

## Employer Pensions Notice

### EPN 327

#### Departmental Resource Accounts

#### Disclosure of salary, pension and compensation information for 2011-12

**Audience** This Notice includes guidance sent on behalf of the Cabinet Office and is for the immediate attention of:

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

**Action**

- Ensure that a copy of this document is issued to each member of staff that is involved in the preparation of the Remuneration Report, and that it is read and understood by them.
- Send the note at Annex 13D to all senior management reported on in departmental Remuneration Reports. This does not include Ministers.
- Replace Section 13 of the Employers' Pension Guide (EPG) with the attached pages.

**Timing** You must apply this guidance when you prepare the resource accounts for 2011-12. You should discuss timings with your pension administrator 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 individual's contract of employment (service contracts). As well as salary and

<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).



pension information it must also include detailed information about compensation paid to senior management. Disclosure of compensation information, unlike salary and pension, can only be made after you have told the individual and shown them what you plan to publish. This Notice includes guidance sent on behalf of the Cabinet Office about the preparation of the Remuneration Report.

2. A reminder that there were two main changes to the requirements last year. As part of the commitment to increase transparency and accountability in Central Government financial reporting the following disclosure requirements were introduced:
  - i. The separate reporting of salaries and bonuses in the Remuneration Report; and
  - ii. The reporting, by way of note to the accounts, of Civil Service exit packages awarded to all staff.
3. There are a further two new requirements for 2011-12, which are outlined below:
  - i. The reporting of the median earnings of the organisation's workforce and the ratio between this and the earnings of the highest paid Director. Further information can be found at:  
  
[www.hm-treasury.gov.uk/d/hutton\\_review\\_fairpay\\_implementation\\_guidance.pdf](http://www.hm-treasury.gov.uk/d/hutton_review_fairpay_implementation_guidance.pdf)
  - ii. A move to reporting of the performance of the department on its own, the department and its agencies, and the whole departmental group, including NDPBs. This will affect the disclosure of summary data of the use of exit packages.

### **Disclosure of salary and pension information**

4. Following a decision by the Information Commissioner in 2006, salary and pension information about an individual can be disclosed without their permission. All such information must be disclosed in Remuneration Reports, unless the member argues, 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 (under section 10 of the Data Protection Act (DPA)) 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. You can also find further details in the Government Financial Reporting Manual (FReM) paragraph 5.2.19.

### **Disclosure of Compensation at an individual level**

5. Before disclosing compensation paid to a member of your senior management team you must:
  - Notify the individual concerned that you propose to publish details of the benefits they received;
  - Invite them to see what you intend to publish in the report; and
  - Tell them that they can make a case for non disclosure under s10 of the DPA.

6. If a member objects to disclosure of their compensation payments, they must explain why disclosure is likely to cause them substantial and unwarranted damage or distress. They cannot merely say that they refuse permission. You will need to take legal advice on whether the individual's arguments satisfy the exemptions under the DPA. If the member is successful in arguing that disclosure should not take place, the fact that certain disclosure has been omitted should be disclosed in the Remuneration Report. But you will need to consider with your legal advisers how this should be done in a way that does not itself cause problems in relation to exemptions under the DPA.
7. Annex 13D includes a note for you to send to senior management to tell them of the arrangements for disclosing compensation payments 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.
8. Ministerial severance payments are made under statute, outside of the Civil Service Compensation Scheme arrangements, and are not covered by this guidance.
9. Annex 13C is an example of what a Remuneration Report might look like. Please note that you should not make changes to the notes explaining pension benefits without the agreement of the Cabinet Office.

### **Compromise agreements**

10. 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.

### **Disclosure of exit packages**

11. Employers must provide summary data on the use of exit packages by the department, the department and its agencies, and the whole departmental group, including NDPBs. This is in addition to the details of individual packages for those covered by the Remuneration Report. You must show the number of exit packages by cost band, and these need to be broken down by the number of compulsory redundancies and the number of other departures agreed. Comparative data must also be provided for last year (2010-11).
12. For staff who left under the former compulsory, flexible or approved early retirement terms, the cost to be used is the capitalised cost of the whole package (including annual compensation payments or early/enhanced pensions). For staff who left under the new voluntary exit or voluntary redundancy terms, the cost to be used must include any top-up to compensation provided by the employer to buy out the actuarial reduction on an individual's pension. You may need to obtain information about the costs of exit packages under the former terms from your pensions administrator (the costs of packages under the new terms will be reflected in the bills you are sent by Capita Hartshead).
13. Compulsory redundancies are exits under the new compulsory redundancy terms (or exits under the former terms where staff have received notice of dismissal on the grounds of compulsory redundancy). Exits to be reported in the category of other departures include all cases where compensation has been paid, including dismissals on the grounds of inefficiency.

## Forms

14. The forms Annex 13A and 13B should be used to request the pensions and compensation information you require for your accounts from your pensions administrator, and the pensions information you require for your accounts from the House of Commons (HoC) Pensions Unit (see Annex 13B). You should send your request as soon as possible so that they can ensure they have all the data they need on the individuals concerned. **Pensions administrators will not be able to start calculations until they have updated the pension records to reflect the March payroll. It is therefore essential to discuss with your pensions administrator when your figures will be available.**
15. Employers are responsible for identifying the individuals for whom disclosure information is required. Employers must request pension information from their pensions administrator using Annex 13A. On receipt of the Request Form, the pensions administrator will 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.
16. You must enter an up to date salary for the member and an accurate figure of the contributions paid by the member. You will have to contact your payroll to provide you with this information. If you do not supply this information promptly you will delay your pensions administrator from getting the information back to you. The payment of legitimate expenses is not part of the salary. You must send the completed Annex 13A to your pensions administrator.
17. The pensions administrator will not process your calculations unless the information is sent to them on a fully completed Annex 13A. Once the pensions administrator has received the fully completed Annex 13A, it will take them some time to return the completed calculations to you. Please contact your pensions administrator to discuss these timescales. You are responsible for the security of sending the Annex 13A to the pensions administrator so please ensure that you are following your department's guidelines.

## Change of factors

18. The actuarial factors used in the calculation of Cash Equivalent Transfer Values (CETVs) were changed during 2011.
19. The new factors mean that the CETV value shown in your report for 31/03/11 will not be the same as the corresponding figure shown in last year's report. You should therefore add a footnote to explain this (see Annex 13C).

## Partial Retirement

20. Under the scheme rules, people may take partial retirement if they reshape their job so that their pensionable earnings are reduced by at least 20%. On partial retirement they may draw all or part of their pension and their accrued benefits/reckonable service are adjusted accordingly.
21. For the purposes of disclosure, someone who has taken partial retirement will be reported as having a mix of active and pensioner benefits. This disclosure should be made both in the year when partial retirement happens and in subsequent years.

*Reporting year in which partial retirement takes place*

22. The start-of-year figures will be displayed as normal but the end of year figures will reflect a mix of active and pensioner membership benefits:

**Example**

Member 2 has taken partial retirement from 1 December 2011 and he draws all his benefits – a pension of £43,572 and a lump sum of £130,716. (These figures must reflect any commutation decision and reflect the award sent to Capita Hartshead. However, if there was a pension share against the member then the figures reported must be pre-debit.)

At the end of the scheme year Member 2 has accrued benefits not yet in payment of £290 pension and a lump sum of £870. Add the pension/lump sum paid and the pension/lump sum accrued, but not yet in payment, together. You will receive the completed Annex 13A from your pensions administrator as below.

Row 10 Pension at ED (£)	£43,862, of which £43,572 is in payment
Row 11 Lump sum at ED (£)	£131,586 of which £130,716 has been paid

*Reporting partial retirement in subsequent reporting year(s)*

23. It should still be noted in the Remuneration Report that a member has taken partial retirement and the amount of any pension and lump sum taken. This information should be published as a footnote in the Remuneration Report for as long as the member is being reported on.
24. The lump sum disclosed for the "active" element not yet in payment will only apply to members in classic and classic plus as per normal.

**Reasons for negative values in CETVs**

25. There are many reasons that would 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 (with the current pay freeze, this is likely to happen in some cases);
  - ii. If someone joined or left mid year:

- iii. In **classic plus** the lump sum for service up to 30.9.02 will always give a negative value
- iv. The pension factors for the over 60s decrease the value of the pension that could have been taken at 60.

**Reference** This document replaces EPN 296

**Contacts** Enquiries regarding content please refer to your Pension Service Centre, details of which can be found on our website under pensions helplines and complaints.

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

Members should be directed to your Pension Service Centre if they have any queries.

Enquiries regarding distribution or to receive in a different format  
Mycsp.basingstoke@dwp.gsi.gov.uk

# 13.1

## Resource Account Disclosure 2011-12

### What is disclosure?

**13.1.1** Disclosure is the publication of the salary, bonus, pension and compensation details of your senior management, and of summary data on your use of exit packages.

### 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 or Non Departmental Public Body 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, although you must tell them in advance of your intention to disclose and that they can object under s10 of the Data Protection Act 1998 (DPA).

Ministers are paid severance payments under statute. You do not disclose compensation paid to Ministers.

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:

---

### Important Reminder

Non disclosure is possible if the member can argue, giving reasons, that publication would, under the Data

- **Salary for 2011-12 & 2010-11**

You should include as salary: gross salary; 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 the 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.

- **Bonuses for 2011-12 & 2010-11**

Bonuses for senior management should be included in bands of £5,000, and should relate to the year in which they become payable to the individual.

- **Benefits in kind for 2011-12 & 2010-11**

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 31/3/12**

You should disclose the pension that the individual would receive if 31/03/12 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 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 various pension calculations, whether or not the member has opted to aggregate (or link) this preserved award with their current award.

Where a member has taken partial retirement in the year being reported their benefits will be reported as having a mix of active and pensioner benefits. In subsequent years it should still be noted in the Remuneration Report that a member has taken partial retirement and the amount of any pension and lump sum taken. This information should be published as a footnote in the Remuneration Report for as long as the member is being reported on.

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** 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 31/03/11 and 31/03/12.**

This is the capital value of the pension and is worked out 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 worked out separately and added together. The **pensions** administrator will work out this figure for the employer.

Please note that the actuarial factors that are used in the CETV calculation were changed during 2011. This means that the CETV in this year's report for 31/03/11 will not be the same as the corresponding figure shown in last year's report.

- **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 or contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement).

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. For the future you should consider adjusting compromise agreements for Board members, so that they permit disclosure of compensation in Resource Accounts.

You should not disclose severance payments paid to Ministers.

- **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 Government Financial Reporting Manual (FReM)).

## Disclosure of exit packages

13.1.6 The use of exit packages for all staff should be reported in a note to the resource accounts. An example of the requirement is included in Annex C.

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

- **Obtaining the information**

You should obtain information on salary, bonuses, benefits in kind, and exit packages from your records.

**13.1.8** You should approach: the House of Commons (HoC) Pensions Unit for pension information relating to Ministers using Annex 13B sending it to [pcpf@rpm.co.uk](mailto:pcpf@rpm.co.uk) , [Mandy.Porter@rpm.co.uk](mailto:Mandy.Porter@rpm.co.uk) [Judith.moore@rpm.co.uk](mailto:Judith.moore@rpm.co.uk) and cc. [sladeac@parliament.uk](mailto:sladeac@parliament.uk) [bassig@parliament.uk](mailto:bassig@parliament.uk) [tindall@parliament.uk](mailto:tindall@parliament.uk)

We have provided the HoC Pensions Unit and each pensions administrator with guidance on how to work out the figures you will need.

**13.1.9** You should send the Annex 13A to your pensions administrator for disclosure information for civil servants.

---

## Important Reminder

**Your pensions administrator will not be able to start calculating the disclosure figures until after the pension system has been updated for the March 2012 payroll.** The figures for anyone who started working for you late in the reporting year may be delayed while your pensions administrator obtains the relevant data.

**13.1.10** If you have any civil servants who are members of the Civil Service Supplementary (Earnings Cap) scheme, then your pensions administrator will provide information about the main scheme benefits, and send all the appropriate information to Basingstoke Pension Service Centre (PSC). Basingstoke PSC will update Annex A to combine Supplementary Scheme figures with the main scheme figures and will return Annex A to you via your administrator.

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

**13.1.11** 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.

**13.1.12** 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 Board of the department on 1 July 2011. Between 1 July 2011 and 31 March 2012, 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 2010.

You should still disclose the CETV for 31 March 2012, which is the end of the reporting period. However, you should disclose the CETV at 30 June 2011 (which is the value immediately before the individual joins the SMT) rather than 31 March 2011.

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.

**13.1.13** The example Remuneration Report at Annex 13C includes Ministers and senior managers who do not serve throughout the accounting period.

### partnership pension accounts

**13.1.14** 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.

**13.1.15** You should ask your payroll provider to work out the total member and employer contributions paid to the **partnership** pension provider in the reporting year. You should disclose this figure in the Remuneration Report to the nearest £100.

### Departmental staff

**13.1.16** 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.

**13.1.17** 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.gov.uk/pensions](http://www.civilservice.gov.uk/pensions)).

For 2011-12, employers' contributions of £XXXX were payable to the PCSPS (2010-11 £XXXX) at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2011-12 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 or 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

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

**13.1.19** 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 liabilities:

$$A \ 5.6/80 \times \text{£}30,000 = \text{£}2,100$$

$$B \ 6.3/80 \times \text{£}40,000 = \text{£}3,150$$

$$C \ 8.7/60 \times \text{£}20,000 = \text{£}2,900$$

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.'