

## Civil Service pension reform: an update

Following the announcement in January, Cabinet Office has finalised proposals for the Civil Service pension scheme and is now consulting the Civil Service unions formally. The new pension scheme for new entrants, **nuvos**, will apply to all people joining the Civil Service from 30 July 2007. **nuvos** is a high quality, defined benefit, pension scheme with a pension age of 65 and benefits which reflect pay throughout the career rather than in the final years before leaving.

### What happens to my pension scheme?

Existing members of staff stay in their current pension scheme. The core features of **classic**, **classic plus** and **premium** remain as now, but Cabinet Office plans the following changes:

#### Bigger tax-free lump sums

**People leaving from 1 October 2007** can choose to take a bigger tax-free lump sum when they retire.

- Maximum lump sum in **premium** = pension x 30/7
- Maximum extra lump sum in **classic** = pension x 33/14 (*on top of the automatic lump sum of 3 x pension*)
- You give up £1 of pension for every £12 of lump sum you take.

**From 1 March 2008**, everyone can build up a maximum of **45 years'** service

- People who are currently capped at 40 years will remain capped until 29 February 2008, but will be able to build up more service after that.

#### Changes to service limits

#### Added pension

Everyone will be able to buy **added pension** in their scheme.

- Added pension replaces added years and will give you a fixed amount of extra index-linked pension payable when you retire.
- Members who are over 60 can buy added pension from **1 October 2007**.
- Members under 60 can buy added pension from **1 March 2008**. If you want to take a new added years contract you must say so before then.
- Existing added years contracts will carry on until members reach 60 or choose to stop them.

**From 1 March 2008**, people who "downshift" as they approach retirement can draw some or all of their pension (and lump sum) and carry on working.

- "Downshifting" requires you to agree, with your employer, a permanent change to your job such that your pensionable earnings will be reduced by at least 20%.
- You cannot draw pension before age 50 and it will be reduced if you draw it before you reach pension age (60 for most people).
- If your pension in payment plus your new pay is more than your pay before flexible retirement, your pension will be suspended (abated).

#### Flexible retirement

### What happens if I leave and come back? Do I go into the new scheme?

The general rule will be that **nuvos** will apply to all joiners and rejoiners. But the scheme rules will allow people who have resigned from **classic**, **classic plus** or **premium** to be offered membership of **premium** (keeping pension age 60 and final salary benefits) rather than **nuvos** provided that they had pension rights when they left and return within 5 years of leaving.

People who resign, or leave with a package, and then return within 28 days of leaving will be treated as if they had not left. This means that they will go back into their old scheme and will repay any lump sum compensation.

### How do I find out more?

This Office Notice provides a short summary. You can find further information on the Civil Service Pensions website at [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk) or from [give link to Q&A material].