

# 2015 pension changes



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**Changes to the Civil Service pension arrangements will take place from 01 April 2015. This document gives a summary of the changes and answers some questions you might receive from staff about the 2015 reforms.**

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## Summary

Civil Service Pension members will be affected differently depending on how close they are to retirement age - their current Normal Pension Age (NPA). In nuvos this is age 65, and in classic, classic plus and premium, it is age 60:

- The majority of members will move into the new scheme, alpha, on 01 April 2015. These are the members who were more than 13.5 years from their NPA on 01 April 2012.
- Those 10 years or less away from their NPA on 01 April 2012 will not move to alpha. They will stay in their current arrangement.
- Those more than 10 but less than 13.5 years away from their NPA on 01 April 2012 are taking part in the Options Exercise between October and December 2014. They can choose to stay in their current scheme for a set period of time before moving into alpha, or move on 01 April 2015 with the majority of scheme members.

## How pension benefits will be calculated in alpha:

- The entitlement to an unreduced pension will be linked to a member's State Pension age, rather than a set scheme age for all members like in the nuvos ,classic, classic plus and premium schemes. Your employees can find out what their State Pension age is by visiting: [www.gov.uk/calculate-state-pension](http://www.gov.uk/calculate-state-pension)
- Benefits will be built up based on 2.32% of the member's pensionable earnings for each year they are a member of the scheme . This is different to final salary schemes, like classic, classic plus and premium, where the benefits are based on the member's pensionable earnings when they leave the scheme.

## Frequently Asked Questions

### *Will I be 'worse off' in alpha?*

No, not necessarily.

Your total pension benefits will be made up of two parts, the benefits you built up in your current scheme (Part 1) and your alpha pension (Part 2).

The pension benefits you build up after you move into alpha will be calculated differently. Your Part 1 pension is not affected – it will still be worked out using the current method.

The total value of your pension will depend on your personal circumstances, such as your salary and how long you are a member of the scheme.

How you are affected will depend on your career, specifically the pay you receive. For example, low to middle earners are likely to build up similar, if not higher, benefits in alpha compared with their current scheme (although these benefits would be payable in full from a later age).

## ***Will I have to work longer now?***

No. Your Normal Pension Age (NPA) is a calculation point, which is used to work out what your 'full benefits' are.

You can take your pension benefits before your NPA (if you are over the Minimum Pension Age – currently this is age 55 in alpha) or after, if you wish.

If you take your pension before your NPA the amount you get would be adjusted to reflect that it will be paid for longer.

If you carried on working after your NPA you would keep building up pension benefits, and it would be increased to reflect that it won't be paid to you for as long.

## ***Will I have two different pensions? What salary will my current scheme benefits be based on?***

Because your Part 1 and Part 2 pensions come from two separate schemes, you can draw your pension from one scheme while leaving the other one untouched. However, you will still need to meet the criteria to be able to draw the pension – including either leaving the Civil Service or taking partial retirement.

If you are in one of the final salary arrangements (classic, classic plus or premium) your Part 1 pension will be calculated using the salary you are earning when you are no longer an active member (which is usually when you opt out of the scheme or leave employment). It will not be based on what you were earning when you moved into alpha. So if your salary increases when you are in alpha, your Part 1 benefits will reflect this.

If you are in nuvos the benefits you have built up will be 'banked' and will be adjusted each year in line with inflation until you take your pension, to retain its purchasing value.

## ***What happens to the contributions I pay into the scheme?***

Your contributions (and the contributions your employer makes) go towards funding the pension scheme, they do not go into an individual 'pension pot'. The scheme also receives additional funding from the Government.

There is no direct link between what you pay into the scheme and the pension you receive this is because the Civil Service Pension arrangements are 'Defined Benefit' (DB) schemes. In DB schemes, pension income is not based directly on how much you pay into the scheme, but is based on:

- the number of years you've been a member of the scheme (known as 'pensionable service') and your 'pensionable earnings', which is your salary at (or near to) retirement if you are in classic, classic plus and premium;

or

- your salary averaged over your career if you are in nuvos (alpha is a 'career average' scheme too).

## ***I'm a classic / classic plus member, what happens to my lump sum when I move to alpha?***

The pension you have built up in your current arrangement is not affected. You will still get your automatic classic / classic plus lump sum with your pension. This will be worked out using the service you built up until the date you join alpha and your earnings at, or close, to leaving the scheme.

There is no automatic lump sum in alpha. However, when you take your pension benefits you will have the option to give up some of your annual pension and take this as a one-off lump sum instead. You will be able to do this at a rate of £1 of annual pension in exchange for every £12 of lump sum, subject to HM Revenue and Customs limits.

***Is a final salary scheme better than a career average scheme?***

No, not necessarily.

They are just different ways of calculating pension benefits:

- Final salary benefits are based on what you are earning at, or close, to retirement (or leaving the scheme); and
- Career average benefits are based on what you earn each year you are a member of the scheme.

The actual value of your pension will depend on your personal circumstances, such as how long you are a member of the scheme and changes to your salary while you are in the scheme.