

What is abatement? A guide for members of classic, classic plus, nuvos and premium

The purpose of this booklet is to give employees who work for an organisation that is covered by the Civil Service pension (CSP) arrangements a basic understanding of what abatement is, and how it is applied.

It does not cover every aspect on how abatement is worked out. The full details are contained only in the rules, which are the legal basis of the scheme. You should note that nothing in this booklet can override the rules. In the event of any difference, the rules will apply.

We have tried to use as little jargon as possible. Where we have had to use technical terms, they appear in bold and explained at the back of the booklet.

The abatement process is likely to involve your employer, your MyCSP Pension Service Centre who works on behalf of your employer, and is the agent for paying Civil Service pensions. If you need further information when you have read this booklet, please contact your employer (or prospective employer) in the first instance.

What is abatement?

If you have:

- a Civil Service pension, or have
- taken an annual compensation payment (ACP)

and subsequently take a job with an organisation that is covered by the CSP arrangements, you may not earn more, by way of 're-employed' salary and pension, than you were earning before you retired. Where your new salary and pension exceed your previous salary, we deduct the excess from your pension. This is known as 'abatement'.

We may also abate your:

- pension if you opt for **partial retirement**, or
- salary (rather than pension) if you had a Compulsory Early Severance package that included a reserved rights top-up payment and subsequently take a job with an organisation that is covered by the CSP arrangements. This is because the top-up payment includes an element of pension.

Abatement does not apply if you are employed in the private sector.

How is abatement worked out?

Step 1

We take the **salary of reference** that was used to work out your pension when you retired and apply cost of living increases where appropriate.

Step 2

We add your new salary and your pension or ACP together.

Step 3

If the sum in Step 2 is greater than the sum in Step 1, we will reduce the pension or ACP by the difference.

If you are currently retired and are applying for work with an organisation covered by the CSP arrangements, you can ask your prospective employer for an estimate showing the potential effect of any abatement. You can then take this into account when deciding whether to accept the job.

If your employer is allowing you to take **partial retirement**, the calculator on the Civil Service website will give you an indication of whether abatement would apply to your pension, and how much it would be. Visit: www.civilservice.gov.uk/pensions/calculators

What is the process for applying abatement to my pension?

Your employer will tell MyCSP to work out whether your pension should be abated. If abatement applies, MyCSP will reduce your pension from the start date of your new job or the date from when you **partially retire**. Please note that this can be earlier than the first available pay day on which MyCSP can actually apply abatement. It can result in an overpayment of pension which you will have to pay back.

Is the amount of abatement fixed?

The level may alter if:

- you are promoted (whether temporarily or permanently)
- your conditioned hours change
- you benefit from a retrospective pay rise that changes either the salary that was used to work out your pension before you retired (or **partially retired**), or changes the salary that was used in your new post when we initially worked out the abatement
- you become entitled to a new **pensionable allowance** (whether temporary or permanent)
- you are fee paid and your fees are re-negotiated. (We go into more detail on this in the next section.)

We do not increase the level of abatement as a result of normal annual pay rises or if you work overtime.

Your questions answered about abatement and re-employment

What if I am re-employed on a fee paid basis?

Abatement still applies and can increase or decrease if your fees are re-negotiated.

However, the calculation is slightly different. Your pension or ACP is deducted from your old pay to produce your 'earnings margin'. The earnings margin is the amount you may earn in fees in any 12 month period. For any fees you earn above the earnings margin, your pension or ACP is reduced by a corresponding amount.

What if I previously left on compulsory early severance with reserved rights to a top-up payment?

If you took compulsory early severance, were under age 40 and serving in a mobile grade on 1 April 1987, you will have had a reserved right to a 'top up payment'. This lump sum was equivalent to the benefits you would have received under previous early retirement provisions.

For abatement only, we work out the amount you would have received under the previous early retirement provisions. This amount is reduced to reflect the extent by which your pension and lump sum were **enhanced**. The remaining figure is then used in the abatement calculation as if it were a pension in payment. In these circumstances, if abatement is required then your salary is reduced.

What if I previously left on medical retirement?

If you were in **classic**, your ill health pension will be reduced to exclude the element of **enhancement** and the remaining pension will be subject to abatement in the usual way.

If you were previously in **premium**, **classic plus** or **nuvos** and receiving a lower tier pension, it will be subject to abatement. If you are getting an upper tier ill health pension, your pension will be subject to abatement and you will not be able to rejoin the CSP arrangements.

What if I had commuted or repackaged some or all of an ACP?

We will apply the annual rate of ACP that would have been in payment as if you had not **commuted** or repackaged your ACP.

Where abatement applies, and the amount of abatement is greater than the actual ACP in payment following commutation or repackaging, your new salary will be reduced by the amount of the excess.

What if I commuted some or all of my pension into a lump sum, or lump sum into pension?

If you were in **classic**, we will apply abatement as if you had taken a standard lump sum.

If you were in **classic plus**, **premium** or **nuvos**, we will work out the abatement as if you had exchanged some of your pension to take a standard lump sum. We multiply your initial pension by 0.8125. (If you were in **classic plus** we assume you took the standard lump sum for service before 1 October 2002; the post October 2002 pension is multiplied by 0.8125.) This is so that abatement applies consistently regardless of how much lump sum you choose to take.

What if I had allocated some of my pension?

We will use the pension that would have been in payment as if you had not allocated.

Technical terms

Allocated (allocation) Members can choose to give up part of their pension to provide benefits for another person.

Commuted (commutation) Members can give up pension in exchange for a lump sum payment. If the member is in classic, they can give up some or all of their automatic lump sum for pension.

Enhancement An increase applied to benefits when working out ill health or early retirements.

Partial retirement Partial retirement allows members who are approaching, or are over scheme pension age, to reshape their job and take some or all of their pension while they carry on working. Conditions apply, and job reshaping must be approved by the employer.

Pensionable allowance Elements of pay that are pensionable.

Salary of reference This is normally your actual pensionable earnings in the 12 months before your retirement but, if your best year is not your final year, it might be based on a different period.

The rules vary from scheme to scheme within the CSP arrangements.

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