

Podcast Transcript:

What are our members saying about pensions?

Rob Today's episode is a little bit different. If you've listened to any of our other episodes from season two so far, you may have heard us talking about an event called Civil Service Live. Every year at these events, Civil Service Pensions are there to answer your questions about your pension and help you really get to grips with what it means to be a member of the scheme.

Emily That's right. And I was lucky enough to be part of the team on the scheme's exhibition stand this year at two Civil Service Live events this past year. I got to speak to a number of you in person. Some of you even agreed to be recorded and featured on this podcast, sharing your honest views and perspectives about your pension and how planning for retirement fits into your financial priorities right now.

Rob And with us today to discuss all of this is Sarj Wheelwright, Engagement Manager for Civil Service and Royal Mail Pensions in the Cabinet Office. Great to have you with us, Sarj and welcome back to the podcast.

Sarj Thank you. Good to be here.

Emily So, Sarj, for those who didn't manage to catch your episode in season one, can we start off with you telling us a little bit more about your role in the Cabinet Office?

Sarj Yep. I am Stakeholder Engagement Manager and I work with three scheme administrators to deliver the priorities of the Cabinet Office. So working to develop comms and engagement products, campaigns or projects for our members.

Rob That's great, thanks Sarj. So as Emily explained, we're lucky enough to hear directly from some of our members face to face Civil Service Live, and even luckier that they've allowed us to share their views and perspectives right here on our podcast. So, Emily, what did you learn when speaking to people face to face?

Emily You know, it was great fun being at Civil Service Live, promoting the scheme, promoting this podcast and meeting members in person. I spoke to loads of people from a range of backgrounds, age groups, career pathways, you name it. That's the beauty of something like Civil Service Live. You cross paths with so many different people. One of the first questions I asked everybody was "How much would you say that you know about your civil service pension or about the scheme itself?" So let's have a listen to what they said.

CS LIVE recording How much would you say you know about your Civil Service Pension at the moment? Okay. I'd probably say next to nothing but when I did join the scheme, I did have a little read about it, but I've got to be honest, I don't really understand it."

CS LIVE recording I mean, I'm a person who doesn't really know very much about it but knows that they need to know more about it. I probably was the kind of person that buried my head in the sand earlier on, although I did have a pension, but now I've got to a stage in my life where I have a new job and I've been trying to get a new job to get more money and to make myself more secure, not only for now, but later on as well."

CS LIVE recording I know the money comes out. I know that I'm on the alpha scheme and I have a very basic understanding of what that entails. But anything else? No, no idea.

CS LIVE recording Considering my age, I'm in like my mid-30s, I don't know very much about it, but when I joined the Civil Service, I was told, "Oh, if you join the Civil Service, it's good because they have a great pension scheme" but I've never really detailed into it.

CS LIVE recording I know a bit more about my pension than perhaps other people that I know of a similar age, yeah. But I think it's important to get to know what the benefits are and what sort of long-term path is, I think, for your pension, I think security is quite important to me. Thinking about my family, thinking about my future. So, definitely something that I want to get to grips with more.

CS LIVE recording And one of the main reasons I actually chose the civil service was the pension and like the job security. And for me, from what I was looking to get for my career, like the pension was like a major factor in terms of that guaranteed income. Having that job security, knowing that it's just going to be there for me. That's like a really strong foundation to plan on. And one thing I'm looking to do is I'm looking to retire early. So I'm currently like 25, looking to retire in my 40s or 50s and that Civil Service Pension, that's worth its weight in gold.

Rob Worth its weight in gold.

Emily There you go. I mean, it's interesting. There were a number of people that we've just listened to who were in their twenties and thirties who were actually really clued up on their pension and really engaged with it. Pretty much everybody I spoke to told me that they'd always heard about this being a really good pension scheme, but not much further than that.

Sarj It's interesting and it's good that they know that it is a great pension scheme. And, you know, we always say that it's one of the best in the public sector. We do promote the fact that it's a generous employer contribution of about 27%, it's defined benefit, we'd like to think that they know that there are no investments involved and therefore their pension is risk free and it's inflation proof. So, you know, that's good that that messaging has cut through.

Rob I guess that's true. But I suppose it's, the overriding sort of thing that we heard from those clips is I just know it's good. And that's the only fact that people seem to have retained. They don't perhaps seem to have retained any of the reasons that you've just listed. They seem to know it's good, but they don't really know why it's good. They just know they're lucky to be part of the scheme.

Emily And they just take that for its word.

Sarj Thankfully, they're taking it at face value. They are informed, they know why the scheme is good, but they don't know lots more, apart from it's a great scheme. So attending Civil Service Live is great for us as a pension scheme because at least we're listening to those diverse voices that are telling us different things that we don't already know.

Rob Mhm.

Rob There's two things that jumped out for me in those sort of like in those vox pops, there was one was people talking about how they buried their head in the sand. And I think that probably is more than, it's broader than just Civil Service Pensions. That's generally how people feel about pensions.

Sarj Yeah.

Rob And what, what's good I guess, about the Civil Service Pension is that people have got this "it's a good pension" sort of nugget of information in their head that kind of gives them some sort of impetus to engage with it. And then I suppose the other one was, one guy said, you know, I was attracted to the civil service because of the pension, um, because it's a job for life, which I thought was also quite interesting. And it's interesting you know, from a career perspective, the pension's reflective of that from a retirement perspective as well.

Sarj The pension is part of the whole pay and reward package. It's not just about joining a specific department at a specific grade. It's looking at the overall picture.

Emily It's the career.

Sarj Yeah. So, you know, even if you move departments or move grades, go up, go across, your pension goes with you, you continue building up so that you can have that retirement and you've on track to have the lifestyle that you want in the future.

Emily Yeah, definitely. There were definitely a number of people that I met at Civil Service Live... and you know, when we meet members in other ways as well, a lot of them say "Yeah, so I worked for HMRC for X number of years and then I moved to, you know, the Ministry of Justice or the Ministry of Defense." And, you know, they do move around. I don't think everybody realizes that when you're in the Civil Service and then you stay in the Civil Service, even if you change jobs or you change careers, in fact, and you change departments or employers, your pension travels with you throughout your career in the Civil Service.

Sarj Yep. Change your profession, it goes with you. It builds up. Before you know it, you thought you'd only be in the Civil Service for a couple of years, and 20 years later, you're still here, but your pension's building up.

Rob I suppose that's another reason why they call it the Civil Service family, because there's like 300 different departments, loads of different tracks that you can take. But as you say, the pension's that one constant that follows you through.

Emily Yeah, exactly. And I think that's what we're trying to kind of support members with by creating this podcast, isn't it? It not just [being] this face-value kind of, like you said, Rob, a nugget of information that they just take as truth. We want them to really understand why this is a great pension. So they have that knowledge and that power.

Sarj Yeah, and we want to be curious as to what they're saying.

Sarj You know, okay, we put the messaging out, but how does that then cut through in their heads and what comes back out, to what they're saying and what they understand about the pension?

Emily Yeah. I mean this is really useful for us to hear. So yeah, I'm really glad that we were able to go to Civil Service Live and talk to people. So, depending on how the conversation with each person went and, and the background that they gave me in terms of their circumstances, I tended to vary the question I asked next. For the younger people that I spoke to, I asked, "Why do you think it is that younger members who are further away from retirement may be in their 20s and 30s, are usually quite switched off from their pension, are maybe not thinking about that part of their future yet?" And here's what they said.

CS LIVE It's interesting. I think... I mean, don't get me wrong, there is a time factor to it. There is just a... let's focus on building our career and development aspects. How can we, you know, work on bettering ourselves, perhaps? And I think that isn't, you know, pensions aren't part of the immediate term. That's always the thing we put at the back of the mind.

CS LIVE Well, I suppose when you're younger, you look for the shiny things because when you're 20, you think you're immortal and you're developing and you're finding out about yourself, but you don't really know what want it to be. You don't have any plans that go from A to B. When I was 20, I was doing university. I didn't know what my career was going to be. You know, I was a far cry away from being a civil servant. However, as those years start to creep or as your priorities change, because my priority was to find a partner then I found a partner. And then I was thinking, "okay, how do I want to maintain the lifestyle I have now that I think it's acceptable and use that lifestyle to also guard what will happen to me when I am, you know, at pension age?"

CS LIVE I think it's because a lot of the time, so for some pensions, depending on where you work, so for example, my partner works for the NHS and it's a big chunk of his money goes into his pension. Now because his parents are very good with kind of like pensions and stuff, they're like, "you know what? You need to make sure that you're paying into your pension but for other people who might not, kind of, have someone saying that, like they might just say "you know what, I want to withdraw the money and have it now. So I think it's because people want the money now and aren't really thinking about like the future. And I do understand that because there is a cost-of-living crisis, everyone struggling for money, so yeah, I think that's why people aren't as engaged. And I think sometimes as well, the language isn't accessible, like, I feel like people have explained pensions to me loads of times and I still don't understand it.

CS LIVE I think it's less of a priority, like we're worrying about having money from mortgages, money for bills, and we're not really thinking ahead 30, 40 years down the line. It's just totally out of sight, out of mind at the moment. For a lot of people.

CS LIVE Generally, people don't like to think of finances and investing. They want to be able to be okay for now. And there's, there's lots of things that scare people financially, like the idea of investing in your own future, the idea of like, stocks and bonds and so forth. There is a lot of jargon, there's a lot of illiteracy and there's a lot of misinformation as well. And I think for most people, they just want to get away from that and just live for the moment.

CS LIVE Most people are living in the here and now, and I think especially with the way the economy is now, for example, there's less of a retention period, where people stay less at their employers and so they might think they've got different pension pots, and so that's a bit confusing. Secondly, just in general, with this cost-of-living crisis, the youngsters don't

know whether they're going to be saving enough or have enough to actually put into a pension. And so some actually do have a pension, but don't realize because they just don't look at their pay slips at the moment. They just want to focus on how much they're getting into their bank account and just see what they can work with in the here and now.

CS LIVE We just had a global pandemic hit and a lot of people lost their lives. I don't know what's going to happen in the future, so I'd rather have something right now and not nothing if I don't come to that age basically. I think that's the uncertainty of things.

Rob Wow. So there's a lot to unpack there. I guess it's probably not surprising, you know, that the common theme there was people just focusing on what's happening right now. One that stood out to me, actually, was the lady who talked about, you know, you just you just don't think about what's going to happen in 30 or 40 years down the line and I guess we're even conditioned to sort of, "well, you know, where do you want to be in five years?" You know, it's a standard interview question that people ask. We're almost conditioned to think about five-year chunks, not 30-40-year chunks. It's like almost like too much of a mental leap.

Sarj Well, we were all in our twenties and we can probably say that we didn't think about what life would be in our forties or fifties. So, you know, it's, it's not unusual to hear that they are thinking about the here and now because we've been through some tough times in the last few years. The cost-of-living hit everybody, a lot of people, hard. This winter we won't be getting the winter fuel allowance that we got last winter. So, you know, if times were hard last winter, it might equally be hard for some people this time. So, you know, the cost-of-living being first and foremost in their mind. They're living mindfully, they're living in the now, um, which you know, from a financial and pensions point of view. As long as they continue contributing into the pension, that's what we want, we don't want them to opt out.

Emily Yeah, that's exactly it. It was interesting listening to the person who was talking about when you're in your twenties, you feel like you're immortal. Thinking back to my twenties, like, I look back at it now and I think, I was so young and I knew nothing and there are so many things that I would do differently now that I'm, you know, in my 30s and I have that hindsight, but you don't think about it and you do think I'm invincible and my whole life is ahead of me and I don't need to worry about what I'm going to do when I retire just yet.

Sarj And then before you know it, you are looking at your pension statements in little more frequently than you used to...

Rob Unless you get a job working in pensions in your twenties, then you're one of the lucky people.

Rob I think another interesting one from that group of a group of people was the person who talks about their parents saying, you know, it feels like that is something that as a parent myself, and I wonder if you can relate to it, Sarj, you know, I can imagine saying that to my kids and then being like, "Yeah, alright, Dad." You know what I mean? "Cheers."

Sarj 100%. I mean, my kids are coming up to 16 and 18, so they know about pensions. One of them knows, he throws it at me because he's read the website and he has listened to some podcast episodes. So he knows the difference in a DC and a DB, and they put me on a timer to work out how quick they're going to start talking about pensions when I meet

somebody. But they know, you know, they know that that is their future to... living once they're not working. You know, so yes, it's very funny.

Emily Going back to the cost of living as well, I think that just heightens that feeling of like, "I can't think about tomorrow because I'm too busy focusing on today or I'm too worried about getting through today to be thinking about tomorrow". And I think that felt like the vibe that I got from a lot of the younger people that I spoke to.

Sarj Yeah. I mean, if people are struggling month on month to cover the bills, it's no wonder that they can't see what life is going to hold for them in 20, 30 years' time, because they literally are going from month to month. Mortgage. Childcare. It's expensive.

Emily Yeah, exactly. And you know, there were even a few people that came over to the stand who I spoke to who would say to me, "you know, I'll be honest, I'm thinking of opting out because I can't make my finances work. I know that this is a great scheme, but I don't have a choice". And one thing I would always tell them, you know, if they were really worried about, about making sure that their finances work for them right now, never mind in 20, 30, 40 years' time was to consider the partnership scheme, which is a defined contribution scheme available within the Civil Service Pension arrangements.

Sarj Yes, partnership is the DC scheme that is part of the Civil Service Pension arrangements, it's separate to alpha. You can choose how much you want to contribute; you can even choose how much you don't want to contribute and if you don't put anything in, your employer will still contribute for you. Those employer rates differ depending on age, and they could be from 8% to 14.75%. So if you did want to switch from alpha to partnership, you've got to remember that you can only make that switch once per calendar year. So even if you are thinking of opting out just to save yourself some money in the long run, please remember to opt back in if times aren't so hard.

Emily I think that's a really good point. And it's one of I think the best aspects of the Civil Service scheme in general, is that you have that option, that flexibility, that, you know, if things are really tough at the moment... if you need to take a break from paying quite as much into your pension for a little while because you just can't make it work, partnership gives you that flexibility to say, "Actually, you know what? For a year or even a couple of years, I'm going to change the way that I contribute to my pension, but without missing out on those all-important employer contributions", even though they differ in partnership to alpha, if you decided to opt into a partnership, you know, next year for a year, you could feasibly opt to not contribute anything yourself and really have a break...

Rob Mm, free money.

Emily ...but still get money from your employer going into that pot.

Sarj Absolutely, and when times are hard, why would you not consider it?

Emily Because it's better, and this is what I would say to people, it's a much better option than opting out of the scheme completely.

Sarj Yeah.

Rob Well in some ways it's sort of, we talk about it's okay, you know, not to be thinking or planning anything to do with your future, but, well, opting out and then opting into

partnership is still planning for your future. You know, that is still a positive action that's going to see you get, you know, a better life quality in retirement.

Sarj It's still engaging with your pension. We want great engagement from our members to the schemes that we have. So even if it is to opt out briefly to then opt in, you're still engaging and you still planning and that's good.

Emily Yeah, definitely.

Rob I suppose it's probably worth pointing out for anybody who's listening to this, who kind of is in their twenties and who is thinking, "Yeah but you know, okay, I'm still going to just opt out", and who thinks that perhaps we're here to try and kind of sell the pension to people. You know, there is nothing for us to sell here. We don't benefit from talking about this, the government is putting this really great pension or making this really great pension available, and they've installed us to let people know that it exists and that's all we stand to gain from doing this.

Sarj Yep. You in your 50s or 40s will be very grateful that you stayed in the scheme or engaged in the way you did - whether it was just to look at your ABS to keep it, you know, building up - that you stayed in the scheme so that when it comes to preparing for retirement, that that money's there.

Rob Yeah. And there's this whole thing of like, you know, 'admin guilt', you know, "I haven't looked at my savings for however many months" and you carry guilt around with you. People might think, "Oh, I know I should look at my pension, but you know, I'll do it at some point." And they carry a bit of guilt and shame around about that, but it's actually okay if you only look at your ABS once a year, that's fine. Because remember, it's 30 or 40 years until you're actually going to need it.

Emily When we talk about thinking about your retirement and planning for your retirement, just think about it for 5 minutes or an hour and just, you know, think about what you want to do, how you want to feel when you retire and look at your ABS. Make sure you registered for the portal and you're on the right track.

Sarj I don't think you can go wrong, just do the basics. Keep on top of it and if that's just logging on once a year, so be it.

Emily Yeah. Still a good use of your time.

Emily So when I was talking to people who were closer to retirement or even those who were younger, but were clearly really engaged with the pension already, and I asked them what advice they'd give to other members, younger members who aren't thinking about their pension right now. Here's what they said.

CS LIVE recording The sooner you start it, the more it builds up. Don't let it stop you doing anything. It's not the first thing in your mind you're 20, but it's there is the back up. And then, it just means you're ahead of the game when you get a little bit later on into your life, maybe you've got kids in your 30s, you've got a house now. It's something that you need to look at later on, but you need to start it earlier on and the earlier you start, the better it is and the more comfortable you're going to be to.

CS LIVE recording Ask the questions of your hiring employers at the time. I think there's a lot of conversation about just the annual salary at the point of the job. But I think it's also good to maybe talk a bit more long term about what the benefits might be. Impacts on pensions, that sort of thing. And I would recommend Civil Service Pensions as a place to go, to have a look at, you know, potentially the calculator, understand what your rights, and what your money might be.

CS LIVE recording I was there, and I think it's quite easy to sort of get on with the priorities of the day, you know, getting a home together, sorting out your family. What advice I would give myself would be, try and put as much money into your pension as early as you can because it's worth so much more. And, you know, it's hard to think about retiring when you're in your 20s. But believe me, when you get to your 50s, you know, it's quite nice to know that you can, you know, get out early if you're financially secure enough to do that.

CS LIVE recording I'd say, with the civil service, it's kind of all sorted for you. So it's kind of set it and forget it. So that's one of the great things about the Civil Service pension. I'd say the earlier you start, the more time you have to grow, so the less you need to put in, the more you're going to get out of it longer term, and just think about what you want from life. And for me, I knew that I wanted to have that option in my 40s and 50s to not necessarily have to work. So the Civil Service Pension combined with what I'm doing myself in terms of ISAs and those sorts of things, is going to give me those options. So I think most people would probably want to have that option rather than have to work in their later years.

CS LIVE recording Don't think it doesn't matter now because it does. And to be honest, when I go into that calculator, which is very good as well, and think that's 40 years of contributions, that's going to perhaps, hopefully keep me going for a good 30 years, if I'm really lucky. So I think it's really worth investing and using the tools that are provided and from what it just said, they're only going to get better and more accurate.

Rob Wow, there's some really good advice in there, especially the earlier you start, the better and the more comfortable that you're going to be. But I suppose we're always talking about planning for your retirement in terms of, you know, you don't need to think about what you want to be doing in 30- or 40-years' time. You just need to think about how you want to feel when you when you get to that age and when you get to that age and when you get to that point in your life. And I would guess that most people would want to feel as financially comfortable and as financially stable as they do in their working life, as they do in their retired life.

Sarj Yeah. And Emily, obviously, you spoke to that chap who was looking to have the option to not work in his 40s or 50s, that was doing other active financial planning to make that a reality. So, you know, there are some really clued-up people out there.

Emily Yeah, yeah. He was really interesting, because he was, I think he said himself actually, he's only 25, it was it was really encouraging to hear that more people than I expected in that age group are starting to think about their future. I think it's kind of important to caveat that, he struck me as somebody, as you just said, Sarj, whose got other financial plans in place outside of his pension. He was really, kind of, financially informed. If you were to only rely on your Civil Service Pension, obviously, retiring in your 40s, that would be early, very early retirement, I guess, because in alpha, correct me if I'm wrong, the earliest you can access your after pension is 55, right?

Sarj At the absolute earliest, but really it's your state pension age. But I suppose it's, it's good to listen to those voices to work out what we're doing that has cut through to those. But it's also trying to work out what we're not doing and listen to what we're not doing.

Rob I mean, for me, what was interesting with those people, because obviously those people are closer to retirement than the people that we'd heard from earlier in this episode. That's right, isn't it?

Emily Not all of them. There was a bit of a mix, most of them were. So the person we've just talked about was, I think, 25 and there was another one who, I think his clip was earlier on, when he was talking about asking questions of your hiring managers and you recruiters about what the benefits package is. He was very young as well, but the majority of them were closer to retirement.

Rob I guess the point I was going to make then, is that the people that we've just heard from are either close to retirement or more financially savvy than some of the other young people that we've heard from.

Sarj Yeah.

Rob And the other younger people that we'd heard from were kind of, "well, I didn't really get it. It's all very complicated and, you know, kind of buried my head in the sand a little bit". But obviously, the closer you get towards retirement, the more you kind of want to try and understand it and the more you therefore open yourself to understanding it. And the information's there if you want it. And I suppose perhaps there's a, clearly a journey that people go on in relation to their pension, where it's kind of like, "I know it's there and it's fine, it'll be fine. I'll just kind of leave it". And then it gets to an age where suddenly a light bulb kind of goes off and you go, "Right, I need to start pulling some levers here".

Sarj Well, yeah, because you'd like to think that you get to your 40s, you're no longer paying for childcare and there are other bills or not, and you think "hang on a minute, but what happens in the next 20 years?" And you're looking down the barrel of retirement knowing that you need to open that Pandora's box of benefit statements and the portal.

Rob But there's the lady who said, you know, "if I could go back in time and talk to myself, you know, I would say, do more with your pension, contribute more, because you can get out early". You're not to use a phrase that sounds like being in jail.

Sarj Yeah. Yeah.

Rob I mean, you know, if you think about, you know, you're in your 20s, you're in the 30s, imagine if you could retire when you're 55. I mean that's, that's pretty good isn't it? You wouldn't have to work again for the rest of your life.

Emily Yeah. And some of the pensioners that we've spoken to over the past year were lucky enough to retire in their 50s or even at 50 and have had a longer section of their life out of work and in retirement than they did working, which I think for many of us is just a dream.

Sarj It's a luxury to think that you're going to have lots of years in retirement and know that that financial security is going to be there for you.

Emily Yeah, exactly. And you know, like you mentioned before, Sarj, about, you know, other costs that that you have now that ideally you won't have at a certain point. I think a lot of people, especially of my generation, are facing in having those costs for a lot longer, like mortgages and childcare. And, you know, it's so difficult to get on the property ladder, particularly if you living in London. A lot of those things probably feel a lot more out of reach for younger people.

Sarj Yeah. And the bills are the bills that you have to pay. You know, some of our audience that we've listened to, you know, would choose to put their money in other areas and that's where they're living for the now. They need to juggle their finances, but as long as juggling their finances means still staying in the pension scheme, that's key.

Emily Yeah.

Rob So, I suppose when you spoke to these people at Civil Service Live, How did they, kind of, rate their pension in relation to their other financial priorities right now?

Emily That's a good question. Let's have a listen.

CS LIVE recording My priority is moving from full time work to part time work. Yeah. I'm one of those lucky people that has a classic pension so I can take just turned 60. I can take my pension and I can still work, which is great.

CS LIVE recording Paying rent, so I can live. Eating, so I can still be alive. Water as well. That's essential. Um, and I like to make sure that I've got enough budget to do things that are new experiences to make life unmundane. I think like going places, doing events, having fun. Because you never know how difficult tomorrow will be.

CS LIVE recording Making sure I can keep up payments with my mortgage is probably number one. I am lucky enough to have got a mortgage and stuff. That's probably the main thing. Keeping the food shop down. Everywhere's gone up. Just but also trying to ensure that I can still enjoy life as well, that's the other thing. And I think that's what people forget about as well people often say like, people in their twenties are all spending money on coffee and Netflix, avocados, which is not true. I never buy a coffee! How I wish I could afford a coffee! But yeah, I think most people my age I think, yeah, just trying to keep up with the cost of living by like making sure they're paying their rent, making sure they're paying their mortgage, getting the food shop in, but also, trying to enjoy life, as well, because I think people miss out that that is so important and why shouldn't we be able to enjoy our life?

CS LIVE recording Mortgage, bills, my dog, she's a big priority obviously! Food and just having the money to live as well, like the whole life/work balance and making sure I've got money so I can go out and see friends.

CS LIVE recording Definitely investment. I love the long-term savings option, but then again, the uncertainty of it is that I can't go out of the scheme. So my financial plans right now, I don't really have them, just saving until something comes up, like I'm like buying a house or a car or something. For now, I'm just in the saving space.

CS LIVE recording Essentially it's... and especially with the cost-of-living crisis, it's just about having enough to survive on. And then a little bit just in case something happens.

Yeah, so I know this might sound petty, but, you know, I've got I've got insurance on different gadgets in the house and yeah, I've got I've got money to survive on. But for instance, if my washing machine breaks, do I have enough to cover that? You know? Or if I'm going on holiday, can actually afford that or will I be forever, you know, doing my Mondays to Fridays and things like that? So yeah, the pension is not something I think of right now. It's more of a much later, but I've never looked into its details.

CS LIVE recording For me, while I'm torn between two ends of the spectrum in terms of priorities... So one side is looking forward to the future, making sure that I've got enough to be comfortable in the future. And so that's where the pension ties in, because apparently the Civil Service Pension Scheme is pretty unrivaled, in terms of the employer contributions and how much you get after you retire. But on the other hand, my priority also is thinking about the here and now, and especially with this cost-of-living crisis, I think, is it maybe worth taking out that money? Although it might be less than what I might receive and I don't get those tax benefits that I would receive from the pensions, I would still have that money to hand where I can then invest it will do something with it. But that's provided I actually have the mind to invest it in something, whether that's stocks and shares or whether that's a company or something like that, whatever it is, you know, in a couple of years down the line. So yes, it's more about deciding whether I'm thinking about financial security in the future or whether I want to take the risk and do something presently.

Emily I actually really enjoyed talking to people about this because like I said before, at Civil Service Live, you meet people from all walks of life. Some who are just starting out, others who are just about to retire after a long career, some people who are maybe a few years away from retirement but have only just joined the civil service, which I found quite interesting. But regardless, everybody knew exactly what their financial priorities are.

Sarj Yeah. And then there's that common theme amongst those younger people. You know, they are very focused on the here and now. And then the older people, obviously knowing that it's a good scheme and therefore staying in it.

Rob Yeah. Survival was what I wrote down listening to that, people just wanting to make sure that they can eat and... but it was nice to hear that, you know, whilst people are focused on keeping a roof over their head and feeding themselves, that they're also trying to put some money aside to, you know, have fun and go and have a life as well.

Emily Yeah, living for the now.

Sarj Yeah, and that's important. You know, it's important to, you know, live happily now. Yeah. So do the nice things you want to do, but also, stay in the scheme. And but obviously, it was interesting that somebody talks about those stocks and shares and investing, and apathy is quite high, isn't it? Whether people want to look into the existing scheme that they've got or whether they're going to take the money out and invest it. We wouldn't suggest that, we're not financial advisors. But your Civil Service Pension isn't invested anywhere. It's set for life for when you start taking it, it only increases on a year-by-year basis with a pension increase. Stocks and shares go up and down, even investing in a property, you know, property prices can go up and down. So those people that perhaps think taking money out of their pension to invest somewhere else, it's a very personal decision.

Emily Yeah. And I think the key word is risk isn't it. Like it has to be a risk that you're willing to take and that you can afford to take. I always hear when listening to podcast financial podcasts and people are talking about investments and stocks and shares. There's always that disclaimer at the end, which is that, you know, things can go up or down, they can increase or decrease in value, and you should only ever invest money that you can afford to lose, essentially. The other thing that that came up in that clip was this idea of having an emergency fund. So looking at the future whilst also making sure that you're okay in the present. There's a quote I've heard a number of times when I was working in housing that, you know, many of us, if not all of us, are only maybe one paycheck away from being homeless. If you think about it practically, you know, if I didn't know I had my salary coming next month, like, I have a mortgage, I have bills, I have responsibilities. You know, you'd be in trouble. So I think it's interesting about having an emergency fund to just sure you up for those unexpected costs that are going to come up. You know, when I bought my flat, it was really important to me to make sure that it was affordable for me on my own, because when I bought it, I was single. I wasn't financially dependent on anybody. Now I'm lucky enough to have a partner who contributes to the household finances with me and makes life a lot easier. But yeah, I was planning for that to just be my responsibility and nobody else's. So I think it's interesting that that's also kind of on people's minds as well in terms of an emergency fund.

Sarj But then I suppose when you're in your 60s and you are retiring and you don't have that income coming in, that's where your pension comes in because that could be your ticket to a happier retirement, knowing that you've got your Civil Service Pension alongside your state pension. So, you know, you are on the right track. And if you're one of those people that can boost your pension, by all means, do that as well.

Emily The other thing that that came up a lot, when I spoke to those people who were talking about, "well, you know, do I stay in the scheme and see how it goes or do I take the money now and do I invest it, provided I have the right knowledge and means to invest effectively?" One thing I would always try and put into context is the notion that a lot of people who were also on the stand with me at Civil Service Life were saying was, no matter how long you've been in the scheme, when you come to retire, you'll break even on every penny you ever put into the scheme within two years.

Sarj Yeah.

Emily So all that money that you've ever put in during your working career in the civil service, you get back in your Civil Service Pension payment in those first two years. The money that you then get for the rest of your life for your Civil Service Pension, no matter how long you live, is completely funded by your employer.

Sarj Yeah, it's effectively those employer contributions that then kick in to pay your pension thereafter for as long as you live. If you live to 110, you'll still be getting your pension. But can I just clarify? You can't just transfer out your pension. Because if you've been in service for less than two years, you can withdraw your contributions. If you've been in longer, you can't just take out your pension and invest it. It can go from this defined benefit scheme to another DB scheme but not just to be invested in other investments, stocks, shares...

If it's more than two years, you can't just automatically take it out and invest it in something. It has to go from this DB scheme to another.

Rob I suppose that's because DB and DC work so differently. And I suppose if anyone wants to know the difference, listen to episode one, series one, Pensions 101.

Sarj Absolutely.

Rob Because that explains it really well. But that point, Emily, that you're making is, is wild and really, really powerful. So you might be in the civil service for 20 years and then within two years of retirement, you've had everything back into your pocket that you've contributed over that 20-year period. That's crazy.

Emily Yeah. And that's what we mean when we say your employer contribution is so important because it's free money. That's literally what it means.

Rob You save 6% or whatever it is of your salary every month for your entire career. You'll get it all back within two years and then we'll fund your lifestyle for however long you live after that.

Sarj Yeah, it's a great idea, isn't it? So, you know, people say it's a really good scheme. It sort of puts that into context and why would you not do that?

Emily But that's the kind of thing that we need to... those are the kinds of terms that I think really get through to people. That's the language that we should use more often to contextualize what makes the scheme so good, and why it's so important to stay in it, if you can, and why the employer contributions are so important and why it's better than opting out and doing something different for a lot of people. I think the best terms that we can use to frame all of that in so that people really understand, particularly younger people, understand why their pension is so important.

Rob And how lucky they are to be civil servants and to have access to this particular pension scheme.

Rob Sarj, thank you so much for doing this today. It's been so good to have you back on the podcast and it's been great, Emily, to hear what our members were thinking and how they were feeling from your conversations with them at Civil Service Live.

Sarj Thanks for having me. Really interesting to hear what members are saying.

Emily This is our last full episode of our second season. There's one more minisode to come, and that'll be out next week. In the meantime, to find out more about anything that we've talked about today or to tell us about something that you'd like to hear about in a future episode, head to civilservicepensionscheme.org.uk/podcast.

Rob Don't forget to follow or subscribe to be the first to hear about new episodes in the future. Plus, you can leave us a review wherever you get your podcasts. This episode was recorded in August 2023 and all information is accurate at the time of recording.