

# Financial Reporting Advisory Board: How to Explain Figures in Remuneration Reports

## How do remuneration reports and Annual Benefit Statements differ in purpose?

As in the private sector, the purpose of the remuneration reports is to provide transparency about the reward package provided to an organisation's directors and most senior staff.

Guidance on presenting the pension element in departmental accounts is set out in the [Government Financial Reporting Manual \(FReM\)](#) and [Employer Pension Notices](#), which reflect the private sector requirements set out in the [Companies Act 2006](#) and regulations.

Remuneration report disclosures (including pension figures) are subject to independent audit.

Remuneration reports present information differently from Annual Benefit Statements (ABS). This is because ABS are intended to aid individual financial and retirement planning, and are governed by requirements in the [Pension Schemes Act 1993](#), [Pensions Act 1995](#) and subsequent regulations.

## How are ABS figures calculated?

An individual's **alpha** pension benefits are calculated using their Pensionable Earnings over the year. This information is provided by their department. **alpha** benefits build up at a rate of 2.32% of these earnings each year. The amount is then increased in line with inflation equivalent to the September increase in the Consumer Prices Index (this is known as revaluation) so the figure shown on the ABS reflects the value of the individual's **alpha** benefits as of 1 April in the year it's issued.

The way the Final Salary element of pension benefits in **classic**, **classic plus** and **premium** are calculated is based on a simplified Pensionable Earnings figure. This simplified calculation is based on an individual's last twelve months' Pensionable Earnings on 31 March.

## How are the remuneration report figures calculated?

Remuneration reports include a calculation of an individual's pension and, based on that, include two capitalised lump sum figures - the Cash Equivalent Transfer Value (CETV) and the Single Total Figure of Remuneration (STFR).

**alpha** (and **nuvos**) pensions are reported as of 31 March, prior to the April revaluation. The figures therefore will be less than appear in the individual's subsequent ABS, which will include the April revaluation.

In contrast to ABSs, remuneration reports show the gross pension benefit figures earned, regardless of an individual's circumstances. This means, for example, the figures will not reflect a debit from a pension sharing order (e.g., in a divorce settlement) or a Scheme Pays reduction for an Annual Allowance tax charge.

The remuneration report takes a different approach if the individual has any final salary benefits (i.e. if they were a member of **classic**, **classic plus** or **premium** prior to April 2022).

As noted above, the ABS pension figure uses a simplified Pensionable Earnings figure, while the final salary elements shown in the remuneration report are based on the more detailed calculations set out in the scheme rules. For example, if an individual was a member of the classic scheme, their pension would be calculated using the best 12 months' pensionable earnings in their last three years of service.

## How is the Single Total Figure of Remuneration (STFR) calculated?

This is a simplified representation of how the pension has increased in the year. It is calculated by multiplying the real increase in annual pension by 20, adding the real increase in any lump sum, less the individual's pension contributions for the year. A flat factor of 20 is used, regardless of an individual's age.

The real increases in pension and lump sum are determined by comparing their values as of the previous 31 March – adjusted for an additional year of pension accrual – with what they would have been had they only increased in line with inflation. In some cases, the real “increase” can be negative if the accrual of pension benefits has not matched inflation.

## How is the Cash Equivalent Transfer Value (CETV) calculated?

The CETV represents the cash value of all the individual's pension benefits, including any survivor pension payable on death. It is the amount of money that would be transferred to another pension scheme if the individual transferred their pension rights. The pensions used in the calculation are based on an individual's Pensionable Earnings under the scheme rules and, unlike the STFR, is calculated using actuarial factors determined by the individual's age

and time remaining until their scheme pension age. It is a complex calculation carried out by the Scheme Administrator but, as a rule of thumb, the CETV is usually between 10 and 20 times the individual's pension.

## Which pensions are shown in remuneration reports for individuals who are in scope of the 2015 Remedy (McCloud)?

For those in scope of the 2015 Remedy, their pensions were reported in 2024/25 remuneration reports as if they had remained in their relevant Legacy scheme for the period from 1 April 2015 to 31 March 2022, following the McCloud judgment.

This approach reflects the legal position and will continue for 2024/25 (as described in paragraphs 6.5.8 and 6.5.15 of the 2024-25 [Government Financial Reporting Manual \(FReM\)](#)). On retirement, individuals can choose to instead receive benefits under the terms of the **alpha** scheme for the period from **1 April 2015** to **31 March 2022**.

## Example of information that MyCSP provides to departments

A full example of the calculations used to produce the Resource Accounts figures can be found [here](#).