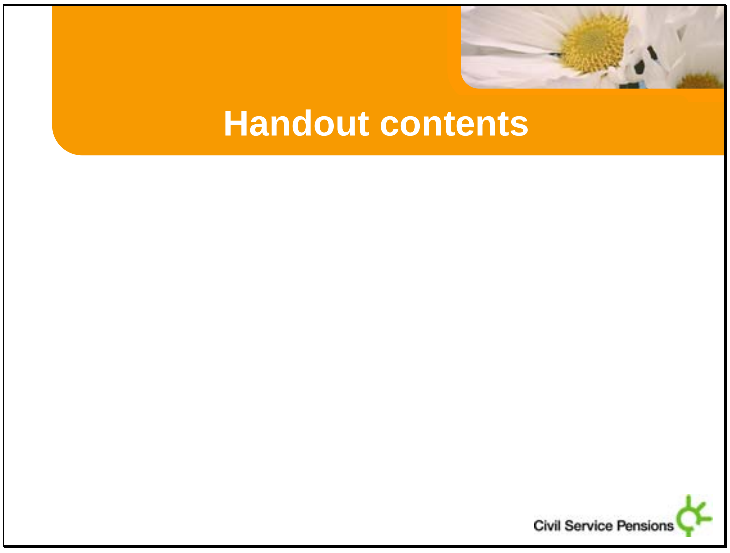

Civil Service Pensions
Thinking about
retirement
Civil Service Pensions

HANDOUTS


Handout contents
Civil Service Pensions

Introduction

This document tries to explain the basic principles and benefits of your Civil Service pension. It does not explain all of the details and you should ask for more information on areas that you do not understand. Contact details are given at the end of these notes.

<u>Note:</u> This information is only for those leaving at age 60.

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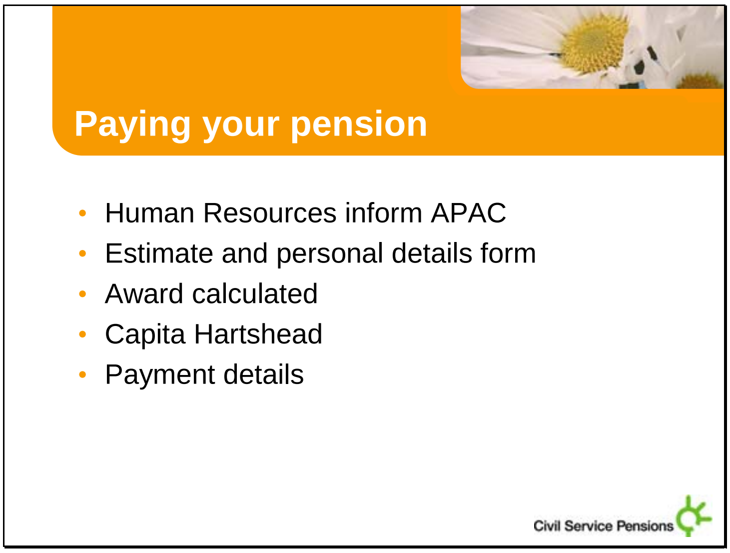

You will need to discuss your intention to retire with your employer.

HR inform your APAC (Authorised Pension Administration Centre) as soon as they are aware of your retirement date. Your APAC deals with the day to day running of pensions, including calculating and authorising pension awards.

- The APAC will send out a **pension estimate** and **personal details form** (PDF) to you. They will base the estimate on all data that they have received from your employer and HR Section, but the estimate does not usually include variable pensionable allowances (premium overtime for example). You should study the PDF carefully. It not only shows you how much pension you can expect to receive, but will also include personal information that is held on their system such as bank account details, nominee and spouse/civil partner details if relevant. You will also need to give them information about any other pension arrangements. These should include any benefits that you have already taken or are about to take, this does not include your State Pension. You should check these details for accuracy and when you return the form to the APAC you must sign it to confirm this, or write in any changes so that the APAC can update their system. It is very important that you sign and return the form as soon as possible.

When you draw your pension and any lump sum, they will be tested against your lifetime allowance (LTA). If, over your lifetime, you have taken pension benefits which are valued at more than the LTA you will have to pay LTA tax on the excess over the LTA. The Government has set the LTA at a level which means that it is likely to affect only a small number of people. Any tax you have to pay will be deducted before you receive payment. Please note that it can take up to 2 months to set up a pension payment. If you don't send your PDF back in time payment of your pension will be delayed.

- Your **award is calculated** by the APAC and forwarded to Capita Hartshead who will pay any lump sum due and pay out your pension.

- Capita Hartshead will send you **payment details**. These will show how the initial payment will be calculated and what on-going payments can be expected.

Benefit overview

- **classic**
- **premium**
- **classic plus**
- Defined benefit
- **partnership** pension account
- Defined contribution

Civil Service Pensions

Since 1 October 2002 there have been 4 pension scheme arrangements that apply to civil servants. All civil servants in post on 30 September 2002 had the choice of staying in what is now known as the **classic** scheme, or alternatively joining either **classic plus** or **premium.**

- **classic** is the old Principal Civil Service Pension Scheme (PCSPS) that has been in operation since 1972. It is closed to new members from 1 October 2002, but remains open for existing members.

- **premium** came into operation from 1 October 2002 for all new entrants to the Civil Service and for members of **classic** who wished to switch to the new scheme and transfer all their service and build up future pension provision in the new scheme.

- **classic plus** is a combination of **classic** and **premium** benefits. On 1 October 2002 you could have opted to leave existing service in **classic** and have all future service in **premium**.

- **classic, premium and classic plus** are what are known as **'defined benefit/final salary'** schemes. They are based on final pensionable earnings, and years of service. They have 'accrual rates' and we will explain later how these operate. In **classic** you will receive an automatic lump sum. In **premium** you can choose to give up some of your pension in exchange for a lump sum. **classic plus** gives you a mixture of the two. Any dependants' benefits are automatically part of the provision of these schemes.

- The **partnership pension account** is different and is a '**defined contribution' scheme**. It started on 1 October 2002 and is open only to people who joined the Civil Service on or after that date. In **partnership** an individual can contribute to a pension fund with one of the 'pension providers' appointed by the Cabinet Office. The employer passes any contributions that the individual makes to the provider. The employer also contributes. Retirement benefits under **partnership** depend on how well the fund has grown over the years. The fund is invested in the stock market. If you have a

partnership pension account you will need to contact the provider directly for a pension forecast and to arrange payment of benefits.

The following information concentrates on **classic**, **premium** and **classic plus**.

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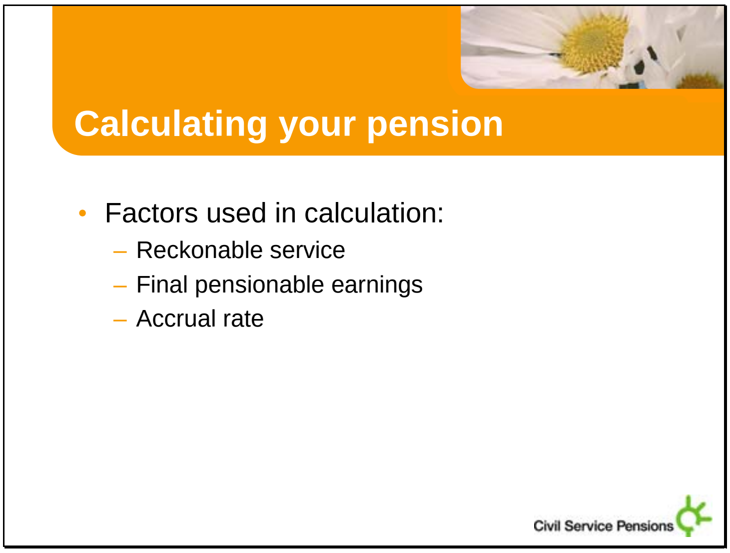

- **Factors used in calculation:**
    - **Reckonable service.** This is the service that counts towards your pension. It can include any service that you have after transferring in a previous pension, and any additional years of service you have bought.
    - **Final pensionable earnings** is the amount of your pay that counts towards your pension.
    - The **accrual rate** is the annual rate at which your pension grows according to the scheme rules.

The next few pages show how each of these elements is used to calculate your pension.

- **Reckonable service (classic)** is the service that counts towards your pension. Civil servants must have at least 2 years service to qualify for a pension.

  - Reckonable service **includes** added years and service as a result of any pension built up with previous employers which you may have transferred in.

  - It does **not include** service for which you received no salary or which cannot count towards a pension, such as, unpaid leave, career breaks, strike days, sick pay at pension rate.

  - **Part time service** includes only the hours you work and they count towards your reckonable service. If you were employed for 10 years for 2.5 days a week, you would have 5 years reckonable service.

  - The **maximum length of reckonable service** that counts towards a pension at pension age (normally 60) is 40 years. If you work beyond your pension age you can build up more reckonable service, but it cannot be more than 45 years.

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The example shown above explains how the APAC works out your reckonable service.

The APAC converts your service into a decimal figure. They divide the number of days in the final year of service, if less than a whole year, by 365.

Therefore, in the example above, this is $\frac{181}{365} = 0.496$

The total reckonable service is then 27.496 years.

This page applies to **classic** members only

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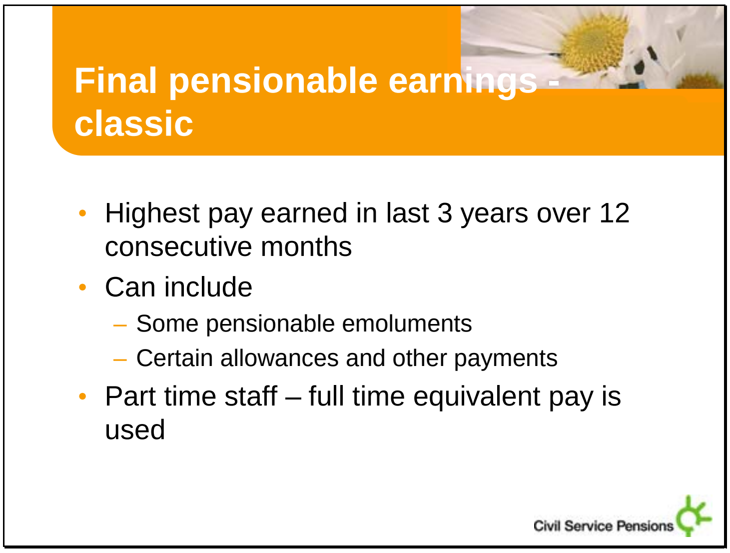
- **Reckonable service** (**premium** and **classic plus**) is the service that counts towards your pension.

  - It **includes** added years and service as a result of any pension built up with previous employers which you may have transferred in. It will include any service transferred from **classic** to **premium.**

  - **Premium** and **classic plus** do **not include** service for which you received no salary, such as unpaid leave, career breaks, strike days, sick pay at pension rate.

  - **Part time** service includes only the hours you work and they count towards your reckonable service. If you were employed for 10 years for 2.5 days a week, you would have 5 years reckonable service.

  - The **maximum length** of reckonable service that counts towards your pension at pension age (normally 60) is 40 years. At this stage you stop paying contributions and no further service will count towards your pension.



- **The highest amount of basic pay and pensionable allowances earned** in a consecutive 12 month period over the last 3 years is used to calculate the pension award.

- **This includes** additional pensionable payments made, such as some weekend/bank holiday overtime payments and allowances that are counted as pensionable by your employer. Your HR unit will be able to tell you which allowances are pensionable.

- **For part time** staff your actual pay is grossed up to the full time equivalent (including any allowances). If the annual full-time rate of pay for the job was £20,000 but you only worked half the week, your pay would be £10,000. But for the pension calculation, the APAC will calculate pensionable earnings using the full time rate of £20,000.

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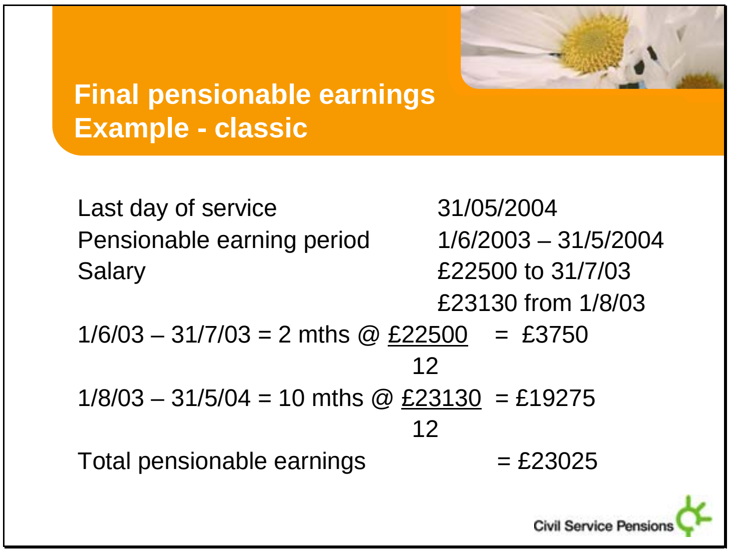


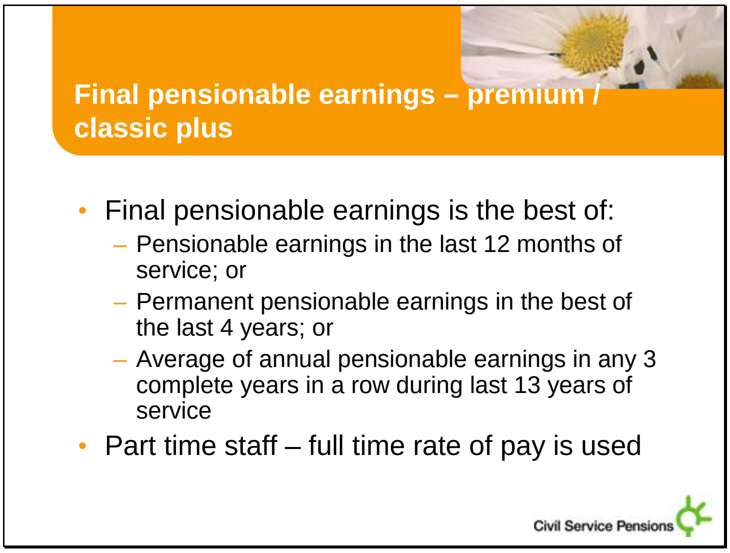
- Please note that your **final pensionable earnings** in **classic** is unlikely to be exactly the same as your final salary. This is because your salary is likely to be increased at some point during your final year due to a pay increase.

If you earned £10,000 for six months from 1 January to 30 June and then £12,000 for six months from 1 July to 31 December your pensionable earnings would be calculated as:

- 6/12 at £10,000 (£5,000) plus
- 6/12 at £12,000 (£6,000).

Your total pensionable earnings is £11,000 even though your salary at the date you leave is £12,000.

<u>Note</u>: If you had some previous service which you gave you a right to a pension when you left your APAC will ask you how you wish this to be treated.



- To calculate your **final pensionable earnings** in **premium/classic plus** the following three scenarios are looked at and the best result for you is used. The calculations are:

  - **Pensionable earnings** in the last 12 months of service. This includes basic pay and pensionable allowances (this is normally the best result for most people),

  or

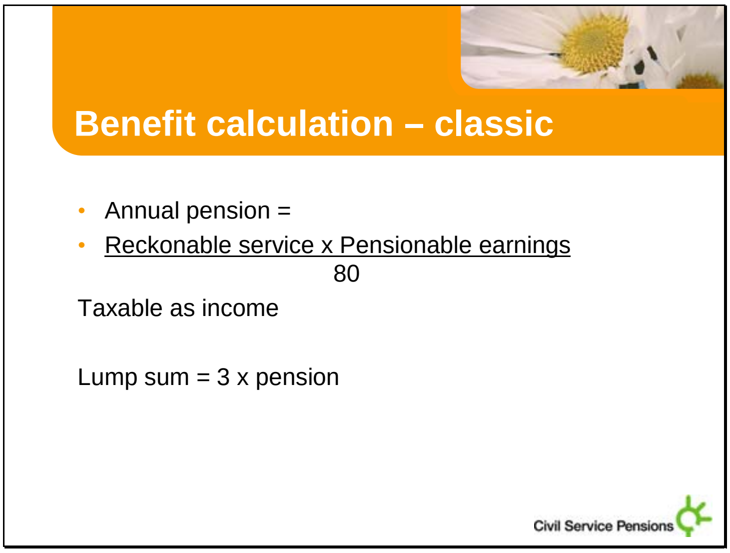
  - **Permanent pensionable earnings** in the best of the last 4 years. A scheme year runs from 1 April to 31 March and a part year is not counted as a complete scheme year during the last year of service,

  or

  - The **average annual pensionable earnings** are taken over any period of 3 consecutive complete years during the last 13 years of service. No adjustment is made for unpaid leave occurring during the periods, but comparisons are calculated for the three scenarios and the highest amount of pensionable earnings is taken as pensionable earnings for the pension award calculation. If your APAC does not hold a full 13 years of pay history, they will use any periods of less than 13 years that they have available. (This calculation is normally used in cases where someone wants to drop a grade in their last few years of service).

For **part time staff** the full time rate of pensionable earnings is used.

This page applies to **premium/classic plus** members only



The final element used to calculate your pension is the “accrual rate”.

- **Annual pension**. Your reckonable service grows annually, or “accrues” at the rate of 1/80th. This means that for each year of reckonable service that you have, you will receive 1/80th of your pensionable earnings when you come to claim your pension.

- So in **classic** your APAC will calculate your **annual pension** by **multiplying** your **reckonable service** by your **pensionable earnings** and then **dividing** by **80.**

- Your pension is **taxable income** and HM Revenue & Customs (HMRC) will tell Capita Hartshead which code to apply.

- In addition you will receive a **retirement lump sum**. The lump sum accrues at 3/80th of pensionable earnings for each year of reckonable service. In other words, you receive a **lump sum** that is **three times your annual pension**. The lump sum will normally be **tax free**, but if your pension and lump sum fall outside your LTA your APAC will deduct LTA tax.

- Your APAC will deduct from your **lump sum** any outstanding spouse’s/civil partner’s contributions that you have to pay. Your APAC will tell you if they need to make any deductions.

Classic Calculation Example

If we put the figures from the previous pages into the equation the calculation looks like this;

$$\frac{27.493 \times £23{,}025}{80} = £7{,}912.83 \text{ pension a year (taxable income)}$$

$$\frac{27.493 \times £23{,}025}{80 \times 3} = £23{,}738.49 \text{ retirement lump sum.}$$

This page applies to **classic** members only

You can choose to give up part or all of your lump sum in return for an increase in either your own pension, or in your own pension and your spouse's/civil partners pension. If you are interested in this option contact your APAC. You must make this option before you retire if you want to take advantage of it.

<u>Please note</u> that you can not give up part of your pension for more lump sum.

This page applies to **classic** members only

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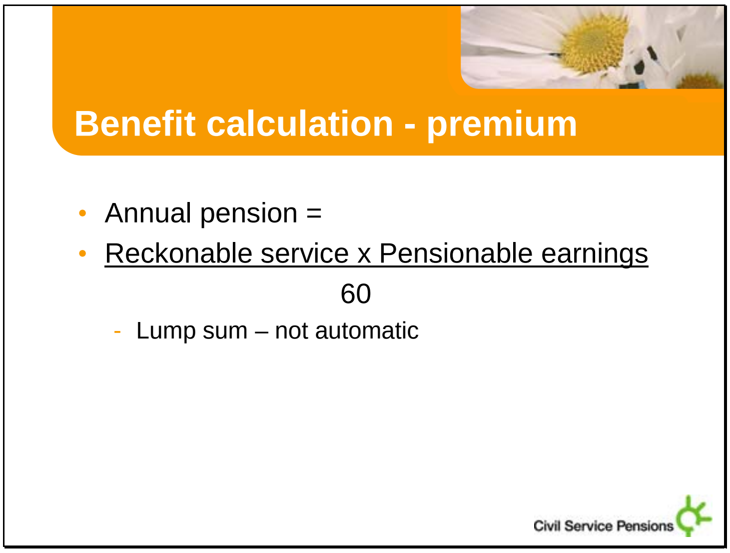

- The **premium** rate of pension growth is 1/60th annually. The APAC calculates the **premium** pension by multiplying your reckonable service by pensionable earnings and dividing by 60.

- There is no automatic right to a **lump sum** but you can commute (give up) some of your pension. You gain £12 of lump sum, for every £1 of pension commuted.

- There are limits on how much **lump sum** you can have. They are the better of your pension x 2.25 or 3/80 of actual service multiplied by your final pensionable earnings.

- Your estimate statement will show the maximum **lump sum** you can have. You will have to decide how much, if any lump sum, you wish to take. You could choose to take a smaller lump sum and have a larger pension.

- The **pension** is **taxable as income**. The **lump sum** is normally **tax free**, but if when you take your pension and lump sum you have used up all your LTA your APAC will deduct LTA tax.

Premium Calculation Example

If we put the figures from the previous pages into the equation the calculation looks like this;

25.427 x £23,025 = £9,757.61 pension a year

You can choose to commute (give up) some of your pension in exchange for a lump sum. As mentioned above you get £12 of lump sum for every £1 of pension you give up. There are two calculations:

This page applies to **premium** members only

3/80ths of your actual service multiplied by your pensionable earnings which is;

$$\frac{25.427 \times £23{,}025}{80 \times 3} = £21{,}954.63$$

or

2.25 x your pension which is;
£9,757.61 = £21,954.63

You will receive the higher of the two results. In this example both results are the same which is common unless you have bought added years or transferred another pension in.

To calculate how much pension you need to give up you need to divide the lump sum by 12;

£21,954.63 divided by 12 = £1,829.55 and take this figure away from your initial pension amount
£9,757.61 - £1,829.55 = £7,928.06

So your benefits if you took the maximum sum would be:
£7,928.06 pension a year and £21,954.63 retirement lump sum.

This page applies to **premium** members only

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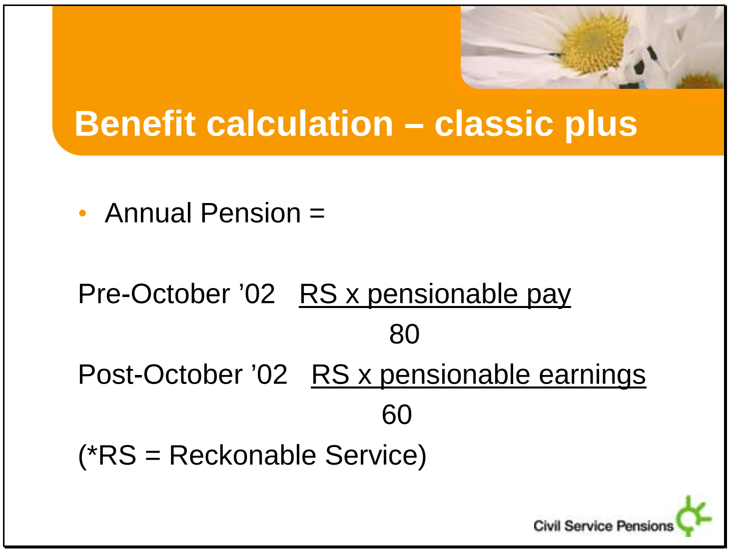

Benefit Calculation for **classic plus**

The pension for service before October 2002 accrues at the rate of 1/80th per year.

For service after October 2002, the pension accrues at the rate of 1/60th.

The **pension** is **taxable as income**.

This page applies to **classic plus** members only

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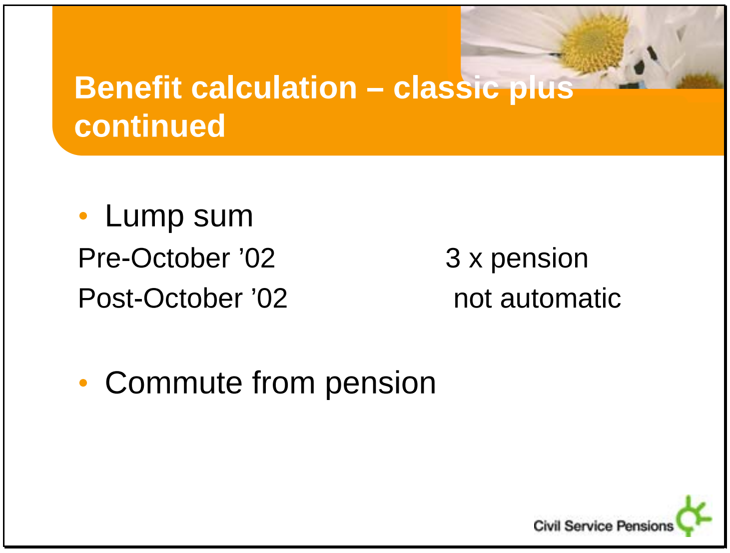

- For **service prior to October 2002** you will automatically receive a lump **sum** calculated at 3 x the pension that you have built up by that point.

- Your APAC could reduce the lump sum if you have outstanding spouse’s/civil partner’s contributions to pay. Your APAC will advise you if this is the case.

- There is no automatic right to a **lump sum** for **service from October 2002** but it is possible to commute (give up) some of your pension that you have earned after that date in exchange for a lump sum. You are given £12 of lump sum for every £1 pension that you commute (give up).

- There are limits on how much lump sum you can have. They are the better of pension (post September 2002) x 2.25 or 3/80 of actual service multiplied by pensionable earnings.

- Your pension estimate will show you the maximum **lump sum** possible. You will have to decide how much, if any, **lump sum** you wish to take.

- The **lump sum** is normally **tax free**, but if when you take your pension and lump sum you have used up all your LTA your APAC will deduct LTA tax.

This page applies to **classic plus** members only

Classic Plus Calculation Example

If we put the figures from the previous pages into the equation the calculation looks like this;

Pre-October 2002 service

$\frac{25.827 \times £23,025}{80}$ = £7,433.33 pension a year

plus

$\frac{25.827 \times £23,025}{80 \times 3}$ = £22,300 retirement lump sum

plus

Post-October 2002 service

$\frac{1.666 \times £23,025}{60}$ = £639.33 pension a year

You can choose to commute (give up) some of your pension in exchange for a lump sum. As mentioned above you get £12 of lump sum for every £1 of pension you give up. There are two calculations:

3/80 of your actual service multiplied by your pensionable earnings which is;

$\frac{1.666 \times £23,025}{80 \times 3}$ = £1,438.49

or

2.25 x your pension which is; £639.33 x 2.25 = £1,438.49

You will receive the higher of the two results. In this example both results are the same which is common unless you have bought added years or transferred another pension in.

To calculate how much pension you need to give up you need to divide the lump sum by twelve:
£1,438.49 divided by 12 = £119.87

and

take this figure away from your initial pension amount
£639.33 - £119.87 = £519.46

You could choose to take a smaller lump sum and have a larger pension.
So your benefits if you took the maximum lump sum would be;
£7,433.33 + £519.46 = £7,952.79 pension per year

and

£22,300 + £1,438.49 = £23,738.49 retirement lump sum.

Examples of the effect of Life Time Allowance on your pension

Example 1

David has a civil service pension. He retires from **premium** in December 2006 with a pension of £6,500. He has chosen to take a lump sum of £7,200. He isn't receiving a pension from another scheme at the time he starts to draw his civil service pension. The value of his pension for testing it against the LTA is;
£5,900 x 20 + £7,200 (lump sum) = £125,200
This sum of £125,200 is compared with the LTA of £1.5 million in 2006/07.

The benefits David is about to take will only use up 8.35% of the LTA and as David hasn't used up any of his LTA, he has enough to draw his lump sum tax free.

Example 2

Carole retires from **classic** in January 2007 with a pension of £40,000 and a lump sum of £120,000. She has already started to draw a pension from another salary related pension scheme operated by a previous employer. Her pension at January 2007 is £20,000. The pension she is already receiving will use up some of her LTA.

The value of her civil service pension for testing against the LTA is;
£40,000 x 20 + £120,000 (lump sum) = £920,000

As Carole is already in receipt of a pension this will have used up some of her LTA. The amount used up is;
£20,000 x 25 = £500,000, which is 33.33% of the LTA
Her civil service pension will use up 61.33% of the LTA, $\frac{(920,000\ )}{(\ 1,500,00)} \times 100$
Carole has 66.7% of her LTA remaining, so she has enough LTA left to draw her civil service pension without paying any LTA tax. Her lump sum can be paid tax free.

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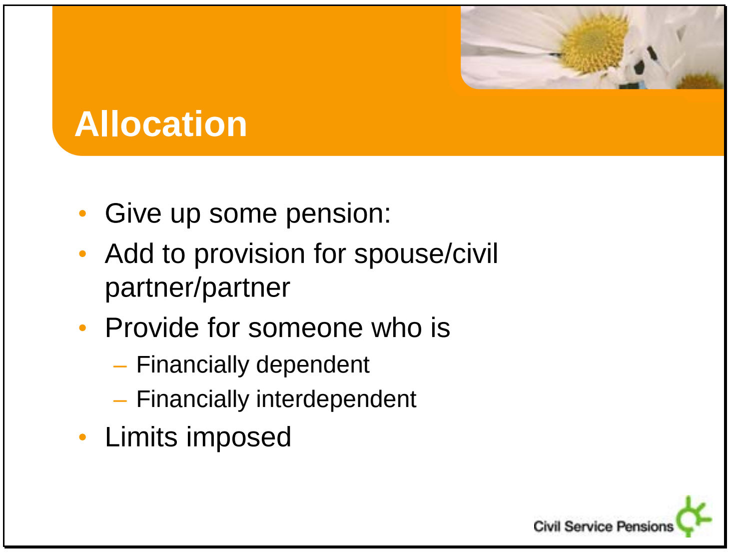


- A defined benefit scheme offers a guarantee, given in the scheme rules, to members that a specific level of benefits will be provided. There is provision within the PCSPS for you to **give up part of your pension**, if you wish to provide for others.

- **classic** allows you to add to the benefits already provided for your spouse or to provide income for someone else who is your dependant.

- **classic plus** and **premium** also include **additional provision** for a partner or someone with whom you are financially interdependent.

- There are **limits** as to how much pension you can allocate in this way. If you are interested your APAC can provide you with more details.

Top up options in the Civil Service

- **Added years**
- **The Civil Service Additional Voluntary Contribution Scheme (CSAVCS)**
  - **Civil Service Additional Voluntary Contributions (CSAVCs)**
- **Designated stakeholder**

- You may have paid in for more of these options during your Civil Service career.

- **Added years**. If you have bought additional years of service, these will count towards your reckonable service.

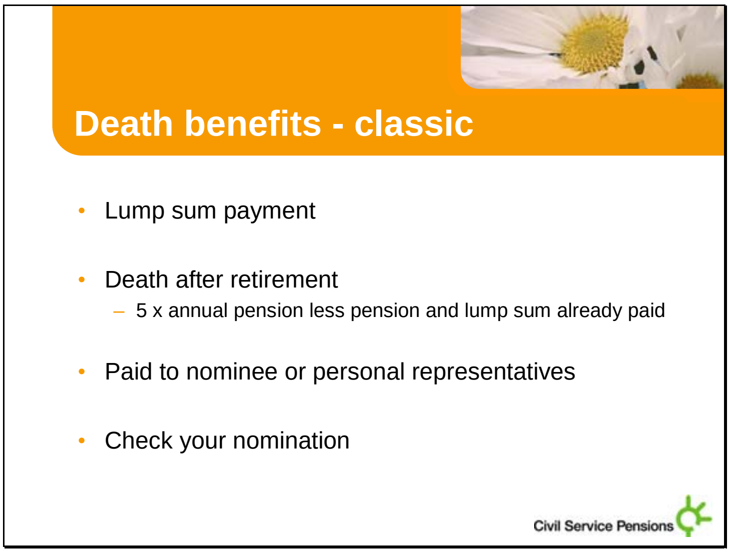
- **The Civil Service Additional Voluntary Contributions Scheme (CSAVCS)**. The CSAVCS has three providers, Scottish Widows, Standard Life and Equitable**.**

- If you have contributed to the **CSAVCS** the provider will have invested your contributions. When you retire you will have three options:

  - To take 25% of your fund or 25% of your remaining LTA, whichever is less, as a tax free lump sum. The remaining fund may be taken as an annuity (pension) from your CSAVC provider or from one of our other CSAVC providers.
  - To take an Open Market Option. You do not have to buy the annuity with the provider you have been saving with. You can look at any other provider's current rates and if they are offering better returns for your money then you can request that your fund value is transferred. If you wish to take a lump sum it will be paid by the CSAVC provider before the remaining fund is sent to the new provider to set up your annuity
  - You can defer taking your CSAVC. You can buy an annuity at any time between when you retire and the day before your 75th birthday. If you delay taking your CSAVC until age 75 or over you will lose the right to take up to 25% as a lump sum.

- Your provider will be able to give more in-depth information on the options available, or contact a financial adviser.

- Standard Life are the stakeholder provider for the Civil Service and you will need to contact them directly.



- Death benefits in **classic** are paid as a lump sum to your nominee or personal representatives.

- If you should **die shortly after drawing your pension** or annual compensation payment your nominee will receive the balance of 5 x your annual pension or annual compensation payment less any pension and lump sum already paid. This means that there will be no balance to pay if you die more than 2 years after retiring.

- If you are age 75 or are at date of death the balance of your pension cannot be paid as a lump sum. It will instead be paid in annual instalments.

- If you are divorced or your civil partnership has been dissolved you may have a court order that says, on your death all or part of any death benefit due must be paid to the ex-spouse/civil partner. If this is the case, any balance payable will be paid to your nominee or your personal representative if there is no valid nomination.

- **Check your nomination.** It is important that you keep your nomination for death benefit up to date. Speak to your APAC to check your nomination details.

- If you wish to change your death benefit nomination after retiring then you should contact Capita Hartshead.

- Speak to your APAC if you need to know about death in service benefits.

This page applies to **classic** members only

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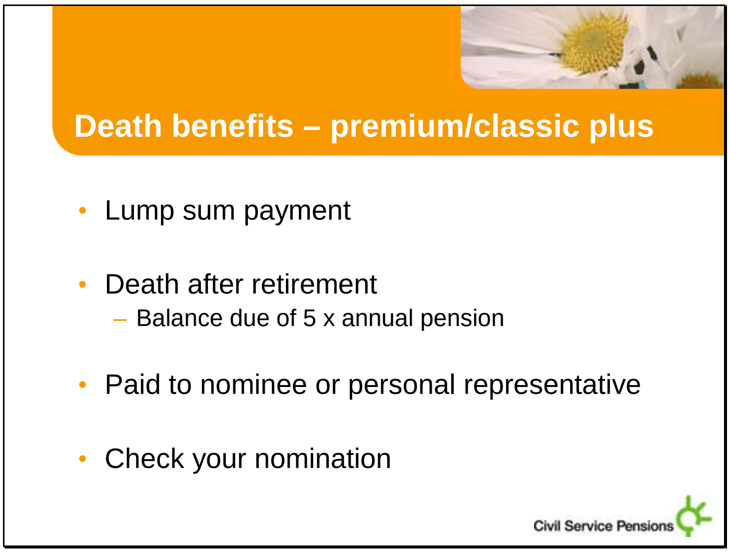

- A **lump sum payment** which is tax free under current HMRC rules is paid to your nominee or to a personal representative.

- If you are in **premium** and **die within 5 years of drawing your pension**, then the balance of 5 years worth of pension will be paid. If you commuted (gave up) some of your pension for a lump sum then the balance of 5 years' worth of the pension <u>after</u> commutation will be paid.

- If you are in **classic plus** and die within 5 years of drawing your pension, the payment would be made up of 2 parts:

    - The balance of 5 years' worth of pension based on service from 1 October 2002 and,
    - the balance (where applicable) of 2 years' worth of pension based on service before 1 October 2002.

- If you wish to change your **death benefit nomination** after leaving or retiring then you should contact Capita Hartshead. If there is no nomination on file any death benefit payable will be paid to your personal representatives.

- If you are divorced or your civil partnership has been dissolved you may have a court order that says, on your death all or part of any death benefit due must be paid to the ex-spouse/civil partner. If this is the case, any balance payable will be paid to your nominee or your personal representative if there is no valid nomination.

- Speak to your APAC if you need to know about death in service benefits.

This page applies to **premium** and **classic plus** members only

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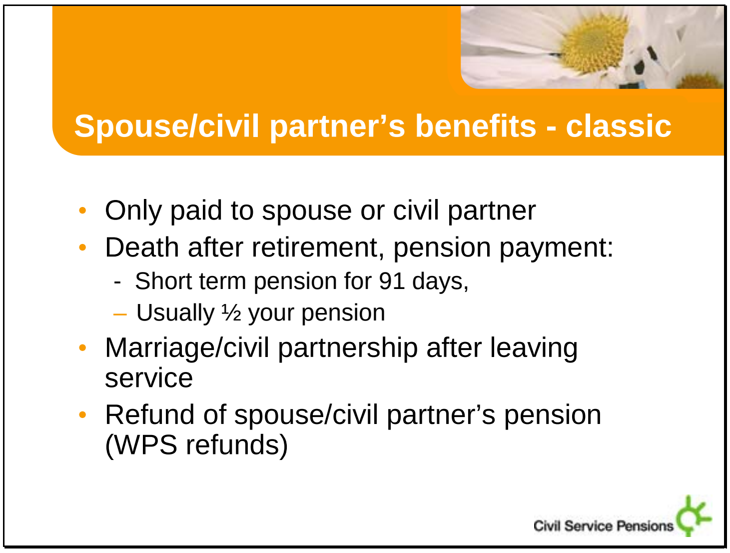

- **Under classic only the legal spouse/civil partner is entitled to any spouse/civil partner's benefit**. Your contributions of 1.5% pay for this benefit. For men this has been payable since 1 June 1972. If you were in service before this date you may have paid contributions of 1.25%. If you did not pay those contributions, then the balance due may be taken from your lump sum on retirement. Anyone in doubt as to their own position should contact their APAC.
- Female civil servants have paid for a spouse's pension since 1 July 1987 and had the option at the time to make back payments.
- Under the Civil Partnerships Act 2004, registered civil partners will be entitled to a pension that will be based on your service from 6 April 1988.

- On your death your pension will be paid in two parts:

  - **The short term pension paid for 91 days is paid at your rate of pension.**
  - **The on-going pension payable is usually at half your pension rate and is payable for life**.

- If your spouse/civil partner should re-marry/enter into another civil partnership or cohabit, then the pension will be stopped. This can be restored if the second marriage/civil partnership or cohabitation ends and they are left financially worse off or if there are exceptional compassionate reasons for restoring the pension.

- If you marry after leaving the service, your spouse's pension will be based on your service from 6 April 1978 (widows) or 6 April 1988 (widowers). If you enter into a civil partnership after leaving the service your civil partner's pension will be based on your service from 6 April 1988.

This page applies to **classic** members only

- If you are unmarried or not in a civil partnership at the date of retirement you will be eligible for a refund of your contributions for a spouse's/civil partner's pension less deductions to cover a pension for your spouse/civil partner in case you should marry or enter into a civil partnership in retirement.

- Under the Civil Service pension arrangements there is a liability to pay a pension to your spouse/civil partner if you should marry/enter a civil partnership after retiring and die before your spouse/civil partner. To cover this possibility your APAC will deduct a single non refundable contingent liability.

- If you were unmarried and never entered a civil partnership throughout your service, you will receive a refund covering the whole of your career. If you were married or in a civil partnership for some of your career, then you will receive a refund covering the period from the end of your (last) marriage/civil partnership. Your APAC will send the relevant form to claim a refund, tax will be deducted.

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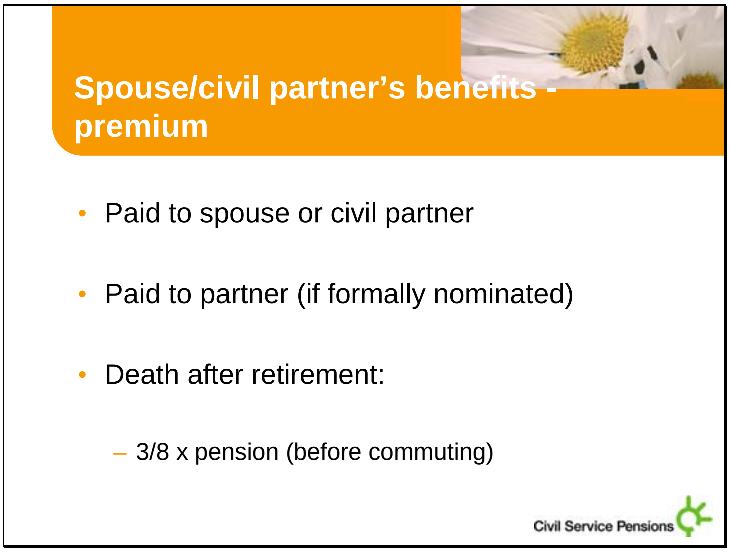

- Benefits are payable to the **spouse/civil partner or partner** (including same sex partner). In order for partners to qualify you need to have filled in the relevant declaration forms to prove you are in a long term relationship, are both free to marry/enter a civil partnership (if applicable) and are financially interdependent or the partner is financially dependent on you.

- The pension payable to a spouse/civil partner or partner is calculated as 3/8ths of your pension before any commutation. The pension continues for the rest of your partner's life after your death.

- If your spouse/civil partner or partner is more than 12 years younger than you, the pension payable to them on your death will be reduced by 2.5% for each year (or part year) in excess of 12 by which they are younger than you, up to a maximum reduction of 50%. (This reduction does not apply if you were in service on 30 September 2002 and opted to join **premium** or **classic plus,** and the beneficiary is your spouse to whom you have been married since before October 2002).

- The other main difference between **classic** and **premium** is that no higher rate short term pension is payable and if you are single at retirement there is no refund of contributions.

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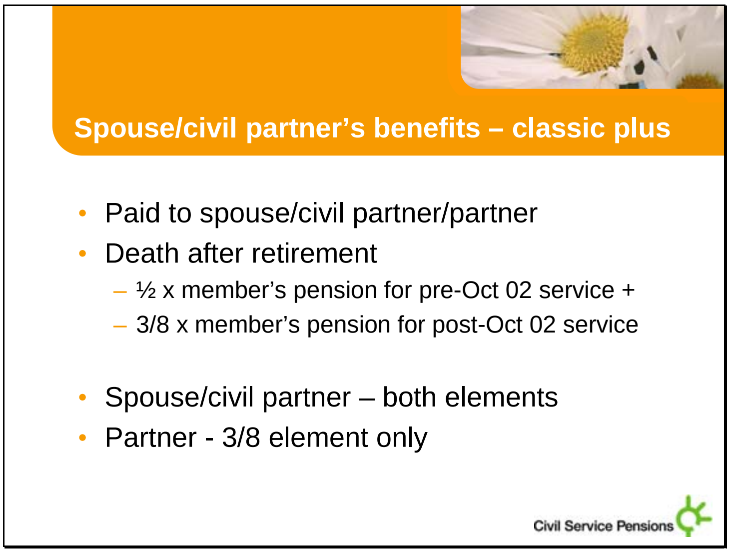

- **Benefits in classic plus can be paid to a spouse/civil partner or to a partner** provided the necessary declaration form has been completed to say that you were living together in a long-term relationship at time of death and that you were free to marry/enter a civil partnership (if applicable) and were financially interdependent or the partner was financially dependent on you. Your partner will only receive benefits for service from 1 October 2002.

- **If death occurs after retirement** then the pension will be paid at one half of your pension for service between 6 April 1988 and 1 October 2002 service (but only for years for which contributions have been paid), plus 3/8ths of pension for service from 1 October '02 (before any adjustment is made for commutation) for your spouse. For civil partners, only reckonable service from 6 April 1988 counts. Your partner's pension will be calculated from the 1 October 2002 with the 3/8ths element only.

- Single **classic plus** members get a refund at age 60 of any widow(er)s' pension contributions paid prior to 1 October 2002, provided you have remained unmarried throughout the intervening years.

- The other main difference between **classic** and **classic plus** is that no higher rate short term pension is payable.

This page applies to **classic plus** members only

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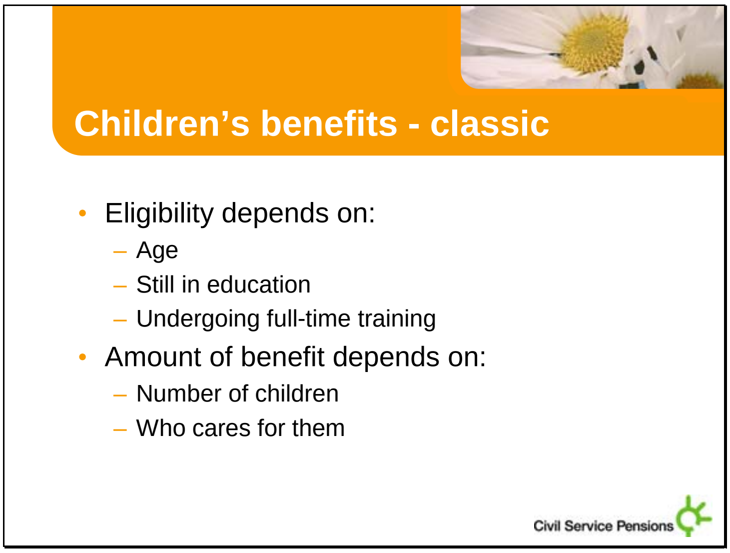

- To be **eligible for a child’s benefit,** the child has to be your natural or adopted child or financially dependent on you at time of death.

They must also be **under age 17**; or

- in full-time education;
- undergoing full-time trade, professional or vocational training lasting at least 2 years, during which they do not receive pay above a specified amount. Contact your APAC to find the current figure.

- From April 2006 the child’s pension stops when they reach age 23 even if they are in full time education or training.

- The level of pension paid will depend on the number of **dependant children** you leave and who is caring for them.

- For **classic** members each child in the care of the spouse/civil partner will receive no more than $^{1}/_{4}$ of the pension up to a total of not more than ½ of your pension. But this can rise to 2/3 if there is more than one child in the care of someone other than a spouse/civil partner and there is no widow(er)/civil partner’s pension

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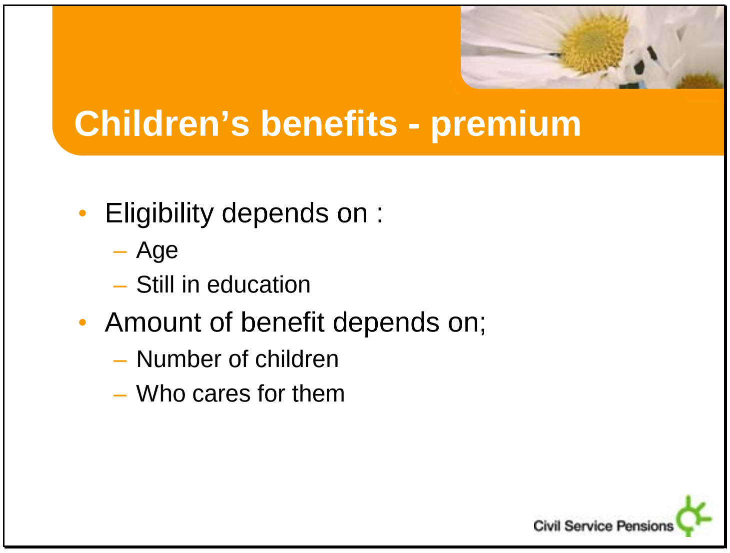

• To be **eligible for a child’s benefit,** the child has to be your natural or adopted child or financially dependent on you at time of death.

- They must also be **under 18**; or
- in **full-time education** and under 23 at the time of your death. A benefit is also payable for a child who is under 23 and has a mental or physical disability.

• The level of pension paid will depend on the number of **dependant children** you leave and who is caring for them.

• For **premium** members a child would receive 30% of your pension if a widow(er)’s/civil partner’s/partner’s pension is payable and 50% of your pension if no other pensions are being paid. If there are more than 2 eligible children then each child would receive an equal share.

This page applies to **premium** members only

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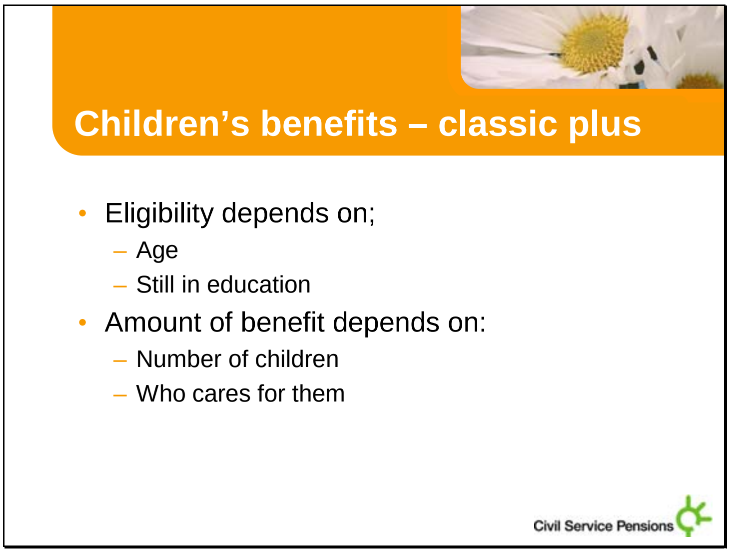

- To be **eligible for a child’s benefit,** the child has to be your natural or adopted child or financially dependent on you at time of death.
  - They must also be **under 18**; or
  - in **full-time education** and under 23 at the time of your death. A benefit is also payable for a child who is under 23 and has a mental or physical disability.

- The level of pension paid will depend on the number of **dependant children** you leave and who is caring for them.

- Eligible children of **classic plus** members would receive 50% of your pension for pre-October ’02 service and 30% of your pension for post October ’02 service, if we do not pay a widow(er)’s/civil partners pension after your death. If you leave more than 2 eligible children each child’s pension will be an equal share of the amount payable for 2 children.

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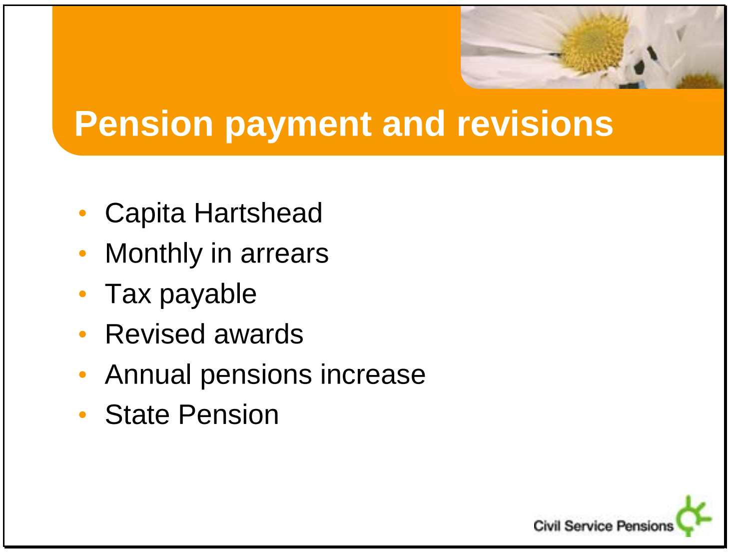

- Your APAC will calculate your pension and lump sum entitlement from the information on your Personal Details Form (PDF). Your APAC will send the calculation to **Capita Hartshead.** It is important that you complete and return your PDF as quickly as possible to avoid a delay in paying your lump sum and pension. Capita Hartshead will pay your lump sum as soon as possible after your last day of service. Capita Hartshead will write to you to let you know when they will start paying your monthly pension and the date of the month they intend to pay it. They will need to have your bank or building society details for payment, which is why it important to let your APAC know of any changes you may want when you return your signed PDF.

- The **payments will be made monthly in arrears** to your bank or building society account.

- Your lump sum will normally be tax free, but if your pension and lump sum fall outside your LTA your APAC will deduct LTA tax. Your **pension will be taxable as income** and you will be informed of your coding by HMRC who will also let Capita Hartshead know. You may be taxed on an emergency code initially but HMRC will correct this within a month or so.

- You may find that a **revision is applied to your pension benefit.** If this happens it will generally be between 3 and 6 months after pension starts**.** This will occur if there are any delayed pay increases due that hadn't come into payment before your pension was calculated. If this happens, the APAC will recalculate your pensionable earnings and inform Capita Hartshead of the increased amount to your pension and lump sum. You will be told about this before payment is made.

- Every year in April your pension will be subject to **annual increases** in line with the Retail Price Index (RPI). The increase percentage is announced by the Chancellor in the previous September and applies to the new tax year the following April. The full percentage increase may not be payable for the first year of pension if it started part way through the financial year. Subsequent increases will be paid at the full amount. Capita Hartshead will inform you of the increase and your new annual rate of pension.

- You may also notice some differences to your Civil Service pension when you start to claim your **State Pension**. If you were working in the Civil Service before 1980 you may notice a very slight reduction in your Civil Service pension, due to the effect of National Insurance Modification. This is an historical legacy dating back to 1948 when state pensions became universal. At that time public servants were one of the few sections of society who benefited from two pensions (state and occupational). In order to make pensions fair the Civil Service and other occupational scheme providers agreed to 'modify' their pensions for members who would benefit from both. A deduction of approx £1.70 a year was made for each year of pensionable service. This deduction attracts pension increases, usually calculated from the last day of service. This amount was never changed and the process was finally abolished for service after 1980.

- Another change you may notice at State Pension age is a slight reduction in your annual pension increases due to the effect of Guaranteed Minimum Pension (GMP) on your pension. This relates back to the State Earnings Related Pension Scheme (SERPS) which began in 1978 and ended in 1997. The Civil Service pension scheme was contracted out of SERPS on the proviso that it paid its members a guaranteed amount of pension of at least what members could expect to receive had they been in SERPS. There is an element of your pension that is the guaranteed amount and this will be increased annually with your Civil Service pension until you start to receive your State Pension. At that point responsibility for paying most of the increases on your GMP rests with Department for Work and Pensions (DWP), so you will receive those increases with your State Pension and not on your Civil Service pension.

- You will need to keep Capita Hartshead informed of any personal changes throughout your retirement.

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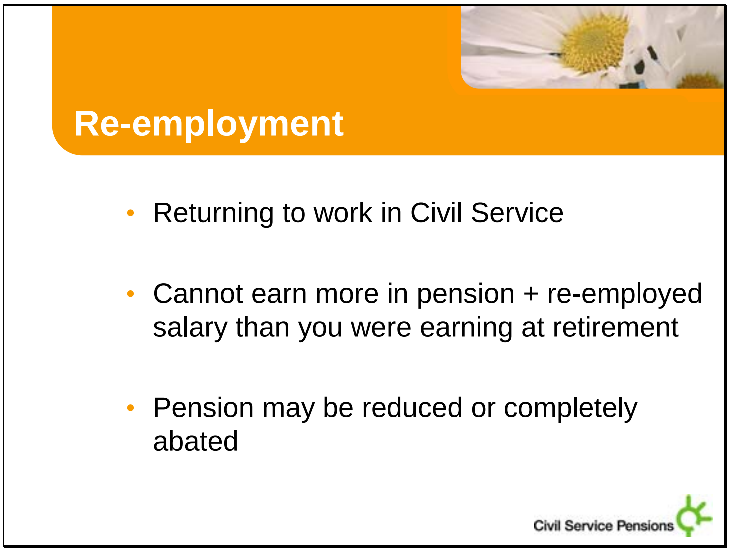

- If you **return to work in the Civil Service** or start work in an organisation covered by the Civil Service Pension arrangements any time after retirement, you <u>must</u> inform your new HR unit, APAC and Capita Hartshead.

- Capita Hartshead can provide estimates on the effect taking up paid employment will have on your pension. You will need to speak to your employer.

- If your **pension and re-employed salary combined** is more than your salary at retirement. Capita Hartshead will abate (reduce) or completely stop your pension. If you do not inform your HR unit, APAC and Capita Hartshead as above that you are re-employed, you will be liable to pay back the overpayment.

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Capita Harshead Ltd
Mowden Hall
PO Box 215
Darlington
DL3 9GT

Civil Service Pensions website: www.civilservice-pensions.gov.uk

Your employer can provide you with the contact details of your APAC. As well as these contacts there is always the option of speaking to a financial advisor about general financial planning matters for retirement.