

# Employer Pensions Notice

## EPN 281

### **Future Civil Service pension to be uprated in line with the Consumer Price Index (CPI) rather than the Retail Price Index (RPI)**

**Audience** This Notice will be of particular interest to: HR staff involved in pension issues

**Action**

- To note the information we have put on our website and to consider putting it on your intranet
- To issue the attached letter to those that have already received estimates on the processes outlined in paragraph 2 or to ask your Pension Service Centre to issue the letter on your behalf.

**Timing** Immediate

#### **Background**

1. On Tuesday 22<sup>nd</sup> June 2010, as part of the Emergency Budget statement, the Chancellor announced that the uprating of most social security benefits and public service pensions will be based on the CPI measure of price movements rather than the RPI. This change will take effect from April 2011 when Civil Service pensions are next updated.
2. However this has an immediate impact upon the actuarial factors used in a variety of other calculations used by the scheme. Cabinet Office Scheme Management Executive (SME) instructed the Pension Service Centres (PSCs) in MyCSP on 24 June to suspend any administration work that takes account of these factors until Treasury indicates how to take account of the CPI change. Some of the processes that have been suspended are Cash Equivalent Transfer Values (CETVs - non club transfers into and out of the Civil Service pension schemes), pension sharing on divorce, purchase of added pension, inverse commutation (classic only), allocation and actuarially reduced retirement including the member buy-out of the actuarial reduction.
3. Suspending these processes even for a short period is not ideal and therefore, SME and MyCSP, jointly consulted with Treasury and other Public Sector pension schemes to discuss and agree an acceptable way forward.

4. Revised scheme factors will now take effect from a future date, sometime in the autumn. We have already told your PSC that they can now start processing the suspended awards. The exception to this is CETVs which include non club transfers in and out of the scheme, pension sharing on divorce and the transfer out option for those who leave with less than 2 years service. Your PSC is not able to process these until HM Treasury have reissued their CETV guidance, which we hope to receive within the next few weeks (we will tell you when the guidance has been received). We have attached a notice that we put on our website to inform members of the delay to CETV estimates and you may wish to consider putting this message on your intranet.
5. When members request any estimate, your PSC will tell them, where necessary, about the change from RPI to CPI and to treat the estimate as an indication only as, if the new factors are implemented before their process is completed, their estimate may need to be revised.
6. Those who have already received estimates or quotes since 22 June will need to be told of the possibility of a revision. We have attached a letter to go to anyone who has already had an estimate for any of the processes listed in paragraph 2. A letter will not be required for CETVs which includes non club transfers in or out of the scheme, pension sharing on divorce or the transfer out option for those who have under 2 years service. If you have sent any estimates or quotes to members please send them the attached letter or ask your PSC to do this on your behalf.
7. Your PSC will write to any member who requests a CETV for a non club transfer in or out of the scheme, pension sharing on divorce or a transfer out option for those who have under 2 years service. They will tell them that there will be a delay in issuing their estimate.

**Contacts** Enquiries about content, distribution or to receive in a different format

**[employerhelpdesk@cabinet-office.x.gsi.gov.uk](mailto:employerhelpdesk@cabinet-office.x.gsi.gov.uk)**

**01256 846414**

**Employer Helpdesk, My Civil Service Pension, Grosvenor House, Basing  
View, Basingstoke, RG21 4HG**

You can find electronic copies of the EPG, all current EPNs and forms on our website [www.civilservice.gov.uk/pensions](http://www.civilservice.gov.uk/pensions) in the Guidance for employers section.

If this notice is to be circulated to members, then please remove contact details as the helpdesk is for employers only. Members should be directed to your pensions service centre if they have any queries.

**Letter to members who have already received an estimate**

Dear

You have recently received an estimate from your Pension Service Centre (insert reason i.e. actuarially reduced retirement, buying added pension etc).

Until now Civil Service pensions have increased each year in line with the Retail Price Index (RPI). This will change from April 2011 as the Chancellor announced in his 22 June 2010 budget. **In future increases to pensions will be linked to the Consumer Price Index (CPI).** This change has an effect on how we work out some Civil Service pensions and the transfer of pension rights in and out of the scheme.

We are working on how we do this to take account of the change to CPI. This means you should treat your estimate/quote as an indication only as these figures could change. We will let you know in due course if you are affected by any change, and if so, we will tell you when we have revised the figures.

Yours sincerely

## **Information on CETVs for your intranet**

### **Consumer Prices Index (CPI) and Cash Equivalent Transfer Values (CETVs)**

In his budget of 22 June 2010, the Chancellor announced that the Government is changing the uprating that is applied to public sector pensions from the Retail Prices Index (RPI) model to the Consumer Prices Index (CPI). We are waiting for HM Treasury guidance on the way this will be implemented. Until then, we will not be able to provide members with CETV statements as these are affected by the up-rating mechanism.

If you need a CETV statement because you are;

- getting divorced
- transferring a pension into your Civil Service pension, or are
- transferring your Civil Service pension to another pension scheme

Please raise your request through your usual HR/pension channel but be prepared for a slight delay in getting a response. We will update the website when we have received the guidance and are in a position to issue CETVs.