



Employer Pensions Notice

EPN 210

Departmental Resource Accounts

Disclosure of salary, pension and compensation information for 2007-08

Audience This Notice will be of particular interest to:

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

Action

- **Ensure that the whole of this document is read and understood by all parties involved in the preparation of resource accounts.**
- 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 2007-08.



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. **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).** The Remuneration Report should include information about your remuneration policy and the service contracts. It must also include, for the first time this year, in line with Treasury's Financial Reporting Manual (FReM) detailed information about compensation paid to senior management. Disclosure of compensation information, unlike salary and pension, can only be made after you have informed and shown the individual what you plan to publish. The individual should be made aware that they can object to disclosure under s10 of the Data Protection Act 1998 (DPA) (see below).

Disclosure of salary and pension information

2. 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 the 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. (See link below for more detailed information). You can also find further details in the FReM paragraph 7.2.26. www.ico.gov.uk/upload/documents/decisionnotices/2006/decision_notice_fs50093734.pdf

Disclosure of Compensation

3. Last year we said that you did not need to disclose compensation paid to senior management on loss of office. This year, Permanent Secretaries have agreed that disclosure of compensation should be encouraged. Full disclosure of compensation paid to officials is in line with best practice in the private sector and with what the Financial Reporting Advisory Board (FRAB) have been calling on government to do for some time. It will also provide more openness and transparency. However, before disclosing compensation paid to a member of the senior management team you must:

- Notify the individual concerned that you propose to publish details of 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.

4. If a member objects to disclosure of compensation then they must specify reasons explaining why disclosure is likely to cause them substantial and unwarranted damage or distress. They can not 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 their argument that disclosure should not take place, then no mention should be made in the remuneration report of the payment.

5. Annex 13D includes a note for you to send to senior management to tell them of the new arrangements in relation to disclosing compensation payments and that their right to object under the DPA. It is important that this notice is also issued to any new senior management when they join your department if they are likely to be included in the Remuneration Report.

6. Ministerial severance payments are made under statute, outside of the CSCS arrangements, and are not covered by this guidance.

Compromise agreements

7. 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.

Forms

8. 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. You should send your request for the required pension 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 and it may be advisable to discuss with your APAC when your figures will be available.

9. As employers it is your responsibility to ensure that a narrative describing the full implications of 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 Appendix 1 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.

Disclosure of other pension information

10. 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.

11. 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 shaded boxes in the Request Form. The form is then returned to the employer contact for their action.

Earnings Cap

12. If you had any members during the 2006-07 accounting period who were subject to the earnings cap but who had transferred-in service that was pensioned without regard to the earnings cap it is possible that their CETV calculation was incorrect. If this was the case you will have to put a note in the 2007-08 resource accounts correcting the previous year's error. (See Annex 13C for an example of how this is calculated) APACs have been informed of this issue and will make the calculations for you).

Reference This document replaces EPN 156

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

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

13.1

Resource Account Disclosure 2007-08

What is disclosure?

13.1.1 Disclosure is the publication of details of the salary, pension and compensation details of your senior management. **Please note that references to ‘senior management’ that follow in this section of the EPG are taken to mean members of your most senior management team only (i.e. board members).**

Who is subject to disclosure?

13.1.2 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 notify them in advance of your intention to disclose and tell them that they can object under s10 of the Data Protection Act 1998 (DPA).

Ministers are paid severance payments under statute and are not covered by this guidance.

13.1.3 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.

Important Reminder

Non disclosure 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?

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

- **Salary for 2007-08 & 2006-07**

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 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.

- **Benefits in kind for 2007-08 & 2006-07**

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 31/3/08**

You should disclose the pension that the individual would receive if 31/3/08 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 only include this in the various pension calculations, when the member has opted to aggregate (or link) 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** 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 31/3/07 and 31/3/08.**

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.

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 CETV effectively 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. 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 7.2.28 of the FReM).

Form of disclosure

13.1.6. 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.

13.1.7 You should approach:

- the House of Commons (HoC) Pensions Unit for pension information relating to Ministers, and;
- We have provided the HoC Pensions Unit and each APAC with guidance on how to calculate the figures you will need.

13.1.8 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 start calculating the disclosure figures until after the pension system has been updated for the March 2008 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.

13.1.9 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.

13.1.10 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

<http://www.civilservice-pensions.gov.uk/>

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:

An individual joins the Board of the department on 1 July 2007. Between 1 July 2007 and 31 March 2008, 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 2007.

You should still disclose the CETV for 31 March 2008, which is the end of the reporting period. However, you should disclose the CETV at 30 June 2007 (which is the value immediately before the individual joins the SMT) rather than 31 March 2007.

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.

13.1.13 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.

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 calculate the total contributions paid to the **partnership** pension provider. You should disclose this figure in the Remuneration Report to the nearest £100

Departmental staff

13.1.16 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-pensions.gov.uk).

For 2007-08, employers' contributions of £XXXX were payable to the PCSPS (2006-07 £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 every four years following a full scheme valuation. From 2008-09, the salary bands will be revised but the rates will remain the same. (The rates will be changing with effect from April 2009) The contribution rates are set to meet the cost of the benefits accruing during

2007-08 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

13.1.18 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.

13.1.19 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.'