

Annex 13C

Disclosure of salary, pension and compensation information for 2009 – 10 EPN 268

Departmental Remuneration Report

Please note: all the figures in this report are fictitious and are included only to illustrate how the data could be laid out in your report. You will also put in the minister or member's name.

Service Contracts

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

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.

Further information about the work of the Civil Service Commissioners can be found at www.civilservicecommissioners.gov.uk

Remuneration (including salary) and pension entitlements

The following sections provide details of the remuneration and pension interests of the Ministers and most senior management (i.e. Board members) of the department.

Remuneration (salary and payments in kind)

Ministers	2009-10		2008-09	
	Salary	Benefits in kind (to nearest £100)	Salary	Benefits in kind (to nearest £100)
Minister 1 <i>Secretary of State</i>	£75,651	7,600	74,902	7,500
Minister 2 <i>Minister of State</i>	39,243	-	38,854	-
Minister 3 <i>Minister of State</i>	80,176	-	59,373 ¹	-
Minister 4 <i>Minister of State (to 7 June 2009)</i>	7,419 ²	-	38,854	-
Minister 5 <i>Minister of State (from 8 June 2009)</i>	31,824 ³	-	N/A	N/A

¹ Figure quoted is for the period 1 July 2009 to 31 March 2010. The full year equivalent is £79,382.

² Figure quoted is for the period 1 April 2009 to 7 June 2009. The full year equivalent is £39,243.

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Officials	2009-10		2008-09	
	Salary £'000	Benefits in kind (to nearest £100)	Salary £'000	Benefits in kind (to nearest £100)
Member 1 <i>Permanent Secretary</i>	130-135	3,900	125-130	3,800
Member 2 <i>Director</i>	105-110	500	100-105	500
Member 3 <i>Director</i>	95-100	-	90-95	-
			5-10	
Member 4 <i>Director</i>	75-80	-	(75-80 full year equivalent)	-
Member 5 <i>Director</i>	75-80	-	75-80	-
Member 6 <i>Director</i> (until 29 February 2010)	65-70 (75-80 full year equivalent)	-	75-80	-
Member 7 <i>Director*</i> (From 1 March 2010)	5-10 (75-80 full year equivalent)	-	N/A	N/A

* Member 7 was appointed on a three year contract commencing on 1 March 2010.

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 report 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 (£64,766 from 1

³ Figure quoted is for the period 8 June 2009 to 31 March 2010. The full year equivalent is £39,243.

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April 2009, £63,291 from 1 April 2008, £61,820 from 1 November 2007) 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 HM Revenue and Customs as a taxable emolument. Minister 1 received living accommodation provided at public expense and chargeable to tax under s163 of the Income and Corporation Taxes Act 1988. Member 1 and Member 2 had the private use of an allocated car in the circumstances permitted by the Civil Service Management Code.

Pension Benefits

Minister	Accrued pension at age 65 as at 31/3/10	Real increase in pension at age 65	CETV at 31/3/10	CETV at 31/3/09	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Minister 1 <i>Secretary of State</i>	5-10	0-2.5	112	91	12
Minister 2 <i>Minister of State</i>	0-5	0-2.5	18	13	3
Minister 3 <i>Minister of State</i>	0-5	0-2.5	23	9	8
Minister 4 <i>Minister of State (to 7 June 2009)</i>	0-5	0-2.5	18	17	1
Minister 5 <i>Minister of State (from 8 June 2009)</i>	0-5	0-2.5	4	0	4

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Ministerial pensions

Pension benefits for Ministers are provided by the Parliamentary Contributory Pension Fund (PCPF). The scheme is made under statute (the regulations are set out in 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. An additional 1/60th accrual rate option (backdated to 1 April 2008) was introduced from 1 January 2010.

Benefits for Ministers are payable at the same time as MPs' benefits become payable under the PCPF or, for those who are not MPs, on retirement from ministerial office from age 65. Pensions are re-valued annually in line with changes in the Retail Prices Index. From 1 April 2009 members pay contributions of 5.9% of their ministerial salary if they have opted for the 1/60th accrual rate, 7.9% of salary if they have opted for the 1/50th accrual rate or 11.9% of salary if they have opted for the 1/40th accrual rate. There is also an employer contribution paid by the Exchequer representing the balance of cost as advised by the Government Actuary. This is currently 28.7% 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. 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 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 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

The real increase in the value of the CETV

This is the element of the increase in accrued pension funded by the Exchequer. It excludes increases due to inflation and contributions paid by the Minister. It is worked out using common market valuation factors for the start and end of the period.

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Officials	Accrued pension at pension age as at 31/3/10 and related lump sum £'000	Real increase in pension and related lump sum at pension age £'000	CETV at 31/3/10 £'000	CETV at 31/3/09 £'000	Real increase in CETV £'000	Employer contribution to partnership pension account Nearest £100
Member 1 <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	-
Member 2 <i>Director</i>	50-55	2.5-5	680	605	37	-
Member 3 <i>Director</i>	15-20 plus lump sum of 55-60	0-2.5 plus lump sum of 5-7.5	332	289	30	-
Member 4 <i>Director</i>	0-5	0-2.5	16	1	12	-
Member 5 <i>Director</i>	-	-	-	-	-	11,600
Member 6 <i>Director (until 29 February 2009)</i>	35-40 plus lump sum of 115-120	7.5-10 plus lump sum of 22.5-25	614	467	121	-
Member 7 <i>Director (from 1 March 2009)</i>	25-30 plus lump sum of 80-85	0-2.5 plus lump sum of 2.5-5	410	397⁴		-

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a final salary scheme (**classic**, **premium** or **classic plus**); or a whole career scheme (**nuvos**). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each

⁴ CETV at 1/3/09

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year. Pensions payable under **classic**, **premium**, **classic plus** and **nuvos** are increased annually in line with changes in the Retail Prices Index (RPI). Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an 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**, **classic plus** and **nuvos**. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial 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. **classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with RPI. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

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 from a panel of three providers. 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 pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic**, **premium** and **classic plus** and 65 for members of **nuvos**.

Further details about the Civil Service pension arrangements can be found at the website 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 figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any

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additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV that is 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.

Compensation for loss of office

Examples of compensation and how the narrative should be set out in the remuneration report.

All that you are required to do is change the areas that are shaded for the information relevant to the member in question. The lines in bold are listing the compensation paid to the member, however, if there is any other relevant information please add a footnote.

Use the layout below for CER Option A Classic

X left under Compulsory Early Retirement Terms on **XX Month Year**. They received immediate payment of their pension and associated lump sum plus a compensation payment of **£XX**.

Use the layout below for FER Option A Classic

X left under Flexible Early Retirement Terms on **XX Month Year**. They received immediate payment of their pension and associated lump sum.

Use the layout below for CER Option B Classic/Classic+/Premium

X left under Compulsory Early Retirement Terms on **XX Month Year**. The total Compensation paid to **X** is as follows:

A lump sum compensation payable at date of leaving of £XX-XX k

An annual compensation payment of £XX-XX k payable until the age of 60

An annual compensation payment of £XX-XX k payable from the age of 60

Use the layout below for FER Option B Classic/Classic+/Premium

X left under Flexible Early Retirement Terms on **XX Month Year**. The total Compensation paid to **X** is as follows:

A lump sum compensation payment at date of leaving = £XX-XX

An annual compensation payment of £XX-XX k payable until the age of 60

An annual compensation payment of £XX-XX k payable from the age of 60

Use the layout below for Severance

X left under Compulsory Early Severance Terms on **XX Month Year**. They received a compensation payment of £XX-XX k.

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For Example: - Member left under Compulsory Early Retirement Terms on 29 October 2009. He received immediate payment of his pension and associated lump sum plus a compensation payment of £45-50k.