

Voluntary Exit – guidance for staff

This guide tells you about the compensation benefits available under the Civil Service Compensation Scheme 2010 if your employer runs a voluntary exit scheme.

Who can be offered voluntary exit?

Employers decide if they want to run a voluntary exit scheme. Your employer will decide who they want to let go and will tell you what selection criteria they are going to use.

If you apply, you do not have to accept the offer to go. If you do accept, you will receive a cash payment as compensation for giving up your job. Depending on your circumstances, you can use some or all of your compensation payment to increase your pension.

How is compensation worked out for voluntary exit?

We take a number of things into account in working out your compensation. These are:

1) Pay

This is the full rate of your basic pay on your last day of service plus any permanent pensionable allowances.

Restricting payments to the higher paid

If you earn more than £149,820, we will treat you as earning that amount when we work out your compensation payment (your pension benefits will continue to be based on final pensionable earnings).

This limit will be reviewed towards the end of each calendar year and any new limits will apply from 1 April the following year.

Part-time pay

If you work part-time, please see the paragraph 'working part time' below.

2) Tariff

This is the basis of your compensation payment, normally expressed in terms of an amount of pay (for example, one month's pay) for each year of service up to a maximum limit of 21 months and 6 months for those over scheme pension age. Your employer will tell you what tariff applies to the voluntary exit scheme it is running.

3) Years of Service

We will base your compensation payment on your current service (service with previous Civil Service employers will count if there has been no break in service). We use decimal years and days to work out your compensation, for example, 11 years 200 days = $11 + (200/365) = 11.5479$ years.

Current service does not include:

- any added years or added pension that you are buying in the Civil Service pension scheme
- any pension benefits that you have transferred into the Civil Service pension scheme from a former job
- any earlier periods of pensionable service that you have built up in the Civil Service pension scheme before beginning your current employment.

If you work part time, please see the paragraph 'working part time' below.

How do my personal circumstances impact on my compensation payment?

Fixed term employees

If you are employed for a fixed term, you will normally receive the same compensation payment on voluntary exit as a permanent employee with the same pay and service, but this depends on the terms of your contract.

Working part time

If you work part time your service will be based on your actual hours worked and full time equivalent pay. If you have worked part time in the last three years, the maximum number of months' pay you can receive may be restricted proportionately by comparing your service with what it would have been if you had worked full time throughout.

Tapering will also apply to part time workers, but again will be worked out proportionately.

Pre-fresh Start Prison Officers

Pre-fresh Start Prison Officers who leave on voluntary exit before age 55, have a scheme pension age of 60 for the purposes of tapering.

Exit after partial retirement or formal retirement

We'll use the whole of your current continuous service (both before and after partial or formal retirement) to work out your compensation payment. This is subject to the limits according to your age or any part time service.

If you have retired and been re-employed, your compensation will include only the service from the date of your re-employment.

Pension options

Can I take my pension instead of a cash payment?

Yes, if you are:

- a member of the Civil Service pension scheme, and
- have at least 2 years' qualifying service, and

- are over your **minimum** scheme pension age, (50 if you were in the scheme before 6 April 2006, 55 if you joined after).

Normally, if you take your pension before your scheme pension age, we will reduce it because you will be receiving it over a longer period. However, you can use your compensation payment towards the cost of buying out this reduction. If your compensation payment is insufficient, you will need to make the additional payment yourself by sending a cheque (made payable to 'GBS RE CO Civil Superannuation') to your Pension Service Centre. Your pension benefits will not be paid until the cheque has cleared.

If the compensation payment is more than the cost of the buy out, we will pay you the remainder of the payment at the time you leave.

Can I take my pension and get my compensation paid as cash payment?

If you are over your **minimum** scheme pension age (see above), you can take your pension, reduced for early payment, and receive your compensation as a cash payment, but it must be more than what is known as the Guaranteed Minimum Pension. If it is not, your Pension Service Centre will advise you.

You can buy out the reduction using your own money (rather than your compensation payment). If using your own money you must pay it in the form of a cheque (made payable to 'GBS RE CO Civil Superannuation') to your Pension Service Centre before your leaving date. Your pension will not be paid until the cheque is cleared. You must buy out the full actuarial reduction on all your service.

You cannot use your pension lump sum to buy out the reduction to your pension.

What happens if I have not qualified for a pension?

You will receive a refund of your pension contributions, less a deduction for tax and the cost of buying you into the State Second Pension scheme. You can choose to transfer the notional value of your pension to a recognised pension scheme. See your scheme booklet on the Civil Service Pensions website for more information www.civilservice.gov.uk/pensions

What if I am over scheme pension age?

You will receive your compensation payment and we will pay you your pension immediately.

Other information

Notice

You will be entitled to 3 months' notice. The date of your departure will be decided in discussion with your employer. Your notice period will begin when you sign the agreement to depart.

If your leaving date is before the end of 3 months from that date, your employer must pay you compensation in lieu of notice (CILON) on the balance. The CILON payment will be paid through the payroll. Tax and National Insurance Contributions will apply to this payment.

Buying added pension

If you have qualified for a pension you can buy added pension when you leave. You can use some or all of your compensation payment to do this. If you are interested, look at the calculator on the Civil Service Pensions website, www.civilservice.gov.uk/pensions under 'Calculators' to see how much you would like to spend, and how much pension it will buy for you. You will need to attach a printout from the calculator showing your selected amount to the Compensation Declaration Form accepting the compensation payment.

Added pension is subject to the Annual Allowance for tax. If the value of your pension increases during a scheme year, (January to December), by more than £50,000 from January 2011, you will have to pay extra tax on the excess under current tax rules.

Example: Using compensation to purchase added pension

Henry asks his employer to pay all of his compensation payment into the pension scheme to buy added pension for him. The added pension increases Henry's pension by £1,000 a year. Over and above this, Henry's pension had increased in real terms during the year (as a result of his ongoing service and a small pay rise) by £500 a year. In total, then, Henry's pension has increased by £1,500. Henry is in **classic** so his lump sum has also increased in real terms – by £4,500. For Annual Allowance purposes, Henry's pension increases are valued at £28,500 (16 x £1,500 + £4,500). This is well within Henry's Annual Allowance of £50,000 so Henry does not incur any extra income tax charges

For those earning £130,000 or more, there will be a potential charge under the special annual allowance arrangements in 2010/11 if you buy added pension.

Civil Service Additional Voluntary Contributions Scheme (CSAVCS)

Your Pension Service Centre will write to you separately with options on how you would like your CSAVCs to be treated.

Tax

Under current tax law, the first £30,000 of a compensation payment will be tax-free. Normal tax rules will apply to payments in excess of this.

Normal tax rules will apply to compensation in lieu of notice payments (and to your pension if in payment). National Insurance will also apply to compensation in lieu of notice payments.

The Government announced changes to the Annual Allowance (effective from tax year 2011-12) and the Lifetime Allowance (effective from 6 April 2012). There is no impact on the Annual Allowance if you are taking your pension early (whether or not it is reduced for early payment).

If you have any questions concerning your tax position, please contact your local tax office.

Re-employment

If you are re-employed in an organisation covered by the Civil Service pension and compensation arrangements within 28 days of leaving your current employer, your compensation will be cancelled and your service will be treated as continuous. You will have to repay the **full** compensation amount.

If you are re-employed in an organisation covered by the Civil Service pension and compensation arrangements outside the 28 day period, but within the lesser of:

- a) six months, and
- b) the notional period of the compensation payment

you will have to pay back the compensation payment pro-rata.

The repayment will be reduced in cases where the new employment is at a lower salary level than before.

If you have taken your compensation in the form of pension, the repayment is based on the compensation payment that would otherwise have been paid.

In all cases, if you have taken your pension on leaving, it may be subject to abatement if you are re-employed.

The guide does not cover every aspect of the Civil Service Compensation Scheme. Full details are contained only in the rules, which are the legal basis of the scheme. In the event of any difference, the rules will apply. It has been produced by My Civil Service Pension (MyCSP) who administer Civil Service pension and compensation arrangements.