

## EPN 108

- 1) **Staff Secondments**
- 2) **Transfers to employment in the EU and co-ordinated organisations**

**ISSUE** Pensions implications when staff are seconded to employers outside the CSP arrangements or transferred to an employer within the EU or a co-ordinated organisation

**This Notice will be of particular interest to:**

- ◆ **HR managers and staff with responsibility for processing secondments and transfers.**

**ACTION**

*To note:*

- options available when negotiating a secondment
- procedure for staff joining the EU and co-ordinated organisations

You should keep the attached pages in Section 5 of the Employers' pension guide. (This section is to be updated shortly and will incorporate the information given in this EPN.)

**Contacts:**

Enquiries about content:  
Employer Helpdesk  
[employerhelpdesk@cabinet-office.x.gsi.gov.uk](mailto:employerhelpdesk@cabinet-office.x.gsi.gov.uk)  
01256 846414

Enquiries about distribution of EPNs, or if you would like this information in a different format:

Judith Hornby  
[judith.hornby@cabinet-office.x.gsi.gov.uk](mailto:judith.hornby@cabinet-office.x.gsi.gov.uk)  
01256 846201

**\*Reference**

All EPNs and forms may be found on the website:  
[www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)  
in the Employer and APACs section

Username: employers

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## Secondment

5.1.14 Departments are encouraged to arrange for the interchange of staff between departments in the Civil Service and outside organisations where they are satisfied that it would benefit their wider interests and the individual concerned. There are no formal limits on age or grade. Staff who are seconded to an outside employer do not cease to be **civil servants**.

5.1.15 Secondment is normally for a period of up to 3 years in the first instance. This may be extended to 5 years. A longer period of secondment can be agreed when it is in the best interests of all parties.

5.1.16 The pension position must be clarified before the secondment begins.

The following sections of this guidance (up to section 5.1.23) cover outward secondments for **PCSPS members** to external organisations.

5.1.17 Subject to the rules on pay and employment, the terms of a secondment are a matter for negotiation between the borrowing employer, the lending employer and the secondee. You must give an outward secondee a written statement of the effect of the secondment upon their pension arrangements. You will need to base the statement on the terms you are agreeing with the borrowing employer for the secondment to go ahead.

5.1.18 The information given in Table 3 'Secondment arrangements for **PCSPS members**' (see 5.1.23) will help you decide these terms. If you wish to offer alternative pension arrangements for **PCSPS members** on secondment to those set out in table 3 you must obtain the prior written authority of **CSPD**.

5.1.19 You must agree the arrangements for injury benefit cover before any secondment begins. You must give the secondee a written statement to explain who is providing the cover

and, if it is being provided by the **CSIBS**, what it comprises. To help the **member** to decide whether or not to take the secondment you may wish to enclose with the statement a copy of the scheme leaflet on **CSIBS**.

5.1.20 In cases of outward secondment where the secondee does not remain an active **member** of the **PCSPS**, the borrowing employer (or the employer's pension scheme) should provide injury benefit cover. As lending employer you need to find this out and advise the secondee accordingly. In cases where the borrowing employer does not have injury benefit arrangements the secondee must decide whether to accept the secondment without injury cover. In these circumstances, the secondee may wish to take out private insurance.

5.1.21 Staff who were in post before 1 October 2002 and who went on secondment to another employer, but remained **members** of the **PCSPS**, should have been included in the October 2002 options exercise.

5.1.22 The situation is different for those whose secondment terms require them to leave the **PCSPS**. A member of staff returning from a secondment that was conditional on them leaving the **PCSPS** may currently return to the scheme they left. If their secondment started before 1 October 2002 (and did not finish before 30 September 2002) they would also currently have the choice of **classic plus** or **premium** on their return. The situation regarding readmission to a previous scheme is dependent on the Rules in force at the date of the member's return. You should make the secondee aware that there is currently no discretion within the provisions of the **CSCS** to provide compensation terms based on anything other than the current period of service.

5.1.23 There are four options when a secondment involves a member of the **PCSPS**, summarised in Table 3, which follows:

**Table 3** Outward secondment arrangements for **PCSPS** members

Arrangement			Financial implications	
Salary	<b>Member</b> remains active member of PCSPS during secondment?	Applicable to part-time secondments?	<b>ASLC</b>	Other payments
You pay Civil Service salary and employer's NI contributions (NOTE A)	Yes	Yes	You must pay the <b>ASLC</b> and recover the amount from the borrowing employer (NOTE E) (NOTE G)	Borrowing employer reimburses: <ul style="list-style-type: none"> <li>• salary</li> <li>• employer's NI contributions</li> </ul> Secondnee pays <b>member's</b> contributions (NOTE B) (NOTE E)
Borrowing employer pays salary and employer's NI contributions	Yes	Yes	You must pay the <b>ASLC</b> (based on notional Civil Service salary) and recover the amount from the borrowing employer (NOTE E) (NOTE G)	Secondnee pays <b>member's</b> contributions based on notional Civil Service salary (NOTE B) (NOTE E)
Borrowing employer pays salary and employer's NI contributions.	No Secondnee joins borrowing employer's scheme, or another scheme or arrangement (NOTE C) (NOTE F)	No	No <b>ASLC</b> is due.	No member's contributions are due to the <b>CS Vote</b> . At end of secondment the secondnee may either: <ul style="list-style-type: none"> <li>▪ take a preserved pension or terminal gratuity from the borrowing employer; or</li> <li>• transfer rights accrued under the borrowing employer's scheme into the <b>CSP arrangements</b> subject to the usual requirements. (NOTE H) (NOTE J)</li> </ul>
Unpaid special leave	No (NOTE D)	No	No <b>ASLC</b> is due.	No member's contributions are due to the <b>CS Vote</b> . At end of secondment secondnee may either: <ul style="list-style-type: none"> <li>• take a preserved pension or terminal gratuity from the borrowing employer; or</li> <li>• transfer rights accrued under the borrowing employer's scheme into the <b>CSP arrangements</b> subject to the usual requirements. (NOTE H) (NOTE J)</li> </ul>

## Notes

A Deductions from pay for employee's National Insurance contributions, national savings, trade union dues etc continue.

B Employees' pension contributions include:

- **wps** contributions to **classic**
- regular member contributions to premium
- any added years which the employee is buying, and
- any **AVCs** which the employee is paying

These are based on:

- the notional civil service salary for **classic members** (**PCSPS** Rules 1972 Section, 1.6a refers)
- the 'assumed' civil service salary for **premium members** (**PCSPS** Rules 2002 Section, A.3(1) and (2) refer)

In both cases, benefits will only be based on notional/assumed civil service salary and not the salary paid by the borrowing employer (if different).

C The individual can choose either to retain accrued pension benefits in the **CSP arrangements** (see D below) or transfer accrued benefits in the **CSP arrangements** to the borrowing employer's scheme. Details of the transfer arrangements can be provided by your **APAC**.

D Accrued pension benefits are retained in the **CSP arrangements**. The period of secondment does not reckon for benefits in the **CSP arrangements**, unless a transfer value payment in respect of benefits accrued during the period is paid by the receiving employer's scheme to the **CSP arrangements**, or the **member** is able, after returning to the **CSP arrangements**, to buy added years to cover the period. Those who are on unpaid (or paid) special leave are not eligible to be considered for **CSIBS** injury benefit.

E You must arrange for the **ASLC** amounts received from the borrowing employer and the employee's pension contributions received from the secondee to be paid over to the **CS Vote**, and to the relevant **CSAVCS** provider, if appropriate. The secondee's pension record remains on the exporting employer's **APAC** records, flagged as a secondee. (The **ASLC** is determined by the person's full time rate of pay even if they are part time.)

F The secondee will not be able to join the borrowing employer's scheme if that scheme is by-analogy to the **PCSPS**. This is because, like the **PCSPS**, by-analogy schemes cannot allow inward secondees to join the scheme.

G The cost of the **ASLC** is normally met by the borrowing employer. However, it may be paid instead by the secondee, or by the borrowing employer and the secondee together. There may be occasions when you wish to provide the services of a **member** free or at a reduced charge. In these circumstances you must ensure that the full **ASLC** is paid over to the **CS Vote**, even though the borrowing employer is paying a reduced rate or is not paying the charge. **CSPD** may, exceptionally, agree (before the secondment starts) that the payment may be reduced or waived.

H The borrowing employer's scheme will pay a transfer value which will be converted into a service credit in the **PCSPS** based on the salary that the individual receives when they return.

There may be implications for members who are earning over the **earnings cap** or who will be earning over the **earnings cap** in the borrowing organisation. Please consult your **APAC** for advice on such cases.

J A secondee who does not remain an active **member** of the **PCSPS** during their secondment cannot continue to pay contributions to buy **added years** during their secondment. Subject to the Rules in force when they return, they may be able to resume any **added years** contract on their return to the **PCSPS** and could (if they wished) make increased contributions (up to the Inland Revenue limit on member's contributions, of 15%) in order to make good any shortfall caused by their time out of the **PCSPS** arrangements.

## Inward secondments to a **PCSPS** employer.

5.1.24 As borrowing employer you must advise an inward secondnee to go to the lending employer for advice on the effect of their secondment on their pension. An inward secondnee may not be able to join the **PCSPS**; their eligibility will depend on the secondment agreement. You are advised, therefore, to get advice from your **APAC** to determine the pension implications before offering the secondment and entering into any agreement with the lending employer.

5.1.25 It is normally the case that where an inward secondnee remains in the pension scheme of the lending employer they will continue to receive cover from that employer for injury benefit purposes. This must be established in discussions with the lending employer before the secondment takes place. Where no cover is available you, as the borrowing employer, must decide whether or not to offer **CSIBS** coverage for the duration of the secondment.

## Transfers to the EU and co-ordinated organisations

5.1.26 This section applies to transfers to employment in:

- the EU (covered by the Communities Pension Scheme (CPS)), and
- the co-ordinated organisations listed below:

The Organisation for Economic Co-operation and Development (OECD)

The North Atlantic Treaty Organisation (NATO) and its agencies (your APAC can advise you of the NATO agencies covered)

The Council of Europe

The Western European Union (WEU)

The European Space Agency (ESA)

The European Centre for Medium Range Weather Forecasts

5.1.27 Members who take up relevant employment (as listed above) are treated as having left the **CSP arrangements** for all pension purposes. This applies whether or not they have the right of return to the Civil Service. **Members:**

- are awarded any immediate or preserved benefits which are due under the **CSP arrangements**, or
- may apply for a transfer value to be paid to the Communities Pension Scheme (CPS) or to one of the co-ordinated organisations.

5.1.28 Your **APAC** will be able to advise you of the special procedures to be followed to meet the **Inland Revenue** requirements which apply when a **member** opts to transfer benefits to one of the above organisations.

5.1.29 You should make sure that you inform staff who are planning to take up appointments in the EU or one of the co-ordinated organisations, of the implications for their pension. Before they commence such an appointment, you should make them aware of the following points:

- former **members** who leave employment with the EU or a co-ordinated organisation and return to employment covered by the **CSP arrangements** are treated as new entrants to the **CSP arrangements**. They start a fresh period of pensionable service (unless the two periods of service are compulsorily aggregated), irrespective of whether or not a transfer value is taken.
- if a former **member** returns to the **CSP arrangements**, they may arrange to transfer their accrued benefits in the overseas scheme to the **CSP arrangements**. The transfer value is treated under the **CSP arrangements** in exactly the same way as any other transfer value received from an outside employer (it is converted into reckonable service in the **CSP arrangements** on a non-Club basis). There may be implications for members who are, or will be, earning over the **earnings cap**. Please consult your **APAC** for advice on such cases.

5.1.30 Former **members** who do not take a transfer value from the overseas (EU and co-ordinated organisations) scheme are paid a cash severance grant by the overseas scheme if they:

- are under age 60, and
- have not completed 10 years' actual service at the time they leave.

5.1.31 Your **APAC** can advise you on the options available to a **member** taking a cash severance grant. These arrangements extend to a **member** returning from a secondment to OCCAR (Organisation Conjointe de

Cooperation en matiere  
d'Armement/Organisation for Joint Armament  
Cooperation) although OCCAR is not one of  
the co-ordinated organisations.

5.1.32 You must notify **Inland Revenue** of  
the return of a **member** to the **CSP**  
**arrangements** from the EU or co-ordinated  
organisation.