



Financial Reporting Advisory Board

Pensions 2024-25 Reporting update

Issue:	<p>Due to an exceptional delay in MyCSP producing pension benefit figures (and associated cash equivalent transfer value (CETV) figures) for 2023-24, FRAB agreed to an exemption from remuneration report disclosure requirements where including the pension benefit figures would have resulted in a delay to the laying of accounts.</p> <p>MyCSP, the current administrators of the Civil Service Pensions Scheme are confident that they can provide the required figures in a timely manner if the “rolled back” method is applied (further detail below).</p>
Impact on guidance:	<p>If FRAB agrees, pension benefit figures (and associated CETVs) will be disclosed on a ‘rolled back’ basis. Narrative text to be included alongside required figures will be added to the FReM.</p>
IAS/IFRS adaptation?	N/A
Impact on WGA?	N/A
IPSAS compliant?	N/A.
Interpretation for the public-sector context?	N/A.
Impact on budgetary regime and Estimates?	N/A
Alignment with National Accounts	N/A
Recommendation:	<p>That FRAB agree to using ‘rolled back’ figures for pension benefits (and associated CETV) disclosures required to be included in remuneration reports.</p>
Timing:	Ongoing

DETAIL

Background

1. The 2015 Public Service Pension Scheme reforms included a policy of transitional protection. This meant members closest to retirement stayed in their Principal Civil Service Pension Scheme (PCSPS - classic, classic plus, premium and nuvos) as they had the least amount of time to prepare for the changes.
2. The Court of Appeal (McCloud Judgment) later found this policy to be discriminatory against younger members. In February 2021, the Government announced the implementation of a Deferred Choice Underpin (DCU) which will allow eligible members to make a choice when they retire, between Principal Civil Service Pension Scheme (PCSPS - classic, classic plus, premium and nuvos) or alpha scheme benefits for the remedy period (1 April 2015 to 31 March 2022).
3. The 'rolled back' position is where the benefits in respect of their rolled back pensionable service during the remedy period are valued as being in the relevant PCSPS scheme rather than alpha, this reflects the legal position of the 2015 remedy. The non rolled back position is that members are assumed to be valued using the alpha scheme for the remedy period.
4. It is not the case that either PCSPS or alpha are always the higher of the two for the remedy period (and therefore the obvious choice at retirement) it depends on the members length of service, salary, and other factors.

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5. In large part due to the complications associated with the application of the McCloud judgment, there were delays in the provision of pension benefit figures for 2023-24 which led to an exceptional exemption being agreed by FRAB. These figures are required for the remuneration report.
6. MyCSP – who calculate the pension benefit figures - have indicated that they expect to be able to provide figures on a 'rolled back' basis in a timely manner for 2024-25 accounts. Figures that were provided in 2023-24 were calculated on this basis and this is consistent with the approach in the DHSC Group Accounting Manual.
7. MyCSP will not be able to provide figures in a timely manner using any alternative method. We have had regular engagement with Cabinet Office since issues first came to our attention earlier this year. Managing an upcoming change of scheme administrator for the Civil Service Pension Scheme is the current priority for the Cabinet Office, with a focus on maintaining BAU processes for scheme members.

Options

8. Requiring figures to be provided using a method other than the 'rolled back' basis is likely to lead to significant delays in the provision of data from MyCSP, with consequential delays to pre-recess accounts laying and/or qualified audit opinions where data is not available.
9. One alternative option would be to remove the requirement to include pension benefit figures in annual report and accounts, however, given the significance of pensions as part of total remuneration in the public sector, we judge this option would lead to a loss of transparency and accountability.
10. HM Treasury's view is that including pension benefit figures calculated based on the 'rolled back' position is reasonable, and certainly preferable to not disclosing any figure at all as in 2023-24.

11. If the Board is content with this approach (see Annex A), we will continue to engage with Cabinet Office to emphasise the importance of figures being available on a timely basis for 2024-25 accounts, and to consider options for the longer-term.

FReM addition

12. In order to ensure transparency around the basis for calculating pension benefits (and associated CETV figures) being disclosed in the accounts, HM Treasury have provisionally drafted the following text [which has also been reviewed by the NAO and Cabinet Office]. If FRAB are content, we propose including this in the FReM.

The following text will be inserted in FReM 6.5.8 (part d) and FReM 6.5.15.

The Following narrative must also be disclosed where an individual in this table is impacted by the Public Service Pensions Remedy. "Accrued pension benefits included in this table for any individual affected by the [Public Service Pensions Remedy](#) have been calculated based on their inclusion in the legacy scheme for the period between 1 April 2015 and 31 March 2022, following the McCloud judgment. The Public Service Pensions Remedy applies to individuals that were members of a public service pension scheme on 31 March 2012 and were members of a public service pension scheme between 1 April 2015 and 31 March 2022."

Recommendation: That the Board agree to relevant pensions disclosures being calculated and disclosed using the 'rolled back' approach unless and until an alternative approach is agreed and is deliverable by the Scheme Administrator. The proposed disclosure text will be added to the FReM.

HM Treasury
21st November 2024

Annex A: Rolled back approach

On 1 April 2015, the government made changes to public service pension schemes which treated members differently based on their age. The public service pensions remedy removes the age discrimination for the remedy period, between 1 April 2015 and 31 March 2022.

The 'rolled back' position is where benefits in respect of members rolled back pensionable service during the remedy period are valued as being in the relevant legacy scheme rather than the alpha scheme.

In complying with FReM 6.5.8 and 6.5.15, pensions figures shall be calculated and disclosed using:

- a. Rolled back opening balance.
- b. Rolled back closing balance.
- c. Pension benefits (and associated CETV's) are to be calculated on the rolled back basis.
- d. No restatement of prior year figures where these were included in 2023-24 annual report and accounts. Where information was not included in 2023-24 annual report and accounts, prior year figures are required to be disclosed in 2024-25 annual report and accounts.
- e. The additional FReM disclosure above must also be included (where an individual in relevant tables is impacted by the Public Service Pensions Remedy).