Cabinet Office

Cabinet Office: Civil Superannuation Account 2018-19

HC 8

Cabinet Office

Civil Superannuation Account

2018-19

(For the year ended 31 March 2019)

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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 2017 was 3%, there was a 3% increase to pensions in April 2018.

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 before the normal pension age are given a deferred award, provided they have at least two years’ service (or had previously brought a transfer in from a personal pension arrangement). Deferred awards are uprated annually in line with the provisions of the Pensions (Increase) Act 1971.

1.9 From the minimum pension age, which is 50 for those whose service began before 6 April 2006 and 55 for all others, a deferred member may bring their pension into payment early, actuarially reduced to reflect the fact that it will be in payment for a longer period of time. Deferred members may also transfer their PCSPS benefits to another pension arrangement.

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 has been a successful legal challenge against transitional protection, and this is detailed in paragraphs 1.59 to 1.64.

Alpha – Civil Servants and Others Pension Scheme (CSOPS)

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 HM Treasury (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.

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. These have been adjusted to take account of the move to Alpha.

1.26 Unlike many other schemes, the employer/employee split is not fixed. However, a cost-capping mechanism is in place to ensure that employer and employee contributions do not become too disproportionate.

The current member contribution rates are set out in the table below and discussed further in the Report of the Actuary.

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 is the Accounting Officer of the Scheme.

1.28 Civil Service Pensions, a part of Civil Service Human Resources, 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 member 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 Civil Service pension arrangements;
- ensuring appropriate audit programmes and risk 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 on a single database 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 contracts with private sector employers that have active members of 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 beginning on page 21.

Scheme Data

Membership statistics

1.40 The Scheme has 356 employers (2018: 357): 239 public sector organisations (departments, non-departmental public bodies and government agencies) (2018: 239) and 117 private sector employers (2018: 118).

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 2019 are 971 members in receipt of annual compensation payments made under CSCS arrangements (2018: 2,747).

Active members	
At 1 April 2018	480,763
Adjustment for late notifications	2,186
	482,949
New members and rejoiners	83,938
Retirements	(12,775)
Deferreds	(13,956)
Transfers out	(456)
Refunds	(5,271)
Suspended*	(11,913)
Deaths	(734)
Other leavers from active status**	(26,615)
At 31 March 2019	**495,167**
Deferred pensioners	
At 1 April 2018	361,222
Adjustment for late notifications	(1,471)
	359,751
New deferred pensioners	14,241
Retirements	(12,980)
Partial retirements (from single to dual status)	(1,069)
Deaths	(540)
Transfers out	(358)
No benefits due	(761)
Deferred cases being processed	3,754
Updated records and other cessations	(2,518)
At 31 March 2019	**359,520**
Pensioners	
At 1 April 2018	669,412
Retirements	25,088
New dependants	6,212
Deaths	(19,547)
At 31 March 2019	**681,165**
Grand total	**1,535,852**

As at 31 March 2019, there are 2,571 (2018: 1,740) dual status pensioners (deferred members with part benefits in payment).

*Members who have left the Scheme and are entitled to a choice of benefit are moved to suspended status while they make a decision.

**Includes those opting out, joining partnership without deferred benefits, leaving with less than 3 months' service and cases reverted to active.

Active membership is based on employer interface files, whereas deferred and pensioner membership is recorded by the administrator and the movements between these categories will not reconcile due to timing differences.

Financial review

Resource outturn

1.43 Net expenditure in 2018-19 was £13.1 billion (2017-18: £9.9 billion). The rise was caused largely by an increase in the service cost to £10.6 billion (2017-18: £6.7 billion). This is mainly due to the inclusion of a past service cost of £3.7 billion (2017-18: £0.2 billion) to take account of the potential financial impact of the legal ruling on transitional protection which is discussed below from paragraph 1.59.

1.44 The increase has been partly offset by a decrease in the pension financing cost due to a fall in the nominal discount rate from 2.80% p.a. as at 31 March 2017 to 2.55% p.a. as at 31 March 2018.

1.45 The Scheme outturn was £2.3 billion lower than voted funds of £15.4 billion because the initial estimate of the potential past service cost was £6.0 billion. The Government Actuary's Department (GAD) refined its methodology and calculations and removed unnecessary margins, resulting in the lower past service cost calculation of £3.7 billion.

Net cash requirement

1.46 The net cash requirement in 2018-19 was £2.1 billion (2017-18: £2.1 billion) which was £244.5 million less than the voted amount of £2.3 billion.

1.47 This variance was caused by an over projection of the cash required in the January 2019 supplementary estimates. Payments of pension benefits and to leavers were slightly lower than expected and a large bulk transfer from the Babcock Group pension schemes was received close to the year end.

Scheme liability of the Principal Scheme

1.48 At 31 March 2019 the total liability for future pension benefits in the Principal Scheme was £237.2 billion, compared with £237.0 billion at 31 March 2018.

1.49 The change of £0.2 billion is the net impact of the current service cost, past service cost and pension financing cost which have increased the liability less the changes in the financial assumptions and benefits payable which have decreased it.

1.50 The financial assumptions include a large actuarial gain of £10.6 billion driven by an increase in the nominal discount rate from 2.55% p.a. to 2.90% p.a., which reduces the present value of the Scheme's liabilities. Further details are given in the Report of the Actuary on page 16 and in Note 19 of the Account.

Administration charges

1.51 The cost of administering the Civil Service pension arrangements during 2018-19 was £42.3 million (2017-18: £43.1 million). This can be broken down as follows:

Central management and overhead	£2.4m
Third party costs	£39.9m
Total	£42.3m

1.52 Of this, £29.4 million was met from a 'levy' on employer pension contributions, with employers meeting the balance of £12.9 million directly via an invoiced administration charge.

1.53 From April 2019 the direct invoiced administration charge has been removed and the levy on employer pension contributions adjusted accordingly.

Key Developments

Amendments to the Civil Service Pension Scheme

1.54 Amendments to the Public Service (Civil Servants and Others) Pensions Regulations 2014 and Principal Civil Service Pension Scheme were laid before Parliament on 11 March 2019. These had the effect of retaining the current member contributions and associated salary bands for a one-year period from 1 April 2019 until 31 March 2020 as an interim measure until all aspects of the actuarial valuation process are completed. They ensured that member contributions could continue to be lawfully deducted from 1 April 2019, thus safeguarding the effective operation of the Scheme.

1.55 A report was laid before Parliament setting out why the Minister for the Civil Service proposed to make the regulations and providing details of the consultation with the unions that took place. The report is published at: https://www.gov.uk/government/publications/report-on-proposed-amendment-to-the-public-service-civil-servants-and-others-pensions-regulations-2014

Actuarial valuation

1.56 On 30 January 2019, the Chief Secretary to the Treasury announced that the cost cap element of public service scheme valuations should be suspended following a judgment by the Court of Appeal in December 2018 relating to challenges against transitional protection provisions included as part of pension reforms introduced in 2015 (see below for further details). On 15 February 2019, HM Treasury published amending valuation directions which formally put the pause into effect and confirmed the basis for the calculation of employer contributions from 1 April 2019 by public service schemes (reflecting the decision that, whether or not the judgment stands, schemes will be facing increased costs which should be met by employers and employees).

1.57 The Government Actuary's Department completed the quadrennial actuarial valuation as at 31 March 2016 of the Scheme on this basis and it has been published at: https://www.civilservicepensionscheme.org.uk/about-us/scheme-valuations/

Changes in benefits

1.58 In accordance with scheme regulations, eligible pensions which have been in payment for a year were increased by 3.0% from 9 April 2018 in line with the September-to-September increase in the CPI.

Challenge against transitional protection provisions

1.59 When public service pension reforms were introduced in 2015, there were transitional protection provisions which permitted older members to remain members of their existing schemes (the PCSPS in the case of civil servants).

1.60 Some public service pension scheme members made claims to Employment Tribunals stating that these provisions amount to unlawful discrimination on the grounds of age, race and sex. These included claims by groups of firefighters (the case of Mostyn and others and Sargeant v London Fire and Emergency Planning Authority and others) and members of the Judiciary (the case of the Lord Chancellor and Secretary of State and another v McCloud). The cases and their rulings are often referred to simply as 'McCloud'.

1.61 Following Employment Tribunal judgments in 2017, the Employment Appeal Tribunal (EAT) ruled in January 2018 that the transitional protection provisions in the Judicial Pension Scheme were unlawful, and ruled that the decision in respect of the similar claim against the Firefighters' Pension Scheme be remitted back to the Employment Tribunal. The EAT ruled that the Government's aim of protecting older public sector workers did not justify the discrimination against younger members of those schemes.

1.62 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. The Government sought permission from the Supreme Court to appeal the ruling, but this appeal was refused on 27 June 2019.

1.63 On 15 July 2019 HM Treasury 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. Though the remedy is yet to be determined it will likely increase the costs of the Scheme and its liabilities. HM Treasury is leading on the public sector response to the judgment.

1.64 The Civil Superannuation Account includes a provision 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 members would be better off in Alpha.

Langford legal ruling

1.65 On 17 July 2019, the Court of Appeal unanimously held that a rule in the armed services pension scheme which prevented the surviving partner of a deceased member receiving a pension because she remained married to another person was unlawful discrimination. The Government has sought permission to appeal to the Supreme Court against the judgement. This case could potentially impact the Scheme and could require changes to death benefit rules. Further details can be found on page 29.

Guaranteed Minimum Pension indexation

1.66 The Government announced its response to the consultation on Guaranteed Minimum Pension (GMP) indexation and equalisation in public service pension schemes in January 2018.

1.67 This consultation was about how government should continue to meet its 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.

1.68 In 2016, the Government introduced the new State Pension, which simplified the pension system but removed the mechanism whereby public service schemes could continue to equalise and index pension payments.

1.69 The Government has been implementing an ‘interim solution’, and the outcome of the consultation is that this solution has been extended to 5 April 2021. The Government will investigate the possibility of an alternative long-term methodology, known as ‘conversion’, which would convert the GMP into scheme pension with the same expected value.

Looking forward

1.70 In addition to the indexation and equalisation GMP consultation, work on the GMP reconciliation exercise required as a result of the end of contracting-out in 2016 has almost been completed. The exercise reconciles pension information held by the Scheme and Her Majesty’s Revenue & Customs (HMRC) with the aim of ensuring the Scheme holds the correct information regarding members’ contracted-out service. All member records have now been reconciled and the Scheme expects to receive a final member data extract from HMRC by the end of 2019.

1.71 A number of over and under-payments have been identified in the GMP reconciliation exercise and have been corrected as part of the GMP rectification exercise, which started early in 2019 and will conclude by the end of 2019.

1.72 It was decided to write-off over-payments in October 2017, consistent with the approach across the rest of the public sector and this will be classified as a loss. The total value of under-payments was estimated to be £200,000 and the total value of over-payments was estimated to be £20 million, and this was recorded under losses and special payments in 2017-18. Early estimates suggest that slightly less will be written-off than originally estimated, approximately £17m. Under-payments will be corrected and paid to members. In all cases, pensions going forward will be adjusted to the correct level.

1.73 The future service programme that Civil Service Pensions had begun to transform the administration of the Scheme has been halted pending the outcome of the transitional protection remedy. The administrative complications that could potentially arise from the remedy, and the level of uncertainty that the Scheme faces mean that it would be unwise to undertake a major reprocurement and transformation programme at the same time.

Exiting the European Union

1.74 On 29 March 2017, the UK Government submitted its notification to leave the EU in accordance with Article 50. The triggering of Article 50 started a two-year negotiation process between the UK and the EU. The Government confirmed agreement with the EU on an extension until 31 January 2020. 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.

Statement on the disclosure of relevant audit information

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

1.76 The financial statements are audited by the Comptroller and Auditor General, who is appointed under statute and reports to Parliament on the audit examination.

1.77 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.

Audit

1.78 These financial statements have been audited by the Comptroller and Auditor General (C&AG), 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 (2017-18: £nil).

1.79 The notional cost for the audit of these financial statements in 2018-19 was £160,000 (2017-18: £160,000) and is recognised in the Cabinet Office departmental account.

Events after the reporting period

1.80 In June 2019 the Supreme Court refused the Government permission to appeal the Court of Appeal's December 2018 judgment in the transitional protection cases.

1.81 In July 2019 the Court of Appeal found in favour of the claimant in the Langford case. Further details are provided on page 29.

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

1.83 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)

1.84 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.

1.85 The statutory scheme was closed to new members with effect from 31 May 2018 and to future contributions with effect from 31 August 2018, with the exception of Equitable Life members who hold with-profits investments or protected life cover. A transfer exercise was also undertaken in March 2018 and all members who held unit-linked investments only under the CSAVCS were transferred to the new AVC arrangement, which is part of the Legal & General WorkSave Mastertrust, unless they opted out. This is reflected in the reduced asset values shown for the scheme in Note 15 of the account.

1.86 The changeover to a single provider was designed to simplify administration and promote more focused governance, reduce charges paid by members, and increase access to modern investments and flexible benefits. Employers will also face fewer interfaces, and an opportunity to coordinate change to more modern systems.

1.87 Civil Service Pensions continues to exercise its duty of care towards members by monitoring the CSAVCS providers, working with the Scheme's professional advisers, Aon Hewitt Ltd and the Government Actuary's Department.

Managers, advisers, auditors and bankers

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

Accounting Officer:	John Manzoni, 70 Whitehall, London SW1A 2AS
Director of Civil Service & Royal Mail 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:	Aon Hewitt Ltd, 10 Devonshire Square, London EC2 4YP
Auditors	
External Auditors:	Comptroller and Auditor General, 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:

Civil Service Pensions
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John Manzoni
Principal Accounting Officer and Permanent Secretary
Cabinet Office

13 December 2019

2. Report of the Actuary

Introduction

2.1 This statement has been prepared by the Government Actuary's Department (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 2019, and the movement in the scheme liability over the year 2018-19, prepared in accordance with the requirements of Chapter 9 of the 2018-19 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 2019.

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

Methodology

2.5 The present value of the liabilities as at 31 March 2019 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 2019. The current service cost (expressed as a percentage of pensionable pay) in respect of accruing costs in the year ended 31 March 2019 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 2018 in the 2017-18 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 2019	31 March 2018
Nominal discount rate	2.90%	2.55%
Rate of pension increases	2.60%	2.45%
Rate of general pay increases	4.10%	3.95%
Rate of short-term general pay increase	n/a	n/a
Real discount rate in excess of:		
• pension increases	0.29%	0.1%
• long-term pay increases	(1.15%)	(1.35%)
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 2019.

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%

*From the ‘S2’ series of standard tables published by the CMI and based on the experience of self-administered pension schemes from 2004 to 2011. Separate tables are available based on experience of members retiring in normal and ill-health and for dependants.

2.10 These assumptions are the same as those recommended for the 31 March 2016 funding valuation of the scheme. Note that the account as at 31 March 2018 was based on the assumptions adopted for the 2012 valuation.

2.11 Mortality improvements are assumed to be in line with the latest 2016-based principal population projections for the United Kingdom published by the Office for National Statistics on 26 October 2017. Note that the account as at 31 March 2018 was based on the previous 2016-based projections.

Liabilities

2.12 Table F summarises the assessed value as at 31 March 2019 of benefits accrued under the scheme based on the data, methodology and assumptions described in paragraphs 2.4 to 2.11. Please note the liabilities as at 31 March 2019 include an allowance for the additional liability arising from the transitional protection judgment. The corresponding figures for the previous year are shown for comparison.

Table F – Statement of financial position (£bn)

	31 March 2019	31 March 2018	31 March 2017	31 March 2016	31 March 2015
Total market value of assets	nil	nil	nil	nil	nil
Value of liabilities	237.20	237.02	234.0	187.3	194.8
Surplus/(Deficit)	(237.20)	(237.02)	(234.0)	(187.3)	(194.8)
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 2019 (the current service cost) is assessed as 47.4% 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 2018-19 as a percentage of pensionable pay and compares the total contributions with the current service cost assessed for the 2018-19 account.

Table G – Contribution rates

	Pensionable pay	
	2018-19 %	**2017-18 %**
Employer contributions*	21.1	21.1
Employee contributions (average)	5.6	5.6
Total contributions	26.7	26.7
Current service cost (expressed as a % of pay)	47.4	47.2

*Under the current arrangements, the expenses of administering are borne by employers through an administration levy which is included in the contributions payable to the scheme (0.15% 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 HM Treasury to reflect the requirements of the accounting standard IAS 19.

2.16 The pensionable payroll for the financial year 2018-19 was £14.53 billion (derived from contributions payable by employers over the year). Based on this information, the accruing cost of pensions in 2018-19 (at 47.4% of pay) is assessed to be £6.89 billion.

2.17 Past service costs arise when an employer undertakes to provide a different level of benefits than previously promised. GAD has been instructed by the Cabinet Office to include an allowance in the end of year liabilities shown in this report for the additional liability arising from the transitional protection judgment. This cost has been assessed as £3.7 billion and reflects the cost of providing members with benefits in whichever scheme (relevant pre or post 2015 scheme) is of higher value over the four years to 31 March 2019. This approach reflects a remedy based on allocating members to a scheme at the balance sheet date, based on the accounting assumptions in force during 2018-19. Different approaches, based on other assumptions, or different forms of remedy (such as allocation based on cost assessed at individuals' exit from service) may produce significantly different costs. The ultimate cost of this judgment would depend on the form of remedy, differences between earning and price increases, and individuals' future career paths.

2.18 We have included a settlement gain of £2.5 million in relation to the compulsory bulk transfer of pension benefits from the Babcock Naval Services Pension Scheme, the Devonport Royal Dockyard Pension Scheme, and the Babcock International Group Pension Scheme. I am not aware of any events that have led to any other material settlement or curtailment gain or loss over 2018-19.

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 2019 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 2019 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	(11.0)	(25.7)
(ii) (long-term) earnings increase*: +½% a year	1.5	3.5
(iii) pension increases*: +½% a year	7.0	16.3
Demographic assumptions		
(iv) additional one-year increase in life expectancy at retirement	3.0	7.0

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

2.22 In addition, the past service cost in respect of the transitional protection judgment is highly sensitive to the gap between CPI inflation and the assumed rate of salary growth. Under the approach and remedy adopted, if the long-term salary growth assumptions were 0.5% p.a. lower, then the impact on the past service cost is expected to be a reduction of around 15% on the provision; approximately £0.56 billion. A 0.5% p.a. increase to the salary growth assumption would increase the estimated provision by 20%; approximately £0.74 billion. Alternative forms of remedy may have different levels of sensitivity to these assumptions.

Steve Lewis FIA

Actuary

Government Actuary's Department

21 May 2019

3. Statement of Accounting Officer's Responsibilities

3.1 Under the Government Resources and Accounts Act 2000, HM Treasury 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 HM Treasury, 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 judgements required for determining that it is fair, balanced and understandable.

3.4 HM Treasury 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 HM Treasury.

4. Governance Statement

Scope of responsibility

4.1 I was the Accounting Officer for the Civil Superannuation Vote throughout 2018-19. My responsibilities included maintaining a sound system of internal control to support the achievement of government policies, aims and objectives, while safeguarding the public funds for which I am personally responsible, in accordance with the responsibilities assigned to me in 'Managing Public Money'.

4.2 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.

4.3 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, a directorate within Civil Service Human Resources, which is based in the Cabinet Office. The other arrangements covered by the Vote are managed separately but I receive appropriate assurances to enable me to exercise my role as Accounting Officer for the whole Vote.

Governance: roles and responsibilities

4.4 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** is part of Civil Service Pensions and reviews significant financial outputs such as this report and the estimates laid before Parliament. The **Cabinet Office Finance Director** has functional oversight of the Scheme and ensures that expenditure by Civil Service Pensions, though not funded by the Cabinet Office, is subject to appropriate scrutiny. They are 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.

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

Cabinet Office Audit and Risk Committee (COARC)

4.6 COARC was chaired in an interim capacity by Catherine Brown, an independent non-executive member of the Cabinet Office Board, to 1 September 2018, before Mike Ashley, also an independent non-executive member, took over responsibility.

4.7 All meetings were attended by at least one other non-executive director, the Cabinet Office Finance Director and me.

4.8 COARC receives regular reports from the Cabinet Office Performance and Risk Committee and discussed the Scheme specifically at two meetings, with 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 was the first pension board to be set up for an unfunded public sector pension scheme. Its statutory role is to support the Scheme Manager, which it seeks to do by assisting and challenging those involved in scheme management.

4.10 During 2018-19 the CSPB had 13 members, including the Non-Executive Chair, with equal numbers of representatives from both employers and scheme members, plus three non-executive members and two members drawn from the pensions industry. One member resigned in March 2019 and will be replaced in 2019-20.

4.11 CSPB's key priority is to support and challenge the Cabinet Office and ensure it has the capability and capacity to deliver its demanding workload and to manage change going forward. The CSPB focuses on the Scheme administration and compliance with regulations and legislation. It also reviews MyCSP performance and the actions taken to address identified shortcomings, including those of employers and administrators, in pursuit of the successful delivery of the Scheme.

4.12 The CSPB met on four occasions in 2018-19. It also has two sub-groups, which met on a quarterly basis and which report into the main board. A small secretariat, based in the Cabinet Office supports the Board. The Director of Civil Service Pensions attends CSPB meetings in full 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)

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

4.14 It 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 CSHR staff, trade union representatives and the Government Actuary's Department.

4.15 The SAB met 12 times during 2018-19 and discussed the Scheme valuation (including member contributions), the transitional protection judgment and the cost cap mechanism.

Pensions Finance Governance Group

4.16 The Pensions Finance Governance Group held five meetings during the year, with representatives from the National Audit Office, the Government Actuary's Department and the Cabinet Office finance department. The group discussed the 2017-18 annual report and account, the main and supplementary estimates and the audit planning report for 2018-19.

Civil Service Pensions

4.17 Civil Service Pensions has approximately 46 staff working on the Scheme. Its principal activities are set out in the Report of the Manager.

MyCSP

4.18 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

4.19 The Scheme complies with HM Treasury'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

4.20 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.

4.21 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.

4.22 The report provided a 'moderate' opinion, an improvement on last year which in turn was an improvement on the year before that. The report noted further improvements and enhancements in the leadership and direction of the Scheme Manager, with a strong focus maintained on performance managing MyCSP, and holding them accountable for delivery and performance improvement.

4.23 MyCSP also produces an Annual Assurance Statement as part of their contractual requirement, 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.

4.24 Taking all this into account, the Scheme's system of internal control has clearly improved over recent years. There is better direction and improved contract management. Good progress has also been made in addressing data quality, employer engagement and financial management.

4.25 Problems are brought to light and management actions taken to address them, which are then reported back to me and other stakeholders. I am aware that some key Scheme risks sit largely with other parties, such as MyCSP and participating employers, and so we will continue to encourage further improvements in their control environments.

Review of strategic risk management

4.26 The improvement in the Scheme's system of internal control is the result of a long term strategy which involved recruiting a strong, suitably qualified management team, developing a clear vision and driving improved performance across all activities. Achieving this has involved managing the key risks which are centred around administrator performance, data quality and employer engagement.

4.27 However the recent ruling on transitional protection, which I discussed in the Report of the Manager, poses significant challenges to the Scheme and its management. The remedy required and the successor scheme, whenever both are decided, will inevitably absorb some of the focus of scheme management, the administrator and employers.

4.28 I am confident that our management of the Scheme is robust enough to meet the challenges posed. However it is inevitable that some of the ambitions we had to improve member and employer experience will be contained by the considerable efforts needed to address the impact of the ruling.

4.29 In 2017, we set out a five year vision to become the best managed, best administered and best value public-sector scheme in the UK. We underpinned this vision 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.

We have made good progress to achieving these objectives and meeting our vision. For example:

- The cost of MyCSP's core administration contract has fallen 8.6% since 2017-18 and is 13.8% lower since the contract revision in 2016;
- MyCSP has improved its performance significantly with fewer instances of key performance indicator breaches than in previous years. Annual benefit statements were issued in a shorter timescale and to a better standard than in previous years;
- Civil Service Pensions has recruited key personnel in operations, finance and risk. Many have come from outside the civil service and work alongside staff with many years' experience of the Scheme. This has produced a strong combination of in house knowledge and external know-how; and
- Working with MyCSP, we have vastly improved the way we communicate with members via an improved website. We have also produced award winning member communications and are a recognised presence at Civil Service Live, an annual event for civil servants held in several locations around the country.

4.30 Though we will continue this good work – with the aim of achieving our vision – the ruling on transitional protection has already impacted this. For instance we had planned to tender for a new administration contract to commence from 2022 and were consulting widely about what a first class future service would involve. Unfortunately, this process has had to be paused whilst we assess the impact of the transitional protection ruling. The contract was extended to ensure a robust reprocurement exercise could be carried out with an appropriate two year transition phase.

Review of key operational risk management

4.31 There are three key operational areas which need continuous oversight and management: administrator performance, employer engagement and data quality.

Administrator performance

4.32 The programme to remedy shortcomings identified by a review in late 2016 of MyCSP's internal control framework continued throughout the reporting period. MyCSP completed all outstanding actions by 30 June 2019 and the Programme board that had overseen the remedial work was dissolved accordingly.

4.33 Over the last two years we have strengthened our contract management function within Civil Service Pensions with a number of our team members being based in and around Liverpool where MyCSP is headquartered. Their role is to monitor MyCSP's performance and assist MyCSP in dealing with issues arising in a timely manner whilst continuing to improve the services offered to scheme members. Key areas of focus for next year include 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.

4.34 Contract extension negotiations with MyCSP were completed in September 2018, with Cabinet Office extending the contract for two years and eight months starting in April 2019. As part of this extension MyCSP is undertaking up to £5 million of investment in a digital transformation programme to enhance member and employer experience.

4.35 Elements of MyCSP's digital transformation programme were delivered this year, including the launch of the online portal for active and pensioner members. The online functionality will help our aims of engaging more effectively with members and will bring the scheme more in line with industry standards. The scheme website functionality has also been improved to make it easier to navigate and find information, and the content of the website has also been refreshed.

Employer responsibilities

4.36 The Scheme depends on participating employers to 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 commercial structure 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 2018-19;
- 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 role and responsibilities.

4.37 There has also been a long-standing arrangement whereby, each year, employer Accounting Officers provide me with an Annual Assurance Statement (AAS) reporting on the operation of their pension control framework and compliance with the terms of their Participation Agreement. The AAS asks a series of questions focused on the processes and procedures they 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.

4.38 All 354 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 335 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 344 employers reported no issues with regards to AVCs being paid to the Scheme's AVC provider.

4.39 Some 24 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, 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 1% interface compliance target, which is running at 99% compliance across all employers.

Data quality

4.40 We continue to address long standing problems with data quality via a robust data-cleanse programme focused on identifying data issues amongst the active membership. The main project has addressed 90% of the identified data issues and a consolidation phase to address the final 10% will end in February 2020. The third phase of the data-cleanse programme aimed at addressing data issues for deferred and pensioner members is scheduled to launch in the first quarter of 2020.

4.41 The Cabinet Office monitors project progress via the Data Improvement Programme Board (DIPB). Employers are subscribed to the data-cleanse programme and clearance rates continue to increase as employers become more familiar with the process.

Specific control issues in the reporting period

Data security and General Data Protection Regulations (GDPR)

4.42 Employers are responsible for data held by themselves and their payroll provider. Civil Service Pensions has provided guidance to both employers and MyCSP on the security of data in transit and data storage. Employers are required to certify that they have a secure payroll interface with MyCSP's pension software (Compendia), or an alternative agreed with MyCSP which monitors the status of payroll interfaces.

4.43 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.

4.44 Following the introduction of GDPR, there is now internal daily monitoring and reports of any information and security incidents. During the year there have been no breaches reportable to the ICO, and under the new guidelines all of the incidents not considered reportable to the ICO are monitored by the Security Working Group.

4.45 Risk exposure remains in respect of the quality of legacy scheme member data submitted by some employers, but this is in a much improved position following the Scheme Manager developing a strategy to address this.

The Home Office and pensionable allowances

4.46 In May 2017 the Home Office identified that it had not been deducting contributions from members' salaries in respect of some pensionable allowances for a number of years.

4.47 This resulted in benefits calculated for impacted members being incorrect as they were based on incorrect pensionable salaries. The Pensions Regulator (TPR) was notified of the breach in the Scheme rules, and correct contributions have been collected from members since January 2018.

4.48 The Home Office implemented a programme in September 2019 to work with the administrator and identify members affected so that pension records and/or benefits in payment can be corrected, and money was received by the Scheme to make good the shortfall.

Fraud environment

4.49 I reported last year that the overall control framework around fraud could be improved by implementing a clearer anti-fraud strategy and better reporting. We now have a counter-fraud subject matter expert within the Cabinet Office, detailed monthly discussions between the Cabinet Office and MyCSP and a joint Cabinet Office/MyCSP workshop to review the strength of anti-fraud controls. We have also ensured that there is improved documentation around our approach to combating fraud. We will continue to build on this progress in subsequent years.

Scheme valuation data

4.50 Problems with the data extraction processes which resulted in inaccurate and incomplete data being supplied to GAD to support the 2016 Scheme Valuation were identified. MyCSP addressed this by bringing in better qualified staff to work on the valuation processes. For the 2020 Valuation, the Cabinet Office is already working with MyCSP and GAD through workshops and ongoing discussions. This should ensure a robust, adequately resourced plan is in place to improve the completeness, timeliness and accuracy of data supplied to GAD and ensure there is sufficient time for MyCSP to review the quality of that data.

Complaints and the Internal Dispute Resolution (IDR) procedures

4.51 During 2018-19, MyCSP received 2,213 complaints (2017-18: 2,321), with the number of complaints upheld remaining at a consistent level over the year. The decrease in complaints received is in part due to MyCSP improving controls to eradicate errors and tackle problem areas. The number of appeals at both stages of the IDR process have been relatively static, and the number of cases where the outcome changes from stage one to stage two of the IDR process continues to decrease.

4.52 Civil Service Pensions has taken steps to increase the governance arrangements through monthly performance meetings and have set up tripartite meetings with MyCSP and the Pensions Ombudsman to foster a culture of greater engagement.

Other schemes

4.53 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.

John Manzoni
Principal Accounting Officer and Permanent Secretary
Cabinet Office

13 December 2019

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 2018-19

								2018-19	2017-18
		Estimate			Outturn				Outturn
	Note	Voted £000	Non-Voted £000	Total £000	Voted £000	Non-Voted £000	Total £000	Voted outturn compared with Estimate: saving/ (excess) £000	Total £000
Departmental Expenditure Limit									
• **Resource**		-	-	-	-	-	-	-	-
• **Capital**		-	-	-	-	-	-	-	-
Annually Managed Expenditure									
• **Resource**	SOPS1	15,434,303	-	15,434,303	13,094,504	-	13,094,504	2,339,799	9,864,215
• **Capital**		-	-	-	-	-	-	-	-
Total Budget		15,434,303	-	15,434,303	13,094,504	-	13,094,504	2,339,799	9,864,215
Non-Budget									
• **Resource**		-	-	-	-	-	-	-	-
Total		**15,434,303**	**-**	**15,434,303**	**13,094,504**	**-**	**13,094,504**	**2,339,799**	**9,864,215**

Total Resource		15,434,303		15,434,303	13,094,504		13,094,504	2,339,799	9,864,215
Total Capital		-	-	-	-	-	-	-	-
Total		**15,434,303**		**15,434,303**	**13,094,504**		**13,094,504**	**2,339,799**	**9,864,215**

Net Cash Requirement 2018-19

	Note	2018-19 Estimate £000	2018-19 Outturn £000	2018-19 Outturn compared with Estimate: saving/ (excess) £000	2017-18 Outturn £000
	SOPS2	**2,300,791**	**2,056,321**	**244,470**	**2,135,442**

2018-19 Estimate £000	2018-19 Outturn £000	2017-18 Outturn £000
-	-	-

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

	2018-19										2017-18
	Outturn £000							Estimate £000			Outturn £000
	Administration			Programme							Total
	Gross	Income	Net	Gross	Income	Net	Total	Net Total	Net compared to Estimate	Net total compared to Estimate, adjusted for virements	
Annually Managed Expenditure											
Voted:	-	-	-	17,444,157	(4,349,653)	13,094,504	13,094,504	15,434,303	2,339,799	2,339,799	9,864,215
Non-Voted:	-	-	-	-	-	-	-	-	-	-	-
Non-Budget:	-	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**17,444,157**	**(4,349,653)**	**13,094,504**	**13,094,504**	**15,434,303**	**2,339,799**	**2,339,799**	**9,864,215**

SOPS2. Reconciliation of Net Resource Outturn to Net Cash Requirement

	Note	Estimate £000	Outturn £000	Net Total outturn compared with Estimate: Saving/(excess) £000
Net Resource Outturn	SOPS1	15,434,303	13,094,504	2,339,799
Accruals adjustments:				
New provisions		(19,705,512)	(17,434,265)	(2,271,247)
Changes in payables		-	63,026	(63,026)
Changes in receivables		-	18,769	(18,769)
Changes in non-supply payables		-	(44,161)	44,161
Changes in non-supply receivables		-	(931)	931
Use of provision		6,572,000	6,359,379	212,621
Excess cash receipts surrenderable to the Consolidated Fund				
Net Cash Requirement		2,300,791	2,056,321	244,470

Parliamentary Accountability Disclosures

Losses and Special Payments
(subject to audit)

During the year, 4,862 cases totalling £401,829 were written off (2017-18: 6,704 – £526,487).

Remote contingent liability
(subject to audit)

The Court of Appeal unanimously held that a rule in the Armed Forces Pension Scheme which prevented the surviving partner of a deceased member receiving a pension because she remained married to another person was unlawful discrimination. The Government has sought permission to appeal to the Supreme Court against the judgement, but there may be some impact on the Scheme pending the outcome of this decision if similar claims are brought against the Scheme.

Given the unusual nature of the case the Government Actuary's Department are unable to provide a robust assessment of the financial impact of this ruling, should it stand. Our view is the impact would be immaterial to the account.

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 2019 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 2019 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 HM Treasury 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 2019 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 am required to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern. I have nothing to report in these respects.

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 HM Treasury 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 HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Gareth Davies **17 December 2019**

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 2019

	Note	2018-19	2017-18
Principal Scheme arrangements		**£000**	**£000**
Income			
Contributions receivable[1]	5	(3,886,103)	(3,692,931)
Transfers in	6	(348,356)	(213,764)
Other pension income	7	(4,679)	(4,780)
		(4,239,138)	(3,911,475)
Expenditure			
Service cost	8	10,589,000	6,680,000
Enhancements	9	36,729	41,104
Transfers in	10	345,856	265,764
Injury benefits	11	8,804	8,599
Pension financing cost	12	6,057,000	6,565,000
		17,037,389	13,560,467
Net Expenditure		**12,798,251**	**9,648,992**
Other minor agency/principal pension schemes			
Income			
Contributions receivable		(110,515)	(104,349)
Expenditure			
Total charge to provisions		405,680	318,564
Benefits payable	14	1,088	1,008
Net Expenditure for the year		**296,253**	**215,223**
Combined Net Expenditure for the year		**13,094,504**	**9,864,215**
Other Comprehensive Net Expenditure			
Recognised gains and losses for the financial year			
Pension re-measurements:			
- Actuarial gain	19.8	(10,802,809)	(4,470,538)
Total Comprehensive Net Expenditure		**2,291,695**	**5,393,677**

[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 11.

The notes on pages 37 to 51 form part of these financial statements.

Combined Statement of Financial Position as at 31 March 2019

	Note	2018-19	2017-18
		£000	£000
Principal Scheme arrangements			
Current assets:			
Receivables (within 12 months)	16	337,517	314,773
Cash and cash equivalents	17	159,564	204,659
Total current assets		**497,081**	**519,432**
Current liabilities			
Payables (within 12 months)	18	(446,457)	(509,483)
Total current liabilities		**(446,457)**	**(509,483)**
Net current assets excluding pension liability		**50,624**	**9,949**
Receivables (after 12 months)	16	53	53
Pension liability	19.5	(237,200,000)	(237,022,000)
Net liabilities, including pension liabilities		**(237,149,323)**	**(237,011,998)**
Compensation agency arrangements – CSCS			
Receivables (within 12 months)	23	9,969	9,875
Net current assets		**9,969**	**9,875**
Other pension schemes			
Receivables (within 12 months)	24	2,695	6,764
Net current assets, excluding pension liability		**2,695**	**6,764**
Pension liability	25.2	(4,259,997)	(4,165,923)
Net liabilities, including pension liabilities		**(4,257,302)**	**(4,159,159)**
Combined Scheme – Total net liabilities		**(241,396,656)**	**(241,161,282)**
Taxpayers' equity:			
General Fund		(241,396,656)	(241,161,282)
		(241,396,656)	**(241,161,282)**

The notes on pages 37 to 51 form part of these financial statements.

John Manzoni
Principal Accounting Officer and Permanent Secretary
Cabinet Office

13 December 2019

Combined Statement of Changes in Taxpayers' Equity for the year ended 31 March 2019

	Note	2018-19 £000	2017-18 £000
Balance at 31 March		(241,161,282)	(237,903,050)
Net Parliamentary Funding – drawn down		2,012,160	1,874,001
Net Parliamentary Funding – deemed	18	215,551	476,995
Supply payable adjustment	18	(171,390)	(215,551)
Comprehensive net expenditure for the year	SOPS1	(13,094,504)	(9,864,215)
Actuarial gain	19.8	10,802,809	4,470,538
Net change in taxpayers' equity		**(235,374)**	**(3,258,232)**
Balance at 31 March		**(241,396,656)**	**(241,161,282)**

The notes on pages 37 to 51 form part of these financial statements.

Combined Statement of Cash Flows for the year ended 31 March 2019

	Note	2018-19	2017-18
		£000	£000
Cash flows from operating activities			
Combined net expenditure for the year	SOPS1	(13,094,504)	(9,864,215)
Adjustments for non-cash transactions			
Increase in Scheme receivables (within 12 months)	16	(22,744)	(18,367)
Less movements in receivables relating to items not disclosed in the Combined Statement of Comprehensive Net Expenditure			
Increase in CSCS receivables	22	(94)	(2,336)
Less movement in non-supply receivables	16, 23	931	2,469
Decrease/(increase) in other schemes' receivables	24	4,069	(4,741)
Decrease in Scheme payables	18	(63,026)	(234,600)
Decrease in other schemes' payables		-	(557)
Movement in payables relating to items not disclosed in the Combined Statement of Comprehensive Net Expenditure			
Less movement in non-supply payables	18	44,161	261,444
Increase in Scheme pension provisions	19.5	16,646,000	13,245,000
Increase in Scheme pension provisions – enhancements, transfers in and settlement gains	19.5	382,585	306,868
Increase in other schemes' pension provisions		405,680	318,564
Use of Scheme provisions – benefits paid	19.5	(6,224,218)	(6,023,785)
Use of Scheme provisions – refunds and transfers out	19.5	(50,920)	(44,964)
Use of other schemes' provisions		(84,241)	(76,222)
Net cash outflow from operating activities		**(2,056,321)**	**(2,135,442)**
Cash flows from financing activities			
From the Consolidated Fund (Supply) – current year		2,012,160	1,874,001
Adjustments for payments and receipts not related to Supply			
Compensation payments made on behalf of employers (including lump sum payments)	13	(111,134)	(185,273)
Reimbursement of compensation payments by employers (including lump sum payments)	13,23	111,037	182,937
Injury benefit payments made on behalf of employers	11	(10,128)	(10,252)
Reimbursement of injury benefit payments by employers	11,16	9,291	10,119
Net Financing		**2,011,226**	**1,871,532**
Net decrease in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund	17	(45,095)	(263,910)
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		**(45,095)**	**(263,910)**
Cash and cash equivalents at the beginning of the period	17	204,659	468,569
Cash and cash equivalents at the end of the period	17	**159,564**	**204,659**

The notes on pages 37 to 51 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 2018-19 'Government Financial Reporting Manual (FReM)' issued by HM Treasury. 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.

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 and approved by the Civil Service Pensions Board (CSPB). 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 £111.1 million (2018: £185.3 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. CSP 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 9 Financial Instruments' and 'IFRS 15 Revenue from Contracts with Customers' and determined no material transactions or balances were affected.

An assessment of International Financial Reporting Standards (IFRS) issued but not yet effective, considered 'IFRS 16 Leases' and 'IFRS 3 Business Combinations' and determined they are not applicable to the Scheme.

2.1 Accounting convention

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

2.2 Contributions receivable

2.2.1 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.

2.2.2 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.

2.2.3 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.

2.2.4 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.

2.2.5 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.

2.3 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.

2.5 Additional Voluntary Contributions

2.5.1 Additional Voluntary Contributions (AVCs) are deducted from employees' salaries and are paid over 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 0.1% real (2.55% including inflation) (2017-18: 0.24% real, 2.80% 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 past service cost of £3.7 billion is in relation to the need to provide a remedy in respect of transitional protection introduced as part of public service pension reforms in 2015.

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 0.1% real (2.55 % including inflation) (2017-18: 0.24% real, 2.80% 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 0.29% real (2.90% gross) (2017-18 0.10% real, 2.55% 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 Critical Accounting Judgements and key sources of estimation uncertainty

2.15.1 The preparation of these accounts requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenditure. These assessments are based on historic and other factors that are believed to be reasonable, the results of which form the basis for making judgements. The estimates and underlying assumptions are reviewed on an on-going basis.

2.15.2 Transitional protection judgment

The calculation of adjustment to past service cost, £3.7 billion, arising from the outcome of the Court of Appeal judgment is based on a number of key assumptions including:

- the form of remedy adopted;
- how the remedy will be implemented;
- which members will be affected by the remedy;
- the earnings assumptions; and
- the withdrawal assumption.

Further information can be seen in Note 19.4.

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

	2018-19	2017-18
	£000	£000
Employers	(3,037,098)	(2,877,942)
Employees:		
Normal	(816,955)	(778,665)
Purchase of added years	(30,219)	(30,188)
Actuarial Retirement Reduction Buy Out	(475)	(5,176)
Effective Pension Age	(1,356)	(960)
	(3,886,103)	**(3,692,931)**

Contributions of £4.82 billion are expected to be payable to the Scheme in 2019-20.

6. Transfers in (see also Note 10)

	2018-19	2017-18
	£000	£000
Group transfers from other schemes	(287,351)	(114,528)
Individual transfers in from other schemes	(61,005)	(99,236)
	(348,356)	**(213,764)**

7. Other pension income

	2018-19	2017-18
	£000	£000
Amounts receivable in respect of:		
Capitalised cost of enhancement to pensions, payable at age 60	(4,654)	(4,742)
Effective Pension Age receivable from employer	(25)	(38)
	(4,679)	**(4,780)**

8. Service cost

	2018-19	2017-18
	£000	£000
Current service cost	6,889,000	6,515,000
Past service cost	3,700,000	165,000
	10,589,000	**6,680,000**

A one-off adjustment for past service cost of £3.7 billion has been recognised in 2018-19 in relation to a legal case in respect of transitional protection.

9. Enhancements (see also Note 19.5)

	2018-19	2017-18
	£000	£000
Employees:		
Purchase of added years	30,219	30,188
Actuarial Retirement Reduction Buy Out	475	5,176
Effective Pension Age	1,356	960
Employers:		
Effective Pension Age	25	38
Enhancements to pensions on retirement	4,654	4,742
	36,729	**41,104**

10. Transfers in – Additional liability

	2018-19	2017-18
	£000	£000
Group transfers in from other schemes	284,851	166,528
Individual transfers in from other schemes	61,005	99,236
	345,856	**265,764**

11. Injury benefits

	2018-19	2017-18
	£000	£000
Injury benefits payable	18,932	18,851
Less: recoverable from employers	(10,128)	(10,252)
Recognised in the Statement of Comprehensive Net Expenditure	**8,804**	**8,599**

12. Pension financing cost (see also Note 19.5)

	2018-19	2017-18
	£000	£000
Interest charge for the year	6,057,000	6,565,000
	6,057,000	**6,565,000**

Statement of Comprehensive Net Expenditure – CSCS compensation agency arrangements

13. Compensation benefits payable

	2018-19	2017-18
	£000	£000
Recoverable from employers	30,806	59,948
Total annual compensation payable	**30,806**	**59,948**
Lump sums payable recoverable from employers	80,328	125,325
Total lump sums payable	**80,328**	**125,325**

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

14. Benefits payable – Not charged to provisions

	2018-19	2017-18
	£000	£000
George Cross (recoverable)	-	(3)
Pensions increase for ex-PMs/Speakers	83	90
Pensions increase for Public Service Appointments	145	132
Pensions increase for ex-MEPs/widow(er)s	691	607
Payments to the United Kingdom Atomic Energy Authority for pensions paid in respect of periods in the Civil Service	15	15
Payments to the Post Office Staff Superannuation for pensions paid in respect of periods in the Civil Service	33	33
Pensions increases in respect of pensions paid to former staff of the Sugar Board	17	16
Federated Superannuation System for Universities	104	118
	1,088	**1,008**

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 Equitable Life) confirming the amounts held in their account and the movements in year.

The aggregate amounts of AVC investments are as follows:

	2018-19			2017-18		
	Standard Life	Equitable Life[1]	Scottish Widows	Standard Life	Equitable Life[1]	Scottish Widows
	£000	£000	£000	£000	£000	£000
Movements in the year:						
Balance at 1 April	60,828	15,097	161,148	61,980	16,093	147,982
New investments	712	82	106,004	1,607	308	8,953
Sales of investments to provide pension benefits	(47,169)	(5,469)	(286,702)	(4,162)	(1,688)	(2,412)
Changes in market value of investments	891	645	24,934	1,403	384	6,625
Balance at 31 March	**15,262**	**10,355**	**5,384**	**60,828**	**15,097**	**161,148**
Contributions to provide life cover	n/a	22	n/a	n/a	25	n/a
Benefits paid on death	140	138	4,902	-	31	335

Note 1: Data as at 5 April

Statement of Financial Position: Principal arrangements

16. Receivables – Contributions due in respect of pensions

Analysis by type	**2018-19**	**2017-18**
	£000	**£000**
Amounts falling due within one year:		
Pension contributions due from employers	246,155	235,190
Employees' normal contributions	65,246	59,891
Employees' added pension	1,777	1,729
Early retirement employer costs	3,875	3,663
Overpayment receivables (net of provision for non-recovery)	15,279	13,280
Bulk transfers	3,328	-
Sub-total	**335,660**	**313,753**
Non-supply receivables:		
Injury benefit receivables	1,857	1,020
	337,517	**314,773**
Amounts falling due after more than one year:		
Long-term receivables	53	53
	53	**53**

17. Cash and cash equivalents

	2018-19	2017-18
	£000	£000
Balance at 1 April	204,659	468,569
Net change in cash balances	(45,095)	(263,910)
Balance at 31 March	**159,564**	**204,659**

The following balances at 31 March were held at:		
Government banking services	158,891	203,986
Balance with government departments	673	673
Balance at 31 March	**159,564**	**204,659**

18. Payables – In respect of pensions

Analysis by type

	2018-19	2017-18
	£000	£000
Amounts falling due within one year		
Pensions	(232,313)	(239,704)
HMRC and voluntary contributions	(37,014)	(50,994)
Other creditors	(5,740)	(3,234)
Amounts issued from the Consolidated Fund for supply but not spent at year end	(171,390)	(215,551)
	(446,457)	**(509,483)**

19. Pension liabilities

19.1 Assumptions underpinning the pension liability

The Civil Service Pension Scheme is an unfunded defined benefit scheme. The Government Actuary's Department (GAD) carried out an assessment of the Scheme liabilities as at 31 March 2019. The Report of the Actuary on pages 16 to 19 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 2019	At 31 March 2018	At 31 March 2017	At 31 March 2016	At 31 March 2015
Rate of general pay increases[1]	4.10%	3.95%	4.55%	4.2%	4.2%
Rate of pension increases	2.60%	2.45%	2.55%	2.2%	2.2%
Nominal discount rate	2.90%	2.55%	2.80%	3.60%	3.55%
Real discount rate in excess of pension increases	0.29%	0.10%	0.24%	1.37%	1.3%
Life expectancy[2] (in years)					
Current retirements – Life expectancy at age 60					
Females	29.3	29.2	30.8	30.7	31.3
Males	27.6	27.5	29.0	28.9	29.1
Current retirements – Life expectancy at age 65					
Females	24.3	24.2	-	-	-
Males	22.7	22.6	-	-	-
Retirements in 20 years' time – current age 40					
Females	31.2	31.1	33.0	32.8	33.6
Males	29.6	29.5	31.2	31.1	31.4
Retirements in 20 years' time – current age 45					
Females	26.2	26.1	-	-	-
Males	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 these 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 2019	At 31 March 2018	At 31 March 2017	At 31 March 2016	At 31 March 2015
	£bn	£bn	£bn	£bn	£bn
Current pensions and associated contingent pensions	88.33	91.4	89.9	69.4	68.6
Deferred pensions, including contingent pensions, for members no longer contributing to the Scheme	35.17	36.47	36.9	30.2	35.2
Accrued benefits available to members contributing to the Scheme	113.7	109.15	107.2	87.7	91.0
Total	**237.2**	**237.02**	**234.0**	**187.3**	**194.8**

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	-11.0	-£25.7
(ii) earnings increases*	+0.5% a year	+1.5	+£3.5
(iii) pension increases*	+0.5% a year	+7.0	+£16.3
Demographic assumptions			
(iv) additional one-year increase to life expectancy at retirement		+3.0	+£7.0

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

19.4 Sensitivity analysis – transitional protection judgment

These accounts show a past service cost of £3.7 billion in respect of the judgment on transitional protection, as outlined in Note 2.15. This is just under 1.6% of the total scheme liability as at 31 March 2019.

The calculation of adjustment to past service costs, £3.7 billion, arising from the outcome of the Court of Appeal judgment is based on a number of key assumptions including:

- the form of remedy adopted;
- how the remedy will be implemented;
- which members will be affected by the remedy;
- the earnings assumptions; and
- the withdrawal assumption.

The other financial and demographic assumptions adopted to calculate the past service cost are the same as those used to calculate the overall scheme liability. Adopting different assumptions, or making other adjustments to reflect behavioural changes stemming from the judgment, would be expected to change the disclosed past service cost. Similarly, allowing for variations in individual members' future service or salary progression is expected to produce higher costs. The past service cost is particularly sensitive to the difference between assumed long term general pay growth and the CPI. If the long term salary growth assumptions were 0.5% p.a. lower, then the past service cost disclosed here would be expected to reduce by 15% (around £0.56 billion) and conversely a 0.5% p.a. increase would increase the estimated cost by 20% (around £0.74 billion).

19.5 Analysis of movement in the Scheme liability

	2018-19	2017-18
	£000	£000
Scheme liability at 1 April	(237,022,000)	(234,033,000)
Service cost (Note 8)	(10,589,000)	(6,680,000)
Pension financing cost (Note 12)	(6,057,000)	(6,565,000)
Settlement gain/(cost)	2,500	(52,000)
Enhancements (Note 9)	(36,729)	(41,104)
Pension transfers in	(348,356)	(213,764)
Benefits payable (Note 19.6)	6,224,218	6,023,785
Pension payments to and on account of leavers (Note 19.7)	50,920	44,964
Actuarial gain (Note 19.8)	10,575,447	4,494,119
Scheme liability at 31 March	**(237,200,000)**	**(237,022,000)**

During the year ended 31 March 2019, employers' contributions represented an average of 21.1% of pensionable pay. A valuation of the scheme as at 31 March 2016 has been completed which has resulted in an increase in the average employer contribution rate from 21.1% to 27.3% with effect from 1 April 2019. Both the employer's and employee's contribution rate depends on the individual's pensionable pay, and so the average rate will depend on the salary profile of the workforce in future years.

19.6 Analysis of benefits payable

	2018-19	2017-18
	£000	£000
Pensions or annuities to retired employees and dependants (net of recoveries or overpayments)	5,428,695	5,268,246
Commutations and lump sum benefits on retirement	795,523	755,539
Per Statement of Cash Flows	**6,224,218**	**6,023,785**

19.7 Analysis of payments to and on account of leavers

	2018-19	2017-18
	£000	£000
Refunds to members leaving the service	14,236	15,316
Payments for members joining state scheme	7,544	2
Group transfers to other schemes	1,598	285
Individual transfers to other schemes	27,542	29,361
Per Statement of Cash Flows	**50,920**	**44,964**

19.8 Analysis of actuarial gain/(loss)

	2018-19	2017-18
	£000	£000
Experience gains/(losses) arising on the Scheme liabilities	795,447	(1,998,881)
Changes in assumptions underlying the present value of Scheme liabilities	9,780,000	6,493,000
PCSPS	**10,575,447**	**4,494,119**
Other schemes actuarial gain/(loss)	227,362	(23,581)
Per Statement of Changes in Taxpayers' Equity	**10,802,809**	**4,470,538**

19.9 History of Experience (gains)/losses

	2018-19	2017-18	2016-17	2015-16	2014-15
Experience (gains)/losses on the Scheme liabilities					
Amount (£000)	(795,447)	1,998,881	(6,265,192)	(6,863,977)	(294,352)
Percentage of the present value of the Scheme liabilities	(0.3%)	0.8%	(2.7%)	(3.7%)	(0.2%)
Total amount recognised in Statement of Changes in Taxpayers' Equity Amount (£000)	(10,575,447)	(4,494,119)	41,388,808	(13,183,977)	11,635,931
Percentage of the present value of the Scheme liabilities	(4.5%)	(1.9%)	17.7%	(7.0%)	6.0%

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 Commission 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 major 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

	2018-19	2017-18
	£000	£000
Recoverable annual compensation payments including lump sums	9,969	9,875
Balance at 31 March	**9,969**	**9,875**

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

23. Receivables – Amounts falling due within one year

	2018-19	2017-18
	£000	£000
Contributions	2,695	2,368
Other debtors	-	4,396
Balance at 31 March	**2,695**	**6,764**

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

	2018-19	2017-18
	£000	£000
Opening scheme liability at 1 April	(4,165,923)	(3,900,000)
Net movement in year (including actuarial gain/loss)	(94,074)	(265,923)
Scheme liability at 31 March	**(4,259,997)**	**(4,165,923)**

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 an associate company of the Cabinet Office. The Cabinet Office incurred charges of £35.5m (2018: £37.8m) relating to pensions administration, which has been funded by a charge on Civil Superannuation employer pension contributions.

26. Events after the reporting period

In June 2019 the Supreme Court refused the Government permission to appeal the Court of Appeal's December 2018 judgment in the transitional protection cases. There have been no other material events between the Statement of Financial Position date and the date the account was authorised for issue.

In July 2019 the Court of Appeal found in favour of the claimant in the Langford case. Further details are provided on page 29.

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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