



Important news – changes to your classic plus pension

Please read - this note updates the information in the booklet

- **Additional cash lump sums**

The booklet explains that one of the benefits that you will receive when you retire is a tax-free lump sum of 3 times that part of your pension that relates to service before 1 October 2002. It also explains that you can choose to give up some of your pension relating to service on or after 1 October 2002 for an additional lump sum.

The maximum lump sum that you can take has been increased. You can choose how much extra lump sum you want (up to the maximum allowed by the tax rules), but you must give up £1 of annual pension for each £12 of lump sum.

You can find out how much additional lump sum you can take, and the effect it will have on your pension by using the calculator on the Civil Service Pensions website:
www.civilservicepensions-ni.gov.uk

Dependants' pensions are based on your pension before you give any up for a higher lump sum, so they will not be affected by the amount you take. However, if you are 75 or over when you die, and you leave two or more children under age 18 (or under age 23 if they are in full-time education), 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. As taking a higher lump sum reduces your pension, this may lead to your dependants' pensions being reduced if you die after reaching 75.

If you are single and eligible to receive a partial refund of WPS (widows'/widowers' pension scheme) contributions on retirement, you will have less scope to give up pension for an additional lump sum. This is because the total of any WPS refund is taken into account in the maximum lump sum amount you can take.

- **A higher service limit** – the maximum length of reckonable service that can count towards your pension has increased to 45 years, regardless of your age. If you had already reached the previous 40 year limit before age 60, you can build up more reckonable service from 1 March 2008. However, any time between the date you reached the 40 year limit and 1 March 2008 will not count.
- **Added pension replaces added years** – added pension is an amount of extra pension that you can buy: it will be paid with your pension after you retire. Please see the leaflet 'Added pension for **classic**, **classic plus** and **premium**'.
- **Partial retirement** – this enables you to take some or all of your pension and carry on working, subject to conditions. Please see the booklet: 'Partial retirement – a guide for scheme members'

Publications are available to read and download from the Civil Service Pensions website or on request from Civil Service Pensions.



PCSPS(NI)

Principal Civil Service Pension
Scheme (Northern Ireland)



Department of
**Finance and
Personnel**

www.dfpni.gov.uk

Leaving **classic plus** before pension age with 2 or more years' service



Civil Service Pensions

This booklet provides a guide to the **classic plus** benefits that you will receive when you reach pension age. For most people that is age 60.

If you are leaving early with benefits – see the brochure 'Civil Service Compensation Scheme (Northern Ireland) [CSCS(NI)] Early retirement and redundancy for **classic plus**, **premium** and **partnership pension account** members'.

For information about your benefits under the CSCS(NI), you should contact us.

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 for an explanation of these terms.

Retirement benefits

Your pension and lump sum is preserved for payment at pension age. We will increase your preserved pension and lump sum each year in line with the increase in the Retail Prices Index (RPI).

This 'pensions increase' will continue when your pension and lump sum come into payment. Remember to tell us (contact details at the end of booklet) if you move house.

When you reach pension age, you will be entitled to a pension and a tax-free lump sum calculated from your **final pensionable earnings** and your **reckonable service**. You will, however, be able to commute (give up) some of your pension for more tax-free lump sum. You will also have the following options, which you may wish to consider before pension age:

- to take the transfer value of your pension and lump sum to another pension scheme or arrangement;
- to draw your pension and lump sum early, but on a reduced basis, at age 50 (55 if you joined the Northern Ireland Civil Service (NICS) on or after 6 April 2006) or later; or

- to give up some of your pension to provide a pension (or a further pension) after your death, for someone else. This is called 'allocation'.

Pension

In **classic plus**, we treat your service before 1 October 2002 differently to your service from that date. However, both parts are put together to make one pension payment amount. We work out your pension as follows:

Before 1 October 2002

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

plus

From 1 October 2002

$$\frac{\text{Final pensionable earnings} \times \text{Reckonable service}}{60}$$

We use the same **final pensionable earnings** figure throughout.

If you work part-time, your service will count on the basis of the hours you have worked, and your final pensionable earnings will be the equivalent full-time rate rather than the rate you have been paid.

Lump sum

You will receive a tax-free lump sum calculated as $\frac{3}{80}$ times final pensionable earnings times reckonable service before 1 October 2002.

Before your pension comes into payment, you can also commute (give up) some of the pension earned on service from 1 October 2002 in exchange for more tax-free lump sum.

We will tell you about the maximum lump sum you can have. Within the maximum, you choose how much lump sum you want, but for each £12 of lump sum you must give up £1 of annual pension.

The amount of pension, after commuting, must be enough to cover the amount of any **guaranteed minimum pension** we must pay you at **State pension age**. That may limit how much lump sum you can have by commuting. Your total lump sum for service before and after 1 October 2002 will be paid as one amount.

Claiming your pension and lump sum

Unless you transfer your pension and lump sum elsewhere, or draw them early, you should write to us around three months before you reach pension age. We will then send you a claim form.

Allocation of pension

You may want to give up some of your own pension to provide (allocate) a pension, after your death, for someone else. Classic plus provides a pension for a surviving husband, wife or eligible partner anyway, but you might want to allocate some of your own pension either to increase this pension or to provide a pension for someone else.

You can only allocate pension to someone who depends on you financially or if you both depend on each other financially. There are also limits on the amount of pension that you are allowed to give up.

If you think that you might be interested in this option, ask us for further details about what this might mean for you.

Taking a transfer value

Instead of having your pension and lump sum preserved in **classic plus**, you can have the value of your pension and lump sum transferred to:

- another employer's pension scheme;
- a personal pension; or
- a stakeholder pension (including, if you are eligible, a **partnership pension account**).

If you want to transfer the value of your classic plus pension and lump sum, you should ask us for a transfer value quotation.

Before you proceed with a transfer, you should make sure that you understand what you are giving up and what you will get in return.

Please note that transfers are subject to time limits, and some of these time limits require you to take prompt action.

For more information ask us.

To find out if you are eligible for a transfer under the Public Sector Transfer Club (Club) arrangements, ask for the 'Club' leaflet.

Drawing your pension and lump sum early

You can apply to us to have your pension and lump sum paid early on a reduced basis at any time after reaching age 50 (55 if you joined the NICS after 6 April 2006). As they are paid early, we reduce your pension by around 5% for each year before pension age, and the lump sum by around 3% for each year before pension age. So, if you draw your pension and lump sum 5 years early at age 55, your pension would be around 25% less, and your lump sum around 15% less than you would have received if you had waited until age 60. Pensions increase is due on your pension if you draw it before age 55, but it is not payable until you reach age 55.

The amount of pension, after reduction, must be enough to cover the amount of any **guaranteed minimum pension** we have to pay you at **State pension age**. That may limit how early you can draw your pension and lump sum. However, you may be able to take your pension and lump sum early and give up some of the reduced pension for more lump sum, see the section 'Lump sum'.

Death benefits

Lump sum benefits

If you die before you draw your pension and lump sum, we will pay a lump sum amounting to your preserved lump sum based on your service before 1 October 2002, plus 5 times your preserved pension based on your service from 1 October 2002.

The total is paid to whoever you have nominated.

If you die within 5 years of drawing your pension, we will pay a lump sum to whoever you have nominated. We work this out as the balance of 5 years' worth of pension based on service from 1 October 2002 and the balance of 2 years' worth of pension based on service before 1 October 2002.

If you want to change your nomination after you leave service, please contact us.

If we do not have a valid nomination on file when you die, we will pay any death benefit to your **personal representatives**.

Benefits for your husband, wife or civil partner

We will pay your husband, wife or **civil partner** (from 21/12/05) a pension.

This pension will be calculated as $\frac{3}{8}$ of your pension for service from 1 October 2002 (before commuting pension into lump sum) plus one half of your pension for service before 1 October 2002. If your husband, wife or civil partner remarries or lives with someone else as husband, wife or civil partner (cohabits), we will reduce their pension to the level of a pension for a partner see the section 'Benefits for your partner'.

Benefits for your partner

If you are not married, your partner may be eligible for a pension for life. You and your partner must fill in a declaration form, as we cannot pay a partner's pension without one.

Ask for the booklet 'Pensions for Partners', which contains the declaration form and more information about eligibility for a partner's pension. This pension will be based on $\frac{3}{8}$ of your pension for your service from 1 October 2002, before commuting any of it into lump sum.

Benefits for your children

We may pay a pension to any **eligible child**.

The pension is:

- 30% of your pension if we pay a pension after your death to your surviving husband, wife or civil partner; or
- 30% of your pension for service from 1 October 2002, plus 50% of your pension for service before 1 October 2002, if we pay a pension after your death to your surviving partner; or
- 50% of your pension if we are not paying any other pensions after your death.

If you leave more than two **eligible children**, each child's pension will be an equal share of the total amount that we would pay for two children.

Rejoining classic plus

You will only be able to rejoin **classic plus** if you are reemployed after a break of six months or less, or if you return after leaving your pension and lump sum preserved when you left to go on a secondment where you had to leave the PCSPS(NI).

If you are re-employed after a break of over 6 months, or, after leaving the NICS other than on such a secondment, you will not be able to rejoin classic plus.

If you rejoin classic plus within 6 months of leaving, your preserved pension and lump sum will be cancelled and the earlier period of service will be aggregated (joined up) with your new service to give you a single pension and lump sum based on your **final pensionable earnings** when you next leave.

A further feature of aggregation is that the earlier service counts as **qualifying service**. So, provided your earlier pension and lump sum were preserved in classic plus, you will instantly be entitled to benefits that require at least 2 years' qualifying service.

If you are re-employed after a break of over 6 months, you will be treated as a new entrant and given a choice of joining **premium** or having a **partnership pension account**. If you join premium, we will give you an option to convert your classic plus service into premium service. You must make this option within 12 months of being re-employed.

You should contact us when you join premium, so that you can find out more.

State pension

When you reach **State pension age**, the State basic pension becomes payable if you have paid enough National Insurance contributions.

You should contact your local Social Security office for more information.

Also, when you reach State pension age, the part of the pensions increase which relates to your **guaranteed minimum pension** is paid with your State pension rather than with your PCSPS(NI) pension.

The Northern Ireland Civil Service Additional Voluntary Contribution Scheme (NICSAVCS)

If you have contributed to the NICSAVCS, we will write to you separately about those contributions.

Disagreements and complaints procedures

If you have a complaint about your classic plus benefits which you have been unable to sort out with us, you can ask us for the leaflet 'If you have a complaint about your pension'.

Glossary

Civil partnership is a relationship between two people of the same sex that has been registered under the provisions of the Civil Partnership Act 2004. Civil partnership gives the couple many of the same legal and financial rights and responsibilities as marriage.

classic plus is the scheme where your pension is based on your years of service and **final pensionable earnings**. Contributions are 3.5% of your **pensionable earnings**.

Eligible child is your natural or adopted child or any other child who is receiving financial support from you when you die. A pension will only be paid if they are aged under 18 or, if under 23, are either in full-time education or training or unable to work due to disability.

Final pensionable earnings are the pensionable earnings used to calculate your pension and lump sum. Your statement of benefits will explain which earnings have been used.

Guaranteed minimum pension is the minimum pension that **classic plus** must pay you for **reckonable service** before 6 April 1997 due to being contracted out of the State Earnings Related Pension Scheme (SERPS).

Partnership pension account is the scheme where your pension is based on the level of your and your employer's contributions, the performance of your chosen fund, and the annuity you buy with your pension 'pot'.

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

premium is a defined benefit ('final salary') scheme which forms part of the PCSPS(NI) Pension agreement. Staff in post up to 30 September 2002 had the choice of transferring from the old PCSPS(NI) (now **classic**) to **premium**.

Qualifying service is the service which enables you to be entitled to a particular benefit, such as your pension and lump sum. It is generally the same as your actual service in the NICS, but may include an additional period if, say, you transferred the value of benefits from another scheme into classic plus. A week's full-time or part-time service both count as one week's **qualifying service**.

Reckonable service is the service which counts towards your pension and lump sum. It includes service credited from a transfer from elsewhere, and any added years that you have paid for. Part-time service counts on the basis of the hours worked.

State pension age is currently 65 for men and 60 for women. For women, it will increase to 65 over the years 2010 to 2020.

Other information

Note: This booklet provides a guide to the main provisions of leaving classic plus with 2 or more years' service. It may 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 unintentional difference, the rules will prevail.

How do I find out more?

If you have any questions about the payment of benefits, please contact:

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BT47 6FP

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