Cabinet Office

Cabinet Office: Civil Superannuation Account 2019-20

HC 1148

Cabinet Office

Civil Superannuation Account 2019-20

(For the year ended 31 March 2020)

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1. Report of the Manager

Introduction

1.1 This report provides key information on the Civil Service pension arrangements, comprising the Principal Civil Service Pension Scheme and the Civil Servants and Others Pension Scheme, including ongoing developments and other information for members. Both are unfunded, defined benefit, contributory, public service occupational pension schemes. In this document, the term ‘Scheme’ covers both arrangements.

Main features of the Scheme

Principal Civil Service Pension Scheme (PCSPS)

1.2 The PCSPS was originally set up under the Superannuation Act 1972. It comprises four pension arrangements known as Classic, Classic Plus, Premium and Nuvos and is closed to new members.

1.3 Before 30 July 2007, anyone employed in an organisation covered by the PCSPS was eligible to participate in one of the final salary arrangements (Classic, Classic Plus and Premium), though from 1 October 2002, new entrants were generally only able to join Premium. All had a normal pension age of 60.

1.4 From 30 July 2007, new joiners were offered membership of Nuvos, a career average pension with a normal pension age of 65. A summary of the way benefits are accrued in these arrangements is set out below.

Arrangement	Open From – To	Accrual Rate
Classic	1 June 1972 – 30 September 2002	1/80th of final salary, plus lump sum of 3/80ths of final salary
Classic Plus	1 October 2002 (existing members only, never open to new members)	1/80th of final salary, plus lump sum of 3/80ths of final salary (service to 30 September 2002) 1/60th of final salary (service from 1 October 2002)
Premium	1 October 2002 – 29 July 2007	1/60th of final salary
Nuvos	30 July 2007 – 31 March 2015	2.3% of each year's pensionable earnings with the total amount adjusted in line with Orders made under the Pensions (Increase) Act 1971

1.5 Retirement and other pension benefits are set out in rules made under the Superannuation Act 1972 and regulations made under the Public Service Pensions Act 2013.

1.6 Pensions are increased in accordance with the Pensions (Increase) Act 1971 and the Social Security Pensions Act 1975, with annual increases being determined by the prevailing Pensions (Increase) Order. The increase is applied on the first Monday after 6 April each year. Since 2011, the increase has been based on the change in the Consumer Price Index (CPI) in the 12 months to the end of the preceding September. As CPI at September 2018 was 2.4%, there was a 2.4% increase to pensions in April 2019.

1.7 Lump sum retirement benefits are payable automatically in Classic and also in Classic Plus (in respect of service up to 30 September 2002) and optional in other sections in return for commutation of pension at the rate of £12 of lump sum for every £1 of pension given up.

1.8 Members of the PCSPS who leave service before the normal pension age are given a deferred award, provided they have at least two years' service (or have previously transferred in benefits from another pension arrangement).

Deferred awards are up-rated annually in line with the provisions of the Pensions (Increase) Act 1971.

Deferred members may also transfer their Scheme benefits to certain other pension arrangements.

1.9 From the minimum pension age, which is 50 for those whose service began before 6 April 2006 and 55 for all others, members may bring their pension into payment before their normal pension age. An actuarial reduction is applied to early payments to reflect the fact that it will be in payment for a longer period of time.

1.10 From 1 April 2015, most PCSPS members switched to the new Civil Servants and Others Pension Scheme, also known as Alpha. Those who were previously members of Classic, Classic Plus or Premium retained a final salary link in Alpha, i.e. their PCSPS service counts towards a pension in the PCSPS but is based on their final salary when they leave Alpha.

1.11 Some PCSPS members did not have to switch to Alpha under a process referred to as transitional protection. Those who were within 10 years of their PCSPS normal pension age on 1 April 2012 are generally allowed to remain in the PCSPS until they leave employment covered by the Scheme.

Those who were between 10 and 13.5 years from their PCSPS normal pension age on 1 April 2012 were given a 'tapered Alpha enrolment date' between 1 May 2015 and 1 September 2025, but could opt to forego their tapered protection and switch to Alpha on 1 April 2015.

There was a successful legal challenge against the transitional protection which was found to be discriminatory on the grounds of age. Further details are provided in paragraphs 1.56 to 1.62.

Civil Servants and Others Pension Scheme (Alpha)

1.12 Alpha was introduced on 1 April 2015 under regulations set out in the Public Service Pensions Act 2013.

1.13 New entrants to the Civil Service from 1 April 2015 join the Alpha scheme. Existing members of PCSPS transferred to Alpha from 1 April 2015 unless they had transitional protection (see paragraph 1.11).

1.14 Alpha is a career average earnings scheme with an accrual rate of 2.32% of each year's pensionable earnings. The total amount accrued is adjusted annually in line with a rate set by Her Majesty's Treasury (HMT) (currently linked to annual movements in the CPI).

1.15 Members may commute some of their pension into a lump sum at the rate of £12 of lump sum for every £1 of pension given up.

1.16 Alpha’s normal pension age is the greater of the member’s state pension age or 65.

Other pension arrangements

1.17 Money purchase pensions known as ‘partnership’ are available as an alternative for employees joining on or after 1 October 2002. They are delivered through employer-sponsored stakeholder pensions from a choice of pension providers.

1.18 The Employer makes an age-related contribution, and also matches the first three per cent of any contribution the member makes. The Employer also makes a small contribution to the Civil Superannuation Vote to provide for death in service and ill-health retirement lump sum benefits.

Other benefits

1.19 All sections of the Scheme have provision for death and medical retirement benefits.

1.20 Anyone entitled to be covered by the Scheme is also covered by the Civil Service Injury Benefit Scheme (CSIBS), which provides compensation in the event of someone sustaining an injury at work (or directly related to their work) resulting in a loss of earnings or loss of earnings capacity. The CSIBS is a scheme made under the Superannuation Act 1972. CSIBS benefits are paid from the Civil Superannuation Vote initially, with the relevant employer later reimbursing the Vote.

Eligibility to join the Scheme and the New Fair Deal

1.21 Normally, anyone employed in a public sector organisation covered by the Scheme can participate in the Scheme.

1.22 The New Fair Deal is a non-statutory policy that deals with staff who are compulsorily transferred from the public sector to independent providers delivering public services.

1.23 From October 2013, these independent providers can apply to join the Scheme under the New Fair Deal. The resulting employee members can remain in the Scheme while they continue to be principally employed on the work they carried out while in the public sector.

Funding

1.24 PCSPS and Alpha are unfunded schemes and the cash required to meet the payment of pension benefits is paid from public funds provided by Parliament. Members contribute on a ‘pay-as-you-go’ basis. These contributions (and those made by employers) are credited to the Exchequer under arrangements governed by the aforementioned Acts.

1.25 The contributions due from employers and employees to fund future service liabilities are set by the Actuary at the four-yearly Scheme valuation. The last valuation was as at 31 March 2016 and contributions were adjusted to take account of the move to Alpha.

1.26 Unlike many other schemes, the employer/employee split is not fixed. The member contribution rates for 2019-20 are set out in the table below and discussed further in the Report of the Actuary. A cost-capping mechanism is in place to ensure that employer and employee contributions do not become too disproportionate.

Annualised rate of pensionable earnings	Member contribution rate (%)
£0 to £21,636	4.60
£21,637 to £51,515	5.45
£51,516 to £150,000	7.35
£150,001 and above	8.05

Management of the Scheme

1.27 Under the Public Service Pensions Act 2013, the Minister for the Civil Service (currently the Prime Minister) is the Scheme Manager. In practice, this responsibility is delegated to the Minister for the Cabinet Office, and the Permanent Secretary for the Cabinet Office. The Permanent Secretary is also the Accounting Officer of the Scheme.

1.28 Civil Service Pensions, based in the Cabinet Office, has operational responsibility for the management of the Scheme. Day-to-day administration is mainly carried out by MyCSP Ltd under a contract with the Cabinet Office. Other key responsibilities sit with employers. These relationships are discussed in more detail below.

Cabinet Office

1.29 The Cabinet Office retains direct management of:

- policy development and maintenance of Scheme rules;
- complaints made under the second stage of the internal dispute resolution procedures and responses to referrals from the Pensions Ombudsman;
- admission of employers to the Scheme;
- ensuring appropriate audit programmes and risk management frameworks are in place;
- certain discretionary decisions on behalf of the Minister for the Civil Service;
- scheme finances, including the production of the annual report and account; and
- other miscellaneous activities which arise from time to time.

Cabinet Office and MyCSP

1.30 The Cabinet Office oversees the delivery of Scheme administration by MyCSP through a formal contract that came into force in May 2012.

1.31 Under the contract, MyCSP is responsible for, but not limited to:

- providing administration for active, deferred and pensioner Scheme members, including paying pensions;

- maintaining accurate and secure records and a proper audit trail of all transactions;
- investigating and responding to complaints made by Scheme members, including any made under the first stage of the internal dispute resolution procedures;
- maintaining and enhancing Scheme communications, including the Scheme website;
- initially pursuing and reclaiming any overpayments of benefits;
- handling transfers in and out of the Scheme;
- calculating and paying annual pension increases;
- deducting and paying over tax to HMRC;
- operating a payroll bank account; and
- producing financial and management reports.

Cabinet Office and Scheme employers

1.32 The Cabinet Office has in place participation agreements with all public sector employers and admission agreements with private sector (New Fair Deal) employers that have active members in the Scheme. Employers are responsible for:

- maintaining accurate and up-to-date pay and service records and providing these to MyCSP;
- informing new staff of their options for joining pension arrangements;
- keeping employees informed of pension issues; and
- paying the correct employers' and employees' pension contributions to the Cabinet Office.

Employers who participate in the Scheme are made up of publicly funded bodies who are part of the Civil Service, bodies listed in Schedule 1 to the Superannuation Act 1972 and 'New Fair Deal' employers.

Civil Service Compensation Scheme (CSCS)

1.33 The Civil Service Compensation Scheme (CSCS) is a scheme made under the Superannuation Act 1972, providing compensation for the termination of employment in certain circumstances. Employers make cash exit payments direct to employees. If an exit involves a member receiving an unreduced pension before their normal pension age, the employer will reimburse the Civil Superannuation Vote for the cost of early payment of the pension.

1.34 MyCSP, under contract to the Cabinet Office, acts as an agent for employers in the calculation and payment of compensation benefits arising under the CSCS. These cash flows are not brought to account in these financial statements, but details of the amounts paid are disclosed in Note 13 of the account.

1.35 All exit schemes under the CSCS are approved by the Cabinet Office.

Other payments

1.36 The Civil Superannuation Vote also funds the other pension schemes, which are brought to account in these financial statements; however, they are managed under separate arrangements.

1.37 The Vote also covers a small number of other pension-related payments, which are detailed in Note 14 to the Account. The amounts paid are not material.

1.38 Money invested in the stakeholder pension option detailed in paragraph 1.17 is not under the control of the Cabinet Office and is not shown in these statements. Employer contributions will be shown in the relevant individual employer accounts.

Governance

1.39 The governance arrangements for the Scheme are detailed in the accompanying Governance Statement on pages 52 to 71.

Scheme Data

Membership statistics

1.40 The Scheme has 357 employers (2019: 356): 241 public sector organisations (departments, non-departmental public bodies and government agencies) (2019: 239) and 116 private sector employers (2019: 117).

1.41 Membership reporting by entitlement is set out in the table on the next page. Reporting by entitlement means that some individuals may be recorded twice in the membership numbers if they have an entitlement in more than one pension scheme arrangement. The membership numbers include an adjustment for late notifications due to timing differences between the receipt of information from employers and the publication of the Account.

1.42 Included within the pensioners figure at 31 March 2020 are 295 members in receipt of annual compensation payments made under CSCS arrangements (2019: 971).

Active members

At 1 April 2019	495,167
Adjustment for late notifications	(4,705)
	490,462
New members and rejoiners	77,311
Retirements	(12,381)
Deferreds	(14,761)
Transfers out	(674)
Refunds	(5,069)
Suspended*	(11,852)
Deaths	(713)
Other leavers from active status**	(12,103)
At 31 March 2020	**510,220**

Deferred pensioners	
At 1 April 2019	359,520
Adjustment for late notifications	(961)
	358,559
New deferred pensioners	14,235
Retirements	(13,302)
Partial retirements (from single to dual status)	(1,030)
Deaths	(382)
Transfers out	(485)
No benefits due	(1,378)
Deferred cases being processed	4,545
Updated records and other cessations	(2,932)
At 31 March 2020	**357,830**
Pensioners	
At 1 April 2019	681,165
Retirements	26,102
New dependants	6,494
Deaths	(13,604)
At 31 March 2020	**700,157**
Grand total	**1,568,207**

As at 31 March 2020, there are 3,237 (2019: 2,571) dual status pensioners (deferred members with part benefits in payment). Active membership is based on information provided by employers via interface files and deferred and pensioner membership is recorded by the administrator. Unreconciled differences between categories is due to timing differences.

*Members who have left the Scheme within two years of service and are entitled to a choice of benefit are moved to suspended status whilst they make a decision on either a refund or a transfer.

**Includes those opting out, joining partnership without deferred benefits, leaving with less than three months' service and cases reverted to active.

Financial review

Resource outturn

1.43 Net expenditure in 2019-20 was £9.5 billion (2018-19: £13.1 billion). The fall was caused largely by a decrease in the service cost to £7.3 billion (2018-19: £10.6 billion). This is mainly due to the inclusion of a negative past service cost of £0.2 billion (2018-19: £3.7 billion), consisting of a positive past service cost of £1 billion in respect of GMP indexation and equalisation and a negative past service cost of £1.2 billion following a change in the approach for the calculations of the financial impact of the legal ruling on transitional protection.

The past service cost relating to transitional protection litigation was reduced due to clarification of the proposed changes (subject to consultation). The current service cost is lower than expected by £0.55 billion, largely for the same reason. Further information can be found below from paragraph 1.56.

1.44 The decrease in net expenditure has been partly offset by an increase in the pension financing cost due to a rise in the nominal discount rate from 2.55% p.a. as at 31 March 2018 to 2.9% p.a. as at 31 March 2019.

1.45 The Scheme outturn was £2.4 billion lower than voted funds of £11.9 billion due to the negative past service cost and the previous current service cost calculation allowing for the higher expected cost of accrual for the transitional protection remedy.

Net cash requirement

1.46 The net cash requirement in 2019-20 was £1.2 billion (2018-19: £2.1 billion) which was £451 million less than the voted amount of £1.6 billion.

1.47 This variance was caused by an over projection of the cash required in the January 2020 supplementary estimates. Payments of pension benefits and to leavers were slightly lower than expected and a large bulk transfer from the Student Loans Company pension scheme was received close to the year end.

Scheme liability of the Principal Scheme

1.48 At 31 March 2020 the total liability for future pension benefits in the Principal Scheme was £280.1 billion, compared with £237.2 billion at 31 March 2019.

1.49 The change of £42.9 billion is the net impact of the current service cost, pension financing cost and changes in the financial assumptions which have increased the liability less the negative past service cost and benefits payable which have decreased it.

1.50 The financial assumptions include a large actuarial loss of £37.1 billion driven by a decrease in the nominal discount rate from 2.90% p.a. to 1.80% p.a., which increases the present value of the Scheme's liabilities. Further details are given in the Report of the Actuary on page 36 and in Note 19 of the Account.

Administration charges

1.51 The cost of administering the Civil Service pension arrangements during 2019-20 was £38.3 million (2018-19: £42.3 million), and is met from a 'levy' on pensionable pay, which is paid as part of the monthly employer pension contributions. This can be broken down as follows:

Central management and overhead	£3.3m
Third party costs	£35.0m
Total	£38.3m

Key Developments

Amendments to the Civil Service Pension Scheme

1.52 Amendments to the Public Service (Civil Servants and Others) Pensions Regulations 2014 and Principal Civil Service Pension Scheme were laid before Parliament on 5 March 2020.

1.53 The amendments were laid following the outcome of a consultation to continue 2019/20 member contribution rates from 1 April 2020 to 31 March 2021, and 2020-21 salary thresholds to increase slightly. There were also changes to the calculation of pensionable earnings definition when a member has backdated payments, for determining the pension contribution tier.

Actuarial valuation and cost control element

1.54 The cost control element of public service scheme valuations was paused following the judgment relating to challenges against transitional protection detailed in note 1.56. HMT has announced the end of the pause alongside the public consultation detailed below and a review of the position of the Scheme against the mechanism will proceed to establish the extent to which the cost of the Scheme remains within the cost cap. Work on the next quadrennial actuarial valuation due as at 31 March 2020 is underway by Government Actuary's Department (GAD).

Changes in benefits

1.55 In accordance with scheme regulations, eligible pensions which have been in payment for a year were increased by 2.4% from 8 April 2019 in line with the September 2017 to September 2018 increase in the CPI.

Challenge against transitional protection provisions

1.56 When public service pension reforms were introduced in 2015, there were transitional protection provisions which permitted members close to their normal pension age to continue accruing pension in their existing schemes (the PCSPS in the case of civil servants).

1.57 Some public service pension scheme members successfully made claims to employment tribunals stating that these provisions amount to unlawful discrimination on the grounds of age, race and sex. The Government appealed this decision, and the Court of Appeal ruled on 20 December 2018 that the transitional protection arrangements were discriminatory on the basis of age.

1.58 On 15 July 2019 HMT confirmed that as 'transitional protection' was offered to members of all the main public service pension schemes as part of the 2015 pension reforms, the difference in treatment will need to be remedied across all those schemes. This includes the Civil Service pension arrangements.

1.59 A provision was included in the 2018-19 account to reflect the estimated additional liability arising as a result of this judgment based on the most likely remedy. This remedy approach is based on the potential cost of compensating affected members for any loss of benefits and is complicated by the fact that some transitional protection members would be better off in Alpha than remaining in the PCSPS.

1.60 The remedy approach was revised in 2019-20 to apply only to members who were in service on 31 March 2012 and still in post on 1 April 2015, including those with a break in service of less than five years. This represents a change in the approach compared to the estimate for the 2018-19 accounts, which assumed the case would affect all members who were in service on or after 1 April 2012. Those joining the Scheme post 31 March 2012 (and not on a qualifying break) were not discriminated against as they were all treated equally by joining Alpha from 1 April 2015 and those without post 1 April 2015 service were not discriminated against as they were treated equally for the entirety of their service.

This criteria change results in a negative past service cost in the 2019-20 account and further details can be found in Note 8 of the account.

1.61 Detailed proposals about the remedy to be applied were announced by HMT and a public consultation published on 5 February 2021 gathered views on the proposals.

1.62 As a result of this consultation, the Government will implement the deferred choice underpin (DCU). This will give eligible scheme members a choice at the point their pension becomes payable, whether they wish to receive benefits from the final salary arrangements or benefits equivalent to those that would have been available from Alpha in relation to their service between 1 April 2015 and 31 March 2022.

The final salary arrangements will close on 31 March 2022, and from 1 April 2022, all those who remain in service will do so as members of Alpha. Benefits built up in the final salary arrangements will be protected. Further information on the planned programme of work known as the 2015 Remedy Programme is provided on page 68.

Legal challenges

1.63 In addition to the challenge on transitional protection, a number of other challenges have been brought against the Scheme and other public sector schemes in recent years concerning survivor benefits. These cases and their impacts have been considered for 2019-20 and have been found to be immaterial to the account.

1.64 On 30 June 2020, an employment tribunal made a judgment that the Teachers' Pension Scheme provided survivors' benefits which were less favourable for a widower or surviving male civil partner than for a widow or surviving female civil partner of a female scheme member, resulting in discrimination because of sexual orientation. This judgment, and its impact, has been considered for 2019-20 and has been found to be immaterial to the account.

Guaranteed Minimum Pension

1.65 HMT announced its response to the consultation on Guaranteed Minimum Pension (GMP) indexation and equalisation in public service pension schemes in January 2018. This consultation was about how public service pension schemes should continue to meet their obligations to index (price protect) and equalise (make equal payments to men and women) the pension entitlements of public servants in employment between 1978 and 1997 with a GMP entitlement.

1.66 In 2016, the new State Pension was introduced, which simplified the pension system but removed the mechanism whereby pension schemes could continue to equalise and index pension payments for members reaching State Pension age after April 2016.

1.67 The Government implemented an ‘interim solution’ for members reaching State Pension age after April 2016, and the outcome of the 2018 consultation was that this interim solution was extended to 5 April 2021. A past service cost for the interim solution was included in the 2018-19 accounts. A consultation on how the Government proposes to ensure it continues to meet these past commitments to public service employees regarding the full indexation of public service pensions is currently underway, with an extension to full indexation required until at least April 2024.

1.68 In October 2018, the High Court published its judgment in the Lloyds Banking Group case on the equalisation of GMP and found that pensions must be equalised for the effects of unequal GMP.

1.69 Given that the Government has committed to addressing GMP equalisation either through provision of full indexation of pensions or conversion of GMPs, the additional liability will need to be reflected in the Scheme's finances. A past service cost of £1 billion has therefore been determined in respect of the additional liabilities for members reaching State Pension age after 6 April 2021. We are not expecting any further past service costs to the Scheme in relation to GMP equalisation and indexation.

1.70 As a result of the end of contracting-out in 2016 pension schemes were required to reconcile their GMP records with those held by HMRC. The GMP reconciliation exercise has been completed and, where necessary, records and payments rectified to the correct amounts.

1.71 A number of over and under-payments were identified for past payments as part of the reconciliation and rectification exercise. Amounts previously overpaid were not recovered from members, consistent with the approach across the rest of the public sector. Amounts previously underpaid were paid to members. In all cases, pensions going forward have been adjusted to the correct level. The final over-payment figure written off in 2017-18 was £16.8m and underpayment arrears paid out to members was £0.4m

Looking forward

1.72 It remains our long-term vision to transform the Civil Service pension arrangements into the best managed and administered scheme in the UK public sector. The uncertainty around the legal judgment and subsequent 2015 Remedy Programme meant that we had to pause the plans that we had in place to deliver a new administration service. We will revisit the future of the Scheme administration when the 2015 Remedy Programme has been established.

Exiting the European Union

1.73 On 29 March 2017, the UK Government submitted its notification to leave the EU in accordance with Article 50. On 31 January 2020, the Withdrawal Agreement between the UK and the EU became legally binding and the UK left the EU. A transition period ran to 31 December 2020 and a UK-EU trade agreement came into effect after this date.

1.74 In the short term, this is expected to have little effect on the Scheme, which is not exposed to market volatility, but it may indirectly lead to changes in the make-up of the Civil Service and be impacted by future economic performance.

Coronavirus (COVID-19) Pandemic

1.75 The coronavirus (COVID-19) outbreak and the Scheme's approach to handling the impact of the pandemic and mitigating the risks associated with it is detailed in note 4.53 of the governance statement.

Statement on the disclosure of relevant audit information

1.76 The accompanying account has been prepared on a statutory basis in accordance with the requirements of HMT and is designed to comply with generic Accounts Directions issued to departments by HMT under section 5(2) of the Government Resources and Accounts Act 2000.

1.77 The financial statements are audited by the Comptroller and Auditor General, who is appointed under statute and reports to Parliament on the audit examination, and whose opinion is expressed in the certificate and report of the Comptroller and Auditor General to the House of Commons. During the reporting year no payment was made to the Auditors for non-audit work (2018-19: £nil).

1.78 The notional cost for the audit of these financial statements in 2019-20 was £160,000 (2018-19: £160,000) and is recognised in the Cabinet Office departmental account.

1.79 I confirm that, so far as I am aware, there is no relevant audit information of which the Auditors are unaware and that I have taken all reasonable steps to ensure that I am aware of any relevant audit information and to establish that the Auditors are aware of that information.

Events after the reporting period

1.80 The Government published a consultation on 5 February 2021 in respect of changes to public service pensions to remove discrimination arising from the transitional protection arrangements that were introduced when the schemes were reformed in 2015. The result of this consultation, to implement a deferred choice underpin, have already been reflected in these accounts as a reduction in the past service costs.

1.81 There have been no other material events between the Statement of Financial Position date and the date the account was authorised for issue.

1.82 The Accounting Officer of the Scheme has authorised these financial statements to be issued on the date the Comptroller and Auditor General certifies the account.

Additional information for members

Civil Service Additional Voluntary Contribution Scheme (CSAVCS)

1.83 The CSAVCS is a statutory scheme that allows Scheme members to increase their benefits by contributing to defined contribution arrangements. Further details on this are provided in Note 15 of the Account.

1.84 Members who choose to contribute to the CSAVCS build up a personal fund. The options offered to them at retirement depend on what the individual provider permits, and it may be necessary for members to transfer to alternative arrangements within the same provider or to another provider to access all types of flexibility.

1.85 AVCs are administered by Legal & General as part of the WorkSave Mastertrust, with the exception of Equitable Life members. Equitable Life Assurance Society transferred its business to Utmost Life and Pensions on 1st January 2020. As part of the transfer of business, all policy guarantees were removed and with-profit policies were converted to unit-linked policies, in exchange for members receiving an uplift to the policy value. As the policy guarantees have been removed, it is Civil Service Pensions intention to transfer the remaining members to the Mastertrust in late 2020.

1.86 Civil Service Pensions continues to exercise its duty of care towards members by monitoring the CSAVCS providers and working with the Government Actuary's Department.

Managers, advisers, auditors and bankers

The managers and advisers for the Civil Service schemes are listed below:

Accounting Officer:	Alex Chisholm, 70 Whitehall, London SW1A 2AS
Director of Civil Service Pensions:	Debra Soper, Cabinet Office, 151 Buckingham Palace Road, London SW1W 9SZ

Advisers

Scheme Actuary:	Government Actuary’s Department, Finlaison House, 15-17 Furnival Street, London EC4A 1AB
Legal Advisers:	Treasury Advisory Division, HM Treasury, 1 Horse Guards Road, London SW1A 2HQ
Medical Advisers:	Health Management Ltd, Ash House, Ringmer, East Sussex BN8 5NN
Money Purchase:	To December 2019: Aon Hewitt Ltd, 10 Devonshire Square, London EC2 4YP

Auditors

External	Comptroller and Auditor General,

Auditors:	National Audit Office, 157-197 Buckingham Palace Road, London SW1W 9SP
Internal Auditors:	Government Internal Audit Agency, 10 Victoria Street, London SW1H 0NB
Bankers	Royal Bank of Scotland, 36 St Andrew Square, Edinburgh EH2 2YB

Further information

Further information can be found at **www.civilservicepensionscheme.org.uk**. Please address any enquiries about Civil Service pension arrangements to:

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scheme.managementexecutive@cabinetoffice.gov.uk

Alex Chisholm
Principal Accounting Officer and Permanent Secretary
Cabinet Office

15 March 2021

2. Report of the Actuary

Introduction

2.1 This statement has been prepared by the GAD at the request of the Cabinet Office. It provides a summary of GAD's assessment of the Scheme liability in respect of the Civil Service Pension Scheme (CSPS) as at 31 March 2020, and the movement in the Scheme liability over the year 2019-20, prepared in accordance with the requirements of Chapter 9 of the 2019-20 version of the Financial Reporting Manual.

2.2 The CSPS is a defined benefit scheme providing pension and lump sum benefits on retirement and death. The scheme is wholly unfunded. I am not aware of any informal practices operated within the Scheme which lead to a constructive obligation.

2.3 The assessment has been carried out by calculating the liability as at 31 March 2016 based on the data provided as at 31 March 2016 and rolling forward that liability to 31 March 2020.

Membership data

2.4 Tables A to C summarise the principal membership data as at 31 March 2016 used to prepare this statement.

Table A – Active members

	Number	Total pensionable pay* (pa) £m
Males	216,986	7,043
Females	247,017	7,036
Total	464,003	14,079

*pensionable pay is the FTE figure

Table B – Deferred members

	Number	Total deferred pension (pa) £m
Males	154,040	556
Females	205,941	611
Total	359,981	1,167

Table C – Pensions in payment

	Number	Annual pension* (pa) £m
Males	284,794	3,146
Females	257,212	1,511
Spouses & dependants	107,332	472
Total	649,338	5,129

*Pension amounts include the pension increase granted in April 2016

Methodology

2.5 The present value of the liabilities as at 31 March 2020 has been determined using the Projected Unit Credit Method (PUCM), with allowance for expected future pay increases in respect of active members, and the demographic and financial assumptions applying as at 31 March 2020. The current service cost (expressed as a percentage of pensionable pay) in respect of accruing costs in the year ended 31 March 2020 was determined using the PUCM and the demographic and financial assumptions applicable at the start of the year; that is, those adopted as at 31 March 2019 in the 2018-19 account.

2.6 This statement takes into account the benefits normally provided under the Scheme, including age retirement benefits, ill-health retirement benefits and benefits applicable following the death of the member. It does not include the cost of injury benefits (in excess of ill-health benefits). It does not include premature retirement and redundancy benefits in respect of current active members, although the assessment of liabilities includes pensions already in payment in respect of such cases.

Financial assumptions

2.7 The principal financial assumptions adopted to prepare this statement are shown in Table D.

Table D – Principal financial assumptions

Assumption	31 March 2020	31 March 2019
Nominal discount rate	1.80%	2.90%
Rate of pension increases	2.35%	2.60%
Rate of general pay increases	4.10%	4.10%
Rate of short-term general pay increase	n/a	n/a
Real discount rate in excess of:		
• pension increases	(0.5%)	0.29%
• long-term pay increases	(2.20%)	(1.15%)
Expected return on assets	n/a	n/a

2.8 The assessment of the liabilities allows for the known pension increases up to and including April 2020.

Demographic assumptions

2.9 Table E summarises the mortality assumptions adopted to prepare this statement, which were derived from the specific experience of the Scheme membership. The table refers to the standard mortality tables prepared by the Continuous Mortality Investigation (part of the Actuarial Profession) known as the ‘S2 tables’, with the percentage adjustments to those tables derived from scheme experience.

Table E – Post-retirement mortality assumptions

Baseline mortality	Standard table*	Adjustment
Males		
Retirements in normal and ill-health	S2NMA	104%
Dependants	S2NMA	117%
Females		
Retirements in normal and ill-health	S2NFA	104%
Dependants	S2DFA	100%

2.10 These assumptions in table E are the same as those adopted for the 31 March 2016 funding valuation of the Scheme and the accounts as at 31 March 2019.

2.11 For the 2018-19 accounts, future improvements in mortality were assumed to be in line with the 2016-based principal population projections for the United Kingdom published by the Office for National Statistics (ONS). Mortality improvements are now assumed to be in line with the latest 2018-based projections for the United Kingdom published by the ONS in October 2019, which leads to a reduction in life expectancies.

Liabilities

2.12 Table F summarises the assessed value as at 31 March 2020 of benefits accrued under the Scheme prior to this date based on the data, methodology and assumptions described in paragraphs 2.4 to 2.11. The corresponding figures for the previous year are shown for comparison. The liabilities at 31 March 2019 and 2020 both include an allowance for the higher cost of benefits accruing under the 2015 remedy.

Table F – Statement of financial position (£bn)

	31 Mar 20	31 Mar 19	31 Mar 18	31 Mar 17	31 Mar 16
Total market value of assets	nil	nil	nil	nil	nil
Value of liabilities	280.12	237.20	237.02	234.0	187.3
Surplus/ (Deficit)	(280.12)	(237.20)	(237.02)	(234.0)	(187.3)
Of which recoverable by employers	n/a	n/a	n/a	n/a	n/a

Accruing costs

2.13 The cost of benefits accrued in the year ended 31 March 2020 (the current service cost) is assessed as 48.5% of pensionable pay.

2.14 For the avoidance of doubt, the actual rate of contributions payable by employers and employees is not the same as the current service cost assessed for the account. Members contributed between 4.6% and 8.1% of pensionable pay, depending on the level of their pay. The actual employer contribution rate was determined as part of a funding valuation using different assumptions. Table G shows the employer and employee contributions during the year 2019-20 as a percentage of pensionable pay and compares the total contributions with the current service cost assessed for the 2019-20 account.

Table G – Contribution rates

	Pensionable pay	
	2019-20	**2018-19**
	%	**%**
Employer contributions*	27.0	21.1
Employee contributions (average)	5.6	5.6
Total contributions	32.6	26.7
Current service cost (expressed as a % of pay)	48.5	47.4

*Under the current arrangements, the expenses of administering the Scheme are borne by employers through an administration levy which is included in the contributions payable to the Scheme (0.32% of pay).

2.15 The key difference between the assumptions used for funding valuations and the account is the discount rate, although price inflation and salary increases are also determined differently. The discount rate for the account is set each year by HMT to reflect the requirements of the accounting standard IAS 19.

2.16 The pensionable payroll for the financial year 2019-20 was £15.56 billion (derived from contributions payable by employers over the year). Based on this information, the accruing cost of pensions in 2019-20 (at 48.5% of pay) is assessed to be £7.55 billion. This includes an allowance for the higher cost of benefits accruing over the year under the 2015 remedy.

2.17 Past service costs arise when an employer undertakes to provide a different level of benefits than previously promised. A past service cost of £1.0 billion has been determined in respect of the additional liabilities for the indexation and equalisation of GMP in public service pension schemes for members reaching State Pension age after 6 April 2021. A negative past service cost of £1.2 billion has been determined in respect of the change of scope of members covered by the 2015 Remedy Programme.

I am not aware of any other events that have led to a material past service cost over 2019-20.

2.18 Settlements gains or losses arise when an employer undertakes an action to take on or settle a liability where the cost differs from that reserved or transferred. A settlement loss of approximately £94 million was determined in respect of bulk transfers being paid into the Scheme over the year i.e. it was estimated that the assessed value of the accounting liabilities transferred into the Scheme exceeded the assets transferred by approximately £94 million. I am not aware of any other events that have led to a material settlement or curtailment gain or loss over 2019-20.

Sensitivity analysis

2.19 The results of any actuarial calculation are inherently uncertain because of the assumptions which must be made. In recognition of this uncertainty, I have been asked to indicate the approximate effects on the actuarial liability as at 31 March 2020 of changes to the most significant actuarial assumptions.

2.20 The most significant assumptions are the discount rate, general earnings increases and pension increases (currently based on the CPI). A key demographic assumption is pensioner mortality.

2.21 Table H shows the indicative effects on the total liability as at 31 March 2020 of changes to these assumptions (rounded to the nearest ½%).

Table H – Sensitivity to significant assumptions

Change in assumption	Approximate effect on total liability	
Financial assumptions	**%**	**£bn**
(i) discount rate*: +½% a year	(10.0)	(28.0)
(ii) (long-term) earnings increase*: +½% a year	1.5	4.2
(iii) pension increases*: +½% a year	7.5	21.0
Demographic assumptions		
(iv) additional one-year increase in life expectancy at retirement	4.0	11.2

*Opposite changes in the assumptions will produce approximately equal and opposite changes in the liability.

COVID-19 implications

2.22 The 2019-20 Resource Accounts are being produced at a time when the UK is in the midst of dealing with the COVID-19 pandemic. I have considered the potential implications of how this pandemic could impact on the actuarial calculations required for the Resource Account.

2.23 The assumptions for the discount rate and pension increases are specified by HMT in the PES (2019) 11 Revised, dated 6 December 2019, and remain unchanged for these accounts. The PES assumptions reflect market conditions at the previous 30 November and are typically not amended for any changes between November and the accounting date.

2.24 The long-term salary assumption is set by CO, having taken actuarial advice, and is intended to be an average over the future careers of scheme members, with a recognition that increases in any particular year may be lower or higher than the assumption. The increase in the amount of Government debt being taken on to pay for its response to the COVID-19 pandemic is likely to affect salary growth. However, at this stage, it is too early to speculate on the potential impacts for the long-term salary growth. Therefore I do not believe there is any information to justify changing the salary assumption.

2.25 The current population mortality projections make no specific allowance for the impact of COVID-19 or any other pandemics. The starting rates of mortality improvement are based on projections of past trends in UK mortality and the effects of past pandemics will already be reflected in these trends. In general, the effects of pandemics on mortality rates are usually expected to be short term, with rates going back to what they would have been before the pandemic after a year or two, unless the pandemic remains over several years. My view is that it is too early in the pandemic to determine whether COVID-19 changes the long-term view of life expectancy in the UK. It is therefore not unreasonable to retain the existing mortality assumptions. A death rate from COVID-19 in excess of that already allowed for in the mortality assumptions would emerge as an experience gain over the next year's accounts.

Kenneth Starr FIA

Actuary

Government Actuary's Department

20 July 2020

3. Statement of Accounting Officer's Responsibilities

3.1 Under the Government Resources and Accounts Act 2000, HMT has directed the Cabinet Office to prepare for each financial year a statement of account in the form and on the basis set out in the Accounts Direction.

3.2 The combined financial statements are prepared on an accruals basis and must give a true and fair view of the state of affairs at year end of the Civil Service Pension Schemes, certain other minor pension schemes and of the Net Resource Outturn, Changes in Taxpayers' Equity and cash flows for the financial year then ended. The financial statements are required to provide disclosure of any material expenditure or income that has not been applied to the purpose intended by Parliament or material transactions that have not conformed to the authorities which govern them. In addition, the financial statements must be prepared so far as to demonstrate that the contributions payable to the Schemes during the year have been paid in accordance with the Scheme rules and the recommendations of the Actuary.

3.3 In preparing the financial statements, the Accounting Officer is required to comply with the requirements of the 'Government Financial Reporting Manual (FReM)', and in particular to:

- observe the Accounts Direction issued by HMT, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgments and estimates on a reasonable basis;
- state whether applicable accounting standards, as set out in the 'FReM' have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on a going concern basis; and
- confirm that the Annual Report and Account as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and Account and the judgments required for determining that it is fair, balanced and understandable.

3.4 HMT has appointed the Permanent Secretary of the Cabinet Office as Accounting Officer for the Civil Superannuation Account. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the assets of the pension scheme, are set out in 'Managing Public Money' published by HMT.

4. Governance Statement

Scope of responsibility

4.1 I was appointed as the Accounting Officer for the Civil Superannuation on 14 April 2020. My predecessor had responsibility for maintaining a sound system of governance, risk management and internal control.

4.2 I have now assumed this responsibility that supports the achievement of the Scheme's policies, aims, and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible in accordance with the responsibilities assigned to me in 'Managing Public Money'.

4.3 The Civil Superannuation Vote covers the Civil Service pension arrangements, 'the Scheme', the Civil Service Compensation Scheme and some minor agency arrangements set out in statute.

4.4 The Scheme makes up the bulk of the Civil Superannuation Vote and is the focus of much of this Statement. The Scheme is managed by Civil Service Pensions which is based in the Cabinet Office. The other arrangements covered by the Vote are managed separately and I receive appropriate assurances to enable me to exercise my role as Accounting Officer for the whole Vote.

Governance: roles and responsibilities

4.5 The bodies and individuals involved in Scheme governance are set out below:

- the **Minister for the Civil Service** (currently the Prime Minister) is the Scheme Manager. In practice, this responsibility is delegated to the **Minister for the Cabinet Office** and me, as the **Permanent Secretary for the Cabinet Office** and the Accounting Officer of the Scheme;

- the **Cabinet Office Audit and Risk Committee** supports and advises me, as the Accounting Officer, on all relevant matters concerning audit and risk;

- the **Civil Service Pension Board** gained statutory footing under the Public Services Pensions Act 2013, ‘the 2013 Act’. Its role is to support the Scheme Manager;

- the **Scheme Advisory Board** is also a requirement of the 2013 Act. Its role is to provide policy advice to the Minister, when requested;

- the **Pensions Finance Governance Group** reviews the governance statement and provides a review of the Scheme annual report and account and related issues. The **Cabinet Office Finance Director** ensures that expenditure by Civil Service

Pensions, though not funded by the Cabinet Office, is subject to appropriate scrutiny. He is also a member of the Civil Service Pensions Board and attends the Cabinet Office Audit and Risk Committee;

- **Civil Service Pensions** is responsible for leading on pension policy and managing the Scheme; and

- **MyCSP**, a private company, carries out most day-to-day administration of the Scheme under a contract with the Cabinet Office operated in accordance with the Department's internal control framework.

4.6 Other responsibilities sit with employers, including ensuring that key membership data is accurate and up to date.

Cabinet Office Audit and Risk Committee (COARC)

4.7 COARC is chaired by Mike Ashley, an independent non-executive member of the Cabinet Office Board. All COARC meetings were attended by him, at least one other non-executive director, the Cabinet Office Finance Director and my predecessor.

4.8 COARC receives regular reports from the Cabinet Office Performance and Risk Committee and received reports and updates provided by Civil Service Pensions, the National Audit Office (NAO) and the Government Internal Audit Agency (GIAA).

Civil Service Pensions Board (CSPB)

4.9 The CSPB's statutory role is to support the Scheme Manager, which it seeks to do by assisting and challenging those involved in scheme administration.

4.10 During 2019-20 the CSPB had 13 members, including the Non-Executive Chair, with four representatives from both employers and scheme members, plus three non-executive members and two members drawn from the pensions industry. One employer-nominated member resigned in December 2019, and the Board is in the process of appointing a replacement.

4.11 The CSPB focuses on the administration of the Scheme and also its compliance with regulations and legislation. It reviews the Cabinet Office and MyCSP's performance and the actions taken to address identified shortcomings, including those of employers, in pursuit of the successful delivery of the Scheme.

4.12 The CSPB met on four occasions in 2019-20. It had two sub-groups, which met on a quarterly basis and reported into the main board. At the March board meeting, it was agreed to discontinue the sub-groups in their current format in favour of establishing task and finish sub-groups as and when required.

4.13 A secretariat function, based in the Cabinet Office supports the Board. The Director of Civil Service Pensions attends CSPB meetings and the reports produced by Civil Service Pensions provide the level of detail needed for effective oversight. Further information can be found at: www.civilservicepensionscheme.org.uk/about-us/civil-service-pensions-board/

Scheme Advisory Board (SAB)

4.14 The SAB provides strategic advice to the Minister for the Cabinet Office. This covers the design of the Scheme including the desirability of rule changes and any issues arising from the four yearly scheme valuation process. The SAB is accountable to the Minister as Scheme Manager.

4.15 The SAB is chaired by Rupert McNeil, the Government Chief People Officer, and attendees include, but are not limited to, the Chair of the CSPB, Civil Service Pensions and HR staff, trade union representatives and the Government Actuary’s Department.

4.16 The SAB met nine times during 2019-20 and discussed member contributions, ill-health retirements, the 2015 Remedy Programme and COVID-19 planning.

Pensions Finance Governance Group

4.17 The Pensions Finance Governance Group met with representatives from the National Audit Office, the Government Actuary's Department and the Cabinet Office finance department. The group discussed the content of the governance statement and report of the manager, and the progress of the audit.

Civil Service Pensions

4.18 Civil Service Pensions has 52 staff working on the Scheme. Its principal activities are set out in the Report of the Manager.

MyCSP

4.19 MyCSP has a contract with the Cabinet Office to administer the Scheme; its responsibilities are set out in the Report of the Manager. As Accounting Officer, I have responsibility for ensuring MyCSP is managing its risks effectively, and for reviewing the effectiveness of its system of internal control.

Corporate Governance Code

4.20 The Scheme complies with HMT's Corporate Governance Code as far as it is applicable and achieves transparent and effective governance through the work of the bodies listed above.

My review of the system of internal control

4.21 As part of my responsibilities as Accounting Officer, I have reviewed the effectiveness of the system of internal control, including risk management. My review is informed by regular reports from the Director of Civil Service Pensions and GIAA, which is the Scheme's internal audit service. I have been advised on the implications of the result of my review by COARC.

4.22 The GIAA Head of Internal Audit provides me with a report on internal audit activity over the reporting period which contains his independent opinion on the adequacy and effectiveness of the Scheme's governance, risk management and internal control arrangements.

4.23 The report provided a ‘moderate’ opinion, highlighting that the leadership and management are addressing longstanding risks and issues, and that the vision and objectives are embedded across the Scheme.

4.24 MyCSP also produces an Annual Assurance Statement as part of its contractual requirements, summarising the outcomes of internal audit work over the year. This gives MyCSP’s internal auditor’s opinion on the overall adequacy and effectiveness of governance, risk management and control and is used to gauge how MyCSP assess their own controls.

4.25 The Scheme’s system of internal control provides me with evidence that the controls in place to manage the risks to the Scheme are sufficiently robust and effective to achieve the principal objectives. Plans to ensure continuous improvement are in place and COARC continues to monitor improvements in the overall corporate assurance framework. There are a number of Scheme risks managed by other parties, such as MyCSP and participating employers, and we continue to monitor and encourage continual improvements to their control environments.

Review of risk management

Strategic Risk

4.26 The long-term vision of the Scheme is to become the best managed, best administered and best value public sector scheme in the UK. This is underpinned with five strategic objectives:

- to provide a quality and value for money service for all members and employers;
- to invest in and develop our people to be recognised across the Civil Service as pensions specialists;
- to ensure scheme members value and understand their benefits and are actively planning for retirement;
- to ensure employers value and understand the Scheme as part of the overall reward package and fulfil their obligations to support delivery of a quality service to members; and
- to ensure the Scheme is sustainable and supports the wider 'Brilliant Civil Service' agenda.

Service

4.27 Our dual aim has been to improve the administration of the Scheme by lifting the performance of the current administrator whilst designing a future services model for Scheme administration. This will form the basis of the next iteration of the Scheme's administration services.

4.28 We have made good progress: the cost of administration has fallen from £39.1 million in 2016/17 to £26.7 million in 2019/20 whilst at the same time MyCSP's performance has improved in the key areas, including handling General Data Protection Regulation breaches and data quality.

4.29 The work on the future services model, including the proposed re-procurement, was paused in mid-2019 along with any re-procurement due to the Court of Appeal's ruling on Transitional Protection. The level of uncertainty around the impact and potential remedies was too fundamental to continue with a new procurement exercise. We have begun work on a new programme and will be considering the options, including the possibility of a new re-procurement exercise. Meanwhile, we are negotiating an extension to the existing contract with MyCSP.

People

4.30 We continue to recruit strong, suitably qualified personnel from within and outside the public sector. Civil Service Pensions now includes experts in pensions policy, tax, project management, casework, finance, commercial negotiations and operations.

Member and Employer Engagement

4.31 The Scheme depends on participating employers to promote the Scheme and provide the right data and information to allow deductions and benefits to be accurately calculated. Due to the wide-ranging nature of this dependency, employer engagement continues to be a key part of the internal control framework. Activities include:

- the employer Strategic Working Group provides a forum where senior officials can contribute to the strategic direction and administration of the Scheme;
- the Practitioner Group, which comprises working-level pension practitioners from a range of employers, is used as a forum to test new initiatives and canvass employer and member feedback;
- Regional Employer Forums, which take place biannually across the UK with over 200 employers attending in 2019-20;
- Employer Pensions Notices (EPNs), which are sent to employers to provide updates on scheme policy and processes as well as any changes to legislation that affect the management of the Scheme; and
- An Employer Relationship Management (ERM) team, introduced by MyCSP, to ensure employers are supported to deliver their responsibilities.

4.32 Given the situation with the COVID-19 pandemic, the traditional Regional Employer Forums during March did not take place. Video updates were produced along with video conferencing sessions to keep employers informed and engaged.

4.33 We also work closely with MyCSP to engage with members and potential members. Important developments have included developing a more digital approach, creating innovative promotional materials and carrying out face-to-face presentations.

4.34 In 2019 the website saw a 40% increase in users compared to the previous year and this trend is continuing in 2020. A pension modeller was launched in June 2018 which has now been used by almost 200,000 members.

4.35 The award winning ‘Pension Power’ communications’ strategy continues to attract interest with some 50,000 members attending either a live event or webinar. Overall, the number of members who understand their benefits better has risen by 92% since 2016.

Review of operational risk management

4.36 There are three operational areas where continuous oversight and monitoring is carried out: administrator performance, employer performance and data quality.

Administrator performance

4.37 The contract management function within Civil Service Pensions is based in Liverpool where MyCSP is headquartered. Its role is to manage MyCSP's service delivery, ensure value for money is being achieved and assist MyCSP in dealing with issues in a timely manner whilst continuing to improve the services offered to scheme members and employers.

4.38 Key areas of focus for the year included reducing complaints due to administration error or delay, reviewing business processes to improve end-to-end processing times for members and increasing calculation automation where possible to reduce manual intervention.

4.39 During 2019-20, MyCSP received 3,227 complaints (2018-19: 2,213), with the number of complaints upheld and the number of appeals at both stages of the Internal Dispute Resolution (IDR) process rising during the year. 437 cases went through the IDR process with 417 resolved and, of the resolved cases, 264 were upheld or partly upheld. The increase in all complaint stages was largely due to media awareness in relation to overpayment cases and union/pensioner groups' advice to members to raise overpayment complaints through the full IDR process.

4.40 Over 50% of cases at both stages of the IDR process were complaints as a result of overpayments during the second half of the year. Standard processing has been developed for both stages of the IDR process to ensure both MyCSP and Cabinet Office were able to increase performance output levels and meet demand within the required timescales. The number of cases where the outcome changes from stage one to stage two of the IDR process continues to decrease.

Employer responsibilities

4.41 Employer Accounting Officers provide me with an Annual Assurance Statement (AAS) setting out the operation of their pension internal controls framework and compliance with the terms of their Participation Agreements and contracts. The AAS asks a series of questions focused on the processes and procedures employers have in place to ensure adherence with scheme rules and guidance. MyCSP undertakes the process of issuing the statements and collating the returns for analysis.

4.42 The prior year exercise highlighted interface problems for a minority of employers and remedial action was put in place to address this. The interface compliance model introduced has stringent interface quality guidelines with an average quality target of 95.5%. 97.4% of employers are meeting this target, with the remainder having improvement plans in place.

4.43 349 employers have now returned their statements, with the results providing a high degree of assurance that employers are complying with their responsibilities under their participation agreements. A total of 334 employers covering 99% of active Scheme members confirmed no issues with regards to pension contributions being paid to the Scheme and interfaced to MyCSP. Similarly, 346 employers reported no issues with regards to AVCs being paid to the Scheme's AVC provider.

4.44 Seven employers reported some form of interface problem with MyCSP and Civil Service Pensions is ensuring that remedial action is in place to address any key areas identified. Throughout 2019-20, employers have continued to significantly improve the quality of scheme data, evidenced by the success of the active data cleanse project and implementation of the 0.5% interface compliance target, which is running at 98.5% compliance across all employers.

4.45 We have also developed a contribution assurance framework which ensures the correct amount of contributions are made to the vote. Employer audits are carried out by GIAA, to review the effectiveness of processes followed by selected employers and highlight areas for improvements.

Data quality and security

4.46 The employer-led data cleanse programme for active members was completed during the year, cleansing over 90% of the approximately 350,000 active member records that previously had data issues.

4.47 The next phase of the data-cleanse programme will be administrator-led and will address data issues impacting deferred and pensioner members' data. The Cabinet Office monitors the progress of these projects via the Data Improvement Programme Board (DIPB).

4.48 A Security Working Group monitors all matters concerning information assurance and data security that may arise as MyCSP transforms its services. The group meets on a monthly basis. During the reporting period, whilst a number of minor data breaches were identified, these were not reportable to the Information Commissioner's Office (ICO) and are monitored by the Security Working Group.

Sustainability

4.49 We have continued to improve the risk framework around the Scheme and there is now a dedicated risk and compliance manager and a complete risk management policy and framework. The system identifies and documents controls linking them to the risks, with risk owners accountable for the controls and the mitigation procedures.

4.50 The current focus in this area is managing the risks around the successful delivery of the 2015 Remedy Programme and the future administration service provision.

Key issues arising in the reporting period

2015 Remedy Programme

4.51 The 2015 Remedy Programme will focus on the remedy to remove the inherent discrimination caused by transitional protection. Many scheme members will need to be offered a choice of schemes to remedy the discrimination.

4.52 The risks associated with the 2015 Remedy Programme include, but are not limited to:

- ineffective communications to key stakeholders;
- unsuccessful remedy implementation or slippage with project activities; and
- inability to administer pension reforms.

4.53 Resources are now being put in place supported by our risk management function. Robust controls are being introduced to ensure that active engagement is taking place with key stakeholders and to ensure communication with members is effective. We have also introduced processes for managing the impacts on the Scheme administrator and testing of the deliverability of alternative remedy routes.

Coronavirus (COVID-19) Pandemic

4.54 The coronavirus (COVID-19) outbreak, which began in December 2019, presents a significant challenge for the effective running of the Scheme. The Scheme Manager sought an early opportunity to engage with its administrators and other third parties to ensure a joined-up approach to manage the risks. Civil Service Pensions co-ordinated the planning, policy and response to the risks associated with the pandemic, and both MyCSP and Civil Service Pensions instigated their Business Continuity Plan (BCP) to manage the impact. The BCP was further reviewed and now includes greater engagement through daily calls and monitoring performance through dashboards.

4.55 Risks associated with COVID-19 relate to data transmission between key stakeholders, resourcing, fraud and cybercrime, banking systems, payroll systems, internal critical activities and postal services. Specific contingency plans for the key COVID-19 risks have been developed and discussed at length with all key stakeholders to ensure essential services are maintained. The Scheme Manager is holding regular calls with the necessary stakeholders to monitor the situation and to take action where required.

Other schemes

4.56 Responsibility for the governance and administration of the other pension schemes included in these financial statements rests with the relevant agencies. The National Security Adviser has provided me with an assurance statement that they are satisfied there are suitable controls in operation within the agencies.

Alex Chisholm
Principal Accounting Officer and Permanent Secretary
Cabinet Office

15 March 2021

Parliamentary Accountability and Audit Report

Statement of Parliamentary Supply – (subject to audit)

In addition to the primary statements prepared under International Financial Reporting Standards, the 'FReM' also requires the Scheme to prepare an additional statement – a Statement of Parliamentary Supply. This statement and supporting notes, show outturn against estimates in terms of the net resource requirement and the net cash requirement. The regularity of expenditure is subject to audit as per the requirements of the 'FReM'.

Summary of resource and capital outturn 2019–20

	Estimate			
	SOPS Note	Voted	Non-voted	Total
Departmental expenditure limit				
- Resource		-	-	-
- Capital		-	-	-
Annually managed expenditure				
- Resource	SOPS 1.1	11,932,557	-	11,932,557
- Capital		-	-	-
Total budget		11,932,557	-	11,932,557
Non-budget				
- Resource		-	-	-
Total		11,932,557	-	11,932,557

Outturn				2019–20 £000	2018–19 £000
	Voted	**Non-voted**	**Total**	**Voted outturn compared with estimate: saving**	**Total**
Departmental expenditure limit					
- Resource	-	-	-	-	-
- Capital	-	-	-	-	-
Annually managed expenditure					
- Resource	9,533,925	-	9,533,925	2,398,632	13,094,504
- Capital	-	-	-	-	-
Total budget	9,533,925	-	9,533,925	2,398,632	13,094,504
Non-budget					
- Resource	-	-	-	-	-
Total	9,533,925	-	9,533,925	2,398,632	13,094,504

	Note	2019–20 £000 Estimate	2019–20 £000 Outturn	2019–20 £000 Outturn compared with estimate: saving	2018–19 £000 Outturn
Net cash requirement	SOPS2	1,644,252	1,193,276	450,976	2,056,321
Administration costs 2019–20		-	-		-

Figures in the areas outlined in bold are voted totals or other totals subject to Parliamentary control.

Supporting explanation for variance against outturn and the net cash requirement can be found under the financial review section of the Report of the Manager.

The notes below form part of these disclosures.

Notes to the Statement of Parliamentary Supply (subject to audit)

SOPS1. Analysis of net resource outturn by section

	Outturn					
	Administration			Programme		
	Gross	Income	Net	Gross	Income	Net
Spending in Departmental expenditure limit Voted:						
- Voted	-	-	-	-	-	-
Non Voted	-	-	-	-	-	-
Annually managed expenditure Voted:						
- Voted	-	-	-	15,109,644	(5,575,719)	9,533,925
Total budget	-	-	-	15,109,644	(5,575,719)	9,533,925
Non-voted						
- Voted	-	-	-	-	-	-
Total	-	-	-	15,109,644	(5,575,719)	9,533,925

				2019–20	2018–19
	Total			£000	£000
	Outturn	Estimate		Outturn	Outturn
	Total	Net Total	Net total compared to Estimate	Net total compared to Estimate, adjusted for virements	Total
Spending in Departmental expenditure limit Voted:					
Voted	-	-	-	-	-
Non Voted	-	-	-	-	-
Annually managed expenditure Voted:					
Voted	9,533,925	11,932,557	2,398,632	2,398,632	13,094,504
Total budget	9,533,925	11,932,557	2,398,632	2,398,632	13,094,504
Non-voted - Voted	-	-	-	-	-
Total	9,533,925	11,932,557	2,398,632	2,398,632	13,094,504

The total resource outturn in SOPS1 is the same as net operating expenditure in the Statement of Comprehensive Net Expenditure, therefore no reconciliation is required.

SOPS2. Reconciliation of Net Resource Outturn to Net Cash Requirement

	Note	Estimate £000	Outturn £000
Net resource outturn		11,932,557	9,533,925
Accruals adjustments:			
New provisions		(17,104,305)	(15,100,500)
Changes in payables		-	45,438
Changes in receivables		-	99,178
Changes in non-supply payables			(41,637)
Changes in non-supply receivables		-	5,364
Use of provision:		6,816,000	6,651,508
Excess cash receipts surrendable to the Consolidated Fund		-	-
Net cash requirement		**1,644,252**	**1,193,276**

		2019–20
		Net total outturn compared with estimate: saving
	£000	**£000**
Net resource outturn		2,398,632
Accruals adjustments:		
New provisions		(2,003,805)
Changes in payables		(45,438)
Changes in receivables		(99,178)
Changes in non-supply payables		41,637
Changes in non-supply receivables		(5,364)
Use of provision:		164,492
Excess cash receipts surrenderable to the Consolidated Fund		-
Net cash requirement		450,976

Parliamentary Accountability Disclosures

Losses and Special Payments (subject to audit)

During the year, 5,649 cases totalling £625,530 were written off (2018-19: 4,862 – £401,829).

The Certificate and Report of the Comptroller and Auditor General to the House of Commons

Opinion on financial statements

I certify that I have audited the financial statements of the Cabinet Office: Civil Superannuation Account (the Scheme) for the year ended 31 March 2020 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Combined Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the Statement of Parliamentary Supply and the related notes, and the information in the Losses and Special Payments Disclosures that is described in those disclosures as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of the Scheme's affairs as at 31 March 2020 and of its net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HMT directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2020 and shows that those totals have not been exceeded; and
- the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), and Practice Note 15 – The Audit of Occupational Pension Schemes in the United Kingdom and Practice Note 22 – The Auditor's Consideration of FRS 17 'Retirement Benefits' – Defined Benefit Schemes. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Scheme in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the Scheme's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Scheme has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Scheme's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose

of expressing an opinion on the effectiveness of the Civil Superannuation Account’s internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply properly presents the outturn against Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are; Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Other Information

The Accounting Officer is responsible for the other information. The other information comprises information included in the Annual Report, but does not include the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with HMT directions made under the Government Resources and Accounts Act 2000;

- in the light of the knowledge and understanding of the Scheme and its environment obtained in the course of the audit, I have not identified any material misstatements in the Accountability Report; and
- the information given in the Report of the Manager and the Report of the Actuary for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Accountability Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HMT's guidance.

Report

I have no observations to make on these financial statements.

Gareth Davies 15 March 2021

Comptroller and Auditor General

National Audit Office

157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP

Financial Statements

Combined Statement of Comprehensive Net Expenditure for the year ended 31 March 2020

	Note	2019-20	2018-19
Principal Scheme arrangements		**£000**	**£000**
Income			
Contributions receivable[1]	5	(5,072,087)	(3,886,103)
Transfers in	6	(387,198)	(348,356)
Other pension income	7	(2,251)	(4,679)
		(5,461,536)	(4,239,138)
Expenditure			
Service cost	8	7,322,697	10,589,000
Enhancements	9	32,412	36,729
Transfers in	10	481,198	345,856
Injury benefits	11	7,790	8,804
Pension financing cost	12	6,898,962	6,057,000
		14,743,059	17,037,389
Net Expenditure		**9,281,523**	**12,798,251**

Other minor agency/principal pension schemes			
Income			
Contributions receivable		(114,183)	(110,515)
Expenditure			
Total charge to provisions		365,231	405,680
Benefits payable	14	1,354	1,088
Net Expenditure for the year		**252,402**	**296,253**
Combined Net Expenditure for the year		**9,533,925**	**13,094,504**
Other Comprehensive Net Expenditure			
Recognised gains and losses for the financial year			
Pension re-measurements:			
- Actuarial loss/(gain)	19.8	35,628,017	(10,802,809)

Total Comprehensive Net Expenditure	**45,161,942**	**2,291,695**

[1] A small element of employer contributions is paid in respect of the cost of administering the Scheme and has been deducted from the total shown here. Scheme administration costs are shown within the main Cabinet Office Account and details can also be found within the Report of the Manager on page 21.

The notes on pages 104 to 145 form part of these financial statements.

Combined Statement of Financial Position as at 31 March 2020

	Note	2019-20	2018-19
		£000	£000
Principal Scheme arrangements			
Current assets:			
Receivables (within 12 months)	16	444,142	337,517
Cash and cash equivalents	17	123,291	159,564
Total current assets		**567,433**	**497,081**
Current liabilities			
Payables (within 12 months)	18	(401,019)	(446,457)
Total current liabilities		**(401,019)**	**(446,457)**
Net current assets excluding pension liability		**166,414**	**50,624**
Receivables (after 12 months)	16	53	53
Pension liability	19.5	(280,117,006)	(237,200,000)

Net liabilities, including pension liabilities		**(279,950,605)**	**(237,149,323)**
Compensation agency arrangements – CSCS			
Receivables (within 12 months)	22	5,217	9,969
Net current assets		**5,217**	**9,969**
Other pension schemes			
Receivables (within 12 months)	23	-	2,695
Net current assets, excluding pension liability		**-**	**2,695**
Pension liability	24.2	(5,420,000)	(4,259,997)
Net liabilities, including pension liabilities		**(5,420,000)**	**(4,257,302)**
Combined Scheme – Total net liabilities		**(285,365,322)**	**(241,396,656)**
Taxpayers' equity:			
General Fund		(285,365,322)	(241,396,656)
		(285,365,322)	**(241,396,656)**

The notes on pages 104 to 145 form part of these financial statements.

Alex Chisholm
Principal Accounting Officer and Permanent Secretary
Cabinet Office

15 March 2021

Combined Statement of Changes in Taxpayers' Equity for the year ended 31 March 2020

	Note	2019-20 £000	2018-19 £000
Balance at 31 March		(241,396,656)	(241,161,282)
Net Parliamentary Funding – drawn down		1,151,639	2,012,160
Net Parliamentary Funding – deemed	18	171,390	215,551
Supply payable adjustment	18	(129,753)	(171,390)
Comprehensive net expenditure for the year	SOP S1	(9,533,925)	(13,094,504)
Actuarial (loss)/gain	19.8	(35,628,017)	10,802,809
Net change in taxpayers' equity		**(43,968,666)**	**(235,374)**
Balance at 31 March		**(285,365,322)**	**(241,396,656)**

The notes on pages 104 to 145 form part of these financial statements.

Alex Chisholm
Principal Accounting Officer and Permanent Secretary
Cabinet Office

15 March 2021

Combined Statement of Cash Flows for the year ended 31 March 2020

	Note	2019-20	2018-19
		£000	£000
Cash flows from operating activities			
Combined net expenditure for the year	SOPS 1	(9,533,925)	(13,094,504)
Adjustments for non-cash transactions			
Increase in Scheme receivables (within 12 months)	16	(106,625)	(22,744)
Less movements in receivables relating to items not disclosed in the Combined Statement of Comprehensive Net Expenditure			
Decrease/(increase) in CSCS receivables	22	4,752	(94)
Less movement in non-supply receivables	16, 22	(5,364)	931
Decrease in other schemes' receivables	23	2,695	4,069
Decrease in Scheme payables	18	(45,438)	(63,026)

Movement in payables relating to items not disclosed in the Combined Statement of Comprehensive Net Expenditure			
Less movement in non-supply payables	18	41,637	44,161
Increase in Scheme pension provisions	19.5	14,221,659	16,646,000
Increase in Scheme pension provisions – enhancements, transfers in and settlement gains	19.5	513,610	382,585
Increase in other schemes' pension provisions		365,231	405,680
Use of Scheme provisions – benefits paid	19.5	(6,520,186)	(6,224,218)
Use of Scheme provisions – refunds and transfers out	19.5	(51,638)	(50,920)
Use of other schemes' provisions		(79,684)	(84,241)
Net cash outflow from operating		**(1,193,276)**	**(2,056,321)**

activities			
Cash flows from financing activities			
From the Consolidated Fund (Supply) – current year		1,151,639	2,012,160
Adjustments for payments and receipts not related to Supply			
Compensation payments made on behalf of employers (including lump sum payments)	13	(30,836)	(111,134)
Reimbursement of compensation payments by employers (including lump sum payments)	13,23	35,588	111,037
Injury benefit payments made on behalf of employers	11	(11,029)	(10,128)
Reimbursement of injury benefit payments by employers	11,16	11,641	9,291
Net Financing		**1,157,003**	**2,011,226**

Net decrease in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund	17	(36,273)	(45,095)
Receipts due to the Consolidated Fund which are outside the scope of the Scheme's activities		-	-
Payments of amounts due to the Consolidated Fund		-	-
Net decrease in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		**(36,273)**	**(45,095)**
Cash and cash equivalents at the beginning of the period	17	159,564	204,659
Cash and cash equivalents at the end of the period	17	**123,291**	**159,564**

The notes on pages 104 to 145 form part of these financial statements.

Notes to the Financial Statements

1. Basis of preparation of the Scheme financial statements

The financial statements of the Civil Superannuation Account have been prepared in accordance with the relevant provisions of the 2019-20 'Government Financial Reporting Manual (FReM)' issued by HMT. The accounting policies contained in the 'FReM' apply International Financial Reporting Standards as adapted or interpreted for the public sector. IAS 19 – 'Employee Benefits' and IAS 26 – 'Accounting and Reporting by Retirement Benefit Plans' are of particular relevance to these statements.

In addition to the primary statements prepared under International Financial Reporting Standards, the 'FReM' also requires the Scheme to prepare an additional statement – a Statement of Parliamentary Supply. This statement, and its supporting notes, show outturn against Estimate in terms of the net resource requirement and the net cash requirement.

The Statement of Financial Position as at 31 March 2020 shows a pension liability of £280.1 billion (31 March 2019: £237.2 billion). Other movements in the liability reflect the inclusion of liabilities falling due in the long term, which are to be financed mainly by drawings from the Consolidated Fund. Such drawings will be grants of Supply approved annually by Parliament to meet the Scheme's pension benefits, which come into payment each year.

Under the Government Resources and Accounts Act 2000, no money may be drawn from the Fund other than as required for the service of the specified year or retained in excess of that need.

In common with other public service pension schemes, the future financing of the Scheme's liabilities is to be met by future grants of supply to be approved annually by Parliament. Such approval for amounts required for 2020-21 has already been given. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

1.1 Principal Civil Service Pension Arrangements

1.1.1 The Scheme is an unfunded, defined benefit pay-as-you-go occupational pension scheme operated by the Civil Service Pensions team on behalf of members of the Civil Service who satisfy the membership criteria. Before 1 April 2016, the Scheme was a contracted-out pension scheme.

1.1.2 Contributions to the Scheme by employers and employees are set at rates determined by the Scheme's Actuary. The contributions partially fund payments made by the Scheme, the balance of funding being provided by Parliament through the annual Supply Estimates process.

1.1.3 The financial statements of the Scheme show the financial position at the year end and the income and expenditure during the year. The Statement of Financial Position shows the unfunded net liabilities of the Scheme; the Statement of Comprehensive Net Expenditure shows, among other things, factors contributing to the change in the net liability analysed between the pension cost, enhancements and transfers in, and the interest on the Scheme liability. Further information about the actuarial position of the Scheme is dealt with in the Report of the Actuary, and the Scheme financial statements should be read in conjunction with that report.

1.2 Civil Service Compensation Scheme

1.2.1 The Cabinet Office acts as agent for employers in the payment of compensation benefits arising under the Civil Service Compensation Scheme (CSCS). Compensation payments are generally recovered from employers on a monthly basis. The financial flows associated with these transactions are not brought to account in the financial statements. However, the financial statements recognise the liabilities arising from the central funding of compensation payments which amount to £30.8 million (2019: £111.1 million) (see Note 13).

1.3 Other minor agency and principal pension scheme arrangements

1.3.1 In addition, the financial statements include transactions relating to other minor pension schemes, a number of which are closed schemes. The Scheme acts as principal in respect of pension paid to the Governor of an overseas colony, awarded before the introduction of a new scheme on 30 September 1978. The Scheme acts as principal in respect of the other pension schemes on the basis of information supplied by the agencies.

1.3.2 CSP acts as an agent for the following schemes:

- pension increases to former Prime Ministers, former Speakers, various former public service appointees and former MEPs and their widow(er)s;
- payments to the United Kingdom Atomic Energy Authority for pensions paid in respect of periods in the Civil Service;
- payments to the Post Office Staff Superannuation Scheme for pensions paid in respect of periods in the Civil Service;
- pension increases in respect of pensions paid to former staff of the Raw Cotton Commission;
- pension increases in respect of pensions paid to former staff of the Sugar Board; and
- Federated Superannuation System for Universities.

2. Statement of accounting policies

The accounting policies contained in the ‘FReM’ follow International Financial Reporting Standards to the extent that they are meaningful and appropriate in the public sector context.

Where the ‘FReM’ permits a choice of accounting policy, the accounting policy judged to be most appropriate to the circumstances of the Scheme for the purpose of giving a true and fair view has been selected. The accounting policies adopted have been applied consistently in dealing with items considered material in relation to the Scheme financial statements.

An assessment of International Financial Reporting Standards (IFRS) implemented in the year considered ‘IFRS 11 Joint Arrangements’ and ‘IFRS 3 Business Combinations’ and determined they are not applicable as the Scheme has not entered into any such arrangements or transactions.

An assessment of International Financial Reporting Standards (IFRS) issued but not yet effective considered ‘IFRS 16 Leases’ and ‘IFRS 17 Insurance Contracts’ and determined they are not applicable as the Scheme has not entered into any such arrangements.

2.1 Accounting convention

These financial statements have been prepared under the historical cost convention.

2.2 Contributions receivable

2.2.1 Contributions receivable are outside the scope of 'IFRS 15 Revenue from Contracts with Customers' with the exception of the levy on employer contributions to cover the cost of administering the Scheme, which are not considered to be material to the Scheme.

2.2.2 Employers' normal pension contributions are accounted for on an accruals basis. There are also some employers' special pension enhancements, which are detailed in Note 9 of the financial statements.

2.2.3 Employees' pension contributions that exclude amounts received in respect of the purchase of added pension (dealt with below) and Additional Voluntary Contributions (dealt with below) are accounted for on an accruals basis.

2.2.4 Employees' pension contributions paid in respect of the purchase of added pension are accounted for on an accruals basis. The associated increase in the Scheme pension liabilities is recognised as expenditure.

2.2.5 Under the Scheme rules which came into effect in April 2010, those members who take early retirement and receive an Actuarially Reduced Pension can buy out the actuarial reduction and as a result receive a full pension. Income received from members in respect of this is shown in Note 5.

2.2.6 Effective Pension Age is where members can make additional contributions payments to buy EPA, which is a portion of pension paid early without reduction. These are accounted for on an accruals basis.

2.2.7 The cost of administering the Scheme is met from a levy on employer pension contributions. These are accounted for on an accruals basis and recognised when performance obligations are satisfied.

2.3 Transfers in

2.3.1 Individual transfers in are accounted for as income and expenditure (representing the associated increase in the Scheme pension liabilities) on a cash basis, although group transfers in are accounted for on an accruals basis when the Scheme has formally accepted liability and the relevant commitment forms are signed.

2.4 Other pension income

2.4.1 Amounts receivable from employers in respect of bringing forward the payment of accrued superannuation lump sums, and in respect of the capitalised costs of pension enhancement either at early departure or normal retirement age, are accounted for as income and expenditure (representing the associated increase in the Scheme pension liabilities) on an accruals basis. In accordance with 'IFRS 9 Financial Instruments', any expected credit losses are not considered to be material to the Scheme.

2.5 Additional Voluntary Contributions

2.5.1 Additional Voluntary Contributions (AVCs) are deducted from employees' salaries and are paid directly by the employing departments to one of the appointed AVC providers. Details of the providers and the amounts of the AVC investments can be found in Note 15.

2.6 Current service cost

2.6.1 The current service cost is the increase in the present value of the Scheme pension liabilities arising from members' service in the current period and is recognised in the revenue account. It is determined by the Scheme Actuary based on a discount rate of 0.29% real (2.90% including inflation) (2018-19: 0.1% real, 2.55% including inflation).

2.7 Past service costs

2.7.1 Past service costs are increases in the present value of the Scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits. Past service costs are recognised in the Combined Statement of Comprehensive Net

Expenditure on a straight line basis over the period in which increases in benefits vest.

2.7.2 The negative past service cost for 2019-20 reflects a decrease in the present value of the Scheme liability recognised in the Combined Statement of Comprehensive Net Expenditure on a straight line basis over the period in which the decreases in benefits vest. These accounts show a negative past service cost of £0.2 billion, made up of a positive past service of £1 billion in respect of GMP equalisation and indexation, and a negative past service cost of £1.2 billion in relation to the removal of post-2012 joiners following the updated HMT policy for the proposed remedy of transitional protection to apply only to members who were in service on 31 March 2012 and 1 April 2015, including those with a break in service of less than five years.

2.8 Pension financing cost

2.8.1 The financing cost is the increase during the period in the present value of the Scheme liabilities because the benefits are one year closer to settlement, and is recognised in the Statement of Comprehensive Net Expenditure. The financing cost is based on a discount rate of 0.29% real (2.9% including inflation) (2018-19: 0.1% real, 2.55% including inflation).

2.9 Injury benefits

2.9.1 Injury benefits are accounted for on an accruals basis. They are not funded through the Employers’ pension contributions, and the amounts payable in respect of injuries sustained before 1 April 1998 are a charge on the Scheme and are shown in the Statement of Comprehensive Net Expenditure. Those benefits paid in respect of injuries sustained on or after 1 April 1998 are recoverable from employers each month.

2.10 Scheme liabilities

2.10.1 Provision is made for liabilities to pay pensions and other benefits in the future. The Scheme liabilities are measured on an actuarial basis using the Projected Unit Credit method and are discounted at (0.5)% real (1.8% gross) (2018-19 0.29% real, 2.90% gross). The Actuary reviews the most recent actuarial valuation at the Statement of Financial Position date and updates it to reflect current conditions.

2.11 Pension benefits payable

2.11.1 Pension benefits payable, including lump sums, are accounted for on an accruals basis as a decrease in the Scheme pension liabilities.

2.12 Payments to and on account of leavers

2.12.1 Refunds of employees’ contributions are accounted for on an accruals basis and as a decrease in the Scheme pension liabilities. Refunds include amounts payable both at time of leaving or at normal retirement age (or earlier death).

2.13 Transfers out

2.13.1 Transfers out are accounted for on a cash basis. They are accounted for as a decrease in the Scheme pension liabilities.

2.14 Actuarial gains/losses

2.14.1 Actuarial gains and losses arising from any new valuation and from updating the latest actuarial valuation to reflect conditions at the Statement of Financial Position date are recognised in the Combined Statement of Comprehensive Net Expenditure for the year.

2.15 Payables/receivables

2.15.1 Payables and receivables are held at amortised cost in accordance with 'IFRS 9 Financial Instruments'. Owing to the immaterial size of such receivables balances and losses thereon, any expected credit losses are not considered to be material to the Scheme.

2.16 Critical Accounting Judgments and key sources of estimation uncertainty

2.16.1 In accordance with IAS 1 – 'Presentation of Financial Statements', the preparation of these accounts requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenditure, in particular the pension liability, past and current service cost and interest cost. These assessments are based on historic and other factors that are believed to be reasonable, the results of which form the basis for making judgments. The estimates and underlying assumptions are reviewed on an on-going basis.

The past assumptions have been revised to reflect the updated HMT policy for the proposed remedy of transitional protection to apply only to members who were in service on 31 March 2012 and 1 April 2015, including those with a break in service of less than five years.

These revisions have led to a negative past service cost, as removing the post-2012 joiners typically removes the younger members, who have a higher cost of accrual on the accounting basis due to the negative discount rate net of pay increases.

Further information can be found in Note 19.

3. Accounting policies for CSCS agency arrangements

Compensation benefits for staff leaving before normal retirement age are met by employing departments. For administrative convenience and value-for-money considerations, compensation benefits are paid initially by CSP, throughout the month, but are then recovered from employers at month end. These transactions are not recorded in the combined revenue account. Details of compensation benefits payable during the year are shown in Note 13.

4. Accounting policies for other minor agency and principal pension scheme arrangements

The policies applied to the Scheme principal arrangements also apply to the transactions and balances of the other pension schemes included within these financial statements, with the exception that current service costs are calculated using rates specific to the agencies.

5. Contributions receivable

	2019-20	2018-19
	£000	£000
Employers	(4,164,950)	(3,037,098)
Employees:		
Normal	(876,976)	(816,955)
Purchase of added years	(27,618)	(30,219)
Actuarial Retirement Reduction Buy Out	(602)	(475)
Effective Pension Age	(1,941)	(1,356)
	(5,072,087)	**(3,886,103)**

Contributions of £5.09 billion are expected to be payable to the Scheme in 2020-21.

6. Transfers in (see also Note 10)

	2019-20	2018-19
	£000	£000
Group transfers from other schemes	(312,855)	(287,351)
Individual transfers in from other schemes	(74,343)	(61,005)
	(387,198)	**(348,356)**

7. Other pension income

	2019-20	2018-19
	£000	£000
Amounts receivable in respect of:		
Capitalised cost of enhancement to pensions, payable at age 60	(2,226)	(4,654)
Effective Pension Age receivable from employer	(25)	(25)
	(2,251)	**(4,679)**

8. Service cost

	2019-20	2018-19
	£000	£000
Current service cost	7,552,697	6,889,000
Past service cost	(230,000)	3,700,000
	7,322,697	**10,589,000**

The negative past service cost consists of a positive past service of £1 billion in respect of GMP equalisation and indexation and a one-off adjustment for past service cost of £1.2 billion in relation to the revised assumptions reflecting the updated HMT policy for the proposed remedy of transitional protection.

9. Enhancements (see also Note 19.5)

	2019-20	2018-19
	£000	£000
Employees:		
Purchase of added years	27,618	30,219
Actuarial Retirement Reduction Buy Out	602	475
Effective Pension Age	1,941	1,356
Employers:		
Effective Pension Age	25	25
Enhancements to pensions on retirement	2,226	4,654
	32,412	**36,729**

10. Transfers in – Additional liability

	2019-20	2018-19
	£000	£000
Group transfers in from other schemes	406,855	284,851
Individual transfers in from other schemes	74,343	61,005
	481,198	**345,856**

11. Injury benefits

	2019-20	2018-19
	£000	**£000**
Injury benefits payable	18,819	18,932
Less: recoverable from employers	(11,029)	(10,128)
Recognised in the Statement of Comprehensive Net Expenditure	**7,790**	**8,804**

12. Pension financing cost (see also Note 19.5)

	2019-20	2018-19
	£000	**£000**
Interest charge for the year	6,898,962	6,057,000
	6,898,962	**6,057,000**

Statement of Comprehensive Net Expenditure – CSCS compensation agency arrangements

13. Compensation benefits payable

	2019-20	2018-19
	£000	**£000**
Recoverable from employers	16,989	30,806
Total annual compensation payable	**16,989**	**30,806**
Lump sums payable recoverable from employers	13,847	80,328
Total lump sums payable	**13,847**	**80,328**

Statement of Comprehensive Net Expenditure – Other minor agency and principal pension scheme arrangements

14. Benefits payable – Not charged to provisions

	2019-20 £000	2018-19 £000
George Cross (recoverable)	(2)	-
Pensions increase for ex-PMs/Speakers	192	83
Pensions increase for Public Service Appointments	156	145
Pensions increase for ex-MEPs/widow(er)s	864	691
Payments to the United Kingdom Atomic Energy Authority for pensions paid in respect of periods in the Civil Service	14	15
Payments to the Post Office Staff Superannuation for pensions paid in respect of periods in the Civil Service	23	33
Pensions increases in respect of pensions paid to former staff of the Sugar Board	15	17
Federated Superannuation System for Universities	92	104
	1,354	**1,088**

15. Additional Voluntary Contributions (AVCs)

The Civil Service Additional Voluntary Contribution Scheme (CSAVCS) provides for employees to make AVCs to increase their pension entitlements or to increase life cover. Employees may arrange to have agreed sums deducted from their salaries, for onward payment by their employers to appointed providers below, or may choose to make their own arrangements by making periodic payments to an insurance company or scheme institution which offers Free Standing Additional Voluntary Contribution Schemes (FSAVCs).

The Managers of the CSAVCS are only responsible for payments made to the Scheme's appointed providers. These AVCs are not brought to account in this statement. Members participating in this arrangement receive an annual statement from the appointed provider at 31 March each year (5 April for Utmost Life) confirming the amounts held in their account and the movements in year.

The aggregate amounts of AVC investments are as follows:

			2019-20
	Standard Life	**Utmost Life[1]**	**Scottish Widows**
	£000	**£000**	**£000**
Movements in the year:			
Balance at 1 April	15,262	10,355	54,027
New investments	-	134	-
Sales of investments to provide pension benefits	(1,808)	(891)	(9,855)
Changes in market value of investments	(724)	513	(1,800)
Balance at 31 March	**12,730**	**10,111**	**42,372**
Contributions to provide life cover	n/a	18	n/a
Benefits paid on death	175	111	147

			2018-19
	Standard Life	**Equitable Life[1]**	**Scottish Widows Restated[2]**
	£000	**£000**	**£000**
Movements in the year:			
Balance at 1 April	60,828	15,097	161,148
New investments	712	82	106,004
Sales of investments to provide pension benefits	(47,169)	(5,469)	(286,702)
Changes in market value of investments	891	645	73,577
Balance at 31 March	**15,262**	**10,355**	**54,027**
Contributions to provide life cover	n/a	22	n/a
Benefits paid on death	140	138	4,902

Note 1: Data as at 5 April. Formerly Equitable Life.

Note 2: The 2018-19 change in market value and balance as at 31 March 2019 for Scottish Widows has been restated following the receipt of updated investment information after certification.

Statement of Financial Position: Principal arrangements

16. Receivables – Contributions due in respect of pensions

Analysis by type	2019-20	2018-19
	£000	£000
Amounts falling due within one year:		
Pension contributions due from employers	346,313	246,155
Employees' normal contributions	72,411	65,246
Employees' added pension	1,907	1,777
Early retirement employer costs	3,663	3,875
Overpayment receivables (net of provision for non-recovery)	18,537	15,279
Other receivables	66	-
Bulk transfers	-	3,328
Sub-total	**442,897**	**335,660**
Non-supply receivables:		
Injury benefit receivables	1,245	1,857
	444,142	**337,517**
Amounts falling due after more than one year:		
Long-term receivables	53	53
	53	**53**

17. Cash and cash equivalents

	2019-20	2018-19
	£000	**£000**
Balance at 1 April	159,564	204,659
Net change in cash balances	(36,273)	(45,095)
Balance at 31 March	**123,291**	**159,564**

The following balances at 31 March were held at:		
Government banking services	122,618	158,891
Balance with government departments	673	673
Balance at 31 March	**123,291**	**159,564**

18. Payables – In respect of pensions

Analysis by type

	2019-20 £000	2018-19 £000
Amounts falling due within one year		
Pensions	(234,421)	(232,313)
HMRC and voluntary contributions	(26,805)	(37,014)
Other creditors	(10,040)	(5,740)
Amounts issued from the Consolidated Fund for supply but not spent at year end	(129,753)	(171,390)
	(401,019)	**(446,457)**

19. Pension liabilities

19.1 Assumptions underpinning the pension liability

The Civil Service Pension Scheme is an unfunded defined benefit scheme. GAD carried out an assessment of the Scheme liabilities as at 31 March 2020. The Report of the Actuary on pages 36 to 49 sets out the scope, methodology and results of the work the Actuary has carried out.

The Cabinet Office, the Actuary and the Auditors have signed a Memorandum of Understanding that identifies, as far as practicable, the range of information that the

Cabinet Office should make available to the Actuary to

meet the expected requirements of the Scheme auditors. This information includes, but is not limited to, details of:

- scheme membership, including age and gender profiles, active membership, deferred pensioners and pensioners;
- benefit structure, including details of any discretionary benefits and any proposals to amend the Scheme;
- income and expenditure, including details of expected bulk transfers in or out of the Scheme; and
- following consultation with the Actuary, the key assumptions that should be used to value the Scheme liabilities, ensuring that the assumptions are mutually compatible and reflect a best estimate of future experience.

The major assumptions used by the Actuary were:

	At 31 March 2020	At 31 March 2019	At 31 March 2018	At 31 March 2017	At 31 March 2016
Rate of general pay increases[1]	4.10%	4.10%	3.95%	4.55%	4.20%
Rate of pension increases	2.35%	2.60%	2.45%	2.55%	2.20%
Nominal discount rate	1.80%	2.90%	2.55%	2.80%	3.60%
Real discount	(0.5)%	0.29%	0.10%	0.24%	1.37%

	At 31 March 2020	At 31 March 2019	At 31 March 2018	At 31 March 2017	At 31 March 2016
rate in excess of pension increases					
Life expectancy[2] (in years)					
Current retirements – Life expectancy at age 60					
Females	28.5	29.3	29.2	30.8	30.7
Males	26.8	27.6	27.5	29.0	28.9
Current retirements – Life expectancy at age 65					
Females	23.6	24.3	24.2	-	-
Males	21.9	22.7	22.6	-	-
Life expectancy at age 60 – current age 40					
Females	30.2	31.2	31.1	33.0	32.8
Males	28.5	29.6	29.5	31.2	31.1
Life expectancy at age 65 – current age 45					
Females	25.2	26.2	26.1	-	-

	At 31 March 2020	At 31 March 2019	At 31 March 2018	At 31 March 2017	At 31 March 2016
Males	23.6	24.6	24.5	-	-

[1] The assumptions shown are the nominal long-term increases in salaries and the nominal long-term inflation assumption.

[2] Stated life expectancy figures are for members retiring on grounds other than ill-health. Assumed life expectancy of ill-health pensioners is lower.

These key assumptions are inherently uncertain, since it is impossible to predict with any accuracy future changes in the rate of salary increases, inflation, longevity or the return on corporate bonds. The Actuary uses professional expertise in arriving at a view of the most appropriate rates to use in the annual valuation of the Scheme liabilities. However, the Cabinet Office acknowledges that the valuation reported in this report and account is not certain, since a change in any one of these assumptions will either increase or reduce the liability. For example, on its own, even a small rise in the assumed rate of inflation will result in an increase in the pension liability.

The assumption that has the biggest impact on the amount of the reported liability is the discount rate net of price inflation. As set out in the 'FReM', and as required by IAS 19 – 'Employee Benefits', the discount rate net of price inflation is based on yields on high-quality corporate bonds. The rates are set out in the above table. Any decrease in the discount rate net of price inflation leads to a significant increase in the reported liability.

The assumptions reflect the outcomes in the transitional protection ruling.

These assumptions are further expanded in Note 19.4.

In accordance with IAS 19 – ‘Employee Benefits’, the Scheme Manager is required to undertake a sensitivity analysis for each significant actuarial assumption at the end of the reporting period, showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumption that were reasonably possible at that date. This analysis, including details of the methods and assumptions used in preparing the sensitivity analyses, the limitations of these methods, and the reasons for any changes in methods and assumptions used in preparing the sensitivity analyses, are included in the analysis of the pension liability below.

19.2 Analysis of the pension liability

	At 31 March 2020 £bn	At 31 March 2019 £bn	At 31 March 2018 £bn	At 31 March 2017 £bn	At 31 March 2016 £bn
Current pensions and associated contingent pensions	93.35	88.33	91.4	89.9	69.4
Deferred pensions, including contingent pensions, for members no longer contributing to the Scheme	40.9	35.17	36.47	36.9	30.2
Accrued benefits available to members contributing to the Scheme	145.87	113.7	109.15	107.2	87.7
Total	**280.12**	**237.2**	**237.02**	**234.0**	**187.3**

Pension scheme liabilities accrue over an employee's period of service and are discharged over the period of retirement and, where applicable, the period for which a spouse or eligible partner survives the pensioner.

In valuing the Scheme liability, the Actuary must estimate the impact of several inherently uncertain variables in the future. The variables include not only the key financial assumptions noted in the table above, but also assumptions about the changes that will occur in the future in the mortality rate, age of retirement and age from which a pension becomes payable.

The value of the liability on the Statement of Financial Position may be significantly affected by even small changes in assumptions. For example, if at a subsequent valuation it is considered appropriate to increase or decrease the assumed rates of inflation or increases in salaries, the value of the pension liability will increase or decrease. The Scheme Manager accepts that, as a consequence, the valuation provided by the Actuary is inherently uncertain. The increase or decrease in future liability charged or credited for the year resulting from changes in assumptions is disclosed in Note 19.8. The note also discloses ‘experience’ gains or losses for the year, showing the amount charged or credited for the year because events have not coincided with assumptions made for the last valuation.

19.3 Sensitivity analysis

A sensitivity analysis for each significant actuarial assumption as at the end of the accounting year is shown below:

Change in assumption	Approximate effect on total liability	
Financial assumptions	**%**	**£bn**
(i) discount rate* +0.5% a year	(10.0)	(28.0)
(ii) earnings increases* +0.5% a year	1.5	4.2
(iii) pension increases* +0.5% a year	7.5	21.0
Demographic assumptions		
(iv) additional one-year increase to life expectancy at retirement	4.0	11.2

*Opposite changes in the assumptions will produce approximately equal and opposite changes in the liability. Positive numbers indicate an increase in the liability; negative numbers indicate a decrease in the liability.

19.4 Transitional protection judgment

These accounts show a negative past service cost of £0.2 billion, made up of a positive past service of £1 billion in respect of GMP equalisation and indexation, and a negative past service cost of £1.23 billion in respect of the judgment on transitional protection, as outlined in Note 2.15. The negative past service cost is just under 0.44% of the total scheme liability as at 31 March 2020.

The approach taken to the determine the additional cost of accruing benefits under the 2015 Remedy Programme is to calculate the costs for an average member, grouped by age and section based on which scheme (pre or post 2015 scheme) provides the higher value of benefits. This covers all members i.e. unprotected, protected and tapered members as at 2016 and new entrants since this date. In line with indications provided by HMT to scheme managers, this now applies only to members who were in service on 31 March 2012 and 1 April 2015, including those with a break in service of less than five years.

The calculation approach is based on the assumptions adopted for the 2020 accounts rather than allowing for each member's actual career progression and salary increases. In particular, the post-employment discount rate assumption has been used rather than the general provisions discount rate based on the interpretation of the PES note. The actual costs for each member will be highly impacted by how long a member stays in service and their level of future promotional pay increases particularly at younger ages.

The calculations make no allowance for costs of any 'better of' type provision for those members who left the Scheme prior to 31 March 2016 nor do the calculations capture any behavioural impacts, member choices or selection which might result from remedy implementation.

The additional cost arising under alternative forms of compensation could be significantly different from the additional liability calculated. There is a considerable element of uncertainty surrounding these figures and they are highly sensitive to assumptions around short-term earnings growth.

19.5 Analysis of movement in the Scheme liability

	2019-20	2018-19
	£000	£000
Scheme liability at 1 April	(237,200,000)	(237,022,000)
Service cost (Note 8)	(7,322,697)	(10,589,000)
Pension financing cost (Note 12)	(6,898,962)	(6,057,000)
Settlement (cost)/gain	(94,000)	2,500
Enhancements (Note 9)	(32,412)	(36,729)
Pension transfers in	(387,198)	(348,356)
Benefits payable (Note 19.6)	6,520,186	6,224,218
Pension payments to and on account of leavers (Note 19.7)	51,638	50,920
Actuarial (loss)/gain (Note 19.8)	(34,753,561)	10,575,447
Scheme liability at 31 March	**(280,117,006)**	**(237,200,000)**

19.6 Analysis of benefits payable

	2019-20 £000	2018-19 £000
Pensions or annuities to retired employees and dependants (net of recoveries or overpayments)	5,674,068	5,428,695
Commutations and lump sum benefits on retirement	846,118	795,523
Per Statement of Cash Flows	**6,520,186**	**6,224,218**

19.7 Analysis of payments to and on account of leavers

	2019-20 £000	2018-19 £000
Refunds to members leaving the service	13,747	14,236
Payments for members joining state scheme	6	7,544
Group transfers to other schemes	423	1,598
Individual transfers to other schemes	37,462	27,542
Per Statement of Cash Flows	**51,638**	**50,920**

19.8 Analysis of actuarial gain/(loss)

	2019-20 £000	2018-19 £000
Experience gains arising on the Scheme liabilities	2,419,544	795,447
Changes in assumptions underlying the present value of Scheme liabilities	(37,173,105)	9,780,000
PCSPS	**(34,753,561)**	**10,575,447**
Other schemes actuarial (loss)/gain	(874,456)	227,362
Per Statement of Changes in Taxpayers' Equity	**(35,628,017)**	**10,802,809**

19.9 History of Experience (gains)/losses

	2019-20	2018-19
Experience (gains)/ losses on the Scheme liabilities		
Amount (£000)	(2,419,544)	(795,447)
Percentage of the present value of the Scheme liabilities	(0.9%)	(0.3%)
Total amount recognised in Statement of Changes in Taxpayers' Equity Amount (£000)	34,753,561	(10,575,447)
Percentage of the present value of the Scheme liabilities	12.4%	(4.5%)

20. Financial instruments

The Scheme has no significant exposure to foreign exchange rate risk as the risk falls on the recipient of any payments made overseas to individual members. Any increase or decrease in the amounts receivable are borne by the individual member. The exception is when payments are made overseas to individual members from the Commissioners of Irish Lights.

In these circumstances, the Scheme bears the foreign exchange liability as part of the transfer terms, but it is not seen to be a material financial risk.

The Scheme has no significant exposure to credit, liquidity or market risk. As the cash requirements of the Scheme are met through the Estimates process, financial instruments play a more limited role in creating and managing risk than would apply to a private sector scheme of a similar size. The majority of the financial instruments relate to contracts for non-financial items in line with the Scheme's expected purchase and usage requirements and the Scheme is therefore exposed to little credit, liquidity or market risk.

21. Contingent liabilities disclosed under IAS 37 – 'Provisions, Contingent Liabilities and Contingent Assets'

In the unlikely event of default by an appointed AVC provider, pension payments are guaranteed by the Scheme.
This guarantee does not apply to members who make payments to institutions offering FSAVCs nor where members exercise the open-market option and purchase their annuity elsewhere.

Statement of Financial Position – CSCS compensation agency arrangements

22. Receivables – Non-supply

	2019-20	2018-19
	£000	£000
Recoverable annual compensation payments including lump sums	5,217	9,969
Balance at 31 March	**5,217**	**9,969**

Statement of Financial Position – Other minor agency and principal pension scheme arrangements

23. Receivables – Amounts falling due within one year

	2019-20	2018-19
	£000	£000
Contributions	-	2,695
Balance at 31 March	**-**	**2,695**

24. Pension liability

24.1 The Actuary provides an annual valuation of the other pension schemes included within these financial statements.

24.2 Analysis of movement in scheme liability

	2019-20 £000	2018-19 £000
Opening scheme liability at 1 April	(4,259,997)	(4,165,923)
Net movement in year (including actuarial gain/loss)	(1,160,003)	(94,074)
Scheme liability at 31 March	**(5,420,000)**	**(4,259,997)**

25. Related party transactions

The CSPS, CSCS and the other schemes fall within the ambit of the Cabinet Office, which is regarded as a related party. During the year, the schemes have had material transactions with the Cabinet Office and other departments, executive agencies, fair deal employers and trading funds whose employees are members of the schemes. None of the Scheme Managers, key managerial staff or other related parties has undertaken any material transactions during the year.

MyCSP Ltd is a private company that carries out administration of the Scheme under a contract with the Cabinet Office. The Cabinet Office incurred charges of £26.7m (2019: £35.5m) relating to pensions administration, which has been funded by a charge on Civil Superannuation employer pension contributions.

26. Events after the reporting period

The Government published a consultation on 5 February 2021 in respect of changes to public service pensions to remove discrimination arising from the transitional protection arrangements that were introduced when the schemes were reformed in 2015. The result of this consultation, to implement a deferred choice underpin, have already been reflected in these accounts as a reduction in the past service costs.

There have been no other material events between the Statement of Financial Position date and the date the account was authorised for issue.

The Accounting Officer of the Scheme has authorised these financial statements to be issued on the date the Comptroller and Auditor General certifies the account.

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