

## Attachment to EPN 328: Annex B to EPN 325 (Revised)

### Bulk Mailing Employer Call Script

#### Increased employee pension contributions

From 1 April 2012 most members of **classic**, **premium** and **nuvos** in the Civil Service pension arrangements will pay extra contributions towards their pensions.

There is extensive material on the Civil Service website about the contributions increases, including case studies, Q & A and a calculator for members to understand the impact of the increases on them. **Always suggest the caller visits these web pages** <http://www.civilservice.gov.uk/pensions/reform>.

The following briefing is to assist employers and shared services to answer possible queries from staff. It is based on the Q & A material on the website, rearranged to help with responses.

**This script must not be published on employer intranets.**

-----

### 1. Will this affect me?

#### 1a. I earn less than £15,000. Will it affect me?

**No.** If you earn a full time equivalent of £15,000 or less a year your contributions will not increase.

#### 1b. I work part time, will it affect me? How will my extra contribution rate be decided?

- If you earn the FTE of £15,000 or less, no.
- If you earn more, your employer will use the salary you would be paid if you worked full time to work out the rate of extra contributions. This approach ensures the same level of contribution for those earning the same rate of salary per hour. This is the fairest way of treating both full and part time employees. However, you will pay extra contributions only on the actual pensionable salary and allowances paid to you.

Example –

Jen works part time, is in **nuvos** and earns £12,000 but her full time equivalent salary is £16000 and therefore from April 2012 will pay contributions of 4.1%.

#### 1c. I am buying added years, how will it affect me?

- If you are buying added years your contributions purchasing these years will stay the same.
- Currently your added years contributions and your scheme contributions cannot exceed 15% of your pensionable earnings. The scheme will be

## **Attachment to EPN 328: Annex B to EPN 325 (Revised)**

changed to remove the maximum limit so the extra contributions do not affect the added years you are buying.

- You can choose to stop buying added years. You can do this by contacting our PSC [**insert contact details**].
- Please note that once you have cancelled your added years' contributions you cannot restart them in the future (although you would be able to buy added pension).

### **1d. I am buying added pension, how will it affect me?**

The extra contributions do not affect the added pension you are buying. You can choose to stop buying added pension or change the amount of your contribution.

### **1d. I am a classic member and single. Can I still expect a contribution refund when I retire?**

**classic** members who are unmarried or who are not in a civil partnership when they take their pension will still be eligible for a contribution refund.

- You will only receive a refund of the basic contributions of 1.5% (less any tax due on the refund, where applicable).
- The extra contributions you pay from 1 April 2012 above the basic 1.5% will not be refunded.
- **Classic plus** members are eligible for a refund in similar circumstances, but only in respect of their contributions of service before 1 October 2002.
- The contributions paid by members of **premium** and **nuvos** (and members of **classic plus** in respect of service from 1 October 2002) are not refunded once the person has qualified for pension benefits.

### **1e. Will there be any more changes to the rate of my pension contributions?**

- Yes, there will be further increases and the Cabinet Office will consult further on these changes. No details are available at the current time.

### **1f. Will I see the effect of the increase in my April pay?**

The increase will be effective from 1 April 2012. We have arranged for the contribution to be collected from this time.

### **1g. If my salary changes so I am in a different pay band, will my contributions also change?**

Your contribution rate will be assessed on your pensionable earnings on 31 March 2012. If your pensionable earnings change in future, taking you to a different contribution salary band your contributions will be adjusted in the following circumstances:

### **Attachment to EPN 328: Annex B to EPN 325 (Revised)**

- You are promoted or permanently move to a lower grade;
- You move to a role where you will be paid permanent pensionable allowances;
- You are temporarily promoted or paid a pensionable allowance for higher responsibilities for over 6 months;
- You move back to your substantive grade or role after 6 months.

An annual pay increase will not trigger a reassessment of your contribution rate until the end of the current financial year.

#### **1h. I am a prison officer paying additional widow's or widower's pension scheme contributions for doubling of service. How will the extra contributions affect me?**

You will not be charged double extra contributions because of your doubling of service. The extra rate of contributions according to your salary will be collected only once.

#### **1i. I am in partnership, how will this affect me?**

It will not affect you. There is no change to the **partnership** arrangements.

## 2. Why are you doing this?

### 2a. Why will my pension contributions increase?

- In the 2011 Budget the Government accepted the recommendations from Lord Hutton's independent review of public service pension schemes. Lord Hutton highlighted:
  - people are living longer - the average 60 year old is living ten years longer now than they did in the 1970s, when **classic** was designed.
  - in the past, improvements to life expectancy had been mostly paid for by taxpayers as a whole rather than scheme members. In future there needs to be a balance between scheme members and tax payers
  - The Cabinet Office will hold separate discussions with Trade Unions about further changes to contribution rates for 2013-14 and 2014-15

### 2b. I heard the cost of pensions was falling, so why the increase?

In recent decades the cost of public service pensions has risen steeply. The current cost is close to 2% of Gross Domestic Product. This is compared to 1.2% in the 1980s and 0.9% in the 1970s.

### 2c. Why are the extra contributions being introduced at a time of pay restraint?

The Government understands the current pressures being put on household incomes. This is the reason why the extra increases have been spread as fairly as possible in relation to income and the value of the pension benefits staff will earn.

- Low paid staff will not pay any more under the changes and
- the structure of the contribution rate increases cushions the impact on middle earners.
- Despite the extra contributions the Civil Service pension arrangements continue to offer good retirement benefits that are among the very best available. In addition the scheme provides death in service and dependant benefits.

### 2d. But why does the structure of the extra contribution rates disproportionately hit higher paid employees?

The final salary schemes (**classic**, **classic plus** and **premium**) disproportionately benefit high earners who experience faster salary growth. This is at the expense of everyone else who typically have flatter careers.

- The extra contribution rates for employees reflect the disproportionate benefits for high earners.

## **Attachment to EPN 328: Annex B to EPN 325 (Revised)**

**2e. I have not agreed to you deducting the extra contributions from my salary. What is the legal basis for you imposing this extra contribution?**

**classic, premium, classic plus** and **nuvos** are set out in the Principal Civil Service Pension Scheme (**PCSPS**). The PCSPS is a statutory scheme made under section 2 of the Superannuation Act 1972. The Cabinet Office has changed the scheme rules to allow for the collection of the extra contributions. The amendment scheme can be found at [www.civilservice.gov.uk/pensions/governance-and-rules/scheme-rules](http://www.civilservice.gov.uk/pensions/governance-and-rules/scheme-rules)

Civil Service employers are legally obliged to collect the extra contributions from April 2012.

### **3. How can I avoid the increase? I cannot afford this?**

**3a. How does it apply? I can't afford it.**

Contributions will be collected from any of your pay that counts towards your pension. This is your salary and some allowances.

**3b. What about tax relief?**

The extra contributions will be deducted from your earnings before tax, according to current tax rules, in the same way as your current contributions. This means your take home pay will not reduce by the full amount of the increase.

**3c. I want to stop being part of the Civil Service Pension arrangements**

If you are thinking of opting out of the Civil Service Pension arrangements, please remember that you will be missing out on:

- a range of valuable benefits for you and your family;
- an important part of your pay and reward package which includes an employer contribution; and
- the peace of mind that comes from knowing you are planning for your retirement.

You would have to pay a great deal more to achieve a similar pension outside of the Civil Service arrangements

If you still decide you wish to opt out of the Civil Service Pension arrangements completely, you should complete the opt out form from the Civil Service Pension website [www.civilservice.gov.uk/pensions](http://www.civilservice.gov.uk/pensions) and send it to our Pension Service Centre [**enter details**]. Alternatively, you can contact MyCSP. They will send you further information and a declaration form for you to complete to confirm your decision. Once MyCSP receives your signed form, your opting out will take effect from the next convenient pay period.

## **Attachment to EPN 328: Annex B to EPN 325 (Revised)**

You need to think carefully before making your decision and consider taking independent financial advice

### **3d. I can't afford the increase, I don't want to pay a percentage of my pay towards a pension**

In **classic**, **classic plus**, **premium** and **nuvos** your contributions cost you less than the contribution rate because of tax relief. If you opt out of the scheme you will be put in the State Second Pension Scheme (S2P), so

- you and your employer will pay higher rate National Insurance contributions.

If you are in **premium or nuvos**, you can switch to the **partnership pension account** where you don't have to pay anything if you don't want to, and your employer will make contributions anyway to build up a pension pot for you. If you were in **classic** and opted to **premium** in 2002 you cannot switch to the partnership pension account.

If you still decide you wish to opt out of the Civil Service Pension arrangements completely, you should complete the opt out form from the Civil Service Pension website [www.civilservice.gov.uk/pension](http://www.civilservice.gov.uk/pension) and send it to MyCSP. Alternatively, you can contact MyCSP [**enter contact details**]. They will send you further information and a declaration form for you to complete to confirm your decision. Once MyCSP receives your signed form, your opting out will take effect from the next convenient pay period.

You need to think carefully before making your decision and consider taking independent financial advice

### **3e. Why should I pay, I'm too young to think about a pension**

You're never too young to start building up a pension – the earlier you start the better. If you want to enjoy “life after work”, a pension that has built up over your working life could be the key to helping you achieve this.

If you still decide you wish to opt out of the Civil Service Pension arrangements completely, you should complete the opt out form from the Civil Service Pension website [www.civilservice.gov.uk/pension](http://www.civilservice.gov.uk/pension) and send it to MyCSP. Alternatively, you can contact MyCSP [**enter details**]. They will send you further information and a declaration form for you to complete to confirm your decision. Once MyCSP receives your signed form, your opting out will take effect from the next convenient pay period.

You need to think carefully before making your decision and consider taking independent financial advice

### **3f. Why should I pay contributions to a pension, I'm not planning to stay long in the Civil Service**

### **Attachment to EPN 328: Annex B to EPN 325 (Revised)**

If you leave **nuvos** before pension age with less than 2 years' service (any service you have transferred in counts towards this requirement) you will not be able to preserve your pension benefits in **nuvos**.

- If you leave within 3 months of joining **nuvos** you will receive a refund of your contributions.
- If you leave with more than 3 months', but less than 2 years', service you will be able to choose to have a refund of your contributions or to apply to transfer the notional value of your pension benefits to another pension scheme.

However, in **partnership** your pension fund builds up from day one and if you leave the Civil Service you can take a **partnership** pension with you – it is yours for life. Alternatively, if you decide to stay in the Civil Service for longer than first planned, you can switch from **partnership** to **nuvos**.

Please think very carefully before making your decision and consider taking independent financial advice to help you make the right choice.

#### **4. How do I complain? How can you do this to me?**

- All changes to the Civil Service Scheme are consulted with the unions
- If you are a member of a union you can make your views known to them. If you are not a union member, you may wish to write to your MP.



## 5. I want more information/explain the changes to me.

### 5a. What will my new contribution rate be?

Members of the **classic** scheme will pay contributions at these rates:

Annual pensionable earnings (full-time equivalent basis)	Current classic contribution rate*,	New 2012 contribution rate *
Up to £15,000pa	1.5%	1.5%
£15,001 - £21,000	1.5%	2.1%
£21,001 - £30,000	1.5%	2.7%
£30,001 - £50,000	1.5%	3.1%
£50,001 - £60,000	1.5%	3.5%
Over £60,000	1.5%	3.9%

\* Calculated as a percentage of pensionable earnings.

Members of **premium**, **classic plus** and **nuvos** will pay contributions at these rates:

Annual pensionable earnings (full-time equivalent basis)	Current premium, nuvos and classic plus contribution rate*,	New 2012 contribution rate *
Up to £15,000pa	3.5%	3.5%
£15,001 - £21,000	3.5%	4.1%
£21,001 - £30,000	3.5%	4.7%
£30,001 - £50,000	3.5%	5.1%
£50,001 - £60,000	3.5%	5.5%
Over £60,000	3.5%	5.9%

\* Calculated as a percentage of pensionable earnings.

There is a calculator on the Civil Service Pensions website that will give you an indication of your contributions from April 2012. to show what this means for your take home pay

- <http://www.civilservice.gov.uk/pensions/reform>.

**Attachment to EPN 328: Annex B to EPN 325 (Revised)**

**5b. If we all have to pay more why are classic members still paying less?**

The existing **premium** and **nuvos** employee contribution rate reflects the fact that some of the schemes' benefits are more costly to provide than **classic** benefits.

**5c. How is the money raised from the extra contributions going to be used?**

The Civil Service scheme has more pensioners than active members, so the contributions paid by members will continue to be used to pay benefits to current Civil Service pensioners, as they do now.

**5d. How much does my employer pay towards my pension? Are employer contributions increasing as well?**

The amount your employer pays towards the cost of your pension depends on your pensionable earnings. The employer contribution rates from 1 April 2012 are:

	<b>Revised Salary Band (£)</b>	<b>ASLC rate from 1 April 2012</b>
Band 1	21,500 and under	16.7%
Band 2	21,501 to 44,500	18.8%
Band 3	44,501 to 74,500	21.8%
Band 4	74,501 and over	24.3%
Prison Officers with reserved rights (pre-Fresh Start)		25.8%

**5e. I am a classic member paying Widow(er)'s Pension Scheme contributions. Does the increase to my contributions mean higher benefits for my spouse?**

The extra contributions are separate from the widow's pension or widower's pension scheme contributions. The amount of widow(er)'s pension will not change due to the extra contributions.

**5f. Where else will I find information about this?**

You can find out more about what this will mean for you, and how your take-home pay will be affected, by using the Pensions Contribution Calculator in the Pensions Reform section of the Civil Service Pensions website

[www.civilservice.gov.uk/pensions/reform](http://www.civilservice.gov.uk/pensions/reform)