National Audit Office

REPORT

Investigation into the administration of the Civil Service Pension Scheme

Cabinet Office

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HC 951

What this investigation is about

1 The Civil Service Pension Scheme (the Scheme) covers the Principal Civil Service Pension Scheme and the Civil Servants and Others Pension Scheme. As of 31 March 2024, the Scheme had 1.7 million members, both current and former civil servants, with a total liability for future pension benefits of £189 billion. The Scheme is currently administered by MyCSP, which is a mutual partnership between employee partners, who own 25% of the company, and a private sector partner, Equiniti. Cabinet Office has contracted with MyCSP to run the Scheme since 2012, a contract costing £238 million since 2016.[1] In 2023, Cabinet Office awarded a new contract to Capita PLC (Capita) to administer the Scheme from December 2025. Capita previously administered the Scheme's pension payroll services and deferred member administration prior to 2014.

2 Our investigation was prompted by correspondence that we received from scheme members with concerns about the service they had received, coupled with a reported rise in the level of complaints about the Scheme, which had risen to 4,780 in 2024-25. In this report, we examine:

- Cabinet Office's oversight of the Scheme;
- current levels of customer service, including factors contributing to a rise in complaints in recent years; and
- preparations for the transfer of administrator, and how Cabinet Office is managing this transition.

3 This report builds on our previous work in this area, including our 2016 report on members' experience of the Scheme, which looked at the transfer of the services that Capita administered to MyCSP.[2] This report does not assess MyCSP's overall performance across the contract, or the value for money of the Scheme.

1 The contract was amended in 2016. For costs as agreed in the initial contract, please see our 2013 report, Comptroller and Auditor General, *Spinning-out MyCSP as a mutual joint venture*, Session 2013-14, HC 538, National Audit Office, September 2013. Available at: www.nao.org.uk/wp-content/uploads/2013/09/10176-001-MyCSP-Book.pdf

2 Comptroller and Auditor General, *Investigation into members' experience of civil service pension administration*, Session 2015-16, HC 800, National Audit Office, February 2016. Available at: www.nao.org.uk/wp-content/uploads/2016/02/Investigation-into-members-experience-of-civil-service-pension-administration.pdf

Summary

Key findings

Cabinet Office's management of the Scheme

4 **Cabinet Office's contract with MyCSP has not always supported effective accountability for performance.** MyCSP is the Scheme's administrator, working under a contract with Cabinet Office agreed in 2012. The contract contains 70 performance measures against 37 service levels. Fifteen of these are key service levels, for example, payment of death benefits, which can attract a financial penalty if there is a consistent failure to deliver against expected levels. However, these penalties are dependent on MyCSP's profitability levels and any extenuating circumstances MyCSP flag that can result in the penalty being waived. Recognising that not all service levels are a useful measure of understanding members' experience of MyCSP, in 2021 Cabinet Office introduced golden key performance indicators (KPIs). These are additional KPIs, are non-contractual and do not attract a financial penalty (paragraphs 1.5, 1.11, 1.13 and 1.15 to 1.17).

5 **MyCSP's failure to meet agreed key service levels has not attracted significant financial penalties to date.** Cabinet Office applied a £19,355 penalty to MyCSP in June 2022 for failing to deliver timely payments of retirement lump sums. In 2024, MyCSP failed to provide timely retirement quotes and first pension payments, including lump sums, to scheme members for several months. As a result, Cabinet Office has agreed a financial penalty of £228,538 from MyCSP. Aside from these two penalties, Cabinet Office does not believe it has successfully claimed any other financial penalties from MyCSP (paragraphs 1.14, 2.3, and Figures 3 and 4).

6 **Cabinet Office has an established governance structure for its contract with MyCSP, although it is largely reliant on self-reported data from MyCSP for its oversight of the Scheme's performance.** Following efforts to improve governance and monthly performance information after our report in 2016, there is now an established governance structure with regular reporting on a range of areas from MyCSP to Cabinet Office as scheme manager. While Cabinet Office has some other methods for evaluating the Scheme's performance, including hearing directly from unions, it remains largely reliant on monthly service delivery reports from MyCSP containing self-reported data, for its oversight of the Scheme (paragraphs 1.6 to 1.10 and Figure 2).

Scheme customer service levels

7 **Overall, since August 2017, MyCSP has met expected performance measures in the majority of its 15 key service levels.** Between August 2017 and January 2025, MyCSP reported every month that it has met at least 87% of its key service levels, and for other service levels it is meeting at least 95% of them every month (paragraph 2.2).

8 **MyCSP's contact centre performance has been below expected levels for at least the last two years, but this has not resulted in any contractual penalties.** Cabinet Office expects MyCSP to answer at least 80% of member calls within 30 seconds. This is not a key service level and does not attract a financial penalty, limiting Cabinet Office's ability to incentivise improvements to MyCSP's performance. In the last two years, this target has not been met, at best answering 43% of calls within 30 seconds. In November 2024, MyCSP was taking an average of 24 minutes to answer calls. In addition, there have been higher call abandonment rates over the last two years, which (against a target of 20%) increased from around 10% in 2023 to nearly 30% in the final quarter of 2024 (paragraphs 2.6 to 2.8 and Figures 5 and 6).

9 **Cabinet Office has spent £31.7 million funding MyCSP to implement remedies in response to government losing a legal challenge to changes it had made to public service pensions.** The Remedy programme relates to the 2018 Court of Appeal ruling, known as the McCloud judgment, that the government's 2015 changes to public sector pension schemes were discriminatory based on age. This created a substantial and complex programme of work for MyCSP to administer in addition to the existing contract expectations. Cabinet Office and MyCSP agreed a contract change notice in 2021, with Cabinet Office agreeing to fund additional resources for MyCSP. Up to the end of 2024-25, Cabinet Office had spent £31.7 million funding MyCSP to carry out this work, with around 100 staff (full-time equivalent) working on it during 2024-25, accounting for around 20% of MyCSP's total workforce (paragraphs 2.14 to 2.16 and Figure 12).

10 **In implementing the McCloud judgment, MyCSP has made better progress than other comparable public sector pension schemes.** Government legislation sets out that those members already in receipt of their pension should have received a Remedial Service Statement (RSS) by 31 March 2025, although there is provision in the scheme regulations to delay issuing RSS in some cases. This statement should provide members with information to assess whether they wish to continue receiving their current pension or take up the remedy option. Which option is the better will depend on individual circumstances. By 31 March 2025, MyCSP had issued these statements to 44% of affected members, just ahead of a minimum target of 43% agreed with Cabinet Office. Although the legislative target of all members receiving their RSS was missed, data from other large public sector pension schemes shows that MyCSP's progress is ahead of other comparable schemes also having to implement remedies. MyCSP is also producing annual benefit statements for almost all (98%) of the members who are affected by McCloud but are yet to take their pension, setting out what their options are (paragraphs 2.17 and 2.18 and Figure 11).

11 **Complaints against MyCSP are at their highest level since at least 2016-17, increasing by 43% between 2016-17 and 2024-25.** There were 4,780 complaints in 2024-25, up from 3,325 in 2016-17, and 128% above the annual aspiration of 2,100 (175 per calendar month). Overall, there has been an upward trend in the total level of complaints against MyCSP in the last nine years, despite a significant reduction in complaints in 2020-21 and 2021-22 during the pandemic (paragraphs 2.10 to 2.12 and Figures 8 and 9).

The transition from MyCSP to Capita

12 **Capita will assume full administrative responsibilities for the Scheme from 1 December 2025.** With MyCSP's contract due to end in December 2023, Cabinet Office began a procurement exercise for a new contract in late 2020, awarding the contract to Capita in November 2023. The total value of the contract is £239 million for seven years, with the option to extend for a further three years. Cabinet Office took up an option to extend the MyCSP contract to December 2025, allowing for a two-year transition period between Cabinet Office, MyCSP and Capita. Capita is due to take over full administration of the Scheme on 1 December 2025 (paragraphs 3.2 and 3.3).

13 **Capita has missed three key milestones in the transition to taking on the administration of the Scheme from 1 December 2025.** Cabinet Office is working with Capita to ensure it is ready to take over from MyCSP, but has withheld £9.6 million in transition payments, due to Capita failing to meet all agreed deliverables associated with milestones around the design and development phase and user readiness. Delays to meeting these milestones have led Cabinet Office to agree a reduction in the service originally expected to be available to members from December 2025. To de-risk delivery, Capita now intends to start operating a simplified IT solution in December 2025, delaying the expected greater functionality for both scheme members and employers until at least March 2026 (paragraphs 3.3, 3.5 to 3.7 and Figure 13).

14 **The new contract with Capita has some differences in the service level agreements that Cabinet Office believes will enable it to more effectively hold the contractor to account.** For example, several service levels have seen the target processing times reduced, and some new key service levels have also been introduced. Additionally, the service level around contact centre call response time has been upgraded to a key service level, meaning it can now attract financial penalties if not met. The system for applying financial penalties has also been amended so that all key service levels have a five-point 'severity-scale' attached to them, all of which attract different levels of potential financial penalties. Previously, a key service level was simply either met or not met, depending on the volume of cases (paragraph 3.11).

15 **Cabinet Office estimates it is saving £83 million through innovation and automation over the life of the Capita contract but does not have agreed milestones against which to manage performance.** Cabinet Office's vision for the Scheme is for it to be the best-administered public service pension scheme in the UK, and it assesses that the new contract price represents savings of £83 million over the lifecycle of the contract compared with the current MyCSP contract. This will involve Capita finding innovative ways to deliver services. Cabinet Office expects Capita to provide a continuous improvement strategy, including an improvement plan that will report on the realisation of benefits. With a plan yet to be provided, there are no fixed innovation or digitalisation milestones for Capita to deliver against once it takes over the contract on 1 December 2025. Cabinet Office had previously hoped that MyCSP would reduce costs through digitalisation, but without any contractual incentives to do so, limited progress has been made in these areas (paragraphs 3.9, and 3.13 to 3.17).