

# Leaving employment under voluntary exit terms

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A guide to completing your Declaration forms



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# Leaving under a voluntary exit scheme

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Leaving employment can be a big decision. You must assess the impact this could have on you financially. Part of this impact includes exiting the Civil Service Pension Scheme early.

The quote you receive will contain a lot of information. Your options are tailored to your individual circumstances including your age (at the date of leaving employment), your pensionable age, the scheme you're in and your length of service.

This step-by-step guide for members will help you to complete your forms.

Your guide includes links to additional sources of online information that you may find useful. Please note: these can only be accessed when viewing the document online. There is also an additional 'What to Expect...' guide to Exits on the scheme website, which tells you how the process works and how long things can expect to take.



**Visit our website** to view the What to Expect guides.

# 1. Your exit forms explained

Your quote contains a lot of information. Your options are tailored to your individual circumstances including your age (at the date of leaving employment), your **Normal Pension Age** (the age at which you can claim your benefits in full), the scheme you are in and your length of service.

Your quote will include the following:

- a covering letter
- a compensation declaration form (CDF).

Depending on your individual circumstances your quote may also include additional information. You should refer to the relevant sections as indicated below.

## Do you wish to leave on the terms set out in your quote?

### YES:

If you leave on the compensation terms set out in your quote, you will need to read the information contained in the following sections:

- **declaration form** (Section 4)
- **providing your personal details** (Section 4.1)
- **providing your payment details** (Section 4.2)
- **death benefit nomination** (Section 4.7)
- **declaration** (Section 4.8)

Depending on your individual circumstances and the options available to you, the following sections may also apply to you:

- **your pension statement** (Section 3)
- **important tax information** (Section 4.3)
- **recycling of retirement lump sum** (Section 4.4)
- **Additional Voluntary Contributions (AVCs)** (Section 4.5)
- **voluntary deductions from your pension** (Section 4.6)
- **higher pension lump sum options form** (Section 5)
- **other lump sum options form** (Section 6)
- **pension and compensation options** (Section 7)
- **preserving your pension** (Section 8)
- **taking your pension on reduced terms** (Section 9)
- **buying out the reduction in your pension** (Section 10)
- **buying added pension** (Section 11)
- **other service** (Section 12)
- **aggregation (classic only)** (Section 13)

## **NO:**

If you wish to remain in employment you should read the following sections:

- **declaration form** (Section 4)
- **providing your personal details** (Section 4.1)
- **declaration** (Section 4.8)

## 2. Your covering letter

Your covering letter explains the compensation you are entitled to under the terms of the Civil Service Compensation Scheme.

Please check that your personal details and last day of service are correct in your documentation.

If you need to correct them, contact your HR department or Shared Services.

## 3. Your pension statement - preserved pension details

The pension statement included in your quote shows how much pension you have earned up to your date of leaving. It is not the pension you will receive if you leave the scheme before **Normal Pension Age**.

Your statement may include the following sections (depending on which scheme you are in):

- personal details
- pensionable pay (classic, classic plus and premium members only)  
The amount used to calculate your benefits
- reckonable service used to calculate your benefits
- pension value
- standard lump sum value (classic only)
- survivor's pension (the amount that would be paid after death in service)
- pension benefits may be split between 'current' and 'other service' depending on your age.



**Important:** if you have benefits in alpha as well as one of the other Principal Civil Service Pension schemes, (classic, classic plus, premium or nuvos), you should receive two pension statements in your quote. You will have different options available to you depending on which scheme you're in, and your age at the date of leaving.



**Important:** if you have a Pension Sharing Order (PSO) the amount shown on your statement will be after the order has been applied. If you are currently undergoing divorce proceedings the amount shown will change if the court issues a PSO as a part of your settlement.

## 4. Declaration form

If you wish to leave under the terms set out in your quote, place an X in the appropriate box to confirm your decision. Please note: you should only complete one of the boxes in this section.

If you need to correct them, contact your HR department or Shared Services.



**Important:** you must make a selection to confirm your decision. If you have decided not to leave employment you will only need to complete the personal details and declaration sections in your quote. For guidance on how to do this refer to sections 5 and 12 of this guide.

### 4.1 Providing your personal details

If you have decided to leave employment, you must complete all of the personal details in your quote. You must complete section 1 of the personal details section, making sure to provide all of the information requested. If you have decided not to leave employment, you will only need to complete section 1 of the personal details section on your declaration form.



**Important:** if you are a member of classic or classic plus and widowed or divorced, you must provide a copy of the death certificate for your spouse or a copy of your decree absolute. We will then calculate the Widowers' Pension Scheme (WPS) refund, payable when you retire.

## 4.2 Providing your payment details

You **must confirm** the bank account you want us to pay your benefit(s) into. We will pay any compensation and any pension you are claiming immediately into this account. The account needs to be in your own name but can be a joint account if you are a named holder of that account.

 **Important:** if you want us to pay into an overseas account, you will need to complete an overseas mandate.

Visit our [website](#) to view a list of mandates.

## 4.3 Important tax information

If you are taking your pension immediately, **you must complete this section** before any pension benefits can be paid.

Please note: you could be liable for a penalty fine of up to £3,000 by HM Revenue & Customs if you make any false statements when completing this section.

Please take the time to read and complete this section carefully, answering yes or no to each question. For guidance on HM Revenue & Customs rules, visit the [HM Revenue & Customs website](#).

## 4.4 Recycling your retirement lump sum

If you intend to take a pension lump sum, you can reinvest any part of it into another pension arrangement. This is known as 'recycling', however, special tax rules may apply.

You must confirm how much of your pension lump sum you intend to reinvest into another pension arrangement.

Please note: you do not need to advise the scheme of your intention to reinvest your compensation lump sum.



**Tip:** if for guidance on recycling your pension visit the [HM Revenue & Customs website](#).

## 4.5 Additional Voluntary Contributions (AVCs)

You only need to complete this section if you have purchased AVCs from one or both of the Civil Service Additional Voluntary Contribution (CSAVC) providers.

If you require more information about AVCs, the scheme website contains a number of helpful guides about [boosting your pension](#).

## 4.6 Voluntary deductions from your pension

You can choose to pay different organisations from your pension. A list of the organisations you can make payment to can be found towards the back of your quote. You will need to confirm to us the monthly payment you want to make and to which organisation or organisations.

**If you do not wish to make any deductions please leave this section blank.**

## 4.7 Death benefit nomination

If we hold a death benefit nomination for you, the details will be shown in this section. You can add or change a nomination at any time by visiting the scheme website and downloading the relevant form from the [Member Forms](#) section.

Print and complete the form and return it to the scheme administrator:

**Civil Service Pensions**

**Capita Pension Solutions**

**PO Box 713**

**Darlington**

**DL1 9JZ**



**Important:** if we do not hold a nomination for you, your death benefits would be payable to your personal representative in the event of your death.

## 4.8 Declaration

**Your declaration is mandatory.** You must sign and date this section of the form. Depending on your circumstances, this section may also show a list of the documentation you are required to return.



**Tip:** You can opt-out of receiving mailshots from the organisations listed in the data protection section of this guide by placing an 'X' in the relevant box.

## 5. Lump sum options

You can choose to give up some of your pension in exchange for a lump sum payment, however there may be restrictions, eg **Guaranteed Minimum Pension (GMP)**. If you have any queries speak to your employer's HR department or shared services, in the first instance.

For each £12 of lump sum you wish to receive, you must give up £1 of your annual pension. The statement enclosed with your quote shows the maximum lump sum you can take.



**Tip:** if you are a classic or classic plus member, any lump sum payable to you after you have exchanged some of your pension, will be paid in addition to the automatic or standard pension lump sum due to you. classic and classic plus members don't have to take the maximum lump sum available to them. To calculate how much lump sum you would like to receive, use the **Lump Sum Calculator** in the Member Calculators section of the scheme website.

Your lump sum may be restricted in certain circumstances. If this applies to you we will advise you when you claim your pension benefits.

## 6. Other Options

If you decide to take early payment of your benefits, you must complete the lump sum option form.

Depending on which Civil Service Pension scheme you are a member of, you will also have one or both of the following options available on the higher lump sum option form.

### Exchanging some or all of your one-off lump sum for additional pension

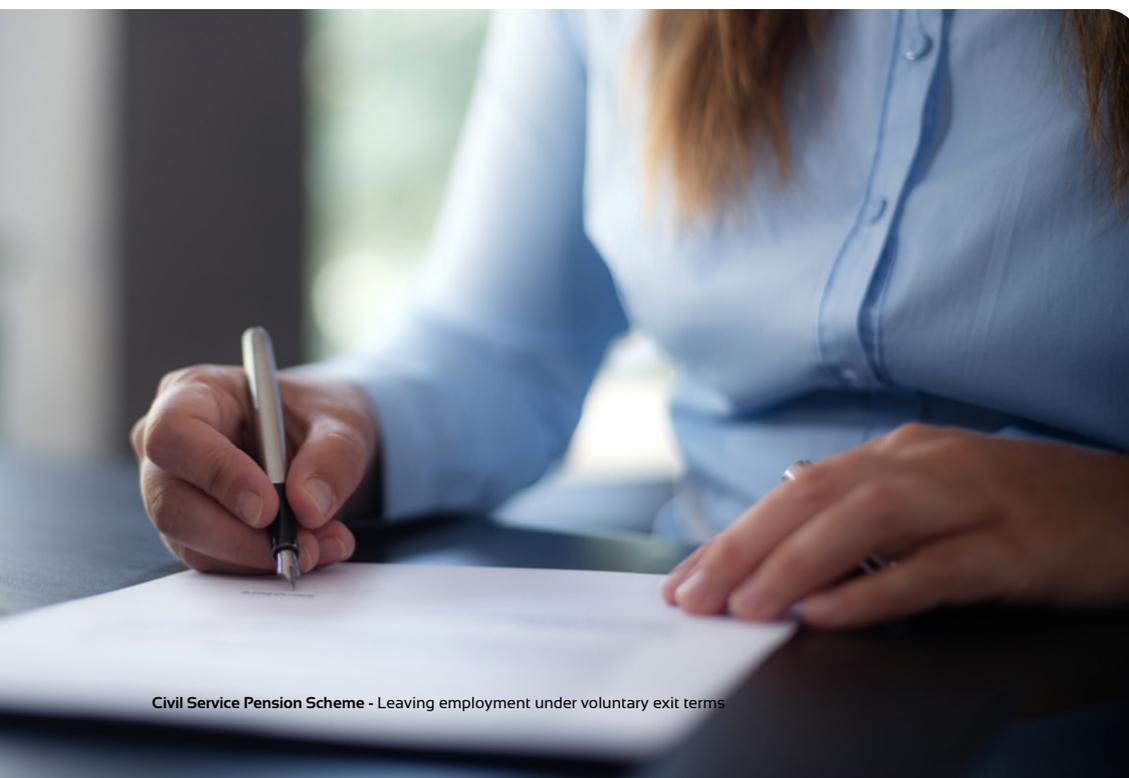
You can choose to give up all or part of your one-off lump sum payment in return for an increase in your pension. We refer to this as 'inverse commutation'.

### Allocation

You can opt to give up some of your pension in order to provide a pension for anyone who is financially dependent on you. We refer to this as 'allocation'. Allocated pension is paid to your dependants after you die.



**Important:** We may require further information from you, which could delay your calculation.



## 7. Pension and compensation options

Your quote will include the options available to you depending on the following circumstances:

- your age
- which of the Civil Service Pensions arrangements you are a member of
- the date you became eligible to receive pension benefits.

Read the information in your quote carefully to understand the options available to you.



**Important:** if you have benefits in alpha as well as one of the other Principal Civil Service Pension schemes, (classic, classic plus, premium or nuvos), you should receive two pension statements in your quote.

## 8. Preserving your pension

If you are entitled to pension benefits and are under **Normal Pension Age** you can take the full compensation amount and preserve your pension benefits until you decide to take your pension.

**Normal Pension Age** is the earliest age that you can usually take your pension benefits without a reduction for early payment, place an X in the appropriate box to confirm your decision.



**Tip:** if you decide you would like to claim your preserved pension, please refer to the Civil Service Pensions website for further information.

**Please note:** you must be over **Minimum Pension Age** (the earliest age at which you can claim your pension benefits) to claim your pension. See section 9 of this guide for more information about **Minimum Pension Age**.

## Section 9 - Taking your pension on reduced terms

If you are under **Normal Pension Age** (the earliest age that you can usually take your pension benefits without a reduction for early payment) and over **Minimum Pension Age**, you can take the full compensation amount and claim your pension benefits on reduced terms.

The value(s) shown on your statement(s) will be actuarially reduced, as you are taking your pension benefits before **Normal Pension Age**.

**Minimum Pension Age** (the earliest age you can claim your pension benefits) is dependent on when you joined the scheme. If you joined the Principal Civil Service Pension Scheme **before 6 April 2006**, your minimum pension age is 50. If you joined the Principal Civil Service Pension Scheme after 6 April 2006, your minimum pension age is 55 (unless you have a protected retirement age). If you have a query about your minimum pension age contact us.



**Important:** if you have benefits in alpha as well as one of the other Principal Civil Service Pension Schemes, (classic, classic plus, premium or nuvos), part of your benefits may be subject to a different minimum pension age. Here is an example:

**Example:** classic member born 01/01/1965 joined the pension scheme on 01/01/2000 and has continuous service up to 31/03/2016. The same member also moved to alpha on 01/04/2015.

The Minimum Pension Age would be;

- **classic:** minimum pension age is 50 (as the member joined before 06/04/2006)
- **alpha:** minimum pension age is 55

For more information about Minimum Pension Age, visit the [HM Revenue & Customs website](#).



## 10. Buying out the reduction in your pension

You may be able to use your compensation payment to buy out the reduction that would be applied to your pension as a result of taking it before **Normal Pension Age**.

The reduction will vary depending upon how early you claim your benefits.

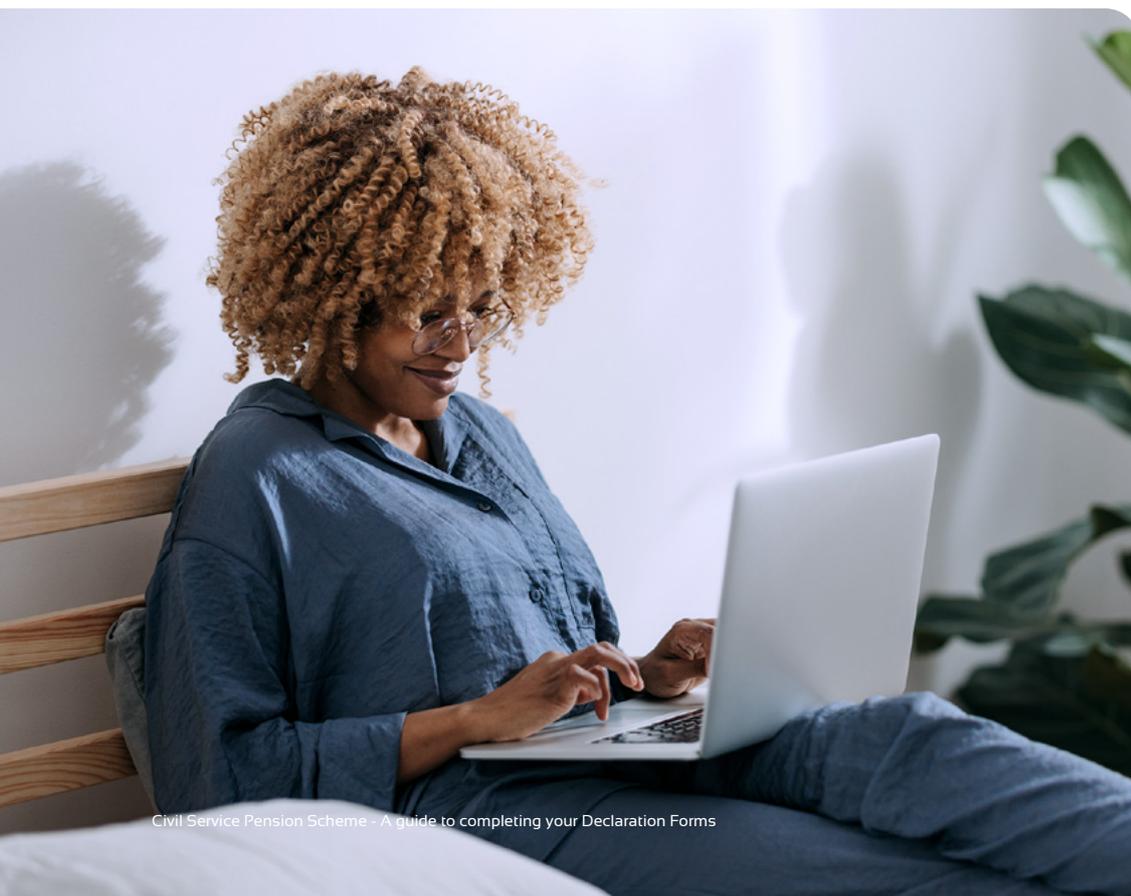
If you wish to buy out the reduction you have to buy it all out.

To calculate how much it will cost you to buy out the reduction in your pension, you can use the **Actuarially Reduced Pension Buy Out Calculator** in the Member Calculators section of the scheme website.

If your compensation amount is greater than the amount required to buy out the reduction in your pension, you will receive the remaining balance. If your compensation payment is not enough to cover the full reduction payment, you or your employer (at their discretion) can pay the additional shortfall required.



**Important:** if you have decided to buy out the reduction **you must provide a copy of the relevant calculator** when you return your form.



## 11. Buying added pension

If you have more than two years' service and are an active member of a Civil Service Pensions scheme you can use your compensation payment to buy added pension.

To calculate how much added pension your compensation could buy you, use the **Added Pension Calculator** in the Member Calculators section of the scheme website. You will need to use the relevant calculator for your scheme.



**Important:** if you have decided to buy added pension **you must provide a copy of the relevant calculator** when you return your form.

## 12. Other service

If you have pension entitlement from your current period of employment it is known as 'current service'. Pension entitlement from previous employment is known as 'other service'.

'Other service' includes:

- **added years or added pension that you have bought in the Civil Service Pensions arrangements**
- **pension benefits that you have transferred into the Civil Service Pension arrangements**
- **earlier periods of pensionable service which you still have preserved within the Civil Service Pensions arrangements**
- **a preserved award that you have aggregated with your current period of employment.**



**Tip:** 'other service' will not be included in the compensation calculation unless your employer has Cabinet Office approval, or if you transferred in under a TUPE arrangement before 22 December 2010.

## 12. Other service continued...

You can opt to buy out the reduction in your 'other service' pension benefits, take them on reduced terms or preserve the entitlement until you reach **Normal Pension Age**.

There are restrictions on which option you can take for the 'other service' benefits. If you joined the pension scheme before 06 April 2006, are aged between 50 and 55 and opt to take your 'current service' pension, on either reduced terms or buy-out the reduction for early payment, **you cannot preserve the pension from your 'other service'**. Instead, you will receive immediate payment as part of your benefits.

If you are aged between 55 and **Normal Pension Age**, you will have the option to preserve your 'other service' pension benefits, unless it's for a period of previous service that has already been, or is to be aggregated to your 'current service'.



**Important:** you must indicate on your form which option you wish to take for your 'other service'. If you buy-out the reduction for your 'other service' you must provide a copy of the Actuarially Reduced Pension Buy Out Calculator when you return your form.

If you choose not to buy out the reduction to your pension benefits for your 'current service', you cannot buy out the reduction for your 'other service'.

If you choose to preserve your 'current service' then you can preserve your 'other service' as well.

If you have an earlier period of service which you have aggregated or are choosing to aggregate, the pension benefits from this service will have to be paid if you opt for your 'current service' benefits to be paid immediately.



**Tip:** if you are under **Minimum Pension Age** your 'other service' benefits will be preserved along with your 'current service' benefits. If you are over **Normal Pension Age** your 'other service' benefits will be paid along with your 'current service' benefits.

## 13. Aggregation (classic only)

If you have an earlier period of service in the Civil Service Pensions arrangements, which ended with a preserved award, you have two options:

### Option A

**Cancel your preserved award** – the reckonable service on which it was based (but not the period in between), will be added to your current reckonable service for a single award. We will base this award on your current pensionable earnings. This is known as 'aggregation'.

### Option B

**Treat your two periods of service separately** – your benefits from your earlier period of service will remain. Your current service will count for a separate pension and lump sum.

If you have more than one previous period of service in the Civil Service Pensions arrangements, which ended with a preserved award, you can only aggregate the most recent period of service with your current service.

Your quote will include a statement showing the amounts payable for both options. You need to use this information to confirm which option you wish to take for aggregation.

Your quotation will contain an aggregation option form to confirm your choice.



**Important:** no matter which option you choose for aggregation, only your current period of continuous employment will be used for calculating your compensation.

## 14. Glossary

### **Actuarially Reduced**

Reduced because you have taken your pension early.

### **Added Pension**

An additional amount of pension that you can buy.

### **Additional Voluntary Contribution(s) (AVC)**

Extra pension investments that can be bought by the employee.

### **Allocation**

Giving up some of your pension to provide a pension for someone who is financially dependent on you after you die.

### **Death Benefit Nomination (DBN)**

Who you want to be considered to receive any lump sum benefit in the event of your death. This could be a family member, a friend, a charity, or any other organisation or business..

Members of classic plus, nuvos, premium and alpha can nominate as many people as they like and/or an organisation to receive a lump sum payment if they die (while still working, or in some cases for a short while after retiring.)

Members of classic can only nominate one person or organisation to receive a lump sum payment after their death in service.

### **Lump Sum Option**

An additional payment you can receive when taking your pension benefits within set HM Revenue & Customs limits. Taking this will reduce your pension payments.

### **Aggregation**

Joining two periods of service together to create one pension.

## 14. Glossary continued...

### Normal Pension Age (NPA)

The earliest age at which you can choose to receive immediate payment of your pension without reduction.

### Pensionable Earnings

All earnings that count towards your pension. They may include non-cash items, for example, uniforms or accommodation.

### Qualifying Service

The time you have been a member of the scheme that qualifies you for certain benefits.

### Preserved Benefits

If you leave the scheme with more than two years' service, before **Normal Pension Age** and don't transfer your pension to another scheme, the pension benefits that you have built up will be held in the scheme (preserved) until you can claim or transfer them to another pension arrangement.

### Pensionable Service / Reckonable Service

The service that counts towards your pension. Part-time service counts on the basis of the hours you have worked.

If you are a member of classic, classic, plus, premium or nuvos, the documents **CWP1 and CWP2** on the scheme website provide more information about how your reckonable service and pensionable earnings affect how your pension is calculated.

If you are a member of alpha, section 1 of the alpha scheme guide explains how your benefits build up. Visit the [Scheme website](#) to download the guide.

## 15. Frequently Asked Questions

### When will I receive my compensation payment?

We are unable to process your award until we've received your completed Declaration Forms.

Once we've received your completed forms we will aim to pay your compensation within three weeks of your last day of service.

**Please note: timescales can vary and will be agreed with employers when they launch their Exit scheme. For more information contact your employer.**

The 'What to Expect...' guide to Exits, available on the scheme website tells you how the Exit process works and how long things can expect to take. Use this [link to view](#) the What to Expect guides.

### How is my service calculated?

Your compensation payment will be based on your current reckonable service (service with previous Civil Service employers will count if there has been no break in service).

Decimal years and days will be used to work out your compensation, eg, 11 years 200 days =  $11 + (200/365) = 11.5479$  years.

Current service does not include:

- any added years or added pension that you are buying in the Civil Service Pensions arrangements.
- any pension benefits that you have transferred into the Civil Service Pensions arrangements from a previous job.
- any earlier periods of pensionable service, built up in the Civil Service Pensions arrangements before starting your current job, if the break in service is 28 days or more..

## 15. Frequently Asked Questions continued...

### **Is my service calculated differently if I work part-time?**

If you work part time, your service will be based on the actual hours you work and your full-time equivalent pay. There are limits to the maximum benefits that part-time workers can receive so that they do not receive disproportionately more than full-time workers.

### **Do I still need to complete and return the declaration form if I decide not to leave employment?**

Yes, you will need to select the option stating that you do not wish to accept the compensation offer and return this to your employer so that they are aware you do not wish to proceed with the exit. If your exit is compulsory you will not have this option on your declaration form.

### **Will I have to pay tax on the compensation payment?**

Under current tax law, 19 February 2016, the first £30,000 of a compensation payment will be tax-free. Normal tax rules will apply to payments in excess of this. The £30,000 limit includes any previous compensation payments you may have received under the Civil Service Compensation Scheme.

### **I have been employed for less than two years. What will happen to the payments I have made into my pension?**

You have the choice of taking a refund of your contributions, less tax and other deductions, or transferring your pension to another eligible pension scheme. If you have less than three months' service, your employer automatically refunds your contributions - you cannot transfer your pension.

## 15. Frequently Asked Questions continued...

### Will I have to repay my compensation payment if I return to work?

If you are re-employed in an organisation covered by the Civil Service pension and compensation arrangements within 28 days of leaving your current employer, your compensation will be cancelled and your service will be treated as continuous.

You will have to repay the full compensation amount. This will also apply if your compensation was used to buy out a reduction in your pension.

If you are re-employed in an organisation covered by the Civil Service pensions and compensation arrangements outside the 28 day period, but within the lesser of:

- a) six months, and
- b) the notional period of the compensation payment

you will have to pay back the compensation payment pro-rata. The repayment would be reduced if your new employment is at a lower salary level than before. In all cases, if you have taken your pension on leaving, it may be subject to abatement on re-employment.

### How much compensation will I receive?

Your employer will have access to a calculator that you can use to estimate how much compensation you might be eligible to receive. The calculator cannot take into account all the possible variables but will give you an estimate.

### I am employed by another Civil Service department: can I still apply to leave?

No. If you have dual employment you are unable to apply to receive a compensation payment unless you are leaving all employers covered by the Civil Service pensions and compensation arrangements.

## 15. Frequently Asked Questions continued...

### Who should I contact if I need advice on what I should do with my pension?

We can help you understand the options available to you regarding your pension, but cannot offer advice. If you need financial advice, you may wish to speak to an independent financial adviser before you make your choice. If you do not have a financial adviser, the Government's MoneyHelper website provides free and impartial information on choosing a financial adviser and links to details of financial advisers. The website can be accessed at:

<https://www.moneyhelper.org.uk/en>

