

PCSPS(NI)

Principal Civil Service Pension
Scheme (Northern Ireland)

classic retirement benefits

A brief guide



Department of
**Finance and
Personnel**

www.dfpni.gov.uk



Civil Service Pensions

Who should read this booklet?

This booklet provides a guide to pension benefits for anyone leaving and taking their classic pension. It gives practical information about the payment of your pension. You should read this booklet carefully and keep it for future reference.

We have tried to use as little jargon as possible but we have defined some technical terms shown in **bold** when they appear in the text. Please refer to the glossary section at the end of this booklet for an explanation.

Note: this booklet is a guide to retirement. It does not cover every aspect; the full details are contained only in the rules which are the legal basis of the scheme. You should note that nothing in this booklet can override the rules, and in the event of any difference, the rules will apply.

Pension age

The scheme has a **pension age** of 60, though some scheme members may have a pension age that is less than 60. Pension age is the earliest that you can usually take your pension without it being reduced for early payment. You can apply to take your pension at any time from the age of 50, but it will be reduced if you take it before pension age.

Can I carry on working after I take my pension?

You can carry on working if you take your pension on partial retirement terms but, to do this, you must agree with your employer to “reshape” your job such that you reduce your annual rate of pensionable earnings by at least 20%, for example by reducing your hours. Your pension may be subject to **abatement**. For more information, please see the booklet on partial retirement, which you can download from:

www.civilservicepensions-ni.gov.uk

Or, you can contact us for a copy.

Do I have to take my pension when I reach pension age?

No. If you wish, you may defer taking your pension, but you must take it before your 75th birthday at latest, whether or not you are still working. If you take your pension later than age 60 it will not be increased to reflect the late payment.

(Your pension will, however, be kept in line with the **Retail Price Index**.)

Working out your pension

How do you work out my pension?

When you retire, you will receive a pension and an automatic lump sum. The amount of these benefits will depend on your **final pensionable earnings** and length of **reckonable service**.

Your pension is worked out as:

$$\frac{\text{Final pensionable earnings} \times \text{Reckonable service}}{80}$$

Part-time service counts on the basis of the actual hours you work and the equivalent full-time pensionable earnings. If you have had part-time service in the past certain restrictions may apply. We can tell you if these restrictions apply to you.

Your pensionable earnings may be restricted if your earnings are over £100,000. You should ask your employing department for details if this applies to you.

If you have bought any added years, or transferred in any pension from another pension arrangement, this will be added to your reckonable service before your pension is worked out.

If you have bought any added pension, this will be added to your pension after it has been worked out. An example is on the next page.

Example

Mary had twenty years of reckonable service, including 5 years transferred in from another scheme. Her final pensionable earnings were £36,000. She has bought £1,000 of added pension.

Her pension will be;

$(20/80 \times 36,000) + (1,000) = \text{£}10,000$ a year

Will I get a tax-free lump sum?

You will get a lump sum worked out as 3 times your annual pension. This lump sum will be reduced if you owe contributions to provide benefits for your widow, widower or civil partner, or for incapacitated children you have nominated during service.

You should have been receiving a benefit statement each year, which showed your reckonable service and an estimate of your future pension. If you think the information in your most recent annual statement is wrong, or if you have any queries about how your pension has been worked out, you should contact us as soon as possible.

Can I have an additional tax-free lump sum?

At the time you take your pension you can choose to give up part of your pension for an additional tax-free lump sum. This will be subject to limits set by HM Revenue and Customs (HMRC). Currently the limit is 25% of the total notional value of your pension benefits. The maximum lump sum you can take will be your pension $\times 33/14$ and this will be shown on your pension estimate. For each £12 of additional lump sum you take, your pension will reduce by £1 a year - for more information see the calculator on:

www.civilservicepensions-ni.gov.uk

Please note that any exchange of pension for lump sum will not generally affect the way your dependants' pensions are worked out.

If you receive a refund of WPS contributions (see below) this will also count towards your maximum lump sum limit.

Can I exchange my lump sum for additional pension?

You may choose to give up all or part of your one-off lump sum in return for an increase in either your own pension, or in your own pension and your widow, widower's or civil partner's pension. Contact us for more information.

Can I give up part of my pension to someone else?

When you finally retire and take your pension, you may choose to give up part of your pension in exchange for additional pension for someone else after your death. This is called "allocation". You can only allocate pension to someone who is financially dependent on you, or with whom you are financially interdependent.

There are limits on the amount of pension that you are allowed to give up.

If you are interested in this option you should contact us for further information. You must make your allocation decision before you start taking your pension.

Allocation of your pension will not generally affect the way any pension for another member of your family (for example, widow or children) is worked out.

Am I entitled to a refund of my WPS contributions?

If you remain single through to your retirement, you will receive a refund of the widows/widowers contributions you paid for the period that you were single. This will be paid as an additional lump sum when you finally leave and take your pension, provided that this will not exceed the limit set by HMRC. (In the unlikely event that this applies, the excess will be paid to you as pension instead.) The lump sum will have deducted from it a one-off payment to provide a widow's, widower's or civil partner's pension in case you marry or register a civil partnership after you retire. If you have been married or in a civil partnership during your service, the payment will be based on your service since your marriage or civil partnership ended.

Neither the refund of contributions, nor the premium payment, will take into account any service transferred in to your PCSPS(NI) pension from another pension scheme.

For more information about WPS refunds please see Appendix A.

Will all my reckonable service count towards my pension?

The maximum amount of **reckonable service** that can count towards your pension is 45 years.

Please note that before 1 March 2008, the maximum amount of reckonable service that could count towards your pension before you reached **pension age** was 40 years, but you could build up to a further 5 years reckonable service if you continued to work after pension age. The change on 1 March 2008 was not retrospective but you could start building up reckonable service from this date if you were limited to 40 years before 1 March 2008.

Example

George is 59 on 1st March 2008 and has 41 years' service, with only 40 years reckoning for pension purposes. From 1 March 2008 George builds up further reckonable service so when he retires on his 61st birthday in 2010 he will have 42 years reckonable service (including service from 1 March 2008 till 1 March 2010).

How do you work out my pension if I have already taken pension under the partial retirement arrangements?

Your pension will be worked out in the same way, but taking into account any pension that has already been paid under the partial retirement arrangements.

What about my State pension?

Once you reach **State pension age** you may claim the basic State pension if you have paid enough National Insurance contributions. As the scheme is contracted-out, you will not receive a full State 2nd Pension (S2P) although you may be entitled to a "top-up" payment from S2P.

You can find out more about State pensions from your local DWP office or on:

www.thepensionservice.gov.uk

What about my Northern Ireland Civil Service Added Voluntary Contributions (NICSAVCs)?

If you have been paying NICSAVCs you need to tick the appropriate boxes on your Personal Details Form. We will write to you separately to give you information about taking your NICSAVC benefits.

Paying your pension

Why do I have to fill in the Personal Details Form?

We cannot start to pay your pension until you have returned the Personal Details Form. We need to make sure that the information we hold about you is correct. It is also a requirement of HMRC that the value of your classic pension is tested against the **Lifetime Allowance** before it is paid. That is why we need to ask extra questions if you think your pension income may be above £50,000 a year. There is more information on this in the booklet "Your pension and tax". You can get a copy on our website or by contacting us for a hard copy.

Who pays my pension, and when?

PCSPS(NI) pensions are paid by us. You can find our contact details at the end of this booklet. We will pay your pension to you monthly, at one-twelfth (to the nearest penny) of the yearly rate.

When will I get my first payment?

Your lump sum will be sent to the bank or building society you put on your Personal Details Form. We will pay your lump sum as quickly as possible, normally within a few days of your retiring if we have received the information in good time. You should therefore complete and return your Personal Details Form and any other information promptly.

Pensions are normally paid monthly in arrears (at the end of the period in which they are due). Your pension payments will be made directly to

your bank account. This ensures that your bank account is credited on the day each payment is due.

You should tell us immediately if you change your address or your bank details.

We will tell you the date in the month on which your pension will be paid before (or with) the first payment. The date will not necessarily fall at the end of a calendar month. When a payment date falls on a weekend or on a public holiday, the payment date will be the working day before.

The amount due for part of a month is worked out according to the number of days in the period concerned and the number of days in the full pension month, between one payment date and the next.

Can I have my pension paid into any bank?

If your account is with a bank or building society in the United Kingdom, Channel Islands, or the Isle of Man, we will pay your pension direct into your bank account. If your bank account is in the Irish Republic or overseas you must make a special application to us.

Please note that we cannot pay your pension direct to an account with the National Savings Bank.

What if my pension has to be revised some time later?

If there is a change in the pensionable earnings figure used in working out your pension, for example, due to a backdated pay increase, we will write to you with revised details, and your pension payments will change accordingly.

If your pension had previously been based on a pay period earlier than your last 12 months of service, a backdated pay award may lead to your pension being worked out again based on a later pay period. It is possible that this will result in an overpayment of pensions increases. If this applies to you we will write to you to explain and arrange recovery.

Will my pension increase each year?

Pensions in payment increase every year in line with the Retail Price Index. The increase is applied on the first Monday after 6th April each year. You can find out more about pensions increases in the booklet "Inflation proofing public service pensions", produced by HM Treasury. If we have them in stock we may be able to supply a copy to you free of charge.

Will I get a monthly payslip?

Whenever there is a change in the gross annual rate of your pension, we will send you an advice note containing the new details. The note will also show the monthly gross amount payable and the tax that will be deducted from next month's payment. The net amount may vary slightly due to the effect of the PAYE tax tables. We will then continue to pay the same amounts each month until there is a further change in the annual pension rate or tax code, when we will send you another advice note.

Are there any changes at State pension age?

If your classic pension includes any service before 1997, you should note that this will include a **Guaranteed Minimum Pension (GMP)**, and special arrangements apply to the pensions increase on the GMP. When you reach State pension age, some of the increase on your GMP may be paid with your State pension rather than with your PCSPS(NI) pension. The increase in your classic pension may therefore appear to be less than a full **Retail Price Index** increase.

If you were in service before 1 April 1980 you will be affected by National Insurance Modification. There is further information in the booklet "Inflation proofing public service pensions" referred to above.

Can I pay membership subscriptions, insurance premiums etc from my pension, in the same way as I did from my salary?

Voluntary deductions for certain benevolent and life insurance societies and organisations can be made from your pension. If you want deductions to be made, you must complete the relevant section of your Personal Details Form. You can find details of voluntary deductions currently made from your pay on your most recent pay advice or deductions statement.

Your employer will normally make any current deductions from your final payment of salary or wages up to the end of the calendar month in which you retire. If you apply for deductions to be made from your pension, we will then start deductions the following month. If you want to make payments to an organisation to which you have not contributed from your pay before, you must first make your own arrangements to join the organisation concerned.

We will not enrol pensioners with particular societies. You should direct any enquiry about benefits, increase of your subscriptions, or conditions of membership, to the society or organisation concerned.

If, for any reason, a deduction from pension is not made or passed on correctly to a specified organisation, we will not accept responsibility for the lack of cover which the loss of contribution may cause. As an alternative to having deductions made from your pension, you could make separate arrangements with the organisation(s) concerned.

I intend to become self employed. Can I have my National Insurance contributions deducted from my pension?

No. We cannot make deductions from pension for National Insurance (NI) contributions for which you may be liable as a self-employed person. You must make your own arrangements for NI contributions with HMRC.

Tax and your pension

How is my pension taxed?

Your retirement lump sum is tax-free, subject to the **Lifetime Allowance**, but your pension is treated as earned income. Any income tax due under the tax code notified by HMRC will be deducted by us. Deductions may be provisional until we have received the proper code.

You should make any enquiries about your tax (quoting your pension reference and National Insurance number) to:

HM Revenue and Customs
Belfast 1
Beaufort House
31 Wellington Place
BELFAST
BT1 6BH

If tax has been deducted from your pension, we will send you a P60 form after the end of each tax year to show the total pension paid and tax deducted in the year.

How is my pension assessed for the Lifetime Allowance (LTA)?

You can find information about the LTA tax assessment of your classic pension in the booklet "Your pension and tax".

Why do you have to ask me about my other pensions?

We have to take into account any pensions you may have in assessing your pension for LTA tax. This is explained more in "Your pension and tax".

Benefits for your family

What benefits are payable when I die?

We will pay a pension to your widow, widower or surviving civil partner, and to any eligible children. We may also pay a lump sum if you die shortly after retirement.

Your family or personal representative must contact us to tell us of your death.

If your pension is overpaid because we have not been told of your death, the overpayment must be repaid. We will tell your widow, widower, civil partner or personal representative of any amount overpaid but will seek recovery directly from your Estate.

Is there a lump sum?

The lump sum is worked out as the difference (if any) between:

- five times your annual pension on the date you died and
- the total pension and lump sum payments you have already received.

We will pay it to the person you have named.

If you are over 75 when you die, we cannot pay a lump sum due to tax rules. In this case, we would pay any outstanding balance annually in arrears to your nominee(s) as a pension until the guarantee period had expired.

Note that generally no lump sum is payable if you die more than two years after you start to take your pension.

Who will the lump sum be paid to?

The lump sum would be paid to the person or people you have named, in the same way as if you had died in service. If you want to change your nominee at any time, you can download a death benefit nomination form from our website at:

www.civilservicepensions-ni.gov.uk

or ask us for a form.

It is your responsibility to keep your nomination under review and update it whenever necessary.

Please note that if you have nominated your husband or wife or civil partner and you are divorced or your civil partnership is dissolved, your nomination to them will no longer be valid. If you still want them to receive the death benefit lump sum, you must complete a new nomination form after your divorce or dissolution. In any case you may want to review your nomination at that time.

We cannot pay the lump sum to a person other than your nominee(s), unless the nomination has become invalid, for example if the person you have nominated has already died. In that case we will pay any lump sum to your personal representative.

What happens if I die without having made a nomination?

We will pay any lump sum that is due to your personal representative

What pension would my husband, wife or civil partner get?

We will pay a short-term pension equal to your pension at the time of your death. This will be paid for 91 days. If you leave any dependent children in the care of your husband, wife or civil partner then the period may be extended. At the end of this period we will pay your widow, widower or civil partner a continuing pension. This is usually one half of the pension you received at the time of your death although it may be lower in certain circumstances.

A pension for a civil partner will only be based on your service after 6 April 1988.

If you have exchanged (commuted) part of your pension for an additional lump sum, this will not affect the pension for your husband, wife or civil partner as their pension will be based on your pension before you decided to commute.

However, if you are 75 or over when you die, and you leave two or more **eligible children**, the tax rules on pensions will restrict the total of any dependants' pensions payable to a maximum of the amount of your pension at the date of your death.

If you took an additional lump sum and therefore reduced your pension, this may reduce the amount of dependants' pensions payable.

Will my children get a pension?

We will pay a pension to your eligible children.

The child's pension is one quarter of your pension for each child in the care of your surviving husband, wife or civil partner or one third of your pension for each child in the care of another person. If you leave more than two children who qualify for a pension we will reduce each child's pension so they each get an equal share.

What if I get married, enter a civil partnership, or have children after I've retired?

A pension will be payable to your family on your death, on the same terms and conditions as set out in previous questions. However, please note that a widow's pension would be based only on service after 1978, and a widower's or civil partner's pension generally on service only since 1988.

Does my widow, widower or civil partner receive a pension for the rest of their life?

If your widow, widower or civil partner remarries, enters into a new civil partnership or lives with someone else as their partner, we will either stop or reduce the pension. But we may restore it if:

- the second marriage, civil partnership, or cohabitation has come to an end and your widow, widower, or civil partner is left with a smaller pension than they were given when you died; or
- there are exceptional compassionate reasons for restoring the pension.

Re-employment

What happens if I am re-employed by an employer covered by the PCSPS(NI) pension arrangements? Will I be able to rejoin the scheme?

This will depend on the pension arrangements on offer at that time.

What happens to my pension if I'm re-employed?

If you have any PCSPS(NI) pension in payment, whether from classic or another section of the scheme, and you are re-employed by an employer covered by the PCSPS(NI) arrangements, your pension may be abated. If you are considering re-employment after taking your pension you should ask your prospective employer for further information on the impact on your pension. Abatement does not apply if you are aged 75 or over, or if you take a job with an employer outside the PCSPS(NI) pension arrangements.

You can find out more from the leaflet "What is Abatement?" which you can download from:

www.civilservicepensions-ni.gov.uk

What if I have a complaint about my pension?

If you have a problem with any part of your classic pension benefits, you should try to sort it out with us. Often a phone call or email will be enough.

If you cannot sort out the problem to your satisfaction, you should ask us for the leaflet "If you have a complaint about your pension".

How do I contact Civil Service Pensions?

You can contact us as follows:

Civil Service Pensions
Waterside House
75 Duke Street
Derry/Londonderry
BT47 6FP

Tel: 028 7131 9000

Fax: 028 7131 9234

Email: cspensions.cpg@dfpni.gov.uk

Web: www.civilservicepensions-ni.gov.uk

When you contact us, it would help if you quote your pension reference number. That number will be notified to you when your pension payments begin, and will then appear on all correspondence you receive from us.

More information

You can find out more information about classic pension benefits on our website, see address above, or you can contact us.

Please note that we are not able to give you financial advice.

You can find out more about the State pension on:

www.thepensionservice.gov.uk

or phone: 0845 606 0265.

Glossary

Abatement

This is the reduction or stopping of pension payments on re-employment within the scheme. Scheme rules require that your annual salary plus your pension cannot add up to more than your pensionable earnings in the twelve months immediately before your pension came into payment.

Added pension

Is an amount of extra pension that a scheme member can buy.

Eligible child

Is your natural or adopted child and any other child who is receiving financial support at the time of your death. A pension will only be paid if they are under 17 or in full-time education or training. Any child pension will stop when the child leaves full-time education or training, or their 23rd birthday, whichever comes first.

A pension may be payable for life to a child who is dependent due to serious disability; ask us for more information about this.

Guaranteed minimum pension (GMP)

Is a pension that is equal to the pension you would have had if you had stayed in the State Earnings-Related Pension (SERPS) for service before 1997.

Lifetime Allowance

Is a limit set by HMRC on the total value of all pension benefits (except the State pension) that can be taken without paying additional tax.

Pension age

Is the earliest age at which you can choose to leave and receive immediate payment of your pension without it being reduced. For most people in classic it is age 60.

Pensionable earnings

Are all earnings that could count towards your pension. They may include non-cash items, for example, uniforms or accommodation. Your final pensionable earnings are used to work out your pension benefits. Your final pensionable earnings will be the best consecutive 12 months' pensionable earnings in your last three years of reckonable service.

Personal representatives

These are the people who have the power to dispose of the deceased scheme member's estate. These will be the executors if there is a will. If the member died without leaving a will, personal representatives will be named in Letters of Administration (Confirmation of Executor in Scotland) which your solicitor will apply for.

Reckonable service

This is the service which counts towards your pension. Part-time service will count on the basis of hours worked.

Retail Price Index (RPI)

This is one of the official measures of price inflation. It is used to set increases for pensions in payment. The figure used is the September RPI.

State pension age

This is the age at which you can claim your State pension benefits.

APPENDIX A

Refund of widow(er)s' pension contributions

Men

Men who have been unmarried throughout their service are entitled to a refund of all their widows' pension contributions. If you have been married or in a civil partnership for only part of your service, you are entitled to a refund of the contributions you have paid since your marriage ended. Contributions are refunded as follows:

Contributions paid for service before 6 April 1978 (including any contributions paid as part of an added years option made before that date) will be refunded with interest and paid when you leave.

Contributions paid for service on or after 6 April 1978 (including any contributions paid as part of an added years option made on or after that date) will be refunded when you take your pension. They will be refunded with interest and the deduction of a single, non-returnable payment to cover the cost to the scheme of providing a post-retirement widow's pension if you marry or enter a civil partnership after leaving and die before your wife or civil partner. You will not be required to repay the refund if you do marry or enter a civil partnership. The estimated amount of your refund and the current value of the post-retirement widow's pension are shown on your Estimate Statement.

Women

Women who have been unmarried throughout their service are entitled to a refund of all their widowers' pension contributions. If you have been married or in a civil partnership for only part of your service, you are entitled to a refund of the contributions you have paid since your marriage ended. Contributions are refunded as follows:

Contributions paid for service before 6 April 1988 (including any contributions paid as part of an added years option made before that date) will be refunded with interest and paid when you leave.

Contributions paid for service on or after 6 April 1988 (including any contributions paid as part of an added years option made on or after that date) will be refunded when you take your pension. They will be refunded with interest and the deduction of a single, non-returnable payment to cover the cost to the scheme of providing a post-retirement widower's pension if you marry or enter a civil partnership after age 60 and die before your husband or civil partner. You will not be required to repay the refund if you do marry or enter a civil partnership. The estimated amount of your refund and the current value of the post-retirement widower's pension is shown on your Estimate Statement.

Men and women

Your refund counts towards the Lifetime Allowance and is included in the percentage figure shown on your Estimate Statement.

NOTE Men or women who are in a civil partnership when they take their benefits, will receive a full refund of all their contributions for service before 6 April 1988, except if they had previously been married. In that case, they will receive a refund only of contributions paid since their marriage (or most recent marriage, as the case may be) ended.

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