

Branch Briefing BB-026-26

To: Branch Chairs, Secretaries and Workplace Representatives

17 March 2026

Civil Service Pensions Administration Crisis Update (including Compensation Update)

Purpose

This briefing provides a concise update following our weekly meeting with the Cabinet Office and the HMRC Second Permanent Secretary, who is leading the recovery team for the pensions administration crisis.

Meeting Overview

PCS and our sister unions met again with the Cabinet Office; along with the HMRC Second Permanent Secretary and recovery team leads; to discuss progress against the recovery plan, outstanding administration failures, compensation proposals, and the McCloud Remedy project.

Progress on Recovery Plan

Pension Modeller and Effective Pension Age

Unions had asked whether the proposed pension modeller will show details of the Effective Pension Age (EPA), which allows part of an Alpha Scheme pension to be taken unreduced before normal pension age.

Update: EPA will **not** be included in the first release because the employer says the numbers affected are low. It will be considered for a later release.

'New Fair Deal' and Hardship Loan

Unions had asked whether non-Civil Service employers will be required to make hardship loan payments, for staff who had transferred out of the Civil Service.

Update: There is **no obligation** on non-Civil Service employers to make hardship loan payments. However, Capita is expected to cover these cases.

Ill-Health Retirement and Death-in-Service Cases

Unions had raised cases of Ill-Health Retirement (IHR) applicants who had previously been refused the hardship loan, because it had erroneously been considered that IHR cases would be resolved early.

Update: The Cabinet Office confirmed that IHR cases are in scope for the hardship loan; but it should no longer be an issue, as service levels for IHR and Death-in-Service cases have returned to normal.

Interest Payments Communications

Unions had argued that there were conflicting official communications about when interest is payable. Communications stated interest payable on amounts due from 1 December 2025; but other messages suggested interest was payable from the pension payable date.

Update: Official Side agreed to review communications and consider providing worked examples.

Case Tracking and Extreme Cases

Unions argued that there was a lack of visibility on progress for urgent and extreme cases submitted by unions.

Update: Department accepts more work is needed on communicating what has been done with these cases and reports that additional case-tracking functionality is nearing delivery.

FCDO Compliance Reminder

The Foreign, Commonwealth and Development Office (FCDO) were reportedly not applying the 2010 Civil Service Compensation Scheme terms, which had been reinstated by the PCS success in the 2017 High Court judgment.

Update: Unions demanded the Cabinet Office to remind FCDO to comply with 2010 rules. The employer agreed to remind the FCDO of the appropriate mechanisms.

Lump Sums, Voluntary Exit Schemes and Divorce Cases

Update: Most lump sums have been processed. 2025/26 Voluntary Exit Schemes (VES) expected to be completed by end of March. Work will then move to 2026/27 VES cases. On Divorce cases, a document is being prepared for the Courts, attributing any delays to the pension scheme administration.

P60s

Update: The Cabinet Office initially said P60s would be sent on 20 or 21 March. After queries about sending these before the end of the tax year end, the employer position was adjusted to 'P60s will be ready to send'.

Compensation for Scheme Members

Union Position

PCS has demanded that the Cabinet Office open discussions now about properly compensating members for administration failures; arguing that these talks should take place in parallel with the recovery plan.

Employer Position

Update: A paper on a compensation mechanism has now been submitted to the Civil Service Chief Operating Officer. The Cabinet Office hopes to discuss proposals with unions in the week commencing 16 March 2026.

The employer intends proposals to remain within the Pensions Ombudsman framework which covers costs unreasonably incurred; and discretionary distress and inconvenience awards typically ranging from £500 to £2,000. The employer says its proposals will not exceed those parameters.

Union Concerns

The Ombudsman tariffs are dated; and an individual complaints process proposed by the Cabinet Office would require significant resourcing and may be unwieldy, given the expected volume of complaints. Unions pressed for a fair, resourced and scalable approach.

The employer reminded unions that there is a seven-year queue for Ombudsman cases.

McCloud Remedy Project

Project 7 remains in the discovery phase. Cabinet Office and Capita have not finalised contractual terms for completing tens of thousands of outstanding McCloud cases.

The department stated that all the remaining cases are complex. This means the previously stated target of March 2027 for completion now appears unlikely to be met.

Key Issues and Concerns

Priority failings: VES cases being completed by end of March when some pensioners won't be receiving full payments until June, shows an ongoing failure to prioritise.

Compensation route: Reliance on an individual complaints process risks discouraging claims and will require substantial resourcing.

McCloud deadline: March 2027 target for the McCloud Remedy looks likely to be missed, given the current contractual and discovery-stage status of the Project.

Communications: Conflicting messages on interest and case progress is undermining member confidence in the escalation process.

Actions and Next Steps

Cabinet Office to review and clarify communications on interest payments and provide worked examples.

Cabinet Office to accelerate delivery of case-tracking functionality and improve visibility on extreme case progression.

Cabinet Office to discuss compensation proposals with unions in the week commencing 16 March 2026.

Unions will continue to press for a resourced, collective approach to compensation rather than a purely individual complaints route.

Unions to monitor McCloud contractual progress and escalate concerns about the risk to the March 2027 timeline.

Summary and Union Position

Progress: Service levels for Death-in-Service and Ill-Health Retirement cases have improved. Lump sums are now largely on track.

Concerns: Significant concerns remain about late payment timing for pensioners, given the fact that 2025/26 VES cases look like being completed on time; the suitability and resourcing of an individual complaints process for compensation; and the likelihood of missing the McCloud Remedy deadline.

Next steps: PCS and sister unions will continue to press the Cabinet Office on communications, compensation design, case tracking, and McCloud contractual completion and will keep members fully informed.

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