations, when the member has opted to aggregate this preserved award with their current award. Where this results in a significant increase in the pension information you disclose in the accounts (for example, when the member finally retires), you should include a suitable explanation for the increase in the notes to the accounts.

You should disclose the accrued pension and lump sum in bands of £5,000.

- **Real increase in pension and lump sum**

This is the increase in the value of the pension over the year after considering the effect of inflation.

Ministers and members of **premium** do not automatically receive a lump sum and so you do not disclose one.

Members of **classic** and **classic plus** receive an automatic lump sum, which you should disclose.

You should disclose the real increase in pension and lump sum in bands of £2,500.

- **Cash Equivalent Transfer Value (CETV) as at 31/3/06 and 31/3/07.**

This is the capital value of the pension and is calculated using guidance provided by the scheme actuary. It is an assessment of what it costs the scheme to provide these pension benefits.

You should disclose these figures to the nearest £1,000.

- **Real increase in CETV**

This is the increase in the CETV over the year after the effects of inflation, investment returns and contributions by the member have been taken into account.

You should disclose these figures to the nearest £1,000.

Form of disclosure

13.1.7 We have included an example of a Remuneration Report at Annex 13C. Where an individual has a non-standard pension arrangement (e.g. accelerated accrual), you should disclose this in the report.

Obtaining the information

13.1.8 You should obtain information on salary and benefits in kind from your records.

13.1.9 You should approach:

- the House of Commons (HoC) Pensions Unit for pension information relating to Ministers; and
- your APAC for the pension information relating to senior civil servants.

We have provided the HoC Pensions Unit and each **APAC** with guidance on how to calculate the figures you will need.

13.1.10 You should send the Request for Information form (DRADISC –CS) to your APAC for disclosure information for civil servants. You will find this form at Annex 13A.

Important Reminder

Your APAC will not be able to calculate all the disclosure figures until after 2 March 2007. The figures for anyone who started working for you late in the reporting year may be delayed while your APAC obtains the relevant data.

13.1.11 If you have any civil servants who are members of the Supplementary Scheme then your APAC will provide information about the main scheme benefits, but you must also contact **CSPD**. **CSPD** will then liaise with your **APAC** to provide you with the information appropriate to Supplementary Scheme membership; you should add this to information provided by the **APAC** and then disclose the total amount.

13.1.12 You should send the Request for Information form (DRADISC – MIN) to:

millerir@parliament.uk

You can find this form at Annex 13B.

You can also download a copy of the forms at Annexes 13A and 13B from the Employers' section of our website –www.civilservice-pensions.gov.uk

Ministers and senior managers who are not in post for the whole reporting year

13.1.13 When you are preparing your Remuneration Report, you may find that you have individuals covered by the report who were appointed during the reporting year. You may also have individuals who left during the reporting year. You should disclose the date of appointment, or last day of service as appropriate.

13.1.14 You should only disclose the pay, benefits in kind and pension information that relate to the period during which they were in a post subject to disclosure. However, you should also disclose the full year equivalent of the salary. The following example illustrates this point:

A civil servant joins the senior management team (SMT) from within the department on 1 July 2006. Between 1 July 2006 and 31 March 2007, they received a salary of £90,000. You should disclose the salary of £90,000 in the Remuneration Report, that this was only for 9 months, and that the full year equivalent is £120,000. You should not disclose the salary they received before 1 July 2006.

You should still disclose the CETV for 31 March 2007, which is the end of the reporting period. However, you should disclose the CETV at 30 June 2006 (which is the value immediately before the individual joins the SMT) rather than 31 March 2006.

If the individual was subject to disclosure in their previous post then the opening figure in your accounts should match the closing figure in their previous employer's accounts.

13.1.15 The example Remuneration Report at Annex 13C, includes Ministers and senior managers who do not serve throughout the accounting period. In these examples, we use two different ways in which you can disclose the full year equivalent of the salary. Both the methods illustrated are acceptable but you should be consistent throughout your report.

Compensation payments

13.1.16 You do not need to disclose compensation paid to a member if this is paid through the Civil Service Compensation Scheme. You should disclose that they have received compensation through the scheme. The example Remuneration Report, at Annex 13C, includes an individual who leaves with an early retirement package.

Important Note:

A member who leaves on early retirement terms may be able to choose how their benefits are structured. Their decision can materially affect the value of the benefits disclosed in the remuneration report.

13.1.17 If you make other payments to the individual, such as an ex-gratia payment, then this should be included in the total disclosed for salary.

partnership pension accounts

13.1.18 If a member of the senior management team has opted to have a **partnership** pension account rather than joining the pension scheme then you should disclose this in the Remuneration Report.

13.1.19 You should ask your payroll provider to calculate the total contributions paid to the **partnership** pension provider. You should disclose this figure in the Remuneration Report to the nearest £100. The example Remuneration Report at Annex 13C, includes an individual who has opted for a **partnership** pension.

Departmental staff

13.1.20 You should include a note in your departmental resource accounts that contains:

- the contributions you have paid to the PCSPS;
- the contributions you have paid to **partnership** pension providers during the reporting year;
- the contributions you are due to pay to **partnership** pension providers at the end of the reporting year;
- the contributions you paid to **partnership** pension providers during the reporting year that you did not need to pay until after the end of the reporting year.

13.1.21 We suggest that you base this note on the following example:

'The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but (insert employer's name) is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2003. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2006-07, employers' contributions of £XXXX were payable to the PCSPS (2005-06 £XXXX) at one of four rates in the range 17.1% to 25.5 % of pensionable pay, based on salary bands (the rates in 2005-06 were between 16.2% and 24.6%). The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. From 2007-08, the salary bands will be revised but the rates will remain the same.

The contribution rates are set to meet the cost of the benefits accruing during 2006-07 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a **partnership** pension account, a stakeholder pension with an employer contribution. Employers' contributions of £XXXX were paid to one or more of a panel of three appointed **stakeholder** pension providers. Employer contributions are age-related and range from 3 to 12.5 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £XXXX, 0.8 per cent of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the **partnership** pension providers at the balance sheet date were [insert figure]. Contributions prepaid at that date were [insert figure].'

Ill-health retirement

13.1.22 You should disclose details of the number and total additional accrued pension liabilities, payable by the **CSP arrangements** for individuals who retired early on health grounds during the year, in the notes to the departmental resource accounts.

13.1.23 You do not need to calculate a precise figure for the additional accrued pension liabilities. You should calculate the difference between the pension the member received after retiring on ill-health grounds and the pension they would have received had

they resigned on that date. The following is an example.

Mr A, a **classic member**, retired early, with a service enhancement of 5.6 years, and was earning £30,000 a year when he left.

Mrs B, a **classic member**, retired early, with a service enhancement of 6.3 years, and was earning £40,000 a year when she left.

Mrs C, a **premium member**, retired early, with a service enhancement of 8.7 years, and was working part time, her full time equivalent salary was £20,000 a year when she left.

To calculate the additional pension liabilities:

A $5.6/80 \times £30,000 = £2,100$

B $6.3/80 \times £40,000 = £3,150$

C $8.7/60 \times £20,000 = £2,900$

Your note would then read:

'Three individuals retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £8,150.'