Changes to the Civil Service Compensation Scheme: detailed guidance **Impact of alpha on employer top-up to compensation**

1. The minimum pension age is the earliest age at which a member may take their pension. In alpha the minimum pension age is currently 55. PCSPS members' minimum pension age depends on when they joined the scheme. Those joining on or after 6 April 2006 have a minimum PCSPS pension age of 55. Those who joined before 6 April 2006 have a minimum PCSPS pension age of 50. Those who move into alpha will retain that age for their PCSPS benefits even though their minimum pension age for alpha is 55.

2. If members take their pension after minimum pension age but before their Normal Pension Age (NPA) it will be reduced for early payment. However, they can "buy out" this reduction if they want to so that their pension is paid in full. They can use any compensation they may receive under the CSCS to fund this if they wish. Employers may top-up compensation payments if the payment is insufficient to buy out the reduction – when they run a voluntary redundancy exercise, or a voluntary exit exercise having opted to use the top-up facility. If a PCSPS member has moved into alpha and is over age 55 when they leave in these circumstances, the employer tops-up compensation to the extent necessary to buy out the reduction applying to their PCSPS pension **and** their alpha pension.

3. If a member with a current minimum pension age in the PCSPS of 50 moves to **alpha**, and then leaves on early exit after that age but before their alpha minimum pension age of 55, they cannot take their alpha and PCSPS pensions together on early exit. They can opt to have their PCSPS benefits put into payment immediately, with their alpha pension preserved until they decide to draw it (which can be at any time from age 55).

4. If a member with a minimum PCSPS pension age of 50 and minimum alpha pension age of 55 leaves on voluntary redundancy, or voluntary exit (where the employer has opted to use the top-up facility) between the ages of 50 and 55, their employer may top-up their compensation if necessary to buy out the actuarial reduction in their PCSPS pension.

5. This arrangement only affects a limited number of people as many current PCSPS members in their 50s will not be moving to alpha – either at all or until their tapered protection end date (which could be as late as 2022, depending on age). It only affects classic, classic plus, and some premium members who move into alpha and then leave on early exit between age 50 and 55. However, for this group of people, the arrangement whereby the employer potentially tops-up compensation to buy out the reduction in both PCSPS and **alpha** pensions is likely to lead to higher average exit costs.

Impact of alpha on compensation for older workers

6. The compensation payable to employees is reduced if they are approaching, or over, their NPA when they leave. This means that, for example, the maximum compensation on voluntary redundancy for someone well under NPA is 21 months' pay, and for someone over NPA it is 6 months' pay. For voluntary redundancy, it tapers down from 21 months' pay to 6 months' pay in the 15 months before normal pension age so that, for example, a classic member who leaves 3 months before their current NPA of 60 cannot receive compensation of more than 9 months' pay.

7. Under the changes to the CSCS, once a person moves to alpha *(*or is eligible to join alpha but has opted out of the pension scheme), their compensation will be reduced by reference to their NPA in alpha (which is the higher of age 65 and their State Pension age) i.e. higher than it is currently for most PCSPS members. This means that, for example, a former classic member with a normal pension age of 60 in that section who left on voluntary redundancy at age 61 would have the compensation they could receive limited to a maximum of 21 months' pay instead of 6 months' pay.

8. These arrangements will not affect anyone for several years because most current PCSPS members approaching or over NPA will not be moving to alpha. Those that do will have joined since 31 March 2012 and will not have sufficient service for this to be an issue until April 2018. However, please note that the change is likely to lead to higher average exit costs for older workers in due course.

Only active members are eligible for employer top-up

9. The CSCS rules have been amended to clarify that only active PCSPS or alpha members are eligible to have their compensation topped-up as described in paragraph 2. If an individual is still employed but has opted out of the pension scheme, they are eligible to receive compensation if they leave on early exit but **not** eligible to have that compensation topped-up to buy out the actuarial reduction in their pension.

All Civil Service employment must be left for CSCS compensation to be payable

10. The CSCS rules have also been changed to clarify that compensation from the CSCS is only payable if an individual has left all employment covered by the Civil Service compensation arrangements (this includes employment with various public bodies and organisations as well as with Government departments but, for simplicity, the relevant employers are referred to below as "Civil Service employers"). This means that if, for example, an individual has a part-time job with one Civil Service employer and another part-time job with another Civil Service employer, no compensation would be payable in the event of early exit from one employer only.

11. MyCSP is changing the compensation option and claim forms so that individuals are asked to confirm that they do not have another job with a Civil Service employer (which would thus make them ineligible for compensation), but employers must also introduce steps in their early exit process to check this.

12. If an individual is leaving one job with a Civil Service employer on compulsory redundancy, but retaining another job with a Civil Service employer, no payment will be made under the CSCS, but if the employer making the individual redundant considers that the circumstances merit compensation, they may wish to approach HM Treasury for approval for a special severance payment.

Compensation In Lieu of Notice

13. Where someone's employment is terminated and the full notice period is not worked, compensation in lieu of notice (CILON) is payable on the unworked balance of the notice period. The calculation depends on which pension scheme they were an active member of on their last day of service - even if they would have moved to **alpha** during their notice period. There are revised calculators for employers to use on the Civil Service Pensions website at www.civilservicepensionscheme.org.uk/employers/employers-calculator/ and more information is provided in EPN 433.