



# Employer Pensions Notice

## EPN 240

### Departmental Resource Accounts

### Disclosure of salary, pension and compensation information for 2008-09

**Audience** This Notice will be of particular interest to:

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

**Action**

- **Please give a copy of this document to each member of staff that is involved in the preparation of the remuneration report in your Annual Resource Accounts 2008-09**
- **Ensure that they read and understand the whole of this document**

**And:**

- Send the note at Annex 13D to all senior management who are reported on in departmental remuneration reports. This does not include Ministers
- Replace chapter 13 of the Employers' Pension Guide (EPG) with the attached pages



**Timing** You must apply this guidance when you prepare the resource accounts for 2008-09. **You should discuss timings with your APAC as soon as possible.**

## The Remuneration Report

1. Resource accounts must include a 'Remuneration Report', which contains information about the pay and pension packages of Ministers and the senior management team<sup>1</sup>. The Remuneration Report should include information about your remuneration policy and the service contracts. As well as salary and pension information it must also include detailed information about compensation paid to senior management.

## Disclosure of salary, pension and compensation information

2. Salary, pension (including any preserved awards) and compensation information about an individual must be disclosed in remuneration reports, unless the member objects, giving reasons, that publication would prejudice their rights, freedoms or legitimate interests, or that it would or be likely to cause unwarranted substantial damage or distress to themselves or another. If a member raises such an argument they must do so referring to section 10 of the Data Protection Act (DPA). You are strongly advised to take legal advice in such a case, because if you decide not to publish this may be challenged under the Freedom of Information Act. You can also find further details in the Financial Reporting Manual (FRoM) paragraph 7.2.26. If the member is successful in arguing that disclosure should not take place, you should not refer to them in the Remuneration Report.
3. Annex 13D includes a note for you to send to senior management to tell them of the arrangements in relation to disclosure and their right to object under the DPA. It is important that this notice is also issued to any new senior management if they are likely to be included in the Remuneration Report.
4. Ministerial severance payments are made outside of the CSCS arrangements, and are not covered by this guidance.
5. As employers, it is your responsibility to ensure that a narrative describing the full implications of any compensation paid out is completed. This will need to include ALL monies paid out to the member both at the time they left and any future payments payable to them as part of the compensation package. See Annex 13C for an example of the narrative. You should explain in a footnote that the cost of the compensation to you as the employer may not be exactly the same as that paid out to the member. An example of what a Remuneration Report might look like can be found at Annex 13C of the EPG. Please note that you should not make changes to the notes explaining pension benefits without the agreement of Civil Service Pensions Division.

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<sup>1</sup> Please note that references to 'senior management' that follow in this EPN are taken to mean members of your most senior management team only (i.e. board members).

## Compromise agreements

6. Where you have a compromise agreement with an individual, which contains a confidentiality clause, information about their compensation is not normally disclosed. However, it is possible for disclosure to take place in exceptional circumstances and with an individual's express permission. Wherever a compromise agreement exists you should always obtain legal advice.

## Forms

7. The forms found at Annex 13A and 13B of the EPG should be used to request the pensions and compensation information you require for your accounts from your APAC, and the pensions information you require for your accounts from the House of Commons (HoC) Pensions Unit. As last year, there may be a charge for gathering the Ministerial information. You should send your request for the required pension and compensation information to your APAC, and to the HoC pensions unit in respect to Ministers, as soon as possible so that they can ensure they have all the data they need on the individuals concerned. **APACs will not be able to start calculations before the APAC has updated the pension records to reflect the March payroll. It is therefore essential that you discuss with your APAC when current figures will be available.**
8. Employers are responsible for identifying the individuals for whom disclosure information is required. **Employers must request pension information from their APAC using the Request Form at Annex 13A (DRADISC\_CS).** On receipt of the Request Form, the APAC should carry out the necessary pension calculations and enter the details in the relevant boxes in the Request Form. The form is then returned to the employer contact for their action.

## Salary and Contributions

9. Annex 13A has been altered this year and requires you to provide more information. You must put in an up to date salary for the member and an accurate figure of the pension contributions (including in respect of added years or added pension) paid by the member during the reporting period. You will have to contact your payroll department who will provide you with this information. Failure to supply this information will delay the calculations required for disclosure. The completed Annex 13A is then sent to the APAC. The APAC will not process your calculations unless the information is sent to them on a fully completed Annex 13A. Once the APAC has received the information it will take them some time to return the completed calculations to you. Please contact your APAC to discuss these timescales. You are responsible for the security of sending the Annex 13A to the APAC so please ensure that you are following your department's guidelines.

## Earnings Cap

10. If you had any members during the 2007-08 accounting period who were subject to the earnings cap but who had transferred-in service that was not capped, it is possible that the APAC's calculation was wrong. If this was the case you will have to put a note in

the 2008-09 resource accounts correcting the previous year's error. (See Annex 13C for an example of how this is worked out. APACs have been informed of this issue and will make the calculations for you).

### **Disclosure of other pension information**

11. You should continue to disclose the information about retirement benefits, required by section 8 of the FReM, as a note to the resource accounts.

### **Partial Retirement**

12. If any senior management team member has taken partial retirement and is reported on as part of the disclosure exercise then you should refer these to the Civil Service Pensions Division who will work with the APAC on the numbers and with the employer on the (modified) disclosure.

### **Factors**

13. The factors used in calculating CETVs were updated in October 2008. As a result of this the opening CETV of the 08/09 calculations is likely to be different to the closing CETV from the 07/08 calculations. You should not manually put in the 07/08 closing CETV figures into the opening CETV for 08/09 as this would result in an artificial increase in the 08/09 real increase in CETV. You should put a note into your accounts explaining this difference. See Annex 13C as for an example.

### **Reasons for Negative Increases to CETVs**

14. There are many reasons that could cause a negative value in the "real increase in CETV" including:
  - i. If a rise in pensionable salary is less than the rate of inflation;
  - ii. If someone joined or left mid year;
  - iii. The pension factors for the over 60s decrease the value of the pension that could have been taken at 60.

### **Introduction of IFRS Accounting**

15. We believe, after examining the guidance, that the existing advice provided by Cabinet Office relating to the disclosure of salary, pension and compensation information will not change with the introduction of the International Financial Reporting Standards (IFRS) based accounting.

**Reference** This document replaces EPN 210

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

**[employerhelpdesk@cabinet-office.x.gsi.gov.uk](mailto:employerhelpdesk@cabinet-office.x.gsi.gov.uk)**

**01256 846414**

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

You can find electronic copies (PDF Versions) of the EPG, all current EPNs and forms on our website [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk) in the Guidance for employers section.

If this notice is to be circulated to members, then please remove contact details as the helpdesk is for employers only. Members should be directed to your pensions administrator if they have any queries.

# 13.1

## Resource Accounts Disclosure 2008-09

### What is disclosure?

**13.1.1** Disclosure is the publication of salary, pension and compensation information about your most senior management

### Who is subject to disclosure?

**13.1.2** The senior management team will normally be your Management Board or a similar group of very 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. The notice in Annex 13D must be sent to all staff covered by the disclosure requirements.

**13.1.3** You must disclose salary and pension information on all departmental ministers and members of the senior management team. You must also disclose any compensation payments paid to members of the senior management team on loss of office.

You do not disclose compensation paid to Ministers.

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### Important Reminder

Non disclosure of salary, pension and compensation information is possible if the member can argue, giving reasons, that publication would, under the Data Protection Act, prejudice their rights, freedoms or legitimate interests, or that it would or be likely to cause unwarranted substantial damage or distress to themselves or another. If a member raises such an argument you

must consider whether to accept it. You are strongly advised to take legal advice in such a case, because if you decide not to publish this may be challenged under the Freedom of Information Act.

### What disclosure is required?

**13.1.4** You should disclose the following information in a Remuneration Report:

- **Salary for 2008-09 & 2007-08**  
Senior management team members - salary is the:  
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

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

The payment of legitimate expenses is not part of the salary or a benefit in kind.

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

- **Benefits in kind for 2008-09 & 2007-08**

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. You should disclose these figures to the nearest £100.

- **Accrued pension and lump sum as at 31/3/09**

You should disclose the pension that the individual would receive if 31/3/09 were their last day in service. If the member is in **premium** or **nuvos** 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,

added pension or transferring in benefits from another scheme.

If a member has a preserved award from a previous civil service employment, you should include this in the calculation.

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 taking account of the effect of inflation.

Ministers and members of **premium** and **nuvos** 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 31/3/08 and 31/3/09.**

This is the capital value of the pension (including any automatic lump sum) 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.

NOTE: If the member has a mixture of capped and un-capped service these periods must be calculated separately and added together. The APAC will calculate this figure for the employer.

- **Real increase in CETV**

This reflects the increase in the CETV, over the reporting period, effectively funded by the taxpayer. It does not include that part of the increase in the accrued pension which is due to inflation, or to 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. You should disclose these figures to the nearest £1,000.

- **Compensation payments**

You must disclose compensation paid to senior management unless they can argue for non disclosure under the Data Protection Act. You should include a detailed narrative of the compensation, including all

benefits both present and future that will be paid to them. The example Remuneration Report, at Annex 13C, includes an individual who leaves with an early retirement package.

Where you have a compromise agreement with an individual, which contains a confidentiality clause, information about their compensation can only be made with the individual's express permission. Wherever a compromise agreement exists you should always obtain legal advice.

- **Ex-gratia payment**

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 (See Section 7 of the FReM).

- **Partial Retirement**

If any senior management team member has taken partial retirement and is reported on as part of the disclosure exercise then you should refer these to CSPD. The CSPD will work with the APAC on the numbers and with the employer on the (modified) disclosure.

## Forms for disclosure

**13.1.5.** 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 or membership of the Supplementary Scheme), you should disclose this in the report.

## Obtaining the information

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

**13.1.6** You should approach:

- The House of Commons (HoC) Pensions Unit for pension information relating to Ministers using form Annex 13B. You should send the form to: [whitem@parliament.uk](mailto:whitem@parliament.uk)
- Your APAC for pension and compensation information for senior management team members using the Annex 13A form.

### Important Reminder

**Your APAC will not be able to start calculating the disclosure figures until after the pension system has been updated for the March 2009 payroll.**

The figures for anyone who started working for you late in the reporting year may be delayed while your APAC obtains the relevant data.

**13.1.7** If you have any Civil Servants who are members of the Civil Service Supplementary (Earnings Cap) scheme, your APAC will provide information about the main scheme benefits, and send all the appropriate information to CSPD. CSPD will then send the combined information to you. You should then disclose the total figure.

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

**13.1.8** 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. It is essential that the Remuneration Report includes the details of any individual that has retired during the financial year.

**13.1.9** You should disclose the pay, benefits in kind and pension information that relate to the period during which they were in a post subject to disclosure, and the full year equivalent of the salary. **For Example:** A Civil Servant joins the Board of the department on 1 July 2008. Between 1 July 2008 and 31 March 2009, 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 any salary they received before 1 July 2008.

You should still disclose the CETV for 31 March 2009, which is the end of the reporting period. However, you should disclose the CETV at 30 June 2008 (which is the value immediately before the individual joins the Board) rather than 31 March 2008.

If the Civil Servant 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.

If an individual is new to the Civil Service you will not have a figure for the start date.

**13.1.10** The example Remuneration Report at Annex 13C includes Ministers and senior managers who do not serve for the whole reporting period.

## Partnership pension accounts

**13.1.11** 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.

**13.1.12** You should ask your payroll provider to work out the total contributions paid to the **partnership** pension provider. You should disclose this figure in the Remuneration Report to the nearest £100.

## Departmental staff

**13.1.13** 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.

**13.1.14** 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 2007. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation

[www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)

For 2008-09, employers' contributions of £XXXX were payable to the PCSPS (2007-08 £XXXX) at one of four rates in the range 17.1% to 25.5% of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions usually every four years following a full scheme valuation. From 2009-10, the rates will be in the range 16.7% to 24.3%. The contribution rates are set to meet the cost of the benefits accruing during 2008-09 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 the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £XXXX, 0.8% 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 £XXXX. Contributions prepaid at that date were £XXXX

### Ill-health retirement

**13.1.15** 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.

**13.1.16** You do not need to work out a precise figure for the additional

accrued pension liabilities. You should work out 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 benefits payable:

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 annual pension granted to them amounted to £8,150.'