

## Redundancy & Compensation: what does it mean for your pension?

**EMILY:** Redundancy and the uncertainty that comes with it can be a real source of anxiety. If this is impacting you at the moment, we hope today's episode brings you some clarity and information on what this means for your pension.

**ROB:** Liliana Gonzalez from the Civil Service Pensions Training Team is with us today to talk through the Civil Service Compensation Scheme or CSCS. Lil, it's lovely to have you back with us. Welcome back to the podcast.

**LILIANA:** Thank you very much for having me.

**ROB:** Okay, so Lil, what is the Civil Service Compensation Scheme?

**LILIANA:** So the CSCS sets out how much compensation your Civil Service employer can pay if you're leaving their employment through a redundancy scheme. And what you're eligible for depends on whether you're going through a voluntary process or a compulsory one.

**EMILY:** Okay, so voluntary redundancy, compulsory redundancy, we know there are different types of redundancy or exits from the Civil Service. So can we break it down? Can you kind of talk us through what each of those are

**LILIANA:** Yeah, so voluntary redundancy. This is where an employer, after consulting with the appropriate trade unions, will ask employees if they'd like to volunteer for redundancy. There is a selection process, so you're not automatically selected if you apply, but if you are selected, your role will cease to exist and you'll leave the organisation. Redundancy entitlements are set out in the Civil Service Compensation Scheme, and we'll explore that in a little bit more detail shortly.

Compulsory redundancy is when an employer, after consulting with the unions, decides that a specific role is no longer needed. There will usually be a consultation process when the employer must try to find a suitable alternative role within the organisation. If they can't find anything suitable, the role will cease to exist and you'll leave the organisation. Again, entitlements are set out in the compensation scheme. Voluntary exit is when your employer will run a voluntary exit scheme, which you can apply for.

There may be selection criteria, and if your employer makes you an offer and you decide to take it, you'll get compensation for leaving your job. And the specifics will vary depending on your employer and your circumstances, but that's broadly how it works.

**ROB:** Okay, so it's a really good overview. So, let's look at a bit more detail. Let's start with voluntary redundancy. How does that work in terms of the compensation scheme?

**LILIANA:** Yeah, so for voluntary redundancy, those below Normal Pension Age will receive one month's pay per year of service up to 21 months and be given three months' notice. However, anyone above Normal Pension Age will receive one month's pay per year of service, but subject to a maximum of six months. Staff who have reached Minimum Pension Age, either 50 or 55, can choose to opt for early retirement on their current pension entitlement.

Staff will be asked to surrender some or maybe all of their severance [compensation] payment to meet the cost of receiving that pension early or you can keep all of your compensation and choose to claim your pension but on a reduced basis. To summarise, if you want to take your pension early without a reduction, there will be a fee. And also, it's important to note that Normal Pension Age in alpha is the same as your State Pension Age. You can check what yours is on the gov.uk website.

If you're partially retired, your full period of continuous service will be used to calculate your compensation payment.

**EMILY:** Okay, great. And what about compulsory redundancy? How is that different

**LILIANA:** Yeah, so if this occurs, staff will receive one month's pay per year, but up to a maximum of 12 months. And again, for those over Normal Pension Age, it's capped at six months. And all staff who may face compulsory redundancy will first have had the opportunity to exit under voluntary terms first.

**ROB:** Okay, so there's voluntary redundancy, there's compulsory redundancy, and there's also voluntary exit. What's that and how does that work? How's it different?

**LILIANA:** Yeah, so similar to voluntary redundancy, but employers reserve the right to offer slightly different terms, usually with permission from the scheme manager. So for example, they could choose to pay less than the standard tariff and offer three weeks, instead of the month, per year of service, or they could impose a different overall payment cap. And maximum limits are the same as voluntary redundancy - one month's pay per year of service capped at 21 months or six months for those above Normal Pension Age.

**EMILY:** Okay, so we've talked about how these different schemes work and what the limits are in terms of payments, but how do the payments themselves and pay, how does that actually work?

**LILIANA:** So, there's a pay threshold. Staff will have their pay capped at an upper pay threshold of £149,820. And in terms of compensation, the first £30,000 of any payment is tax-free and anything above that is subject to income tax. If a member re-joins the Civil Service within six months, you may have to pay back some or all of that lump sum when you re-join. So, you'll need to inform your employer if you do re-join. They will notify us and then we'll calculate the amount that you might need to pay back.

**ROB:** So, what does this all mean for your Civil Service Pension?

**LILIANA:** So, when you leave, depending on how long you've been in the scheme, you'll be able to keep your benefits where they are, or you could potentially transfer them to another defined benefit pension scheme in the Public Sector Transfer Club. And if you've been in for less than two years of service, you may also be offered a refund of the contributions that you've made personally. If you decide to leave your pension where it is, you'll still be able to keep track of it on the Pension Portal, and that will stay where it is and all with the same login information.

If you haven't registered yet, make sure you do so, and we do say to consider using a personal email address to do so, because that might help you avoid losing access in the future once you've lost access to your work email address. So, doing this will help you keep up to date with your pension in the future and link back up to it if you do decide to return to the Civil Service in the future. And remember, again, the first £30,000 of any compensation lump sum is tax free and anything above this is subject to the income tax.

And if you choose to invest some of your lump sum into your pension, by going for the buy-out option or potentially buying added pension, you can benefit from tax relief on that.

If you have CSAVCs or are a member of partnership, these are currently administered by Legal & General. So these pension benefits are separate to the CSCS and CSP schemes.

**EMILY:** Wow, there's a lot of information there and it continues to blow my mind the more episodes we do of how many different sets of circumstances exist in this pension scheme. Lil, thank you so much for joining us today, for coming back to the podcast and for talking us through the Civil Service Compensation Scheme.

**LILIANA:** Thank you for having me.

**ROB:** To find out more about anything we've talked about today or to tell us what you'd like us to cover in a future episode, head to [civilservicepensionscheme.org.uk/podcast](https://civilservicepensionscheme.org.uk/podcast). You can also find links to information, transcripts and accessible versions of this podcast in the episode description.

**EMILY:** Make sure to follow so you never miss an episode. We'd love to hear your thoughts and feedback on this series, so please do leave us a review wherever you get your podcasts.

**ROB:** This episode was recorded in July 2025. All information is accurate at the time of recording. Thanks for listening.