

# An introduction to alpha

The new pension scheme that was introduced on 01 April 2015



# This slide pack covers:

How pension is built up in alpha and when it will be payable.

How to increase your alpha pension and / or buy a pension with an earlier Normal Pension Age (NPA).

The alpha benefits that may be payable if you die, or become too ill to work.

This slide pack doesn't include details of the benefits you may already have in classic, classic plus, premium, or nuvos (referred to as the PCSPS), but will cover some important features for members moving into alpha from the PCSPS and who have benefits, or service, in those schemes.



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A new pension scheme called alpha was introduced on 01 April 2015 and the Principal Civil Service Pension Scheme (PCSPS) closed to new entrants.

The PCSPS includes the classic, classic plus, premium, and nuvos schemes.

This presentation will give you an overview of alpha. It will be of particular interest to:

- PCSPS members moving into alpha on or after 01 April 2015
- new employees
- those who are thinking of joining the scheme.

The information in this slide pack will apply to most members. But if you have any special terms or conditions, some of the information may not apply to you.

This overview does not cover every aspect of the scheme. Full details will be set out in the scheme rules, which are the legal basis of the scheme.

Not every member can move into alpha. If you are staying in your current scheme, you can find out more about your pension here. [www.civilservicepensionscheme.org.uk/members/what-member-type-am-i/](http://www.civilservicepensionscheme.org.uk/members/what-member-type-am-i/)

 Further details are available in the alpha scheme guide



# Who is eligible for alpha



Most existing members, and new entrants who join after 01 April 2015, will be eligible for alpha.

Some members who are close to their Normal Pension Age (NPA) or who joined from a public service employer might not be eligible for alpha.

There is more information on eligibility here,  
[www.civilservicepensionscheme.org.uk/members/the-new-pension-scheme-alpha/what-are-the-2015-changes/](http://www.civilservicepensionscheme.org.uk/members/the-new-pension-scheme-alpha/what-are-the-2015-changes/)

and on which employers are public services employers here.  
[www.legislation.gov.uk/ukpga/2013/25/schedule/1](http://www.legislation.gov.uk/ukpga/2013/25/schedule/1)

**//** The standard NPA in classic, classic plus, and premium is age 60 and in nuvos, this is age 65 **//**

# If you moved into alpha from the PCSPS



Your total pension will be made up of two portions:

- A portion from your membership in your current scheme.
- A portion from your membership in alpha.

If you were a member of classic, classic plus or premium, this portion of your benefits will be based on the service you built up before your move into alpha and your pensionable earnings at or near your retirement date, not what you are earning on the date you move to alpha. These pensions are still based on your final salary.

If you were a member of nuvos, the pension that you have built up before your move into alpha is banked and will continue to be adjusted to keep it in line with inflation.

# How alpha works



# alpha contributions



Both you and your employer contribute to your pension.

The exact amount you will contribute depends on how much you earn.

From April 2015 onwards the rate of contributions you pay is the same for each salary band (based on your actual earnings), no matter if you are a member of classic, classic plus, premium, nuvos or alpha.

Anyone who has actual earnings of less than £15,000 a year, and who was a member of classic immediately before April 2015, will see their contribution changes introduced over three years.

<b>Actual Pensionable Earnings</b>	<b>Former classic members</b>	<b>All Other Members</b>
<b>Up to £15,000</b>	3.00%	4.60%
<b>£15,001 – £21,000</b>	4.60%	4.60%
<b>£21,001 – £47,000</b>	5.45%	5.45%
<b>£47,001 – £150,000</b>	7.35%	7.35%
<b>£150,001 and above</b>	8.05%	8.05%

# alpha pension



alpha is a Career Average pension scheme.

This means the final pension is based on a percentage of pensionable earnings from each year of active membership.

We use actual pensionable earnings between 01 April and 31 March each year. This is called a scheme year.

The alpha pension is based on 2.32% of these earnings. Each year we add this amount to the annual pension you have already built up.

Every April, the total pension you have built up has a cost of living adjustment applied to it.

A Career Average scheme offers a guaranteed pension built up each year based on a percentage of your pensionable earnings

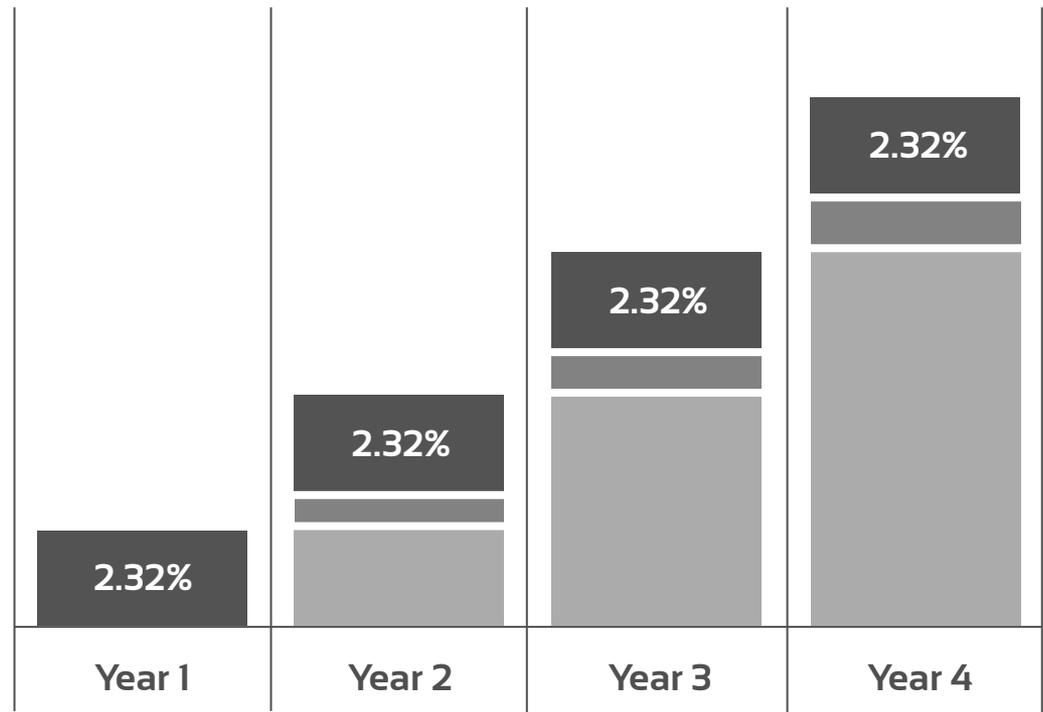
Actual pensionable earnings is the pay you receive, before any tax is deducted. But not all pay is pensionable. Payments like some bonuses or allowances will not be counted as actual pensionable earnings

# How your pension builds up in alpha



Your pension builds up over your career to provide you with an income at retirement.

-  2.32% of your pensionable earnings is added to your alpha pension at the end of the scheme year (31 March)
-  The balance of your pension is carried forward to the next scheme year
-  A cost of living adjustment is applied to your total pension at the start of each scheme year, this can be either negative or positive



In this example we have assumed a small increase is applied each year

# When you can retire



Normal Pension Age (NPA), is the earliest age you can claim your pension without any reduction for early payment.

The NPA in alpha is the later of age 65 or your State Pension age (SPA). If your SPA changes, your alpha NPA will be changed too.

You can work out your current SPA here. [www.gov.uk/calculate-state-pension](http://www.gov.uk/calculate-state-pension)

**If you moved to alpha from the Principal Civil Service Pension Scheme (PCSPS)** your benefits from the PCSPS keep their current NPA, this is usually age 60 for classic, classic plus and premium, or age 65 for nuvos.

Your PCSPS pension and lump sum can only be claimed after leaving employment if you are over your minimum pension age, or if you retire (either fully or partially) from alpha.

# alpha pension during service

Things that can affect alpha pensions.



# Transferring in pensions from other providers



You can apply to transfer in any other pensions you might have, but only within the first 12 months of active membership. This usually means in your first year of employment.

The amount of benefits a transfer will add to your alpha pension depends on factors like the amount of pension brought into the scheme, and your age.

Active membership covers time you spent in both the Principal Civil Service Pension Scheme (PCSPS) and alpha.

**If you moved to alpha from the PCSPS** the 12 months does not restart on the date you join alpha.

# Working part time



If you work full time or part time, your alpha pension is built up in the same way.

Each year you add 2.32% of the earnings that count towards your alpha pension.

If you work on a part time basis the earnings that count towards your alpha pension will be less than if you worked full time, so you will build up less pension.

Your contributions will be calculated on your part time earnings so will be lower than if you worked full time.

# Taking time off work

## Career breaks, leave, and sickness



If you are receiving pay (including sick pay) and paying contributions, you will build up some alpha pension.

If you take an unpaid break or unpaid sick leave, you will not earn any alpha pension for that period.



# Maternity, paternity and adoption leave



Maternity, paternity, and adoption leave allows a parent to take paid time off work when their child is born or when an adopted child starts to live with them.

If you take maternity, paternity or adoption leave, you will only pay contributions based on the pay you are actually receiving, including statutory pay. However, your alpha pension will build up as if your pensionable earnings were at the usual level.

# alpha pension benefits

The alpha benefits that you may be entitled to when leaving the scheme, depends on:

- your length of your service
- your age
- your reason for leaving.



# Leaving early



If you leave alpha before your Normal Pension Age (NPA), you are entitled to one of the following, depending on the total length of your service.

## **Less than two years' total service.**

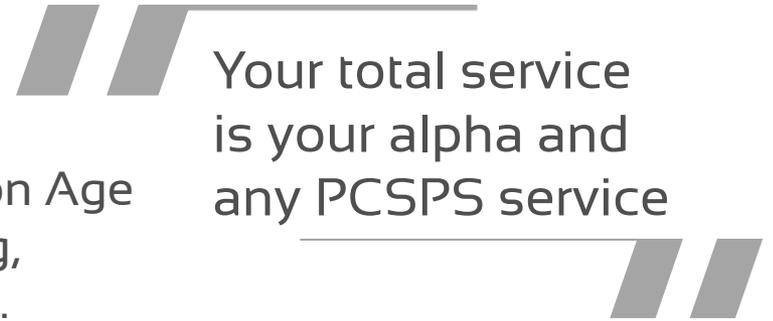
If you have less than two years' total service, you can usually choose between a refund or a transfer. The refund is the scheme contributions you paid, less tax and a deduction made to cover the cost of buying you benefits in the State Second Pension scheme.

You may be able to transfer your pension benefits to another scheme instead of taking the refund.

## **Two or more years' total service.**

If you have two or more years' total service, you are eligible for a pension. The pension benefits that you have built up will be held (preserved) until you can claim them.

You may be able to transfer your preserved pension benefits to another pension scheme, but from April 2015 there may be restrictions on which schemes you can transfer your pension to.



Your total service is your alpha and any PCSPS service

# Redundancy



As a member of alpha you are normally entitled to compensation if you are made redundant.

Your employer will tell you about any specific arrangements that may apply to you during any redundancy exercise.

Your pension options will be the same as if you had resigned, and you can claim your pension as long as you are old enough.

For more information, please see here. [www.civilservicepensionscheme.org.uk/members/the-new-pension-scheme-alpha/2015-pension-changes-faq/](http://www.civilservicepensionscheme.org.uk/members/the-new-pension-scheme-alpha/2015-pension-changes-faq/)

# Early retirement



You can retire before your NPA as long as you have reached your minimum pension age. In alpha this is currently age 55.

If your pension comes into payment earlier than your NPA, it is reduced to take into account that it may be paid for longer. Normally the younger you are, the greater the reduction will be.

The alpha pension you will receive at retirement will be made up of:

- the pension you have built up
- the annual cost of living adjustments
- any reduction for early payment.

**If you moved to alpha from the Principal Civil Service Pension Scheme (PCSPS)** any benefits from the PCSPS will usually come into payment at the same time as your alpha pension. You may be able to preserve your PCSPS pension depending on the age you retire.

If you retire before your PCSPS NPA, both the alpha and the PCSPS portions of your pension will be reduced for early payment.

# Retirement



When you reach your alpha NPA, you can retire and receive the full pension you have built up, without any reduction.

If you retire after your NPA, a late payment addition will be added to your pension each year that you are over your NPA.

The alpha pension you will receive at retirement will be made up of:

- the pension you have built up
- the annual cost of living adjustments
- any late payment addition you are due.

**If you moved to alpha from the Principal Civil Service Pension Scheme (PCSPS)** any benefits from the PCSPS will usually come into payment at the same time as your alpha pension.

# Partial retirement



If you want to claim your pension, but you're not ready to fully retire, applying for partial retirement is an option for you.

As long as your employer agrees to you reducing your earnings by at least 20% you may be able to access your pension benefits while remaining in employment. You can reduce your earnings by moving to a lower paid job, or by reducing your working hours.

You can apply for partial retirement at any time from your minimum pension age, but your pension could be reduced if it is claimed before your NPA.

You will build up an additional alpha pension, as you continue to be a member of the scheme. This can be claimed when you fully retire.

**If you moved into alpha from the Principal Civil Service Pension Scheme (PCSPS) you can choose to partially retire using your:**

- PCSPS pension only
- alpha pension only
- PCSPS and alpha pensions combined.

Your pension could be abated while you are employed, see slide 26 'Re-employment after receiving a pension' for more information

# Ill-health retirement



If you become too ill to work, you may be able to retire on medical grounds.

The Scheme Medical Advisers will assess you to see if you qualify for ill-health retirement. If you do qualify, they will determine which level you will receive.

**Lower tier** – if you are unlikely to be able to do your current job again before your NPA.

If this is the case you receive all the pension you have built up in alpha, without a reduction for early payment.

**Upper tier** – if you are unlikely to be able to return to any sort of employment before your NPA.

If this is the case you receive the same pension as the lower tier and an increased pension.

The increase is worked out by multiplying the average pension you built up in a scheme year by the number of years until your NPA.

**If you moved to alpha from the Principal Civil Service Pension Scheme (PCSPS)** you would receive an additional amount of pension based on your PCSPS pension. This payment will not be enhanced in any way, but it would be paid without any reduction even if it is before your NPA.

If you receive an enhancement you could exceed the annual allowance limit and be subject to a tax charge. There is more information on pension tax here.

[www.hmrc.gov.uk/pensionschemes/tax-basics.htm](http://www.hmrc.gov.uk/pensionschemes/tax-basics.htm)

# Lump sums



The additional lump sums in alpha work in the same way as they do in the Principal Civil Service Pension Scheme (PCSPS).

When you claim your pension you can currently choose to exchange some of your pension for a tax free lump sum.

This is subject to limits set by HMRC, and the current limit is 25% of the total value of your pension benefits.

There is more information here [www.hmrc.gov.uk/pensionschemes/tax-basics.htm](http://www.hmrc.gov.uk/pensionschemes/tax-basics.htm) on the tax free lump sum, and other pension tax arrangements.

# Other things to think about



# Re-employment



If you are re-employed and have a preserved pension, how that pension is treated depends on the length of your break in service.

## **Re-employed in under 5 years**

Your pension is treated as if you had never left employment.

Your preserved pension is joined up with your new service to make a single pension and you would start adding to the benefits you have already built up.

## **Re-employed in 5 or more years**

Your original pension will stay preserved and you start a new separate alpha pension in addition to your preserved benefits.

# Re-employment after receiving a pension



Principal Civil Service Pension Scheme (PCSPS) pensions in payment could be reduced if you are re-employed in a job covered by the Civil Service Pension arrangements. This may also apply if you have partially retired.

If your income (from your pension and pay) is higher than it was before you took your pension, you might be affected. This is called abatement.

There is more information on how this effects PCSPS pensions here.

[www.civilservicepensionscheme.org.uk/media/94833/whatisabatementsep2014.pdf](http://www.civilservicepensionscheme.org.uk/media/94833/whatisabatementsep2014.pdf)

alpha pensions in payment are not subject to abatement.

# What about PCSPS benefits?



If you moved into alpha from the Principal Civil Service Pension Scheme (PCSPS) your pension, or service, will be banked on the date you move schemes.

If you were a member of classic, classic plus or premium before joining alpha, your PCSPS benefits would be based on:

- the service you built up before you moved into alpha
- your pensionable earnings at, or close to, your retirement date, not your earnings on the date you moved into alpha.

If you were in nuvos before moving into alpha, the nuvos pension you built up before your move would be banked and continue to be adjusted to keep it in line with inflation.

Your PCSPS benefits will continue to be based on the rules of that scheme, including the NPA, and any automatic lump sums in classic.

# Additional benefits

Planning for your retirement is important, and alpha offers you ways to take control of your pension by contributing more.



# Additional voluntary contributions (AVCs)



AVCs are an extra amount of money you can pay to increase your pension benefits.

There is a choice of providers and funds if you choose to make payments to the Defined Contribution AVC scheme, and you can choose how much you contribute. These contributions build up a fund that you can choose how to invest.

You can use this fund to buy an annuity, or from April 2015, you can take the fund as a lump sum, subject to HMRC tax limits.

**//** An annuity is a type of retirement income which provides you with a regular payment, similar to a pension, usually for life **//**

You can find out more about AVCs here.

[www.civilservicepensionscheme.org.uk/media/95132/avcs-1\\_march15.pdf](http://www.civilservicepensionscheme.org.uk/media/95132/avcs-1_march15.pdf)

# EPA



As a member of alpha you can purchase an EPA option by paying a higher EPA contribution.

This allows you to build up a separate part of your alpha pension that will have an earlier pension age attached to it. This earlier pension age can be one, two, or three full years earlier than your Normal Pension Age (NPA).

You cannot select an EPA that would result in a retirement age of less than age 65.

# Added pension



Added pension is an additional amount of pension that you can buy alongside your alpha benefits.

You can buy added pension by making additional contributions direct from your pay or by making a one-off lump sum payment.

The cost of added pension varies. It can be estimated by using the calculator which will be made available on the Civil Service Pensions website.

// The added pension calculators for the alpha scheme are available on the Civil Service Pensions website //

You can buy added pension in alpha, in addition to any added pension you are already buying (or have already bought) in the Principal Civil Service Pension Scheme (PCSPS).

# alpha death benefits

The lump sum and pensions the scheme provides for your dependants.



# Death benefit lump sum



The scheme provides a lump sum if you die.

This can be paid to people or organisations that you nominate. This lump sum can be split between the nominees however you wish.

If you die as an active member the total amount will be the better of either:

- two times your final pay,
- or
- five times the pension you have built up.

If you die as a pensioner or a deferred member, the lump sum is based on five times your annual pension, less any pension and lump sum you have already received.

You should make sure we have the details of the people you would like to be considered to receive a lump sum in the event of your death. It is important you keep these details up to date.

You can download a form to make or update a nomination here.  
[www.civilservicepensionscheme.org.uk/members/member-forms/](http://www.civilservicepensionscheme.org.uk/members/member-forms/)

# Dependant's pensions



If you die with at least one year's service (including any service in the Principal Civil Service Pension Scheme), your spouse, civil partner, or nominated partner will receive a pension for life. This would usually be 37.5% of your alpha pension.

If you die with a preserved pension, or after you have retired, we will use the actual pension you have built up to work out your dependant's pension.

If you die in service your pension will be increased, using the lower of:

- The number of years to your NPA (up to a maximum of 10) multiplied by the average pension you built up in a scheme year.

or

- The amount of pension you have built up.

The payments to your dependants would be worked out using this increased pension.

Any dependent children can also receive a pension. The amount they get depends on your circumstances and how many eligible children you have.

Please see the Q&A section [www.civilservicepensionscheme.org.uk/members/the-new-pension-scheme-alpha/2015-pension-changes-faq/](http://www.civilservicepensionscheme.org.uk/members/the-new-pension-scheme-alpha/2015-pension-changes-faq/) for who would be considered as a dependent child.

# Your alpha benefits in a nutshell



# Your alpha benefits in a nutshell



<b>Type of scheme</b>	Career Average
<b>Building up pension</b>	The rate that you build up pension is 2.32% of your actual pensionable earnings
<b>Contribution rate</b>	Based on your earnings
<b>Normal Pension Age (NPA)</b>	Later of age 65 or State Pension age (SPA)
<b>Ill-health Retirement</b>	Early retirement due to ill-health with immediate payment of unreduced pension, and possibility of an increased pension, subject to medical assessment
<b>Death benefits</b>	Pensions for your dependants and a lump sum payment
<b>Early Retirement</b>	Age 55 is the earliest pension benefits can be paid, but they are reduced when they are paid earlier than NPA
<b>Added pension and additional voluntary contributions (AVCs)</b>	Ways of increasing your retirement benefits by paying extra contributions
<b>EPA</b>	An EPA is a pension with a lower pension age than your NPA, extra contributions must be paid

# Questions and Answers



On the pension scheme website there is a selection of Q&As covering a variety of subjects.

These will answer most questions you have about the scheme and the benefits you may receive.  
[www.civilservicepensionscheme.org.uk/members/the-new-pension-scheme-alpha/2015-pension-changes-faq/](http://www.civilservicepensionscheme.org.uk/members/the-new-pension-scheme-alpha/2015-pension-changes-faq/)



A full scheme booklet for members of the alpha scheme is available on the Civil Service Pensions website



If you have any further questions, there is more information here.

[www.civilservicepensionscheme.org.uk/members/the-new-pension-scheme-alpha/](http://www.civilservicepensionscheme.org.uk/members/the-new-pension-scheme-alpha/)