

## **Podcast Transcript:**

### **Minisode: A quick guide to your ABS**

**Emily** Today's minisode is all about annual benefit statements or ABS. Emily Wilson, Senior Training Consultant, is with us today to talk through the ABS document step by step. And if you happen to have yours with you, why not read along with us?

**Rob** Emily, thank you so much for being with us today. And welcome back to the Civil Service Pensions Podcast.

**Emily Wilson** Thank you, guys. Great to be back.

**Rob** So Emily, let's dive straight in. Let's start with the basics. What is an ABS?

**Emily Wilson** So an Annual Benefit Statement or ABS is a document that active members receive once a year. It's normally sent over the course of the summer by the 31st August, and it shows them what they've accrued in pension benefits as of the 31st March that year. So anyone who's joined after the 31st March won't receive one that year, but the next available summer, that's when it'll come through. And if something is incorrect on it, then members just need to double check everything and follow the relevant routes to get it resolved, which we'll talk about today.

**Emily** Great. Well, it sounds like a really useful and important document to have. So what kind of information does it actually give you?

**Emily Wilson** So we'll go through it section by section. The first page shows all of someone's personal details and some useful notes, so it links to pages on the scheme website. It's got our contact details on as well if people need to get in touch. Page three shows something called Your Benefits at a Glance, and this is really the main page that members need to be looking at to just see, okay, what have I accrued overall in each scheme and what's the age that I can claim it from? So that page will show you the value of the alpha pension scheme, which is the scheme that all active members are in as of the 1st April last year, but it also shows any previous schemes as well as long as it was continuous service. So the two figures that people will see on this page are based on them claiming it at the Normal Pension Age for each scheme. There's no early retirement reductions factored in or projections there, it's just what they've accrued as of the 31st March. What's not included is deferred benefits. So at the moment, on the active benefit statements, it just shows your continuous service. If you've had a break in service, meaning you've got a preserved award, that would be showed on a separate benefit statement called a Deferred ABS.

**Emily** So that's when someone was in a civil service or in the scheme, left for another role with a different employer and a different scheme, and then sometime later, came back.

**Emily Wilson** Exactly. Yeah. Someone who's got previous civil service employment separated by a break.

**Rob** So when someone leaves, their old service doesn't link to their new service in one continuous record, always?

**Emily Wilson** It's determined by the timescale in between. So if someone leaves and rejoins within five years, normally they'll be linked together and that's called aggregated.

So in that case, they should both be showing on their active statement. But if it was more than five years, which a lot of the time it is, completely separate and a different statement.

**Rob Great.**

**Emily Wilson** So the next page talks about the death benefits. So that includes the death benefit lump sum, which is a one-off lump sum that members nominate someone to receive when they pass away. They can have multiple nominees for that as well. It also shows the calculation that we've used for that, which for most active members, it's going to be around two times your final pensionable earnings. It also shows here the expected survivor's pension, and that's a completely separate thing. People tend to get them two things mixed up. So survivor's pensions is ongoing monthly payments for someone that meet certain criteria when they pass away. So it'll show both of the benefits there. In that same section, it'll show the death benefit nominee. So the people that the member has actually nominated to receive the one-off lump sum. So if that section's blank, it means that we didn't have a death benefit nomination on file as of the 31st March that year. So it might be that someone's updated it since, that's why it won't show on that statement. Your next statement is going to show that.

**Rob** Just on the death and service benefits, presumably that is paid to who you nominate if you die before you retire, and the survivor's pension can be paid either before or after you retire.

**Emily Wilson** Yeah, good question. So death in service, the calculation for it means that for the most part, it's if someone passes away while actually in service. And the calculation for it changes once you leave, it means if you pass away within a couple of years of retirement, there normally should still be some sort of lump sum there, depending on the options you chose. Whereas the survivor's pensions completely separate. So the status of the member at the time that they pass away doesn't change the survivor's benefit. That's the same regardless. So always keep nominate up to date, you can update it any time. The next page is where it breaks down the pension benefits. So it'll always start with your current scheme first, which should be alpha for everyone. So it'll show you the date that you joined alpha, the number of years they've been in that scheme and the Normal Pension Age, which is state pension age for alpha. Obviously that can range from member to member depending on the date of birth. So alpha is career average pension scheme, and that means that your pension builds up every year as a percentage of your actual pensionable earnings. And so alpha builds up at 2.32% of your actual pensionable earnings every scheme year. The scheme year runs from the 1st April to 31st March, and it's based on your actual earnings. And so that means if you've worked part time during that year, that's going to be reflected in the earnings figure that we use. And then 2.32% of that. Each year the alpha pension is also adjusted with inflation as well. So in addition to that, 2.32% that we're added each year, first of all, we're bringing what you've already accrued up to date with inflation too. So the next page breaks that down even further. You've got four columns. You'll see, first of all, the opening balance, and that basically tells you as of the end of the last scheme year, this is what your pension was. The second column shows you what was added this year, and it shows the pensionable earnings figure that we've used. So you should be able to really easily check that, then [it] shows 2.32% of the figure. Then it also shows the inflation that we've added on as well. In case you ever wanted to double check that. And then the last column is closing balance, which is basically all of that just brought together. It lets you know, as of the date of the statement, this is what you've got in the alpha pension. Just a reminder that that's not with any early retirement reductions. It's not with any future projections, that's based on you, if you were

to leave now, for example, and wait until Normal Pension Age to claim it. So there's a lot of detail in there basically to help people check. It's really important that you check over your benefit statements. At the moment, just for context, there's over half a million active members who all get an Annual Benefit Statement each year. So, make sure you check it and if anything doesn't look right to you, you can raise that either with us or with your employer, depending on what the query is with, which, which we'll get you in a second. On the next page, you'll see a breakdown of any of your previous schemes. So remember, we're still talking about continuous service. So if you were in classic or premium, for example, before you moved to alpha, it'll give a breakdown of that. It shows how long you were in that scheme, the date that you joined, the pensionable earnings and so on. It then shows you the service that we've used to calculate your benefits. And you'll see two types of service on here. You'll see qualifying and reckonable. This is something that we get a lot of queries about. So qualifying is the length of time that has actually passed since you first started contributing to that scheme. But then reckonable service is what we use to actually calculate your pension and that excludes any unpaid breaks or absences, and it also reflects part time work as well. So if you ever worked part-time in a final salary scheme, you were accruing reckonable service at a pro-rata rate, proportionate to the hours that you worked. So that's a really common reason why [those] two types of service might be different.

**Rob** So qualifying service is the amount of time you worked there, and reckonable service is effectively the amount of hours you were at work.

**Emily Wilson** Yeah, that's a good way to put it. So if you've ever worked anything less than full time, you know that that's going to be reflected in the reckonable service side of things. For final salary schemes only, obviously everyone's now an alpha, that doesn't work off reckonable service, but we will have a lot of people who've previously got service in one of them.

**Emily** So is qualifying service almost like the full-time service equivalent or full-time equivalent service? Is that a better way of putting it?

**Emily Wilson** Yeah. So it's literally the length of calendar time, shall we say, that's passed since they were contributing to that scheme.

**Emily** Ah, okay.

**Emily Wilson** It'll then show you the normal pension age of the previous scheme. So of course, the different schemes have different Normal Pension Ages. Remember, Normal Pension Age is the age you can claim it from in full. It doesn't mean you have to wait until that age to get it. Early retirement is an option, it's just letting you know what it is on that statement. So further down, it shows the benefits that you've accrued in that previous scheme as well. In classic, it'll also show the automatic lump sum for you. What it doesn't show is the maximum lump sum available in any of the schemes, but you can use the retirement modeller on the Pension Portal, on the Civil Service Pension Scheme website to get that, which is pre-populated. So you shouldn't need to do anything manual to get that.

**Rob** So the automatic lump sum isn't necessarily the maximum that you can take? It's calculated in some other way.

**Emily Wilson** That's right. So automatic lump sums only apply to classic, and it's pretty easy to calculate, we just [multiply] the annual pension by three. But you can take more than that as a lump sum, which then we're getting into maximum lump sum territory where you go to the modeller.

**Rob** Right. Okay.

**Emily Wilson** Lastly, it explains a bit more about the previous scheme that you were in if you've transitioned into alpha from a legacy scheme. So it just gives you a bit more about the survivor's pension in there, which so for example, classic survivor's pension is different to alpha's, so it gives a bit of detail about that. [00:11:37] And that's basically it. Everything that we put into the statement is based on information we hold for you as of the 31st March that year. We receive your information and data from your employer every month and we use that data that comes through to build your record from our end and to then calculate your pension benefits in accordance with the scheme rules. So just a reminder, it's based on what we held as of the 31st March. Obviously, if anything has changed since then, that's not going to be reflected on that statement, next year's one will show any updates from there. If anything isn't right with your personal details, let your employer know so that they can update their records and that will then filter through to us on the updates that they send us.

**Emily** So it sounds like employers play a really important role in providing us with all the information that we need to make sure that members are getting the pension that they've actually accrued and earned.

**Emily Wilson** Definitely. Yeah, it's a monthly thing. It's an electronic, kind of, data transfer method and that's what we use to get all the information, so. But that's why it's really important members check their statement, because if anything's not right, we can then query it with the employer and make any changes that we need to.

**Rob** And what about people who are sort of coming up to retirement, who are receiving an Annual Benefit Statement? Presumably the ABS could be used to give them an indication of what their retirement might look like, but it's not a retirement quote. That would be something that they'd get separately.

**Emily Wilson** Yeah, definitely. So I think the main thing to point out there, it's all based on the data that we held at the time. So as long as a member checks over that statement and can see that their service looks right to them, the pensionable pay figure looks right to them, then yeah, they can use the retirement modeller on the portal, which is pre-populated from the last statement to get their retirement figures. An official retirement quote will be sent later, later on down the line in the process when we get the official notification from the employer.

**Rob** So if a member was to look at their Annual Benefit Statement and think that there was something wrong or they've got a query, what should they do?

**Emily Wilson** So they need to raise it with us, basically. If the query is about their personal details, so maybe the wrong address or the wrong marital status, then they'd need to update that with the employer. [Those] pieces of information tend not to have an effect on the calculation itself. If they've got a query about maybe the wrong start date or maybe not all of my service is on there, or maybe the wrong pensionable pay figure, they're going to affect the pension calculation. So they'd raise it with us and through the

Contact Us form on the Civil Service Pension Scheme website. We can get it raised, we'll check what we hold, we'll link in with the employer to make any updates if need be. And it's always just best practice to do this now with your benefit statement rather than at the time of retirement, so that you know it's all going to go smoothly.

**Emily** I think as well, it's worth pointing out there's a really detailed and useful web page on the scheme website, called "Annual Benefit Statements".

**Emily Wilson** Oh, yeah.

**Emily** That's full of loads of information, including when you're likely to receive yours in the coming ABS distribution period. So it's definitely worth checking that out if you have any kind of surface level questions in the meantime.

**Emily Wilson** Yeah, definitely. There's also a video on there as well, which explains the different sections of the benefit statement. So that's always a good one to check out.

**Emily Wilson** So if when you get your benefit statement and you can't really make heads or tails if it, you feel like it just needs a little bit of extra help, we run free of charge Pension Power sessions. It's funded by the scheme manager, the Cabinet Office, and we run them every single day, actually. It's a one-hour webinar, so if you come on there, we can help go through scheme calculations, you can ask questions to a Consultant as well. So I would definitely say, if you get your statement and think, okay, I'm not sure I'm understanding this right, jump onto a Pension Power session. I think that would really help.

**Rob** I suppose it's quite important to understand it, given it's probably the most important document that we send out to members in the course of the scheme year?

**Emily Wilson** 100%. This is what you're going to use to make sure your details are correct and to model your pension and your retirement in the future. So you want to know that you're at least understanding it right, if nothing else.

**Rob** Brilliant.

**Emily** And you mentioned that there are like, there are modellers and calculators within the Pension Portal aren't there, that members can use their statement with to estimate and track how it's growing. I think it's probably a good reason to register for the portal if you haven't already, because within the portal it's pre-populated with all your information, is that right?

**Emily Wilson** Yeah, definitely. So the pre-populated modeller, it just pulls through the information from your last benefit statement. So that means there's not much for you to do manually other than check that the information on the statement is okay, so you're looking at the service and the pay. They're the main two things, so as long as you feel comfortable with them, pick your date on the modeller and you can get figures back within seconds.

**Emily** Perfect.

**Emily Wilson** So what the statement doesn't show is the maximum lump sum available in each of the schemes. So this is where you can take up to a maximum of 25% of your overall pot as a lump sum. It doesn't show that on the statement, but you can get that on the retirement modeller on the Pension Portal. So it shows the automatic lump sum in

classic, which is three times your annual pension, but not the maximum. You would just need to go to the modeller for that.

**Emily** Emily, thank you so much for being with us today. It's been great having you back on the podcast and learning more about Annual Benefit Statements.

**Emily Wilson** Yeah, that's great. Thanks for having me back.

**Rob** Thanks, Emily. [00:23:09] As always, you can find out more about your Annual Benefit Statement on the scheme website. That's [civilservicepensionscheme.org.uk/abs](https://civilservicepensionscheme.org.uk/abs) and we'll also put a link in the show description.

**Emily** Make sure you follow or subscribe so you never miss an episode, and you can leave us a review wherever you get your podcasts. This episode was recorded in June 2023. All the information is accurate at the time of recording.

**Rob** Thanks for listening.