

EPN 110

Scheme amendments

ISSUE Changes made to the PCSPS, CSCS and CSIBS

This Notice covers numerous issues and should be read by all HR staff involved in dealing with issues concerned with terms and conditions of employment, downgrading, injury benefits and ill-health retirements.

ACTION To note and to issue the model office notice at annex C. (You will receive amended pages for the schemes' rule books in due course.)

Parts of this notice refer to changes when staff are in service and will appear in the re-write of Chapter 5, EPG. The revised Chapter is due for release at the end of this year.

TIMING Most of the changes announced came into effect on 22 July 2004.

Background

1. Amendments to the PCSPS, CSCS, CSIBS and CSAVC schemes were laid before Parliament on 22 July 2004. Most of the changes take effect from 22 July 2004. Detailed advice and guidance has been issued to APACs but the main issues for you are outlined below.

PCSPS

Downgrading

2. PCSPS members may move to a lower grade without any break in employment either at their own request, or at the requirement of their employer. No award is made when the member changes grade before the retiring age. The award is made when the member retires or leaves the PCSPS.

3. The rules for **premium** and **classic plus** provide pension protection by considering salary levels up to 13 years before retirement. This provision is unaffected by the amendment scheme. You can also consider providing a grant of added years under rule C.11.

4. Classic rules provide a different approach. Protection is achieved by giving them the better of:

- A single award based on all their service and their pensionable pay on retirement and;
- Two awards, one based on service and pay before downgrading and one based on service and pay after downgrading.

5. You may offer improved terms to members (and optants out) who agree to move to a lower grade before the retiring age on your request. The improved terms are at your discretion and in agreement with the individual and are intended for use when there are substantial management problems, for example, where there is a promotion blockage or other structural problems in your organisation. These arrangements are not appropriate when existing pay is retained on a mark-time basis following the move to a lower substantive grade.

6. You may offer improved terms to members who:

- are aged 50 or over but under pension age;
- have 5 or more years' qualifying service; and
- are members of **classic**.

All costs are met by you.

7. Improved terms available before the amendment scheme were an allowance equal to the reduction in salary and, if the employer considered it appropriate, an enhancement of $6\frac{2}{3}$ years to the reckonable service that was included in the award based on service and salary before downgrading. These were considered to be too inflexible to meet the needs of employers in all cases. The improved terms have therefore been changed as part of the amendment scheme.

8. The improved terms which you can now offer are one, or both of:

- an allowance of up to the reduction in salary
- an enhancement to reckonable service included in the award based on service and salary before downgrading up to $6\frac{2}{3}$ years.

9. Protection was previously only available to those working full-time but both standard and improved terms have now been extended to those working part-time.

Grant of added years.

10. The grant of added years in **classic** was previously restricted to those who joined the scheme on or after 1 June 1972. This restriction has now been removed. In addition, in common with **classic plus** and **premium**, added years granted under **classic** may accrue evenly over an agreed period of time (typically from the date of granting to the retiring age), immediately. The latter flexibility might be appropriate, for example, where the grant of added years is being used as an alternative to a bonus payment. Attached at annex A is a temporary replacement page to section 3.4 (page 2) of the Employers' Pension Guide. Added years can only be granted with the agreement of CSPD and the cost of the grant is paid by you.

Forfeiture

11. The forfeiture provisions in **classic** have been revised to reflect those in **premium** and **classic plus**. The main changes is to enshrine into the rules the existing practice concerning:

- recovery of a monetary obligation arising from a criminal act in connection with Civil Service employment; and
- withholding payment of survivor benefits otherwise due to a person who is convicted of the murder or manslaughter of the member.

12. These provisions have previously been applied using common law. We have also introduced an appeals procedure similar to that in **premium** and **classic plus**. Attached at annex B is a temporary replacement page to section 6.1 of the Employers' Pension Guide.

Qualifying and reckonable service in respect of part-time service between 8 April 1976 and 31 December 1995.

13. The rules have been amended to take account of the House of Lords judgement in the case of *Preston – v – Wolverhampton NHS Trust*, as announced in EPN 71.

Statutory adoption leave and statutory paternity leave.

14. As of 6 April 2003, periods of ordinary adoption leave and paternity leave count as both qualifying and reckonable service. ASLCs and added years contributions are based on the notional salary the individual would be receiving were they not on adoption/paternity leave. However, the member's basic scheme contributions (1.5% or 3.5%) will be based on the actual pay they receive during this period (e.g. full-pay, statutory adoption/paternity pay, or no pay).

Time limits for non-Club transfers-in

15. In the run up to the options exercise, we advised that we would be extending the time-limits for applications for non-Club transfers in to **classic**. The **classic** rules have now been changed to align with the **premium** rules to allow an application to be made at any time up to age 59. You are asked to issue the attached model office notice at annex C to staff to advise them of the further opportunity to apply for a transfer in.

16. The method of calculating service credit has been changed to align to the method used by **premium**. This change takes effect from 22 July 2004. The time limit for a Club transfer is still 12 months from joining **classic**, or 12 months from becoming eligible to join **premium**.

Health declarations on transfers-in

17. PCSPS members are permitted to apply to transfer-in pension benefits throughout their career. Because of this, we need to guard against members 'selecting against the scheme' by choosing a time when it would be most beneficial for them to bring a transfer in. Clearly PCSPS would be most at risk in a situation where a member applied to bring a transfer in shortly before being granted medical retirement. This has not previously been an issue in **classic** because, until the recent extension to the time limit, members have only been permitted to bring transfers into the PCSPS within their first 12 months of service.

18. CSP's previous advice was that any member of **premium** or **classic plus** who was on sick leave at the time they made an application to bring a transfer into PCSPS would be required to complete a health declaration. On further consideration, we have decided on a simpler approach. When applying for a transfer into either **premium** or **classic**, the member must declare that they have no reason to believe that their health may prevent them from continuing to be employed in the Civil Service until normal pensionable age. If the member then becomes eligible for retirement on ill-health grounds within 24 months of submitting their application for the transfer in, you and your APAC should investigate further and refer the case to CSPD for advice. If it can be shown that the member was aware, or should have been aware, that their health would have prevented them from continuing in civil service employment to normal pensionable age, the benefits arising from the transfer will not be brought into payment until normal pensionable age. In this context, 'benefits' means the benefits in respect of the basic reckonable service purchased by the transfer-in and any extra enhancement to reckonable service as a result of the extra service.

Extending the scope of serious ill-health commutation

19. We are extending the scope of the serious ill-health commutation arrangements in **premium**. This means that those who are deferred (as well as current) **premium** members may now apply for serious ill-health retirement. If they meet our criteria, which is that they should be medically assessed as having

fewer than 12 months life expectancy, they are awarded a lump sum equivalent to five times their annual pension

Purchase of added years

20. Members of **classic plus** and **premium** who retire on approved, flexible or compulsory early retirement terms may now purchase added years by lump sum at retirement.

CIVIL SERVICE COMPENSATION SCHEME (CSCS)

Compensation for part-time members

21. The rules have been amended to allow staff on period appointments (ie FTAs) who are members of **classic** to be considered for early retirement under CSCS Section 4.

CIVIL SERVICE INJURY BENEFIT SCHEME (CSIBS)

Qualifying conditions for benefits

22. The CSIBS provides compensation where a civil servant's earning capacity is impaired as a result of an injury attributable to duty. The CSIBS applies to all civil servants regardless of whether they are members of the Civil Service pension arrangements. Most of the schemes' key provisions also apply to non-salaried fee-paid people employed directly by HM Government (for example some driving test examiners) and to UK Government Ministers. Employers have met the cost of benefits from any 'qualifying' injury occurring after 1 April 1998. With effect from 1 April 2003 the principal rule for deciding on whether a person has suffered a 'qualifying injury' changed from a requirement that the injury had to be 'solely attributable' to duty, to one where the injury needs to be 'wholly or mainly'. This extends the qualifying condition from disease injuries contracted *in the course of official duty*, to those contracted *by the nature of a member's duties*.

23. There is a fundamental alteration to the treatment of those who resign from service with a qualifying injury. Previously, CSIBS provided for those resigning from service with a qualifying injury (or who were being discharged for disciplinary reasons) to potentially have benefit paid at pension age if they could demonstrate an impairment of earnings at that time, not at the time of their resignation. The CSIBS rules have been changed to allow those resigning from the service to be considered for injury benefit and, if successful, have benefit paid from the day after their last day in service.

24. Those who are dismissed for disciplinary reasons can only be paid injury benefit when they reach pension age. The rule changes being introduced specify that those resigning *where disciplinary proceedings are pending against them* may also only be able to receive injury benefit at pension age – and therefore not at the time of their resignation.

Contacts:

Enquiries about content:
Employer Helpdesk
employerhelpdesk@cabinet-office.x.gsi.gov.uk
01256 846414

Enquiries about distribution of EPNs:
Judith Hornby
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
in the Employer and APACs section

Username: employers
Password: mc2fxqfy

19 October 2004

Annex A to EPN 110

Replacement page for Employers' Pension Guide, Chapter 3.4 (page 2)

- i Contact details are as follows:
- Employer helpdesk
 - Employerhelpdesk@cabinet-office.x.gsi.gov.uk
 - Tel: GTN 1439 6414 or 01256 846414

Table 1 Scheme Flexibilities		
Flexibility	premium and classic plus	classic
(i) Added years – member flexibility	All members may buy added years on the basis of monthly contributions, subject to Inland Revenue limits. Contract may begin and end at any time. Members may (in certain circumstances) buy added years on early retirement.	All members may buy added years on the basis of monthly contributions, subject to Inland Revenue limits. Contract can only begin from the member's next birthday, but may end at any time. Member may also buy added years by lump sum during their first 12 months of service and (in certain circumstances) on early retirement.
(ii) Added years – employer flexibility (for example, where employer faces particular problems eg skill shortages from recruitment and retention difficulties) see Example 1	You may buy added years for a member as an aid to either recruitment or retention. This can be done at any stage during the member's career. Added years could be provided on one-off basis or spread over a future period of time. You must consult CSPD to check Inland Revenue limits and advise on cost.	You may buy added years for a member as an aid to retention. This can be done at any stage during the member's career. Added years could be provided on one-off basis or spread over a future period of time. Employers may also grant added years on resignation (where it is in the management interest to facilitate a departure) or alternatively as an aid to retention beyond pension age. Employers must meet the cost. You must consult CSPD to check Inland Revenue limits and advise on cost.
(iii) CSAVCS and designated stakeholder (member flexibility) (for further guidance see EPG section 3.3)	All members may make AVCs on the basis of monthly contributions or by lump sum, subject to Inland Revenue limits. Contributions may begin and end at any time. Members may pay up to £3,600 pa to a stakeholder pension provided their earnings do not exceed £30,000 in one of the last five tax years.	As for premium .

6.1.5

i Chapter 17 of Government Accounting gives departments guidance on how and when to recover overpayments. Departments must look for other ways of recovering the payment before they take it from the pension benefit.

6.1.6 You cannot take a debt from the pension benefit if there is any disagreement over the existence or amount of the debt. No debt should be offset from a CSP benefit unless the **member** who owes the money acknowledges the nature and amount of the debt as it will stand on the date any benefit becomes payable.

6.1.7 Under section 5 of the **Superannuation Act 1972** (under which the **CSP arrangements** are made), the benefit that is paid under the schemes cannot be transferred to anyone else.

6.1.8

i You can get more information about taking a debt off a **member's** pension benefits from your **APAC**.

Forfeiting benefits

6.1.9 A member's retirement and compensation benefits can be withheld, either completely or partly, if they are convicted of:

- offences under the Official Secrets Act 1911; or
- an offence connected to the civil servant's employment that a government minister certifies as gravely injurious to the State or liable to lead to serious loss of confidence in the public service.

Forfeiture may also apply where:

- a member has a monetary obligation arising from a criminal act in connection with their Civil Service employment; or
- the beneficiary of survivor benefits is any person convicted of the manslaughter or murder of the member

6.1.10 Benefits are automatically forfeited upon a conviction of treason.

6.1.11

⌚ You must tell **CSPD** as soon as possible of any cases where you think that the **member** should forfeit their benefit. We will liaise with colleagues in the **Cabinet Office** who have policy responsibility in this area and then let you know the outcome.

MODEL OFFICE NOTICE

Principal Civil Service Pension Scheme (PCSPS)

The rules of the PCSPS Classic scheme have recently been amended to extend the time limits for members to apply to bring in a transfer of any benefits that they have in another pension scheme or arrangement. Previously, members had to apply within 12 months of joining, but before they reached one year of pension age. The 12 month time limit has now been dropped and so members may now apply at any time up to one year before they reach pension age. This accords with the time limits for transfers into PCSPS premium.

This extension only applies to transfers dealt with on a 'non Club' basis. The time limit for an application for a transfer to be accepted under the 'Club' rules remains 12 months from joining PCSPS classic, or being eligible to join PCSPS premium.

If you would like any further information on how this might effect you, please contact your Civil Service pensions administrator, *(name of APAC and contact details)*.