

Transcript: Kids, marriage, divorce and more: how key life events affect your pension

Rob Hello and welcome to this episode of the Civil Service Pensions podcast. I'm Rob Walker from MyCSP.

Emily And I'm Emily Eccles, also from MyCSP.

Rob Today we're talking about moments that matter, all the key life events that many of us will experience at some point during our careers and how they affect your pension.

Emily With us today, we have Mick Mulligan, Head of Engagement for Civil Service and Royal Mail Pensions at the Cabinet Office, and Emily Wilson, Senior Training Consultant at MyCSP.

Rob Welcome, Emily. Mick, thanks very much for joining us. So before we start, it'd be great if you could each tell us a little bit about yourself. So, Emily, why don't we start with you?

Emily Wilson Sure. Hi, everyone. Thanks for having me. I'm Emily Wilson, and I'm a Senior Training Consultant at MyCSP, so I joined MyCSP about seven years ago. I spent the first four years in the Enquiry Centre before moving over to Training about three years ago. And we sort of specialise in helping members of the pension scheme understand how the pension works and how they can get the most out of it.

Emily Great. Thanks, Emily. Mick?

Mick Hi. Thanks, Emily. And I'm Mick Mulligan, Head of Engagement for Civil Service and Royal Mail Pensions. I've been in the Civil Service about 30 years now, and my current role involves working with the scheme to develop strategic direction for comms and engagement and then working with the scheme administrator MyCSP to understand how that sort of develops into sort of operational delivery.

Rob Great. I should probably sort of call out that we've got two Emilys here. We've got Emily Eccles and we've got Emily Wilson, so we've got to try and remember that they've both got different voices. So we know there's some really common life events that pretty much everyone goes through at some point. But we don't always know, or we don't always think about how these might affect our pension. So let's start at the beginning. Emily, what happens when you first join the scheme after getting a new job in the Civil Service?

Emily Wilson Sure. So what happens is when you first join, you are automatically enrolled into a scheme called alpha and that's from your first day of service. That automatically happens, your employer puts you in the scheme. Within about a month or so, your employer will normally send you some forms to fill in, and that's where you state either that you want to remain in alpha or choose the alternative scheme option. You also state if you're interested in transferring any previous pensions in. And that's really important because you've actually only got a 12-month window to do that. So you'll get all of these forms within a month or so of joining, but also your contributions will start. They start straight away from your first monthly pay. Member contributions range from 4.6%, go up to about 8.05%, salary related. Your employer contributions also start, which are again salary related and it's a minimum of 26.6% in employer contributions. So you can get more

information about the contribution rates and salary bandings on the scheme website. You'll also then get benefit statements each year from there, normally produced over the course of the summer and once you've received your first statement, you can log in online to the pension portal, view your details, use the calculators, all kinds of things. So it's a really useful platform and we've got a guide for that on the scheme website that you can look at too.

Rob And what about transferring other pensions in?

Emily Wilson So you can transfer the previous scheme in, it just needs to be done within your first 12 months of service. That's a really important one to note because I think it's really easy to just miss that because you learn about it so early on and we get people asking about it then down the line when they've missed the window. So really important to engage straight away with your pension.

Rob And what is the benefit of transferring a pension into the Civil Service Pension Scheme?

Emily Wilson That can be different for different people. Of course, we can't give any financial advice but I mean, if we speak in facts, a lot of the reasons people choose to transfer in is because A, they'd just rather have everything in the same place. So it's easier to manage, keep track of, and then to also claim back at retirement. But also, secondly, it's known kind of industry-wide in the pensions that the Civil Service Pension Schemes are one of the best pension schemes there is. So knowing that, it's a very attractive option to a lot of people.

Rob I should also mention that the Civil Service website that you refer to is www.civilservicepensionscheme.org.uk.

Emily So you've just joined the scheme with your new job in the Civil Service. You've got loads of information that's really helpful to help you engage with your pension from the get-go. So that's great. So what happens kind of further down the line, maybe say in a few years, you decide you want to take a career break?

Mick Yes. So, a career break's a bit of a funny one. So the Civil Service, in certain circumstances, will allow members to take a bit of a break from work and it might be to do further education, it might be to go and explore different opportunities, it might be actually it's going to do some charity work. So generally, it would be quite short from 3 to 6 months up to a maximum of about five years. What that means is that you're leaving employment and your pension contributions obviously are, obviously stop being made because you're not getting paid on a monthly basis. So effectively your pension is frozen and if you do return back to work, it then picks up from where it left off. Now what that does mean is that depending on the length that you're away from work, you might potentially lose out on some of the service that you would have had in that period. So, for instance, if you left for two years and you continue to work for another 30 years at the end of it, you might potentially be down two years that you would have, in another situation, had accrued an additional pension for. So one of the options around that might be Added Pension and that's where you can pay additional contributions and at the end of that period, you would have made up for that drop in service. So there's a couple of options around that. We've got some really useful information on the website, there's a bit of a landing page which gives you different information on that and there's also a calculator and you can look at either how much you can afford on a monthly basis. And if you put in some details about

yourself and you put in how much money you can afford on a monthly basis, then it will tell you how much added pension you've bought at the end of it. Or alternatively, if you think actually I'd like an extra £2,000, £3,000, £4,000 worth of pension you can actually put into the added pension calculator, how much added pension you want to purchase and that will tell you how much money you have to put in monthly. So, that's quite a nice little tool to use if you are planning for the future.

Rob So on the Added Pension, then – so you've got an employer - as in the Civil Service - who will give you the option to take a sabbatical, take some time off work and go travelling or do whatever it is you want to do – or have a baby, things that people do in their lives. But for the pension, obviously, to plug the gap that that's going to leave in your pensionable earnings or the money that you've built up in your pension, you can purchase extra, to fill it in?

Mick Absolutely and I think for me, that's really key. And it's not just about if you've had a gap, because actually, what you might want to do is, you know, even if you haven't had a gap, you may want to explore what Added Pension means for you. So again, if you look at the Portal and you look at the modeler and you look at how your pension is projected to be when you come to retire, and you think about what you want to do, do you want to go fishing? Do you want to travel the world? Actually, if you look at your pension, you think actually it's not quite where I want it to be or it's not quite where I think my sort of monthly income needs to be, then you can go and play on that Added Pension calculator and think about, actually, I can afford to pay an extra £50 a month or £100 a month, if that's going to give me an extra annual income of £1000, £2000, £3,000 of pension every year.

Rob That's a really great facility.

Emily Yeah, that makes sense. It's sort of an option to give your pension a bit of a boost, I suppose, isn't it? And make up for lost time if you have had a gap.

Mick Yeah. And I think that's, you know, part of the engagement that we're trying to look at is helping people understand not just where they are now, but where they want to be when they come to retire. Because obviously, you know, we're all under stress at the minute around, you know, cost of living and etc. But actually, you need to think ahead and think, you know, when I do retire, what do I really want to enjoy? And I think if you think about, you know, adding that extra 20, 30, 40, £50 a month, how much of an impact that'll make when you come to retire? And the other thing to bear in mind is that this isn't age limiting so for me, the earlier you engage with your pension, then the better it is and the more options you've got.

Rob Yeah. So on that, so you know obviously we hit age milestones in our life don't we, and a lot of those happen when we're working. So is there a point where, you know, people wake up and think, crikey, 'I need to have a look at my pension here'? Is that something that you've observed?

Mick I mean, I think if we look at the statistics of queries to the contact centre queries that come in, generally people start switching onto their pension in their late forties, early fifties, because that's when they really start thinking about, ooh, retirements within ten years or five years or six years. And actually, it's not too late to do it then, but for me it would be much better if people started doing it much earlier. And so for me, you know, the earlier the better but really twenties, thirties, at least start thinking about it and start playing around with that modelling. Start thinking about where you want to be, even if you don't

commit anything, start thinking about it. Because the number of times where we've done an awareness session for somebody who was in the sort of mid-to-late fifties and the turnaround to me and have said, actually, I wish I'd had that 20 or 30 years ago. And actually, it really pushes me, you know, working with MyCSP to sort of try and, you know, get people at a younger age so they have got time and the options that maybe are slightly reduced if you start thinking about it, as you said, Rob, you know, towards the late forties and early fifties.

Rob So Emily, what tools are available then for people to do that, to start engaging with the pension? What can you do?

Emily Wilson Yeah. So I mean just kind of echoing a little bit about what Mick said really. Normally people who come on to the engagement sessions, kind of, in their late forties early fifties mark and we always hear the same thing: "I wish I'd have had this information sooner". Well, all of the information is available sooner. So just to use myself as an example, I've just increased my own pension contributions and I'm only 28. Obviously, the younger the start, the better that's going to look for you at the end. And this is why when you first join, what we were saying before, that's why all of that information is given to you there and then so that you know you can register for the Portal. This is where you can go to view all of the information that we hold for you to make sure everything looks about right. On that portal, you can view your benefit statements, so this is produced every summer, normally over a couple of month period, and that tells you what you've accrued up to that point, so you know where it's sitting right now. But what you've also got on the portal is the retirement modeler. So this is a retirement projector, basically, and it's pre-populated from all of the information on your last statement, and it will tell you what you will have accrued right up to a date in the future. It also includes any early retirement reductions, if applicable, so it's a very useful figure to go off and to check, and you can do that from when you get your first benefit statement. The main thing I would say is to always check over your statements because things need to be right on there, of course, for the calculators to work. So the two things really should be going hand-in-hand. So if you're going to be using the modeler, get into the habit of checking your last statement first.

Rob So I suppose, you know, this whole thing about, people tend to start engaging with their pension when they get to their late forties, early fifties. I suppose in some ways, it's about trying to make that mental leap, for those younger people, people like you who are doing that - you've made that leap, that this is a personal financial thing, this is just a savings account, effectively, that's just going to sit there for a long, long time. Rather than it being something that is just a very remote thing that's connected to work, it's a personal thing that's as personal as your bank account.

Emily Wilson Yeah. And I think it's easy for especially the younger generation to say, actually, I would rather have that £100 in my pocket at the moment, rather than going into a pension. People forget sometimes that's how the tax relief that you get on the contributions as well. So £100 as a pension contribution wouldn't necessarily translate to £100 in the pocket. You getting that tax relief saving on it as well. So it's really when you look at all elements of it, it's really beneficial to do it as soon as you can.

Rob I suppose, as we've covered on previous episodes, you also get employer contributions as well.

Emily Wilson Yeah, exactly. Yeah.

Emily Really high employer contributions.

Mick 27% they're paying into the scheme and that covers a range of things, not just your pension. I mean, I think another, just to follow on from what Emily was saying, you know, I think another really useful tool that's available for, you know, anybody in the scheme. But, you know, especially for some of you joining or mid-career is the Pension Power facility that we offer. So Cabinet Office fund MyCSP to do hour-long pension awareness sessions and they talk about how the scheme works, how it accrues, they talk about Added Pension, they talk about the family benefits. So, you know, if something happens to you while you're in service, then you know, there's a lump sum that's paid out in addition to the pension. So there's a lot of additional information out there and I think if you go onto the pensions website and there's options there about logging on to the virtual Pension Power sessions, and again, that's an hour long and you can ask questions. And I think for me it's a really good grounding in understanding how the pension works and what options you've got.

Emily That's really useful. So that's online training that's free, that members can access through the Civil Service Pension Scheme website. And it's run by- oh Emily, it's run by your team, isn't it?

Emily Wilson Yeah. I was just going to jump in, I've done quite a lot of them. What's really good about it is we run them every single day. So if you log on, you should find a date and time that's suitable.

Emily I didn't know that, every single day?

Emily Wilson Every day, and like you say, free of charge. So, I mean, so why not? Why wouldn't you just go on to attend?

Emily Absolutely.

Emily Wilson We've just launched a New Joiner version as well, so specific to those within the first 12 months of service. Really useful tool, I would say. We get some really good feedback about it as well. So it goes down well.

Emily That's a really good tip. Really good tip. I'm just thinking about like, those other kind of major life events that come along that people don't often link to their pension in lots of ways. I guess another common kind of trigger point for people to start thinking about their pension more might be when something changes to do with their health?

Mick Yeah, I mean I think again, the scheme offers certain sort of options with regard to that. So obviously if you become ill then obviously you've got your normal sort of process within the employer, but as your pay reduces then obviously your pension contributions reduce as well. So if, for instance, it was found that you couldn't continue with work and your medical condition got more serious, then there are options about claiming your pension earlier and there's various levels upon that. So you would go through a process of having a medical assessment done, and depending on what the medical situation was, you get what we call medical retirement. And again, that means that in certain circumstances, you might get your pension paid early and it might be enhanced and it depends on the circumstance. But again, it's a bit of a, it's a bit of a sort of a backup relief. So, you know, if, for instance, you did have a medical condition that prevent you from work

and then the pension would come into payment early and help you sort of continue with your life in that situation.

Emily See, I think that's so important to note and so valuable to call out. From a health perspective, what's great about this scheme is that it caters for that kind of scenario. If the unthinkable were to happen and something was to irrevocably change your health and you can't work anymore, there usually may be a way for you to access your pension and not have to worry about your finances from that perspective.

Mick And again, I think if for me, you know, either if you just joined the scheme and you're young and you think, well, is it really worth joining the scheme? I think there's a number of factors why you should join the scheme. You know, I mentioned the thing about, you know, if you die in service, there's a lump sum there. You've got the medical sort of retirement where the pension is payable. But if you've got dependents and families, there's also you know, if something did happen to you, you know, there's the children's pension, there's the widow's pension, there's a spouses pension, there's a partner pension. So there's a lot of benefits from being in the scheme over and above just getting your pension.

Rob So you're really kind of looked after, from the perspective of a pension. I think it's quite easy to kind of dismiss those sorts of things. But it's not something that is offered by many other schemes, is it?

Mick Not to the level, I think I consider myself lucky. So I joined the Civil Service, DWP when I was 19 and I joined Pensions. So I was quite lucky in that my first job was in pensions and everybody around me was saying, it's really important. You need to be in the scheme, don't, you know, don't opt out and spend the money on, you know, drink and food. And I've just had a similar conversation with my daughter. So my daughter's come out of uni, she's doing a bit of work with John Lewis at the moment. She's been opted into the John Lewis scheme and I had a very similar conversation with her, . 21-year-old, "Dad, why am I in the pension scheme?" So I was talking about, you know, stay in the pension scheme, you know, you might not be with John Lewis very long, but actually you don't know where you going to be in two, three or four years, but from a career path, you might end up being there. So for me, stay in the scheme, you know, put contributions in and then and then see where life takes you.

Rob And I suppose then, if the worst was to happen and you get ill, then you've got that sort of protection haven't you?

Mick Absolutely.

Rob It kind of reminds me a little bit of the conversation we had in a previous episode with Linda about how she felt like there was love between her and her colleagues. We talked about this concept of the Civil Service family, people feeling like they're close colleagues. And in some ways, that's echoed in the way that the scheme treats the members, because it sort of wraps its arms around them in that way.

Mick Yeah, and I think one of the biggest concerns for me is that awareness piece. I mean, we're doing the podcast today and I think if we can sort of expand upon as many channels as possible to get this message out to the membership, that actually this is a really, really good scheme and there's lots of benefits associated to that, then, then that can only be a good thing.

Rob Yeah, these people are really lucky. You're lucky to be a member of that scheme, without a doubt.

Emily Okay. I mean, over the course of this whole series so far, we've gotten a really clear idea of just how great the scheme is. So moving on a little bit then to, you know, these other kind of key moments in life, what happens when you get married or even you get divorced? Emily, is that a moment where you need to think about your pension in a different way?

Emily Wilson Yeah, I think the best way to approach it, you know, whether or not it's going to affect your pension is to treat it as she would your will. So when you have something big that changes with your personal information, make sure that that reflects on your pension. So do you need to update your details? So, for example, if you recently got married, do you want to make this new person your Death Benefit Nomination? Or in fact, if you've recently gotten divorced and you initially have that person as your death benefit nomination, do you need to change that? That happens really often in the Civil Service, people tend to forget to change that nomination. I mean, one of the good rules about it is that if you divorce or get divorced with someone and they were your nominee, it actually automatically voids that nomination anyway just to save any sort of complications down the line in case they forget. A lot of the time as well, your pension, it can be really the largest or one of the most valuable assets that you've got at any one time so a lot of the time, it can be used in the split of assets in divorce proceedings. Now, that isn't always the case, it wouldn't always be used if you can kind of agree with each other to not touch each other's pensions, great. It's not always that amicable, a divorce, so sometimes it is going to be used. Normally what happens is whoever's dealing with the divorce would split your pension pot between you and your ex-spouse and the split can just depend on, you know, the whole case really, obviously we don't see every side of it. So just something that you need to keep in mind, you know, and you can get more information about how divorce would affect your pension figures by whoever your legal representative is at the time. The main thing there is to just let us know about any big changes. Have you got married? Have you got divorced? Obviously to update your marital status and name maybe, but also that death benefit nomination is an easy one to forget. So keep it in mind.

Rob I think there's one thing to draw out from what you just said there Emily, and that's that your pension is one of the largest and most valuable assets you have. I'd never thought about it that way before. So you think about what your largest assets are – well it's my house or it's my savings or my car or jewelry. But who would think that their pension would be one of their largest and most valuable assets? But actually, of course it is.

Emily Absolutely is, yeah.

Emily Wilson When you think about a pension, a lot of people just look at, okay, what am I going to get as an annual income for when I retire? But in terms of the pension value, you've got to remember that pension is being paid to you for life. That could be maybe ten years, 20 years, whatever it is, that's all reflected in the value of your pension when it's split between divorce proceedings. So yeah, it's huge. And it can, a lot of the time we see it be the second highest asset in divorce, you know, after properties and houses. Yeah.

Rob That's magnified with the Civil Service pension, because it's not a pot of money that's got a finite value. It's an income that's guaranteed for life. So it's effectively a bottomless pot of money isn't it?

Mick Yeah. Yeah. I think people get, I think a lot of people get confused between private pensions and the Civil Service pension where they think you've got a pot of money that's invested and it's not like that. It's actually, because it's a defined benefit scheme, you basically put your contributions in, you can work out exactly what you're going to get the end of it, which is why it's called defined benefit scheme. Whereas for the private pension, you're investing money in stocks and shares, it can go up and go down and then you use that pot of money to go away and buy an annuity or a pension so it's a lot more trackable and you can understand where you're going to be at the end of it.

Rob The way I've thought about it and it's been because of this podcast is that, the difference between how we traditionally think of a pension as being this pot of money, is that we just hope we don't live long enough for it to run out. Whereas obviously with the Civil Service pension, it doesn't matter. You can live as long as you want, it's never going to run out.

Emily It was Dominic actually that put it in a really interesting way that made me, like it made the light bulb go on in my head, where he said with defined benefit, the benefit is defined at the end, but with defined contribution, what you contribute is defined, if that makes sense. And I thought, oh that makes total sense. He knows what he's talking about.

Rob Hence his job.

Emily Yeah.

Rob Okay. So we've talked about taking time out of your career sort of earlier on. Many people will take time off to have or to look after children. So Mick, what does that mean for your pension?

Mick So I mean, I mean, let's expand that out a little bit. So I think it's, you know, we talk about maternity leave, paternity leave, adoption, parental leave, you know, things like that, you know, term time. But actually wider than that, there's other reasons why you might take time off. So I'm thinking specifically around carers, so, you know, we're an ageing population. A lot of people have got caring responsibilities and I think what that means, so if you have a career is that, you know, you may have to go part time or you may have to take time off to look after children or other, you know, parents or siblings and thinking about where your pension is and that impact that having that time off has on your pension and what it might be when you come to retire, I think is really important. So again, just to sort of reference what I was talking about earlier is that, even if you don't do anything. Please, please go on the Portal, look at what the modeler's telling you from a pension projection perspective, because you know that time off to look after children or indeed care for, you know, a loved one, will have an impact on your pension potentially. And at least if you understand what that impact is, then you can plan around it.

Rob But I know - for example, my wife when we had kids, she went on to full pay for a certain period of time, then half pay, then maternity pay, and then nothing for a period of time. So obviously it was diminishing in terms of the amount that she was paying. So, the added pension facility obviously allows you...

Mick Certainly and again, you know, whether you've got a break or not, I think it's a really useful thing to at least look at. So, you know, as I said earlier, you think about what you want to do when you come to retire. You know, whether it's look after the grandkids or even if it's just, you know, you go away and enjoy Australia or if you just want to go walking

in the hills. Whatever you want to do, there is a cost applied to that and it's going to be, you know, on a sliding scale depending on what your hobbies and interests are. So if you can plan now you know as much as possible and understand where you want to be, then the Added Pension is always an option. There is another option that we call Additional Voluntary Contributions. So that is done through Legal & General and essentially what that is, you're setting up a mini private pension and effectively what you're doing there is you pay contributions into a fund that's invested in stocks and shares and again, that can go up and it go down. And at the end of that period of time, when you've been paying into the AVCs, you've got a pot of money and again, as I said, you can use that money to invest in a pension. Now, you know, we're not financial advisers. I can't tell you what's best for you, AVCs or Added Pension, what I can say is that with Added Pension, you know what you're going to get at the end of it. With the AVCs, you know, it's invested in stocks and shares. So if that's your, you know, bag and you're interested in that, then that might be a better option for you. Or if you're a bit more sort of, "Added Pension is the way to go for me", then go down that route alternatively. But there are options there and I think, you know, considering, you're better considering all of your options than not at all, that would be my advice.

Rob The thing that I'm hearing here is that there's options – working in the civil service and being a member of the scheme gives you the flexibility to have time off with kids or go and spend a year travelling around Australia and not lose out on what the future might look like.

Mick Yeah, I think you're absolutely right, Rob. I think one of the things that I do laugh at, having worked in pensions for 30 years is that, you know, pensions must be pretty appalling because nothing changes pensions. So nothing changes and you don't have any options. Actually, you've got quite a few options and things are always changing. So, so keeping abreast of what's going on and you know, using the available information that's out there for me is, you know, a sensible option. As I said, I was really looking at lucky at 19 to come into a Pensions Department and what I'm trying to do now is share that knowledge with the help and support of MyCSP as an administrator to try and promote as much as possible that awareness piece and the options that people have got.

Rob Thanks Mick and thanks Emily, for joining us today. It's been really useful, really informative. Thanks very much for your time today.

Emily Wilson Yeah, no, thanks for having us. It's been really good. I mean, as Mick said before, just sharing a bit of knowledge that you've gained and sharing it with other people and hoping that other people can benefit from it.

Mick Yeah. Thanks, everyone. Appreciate you sort of facilitating today and hopefully people who find it useful and visit the website and pension power. Thank you.

Rob civilservicepensionscheme.org.uk!

Emily Plug it, plug it!

Rob If you want to find out more about any of the topics we talked about in this episode or tell us about something you want us to cover in a future episode, head to civilservicepensionscheme.org.uk/podcast.

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Rob Thanks again for joining us!