

PCSPS(NI)

Principal Civil Service Pension
Scheme (Northern Ireland)

premium

premium pension scheme



Department of
**Finance and
Personnel**

www.dfpni.gov.uk



Civil Service Pensions

Contents

Introduction	1
Paying for your pension	2
How your pension is worked out	4
Joining up previous pensions	6
Boosting your pension	7
Leaving the scheme (before retiring)	8
Retiring	9
Benefits for your dependants	11
Other Information	14
General Information	16
Finding out more	17
Contacting us	17
Glossary	18

Note: We have tried to use as little jargon as possible. Where we have had to, we have put these words in bold and explain them in the 'Glossary' section at the end.

This booklet does not cover every aspect of **premium**. 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.

Introduction

What is premium?

Premium is an occupational **defined benefit** pension arrangement. It provides a way of saving for your retirement. Over the years, you and your employer both make contributions to the scheme. When you retire, we pay you a pension based on the years over which you contributed and on your **pensionable earnings** in your final years of service.

Who should read this booklet?

This booklet contains details of the PCSPS(NI) premium benefits. It is intended for:

- people who are members of premium, and
- anyone who is being re-employed and can choose to join premium.

Who can join?

Premium was closed to new entrants from 30 July 2007 onwards but is still offered to people who are re-employed by an organisation that participates in the PCSPS(NI) and who:

- resigned or was made redundant from their previous Northern Ireland Civil Service (NICS) employment;
- have a **preserved** premium, classic or classic plus pension;
- are returning within five years (so long as the break between the employments has been more than 28 days);
- are not receiving their PCSPS(NI) pension.

Rejoiners who left with an exit package of some sort, for example, received a redundancy payment, may also be offered premium although they may have to repay some or all of that payment, depending on the length between employments.

If someone rejoins within 28 days, they rejoin the pension arrangement they were in; in effect, they are treated as if their service is continuous (so long as they are not receiving their pension).

People who left their previous NICS employment because of ill health retirement and are receiving an upper tier pension are not eligible to rejoin or become a member of any of the arrangements that make up the PCSPS(NI).

Paying for your pension

How much must I pay?

You must pay contributions, currently 3.5% of your **pensionable earnings**.

What earnings are pensionable?

As a general rule, only permanent items of pay are pensionable. This includes any allowances that your employer tells you are pensionable, but will not include payments such as overtime.

Bonus payments do not normally count as pensionable earnings. But if you receive pensionable bonus payments, both you and your employer will pay contributions on them.

You may also have some non-cash pensionable earnings – for example, some people's pensions will take account of a uniform allowance, and others may have an allowance for accommodation. In these circumstances you and your employer will also pay contributions based on the equivalent cash value of these non-cash pensionable earnings.

If you are on reduced pay during maternity leave (and in certain other circumstances) your employer will make contributions based on the pay that you would have expected if you were not off work. Your contributions will be based on your reduced pay.

If you are a high earner, you need to be aware that there are limits on your pension contributions and their resulting benefits. If you exceed the limits you will have to pay extra tax.

You also need to be aware that your pensionable earnings may be limited to the '**earnings cap**' unless you joined the PCSPS(NI) before 1 June 1989. We can give you more information.

How much will my employer pay?

Your employer makes significant contributions to your **premium** pension. The contributions are set at a level advised by the **scheme actuary** to provide enough funds to pay the pension as promised.

Do I get tax relief?

You pay your contributions out of your gross pay (before income tax), so the cost to you is reduced.

Examples

1. Dave earns £18,000 a year (£1,500 a month).

Dave's premium contributions are £52.50 a month (3.5% of £1,500) but the net cost to Dave each month will only be £42 as he will get tax relief on these contributions. Dave pays tax at the basic (lower) rate so he will get tax relief at 20%*.

2. Peter earns £60,000 a year (£5,000 a month).

Peter's **premium** contributions are £175 a month (3.5% of £5,000) but the net cost to Peter each month will only be £105 as he will get tax relief on these contributions. Peter pays tax at the higher rate so he will get tax relief at 40%*.

* *Examples are based on HMRC tax rate for year 2008-09.*

What about National Insurance?

Premium is 'contracted-out' of the state scheme. This means that both you and your employer pay National Insurance contributions at the lower rate. Employers who provide pension schemes that are contracted out of the **State Second Pension (S2P)** have reference numbers. The following numbers are relevant to your employment:

- Employer's contracting-out number:
E3900002R
- Scheme's contracting-out numbers:
S2731005W

You will not build up any rights to S2P while you are a member of premium, although you will still get the basic State Retirement Pension if you have paid enough National Insurance contributions.

What if I have periods off work?

You can usually only pay contributions and build up **reckonable service** if you are actually working. The main exception to this is certain periods of statutory maternity leave which count as reckonable service.

If your employer allows you to take a career break you will continue to be a member of the scheme although neither you nor your employer will pay contributions and you will not build up reckonable service during this period.

If you are off work on long-term sick leave you will continue to build up reckonable service while you are receiving sick pay at full or half pay.

How your pension is worked out

We work out your pension as $\frac{1}{60}$ of your **final pensionable earnings** for every year of **reckonable service** in the scheme.

Example

John leaves **premium** after 20 years' reckonable service. His final pensionable earnings are £18,000 a year.

John's premium pension
= $\frac{1}{60} \times 20 \times £18,000 = £6,000$ a year

The maximum length of reckonable service that can count towards your pension is 45 years. However, before 1 March 2008, the number of years was restricted to 40 years. So, if you had built up 40 years before 1 March 2008, you could not build up any more pension until after that date.

If you were a member of **classic** on 30 September 2002 and chose to join premium from 1 October 2002 your reckonable service in classic will have been converted into premium reckonable service. You will have been told at the time how many years of reckonable service you would receive in premium in exchange for your years of classic reckonable service.

In most cases the conversion rate will have been 0.92 years of premium reckonable service for every year in classic but, depending on your circumstances, you may have had slightly less.

What if I work part-time?

If you work part-time we will work out your pension by using a full-time equivalent rate for your pensionable earnings and by counting your reckonable service on the basis of the time you actually work. This gives a fair result as it allows us to add together periods of full-time and part-time service. In particular, you are not disadvantaged if you move to part-time working in the run-up to your retirement.

Example

Jenny works full-time for 25 years and then works part-time (18 hours a week instead of the full-time 36 hours) for 10 years. When Jenny retires, her actual pensionable earnings in the last 12 months are £10,000.

Jenny's final pensionable earnings
= $£10,000 \times \frac{36}{18} = £20,000$

Jenny's reckonable service
= $25 + (10 \times \frac{18}{36}) = 30$ years

Jenny's pension = $\frac{1}{60} \times £20,000 \times 30$
= $£10,000$ a year

How will I know what my pension will be?

Each year, we will send you an annual benefit statement which will show how much pension you have earned to date, and your projected pension to scheme **pension age** (currently 60), based on your current salary. The statement shows your personal details on which the projections are based, so that you can check that these are correct.

When you approach pension age you will receive a statement of the benefits payable to you. If you leave before pension age you will continue to receive an annual benefit statement (providing you keep your address up to date).

Do I get a tax-free lump sum?

At the time you retire you can choose, under current rules, to give up part of your pension for a tax-free lump sum. You can choose how much lump sum you want, up to a maximum of $\frac{30}{7} \times$ your pension, but you must give up £1 of pension for each £12 of lump sum.

You can find out how much lump sum you can take, and the effect it will have on your pension by using the calculator on the PCSPS(NI) website (or you can ask us to do this for you if you do not have access to the calculator).

Example

Tom retires after 30 years' service with a pension of £10,000 a year.

He has an option to take a tax-free lump sum of up to £42,857.14. If Tom chooses to take the maximum tax-free lump sum, he will have to give up a pension of £3,571.43 a year. This means that Tom can choose:

- a pension of £10,000 a year; or
 - a maximum single tax-free lump sum of £42,857.14 plus a pension of £6,428.57; or
 - some other combination of pension and lump sum up to the maximum allowed.
-

Reducing your annual pension in this way generally has no impact on your dependants' pensions as these are based on your pension before you give any up for a higher lump sum. However, if you are aged 75 or over when you die, 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 might lead to your dependants' pensions being reduced if you die after reaching 75. But this is only likely to be an issue if you leave two or more children under age 18 (or under age 23 if they are in full-time education) when you die over age 75.

Joining up previous pensions

I have a pension from another scheme. Can I bring this into premium?

You can bring in a **transfer value** from another occupational pension at any time up to the point the administrative process starts for you to take your **premium** pension. Ask your previous employer for a transfer value quote and send it to us. We will then give you an estimate of the **reckonable service** that the transfer value will buy in premium. You should be aware that we can only accept transfer values if your previous scheme gives us certain undertakings. If your previous scheme will not give us these, we cannot accept a transfer value.

You can also bring a transfer in from a non-occupational pension scheme (for example, a personal pension or a deferred annuity contract) but you must do this within 12 months of being eligible to join premium.

My previous employer's scheme is in the Public Sector Transfer Club. What does this mean?

The Public Sector Transfer Club (PSTC) offers employees who move between Club employers the opportunity to transfer their pension benefits on special terms. Club terms are only applied when someone moves employment on a voluntary basis. There is more information about the Club on our website, including a leaflet 'The Public Sector Transfer Club – a guide for scheme members'. If you join the NICS and want to bring in a transfer from a scheme in the PSTC, you must do this within 12 months of being eligible to join premium.

I have a preserved pension from when I previously worked in the NICS. What happens to that?

If you have **preserved** benefits in **classic**, **classic plus** or premium from a previous period of employment, you can either leave your earlier pension preserved or you can aggregate (join up) your earlier period of service with your current service for a single pension based on your **final pensionable earnings** when you next leave the scheme. If your earlier service was classic or classic plus, please note that service will be reduced slightly to take account of better benefits offered by premium.

If you leave your benefits preserved we will continue to increase it in line with increases in the **Retail Prices Index**.

If you want to aggregate your service you must make your choice within 12 months of being eligible to join (or rejoin) premium. You will not be given another chance.

Talk to us to find out more.

Example

Sue leaves the NICS with a **preserved premium** pension of £3,000, built up over 10 years. This pension grows with inflation to be worth £3,300. On rejoining, Sue must choose between:

- keeping her pension preserved and having her new period of service pensioned separately; or
- cancelling her preserved pension and adding 10 years to her reckonable service in her new job.

Sue will need to consider which option is likely to give her the best pension. In particular, she needs to consider whether she expects her final pensionable earnings when she next leaves to be higher than her previous final pensionable earnings increased by price inflation. Sue also needs to remember that if she leaves her pension preserved she will have to wait 2 years before she will qualify for certain pension benefits from her new service.

Boosting your pension

Can I pay more for a bigger pension?

You have a range of options:

- 'Added pension' is a fixed amount of pension that you can buy. It is **index-linked** every year both before and after it comes into payment. Added pension will provide the same sort of benefits as your main **premium** pension – so, for example, it will include the option to take a lump sum.
- you can pay Additional Voluntary contributions (AVCs) to the Northern Ireland Civil Service Additional Voluntary Contributions Scheme (NICSAVCS). We have appointed two AVC providers – Scottish Widows and Standard Life – who, between them, offer a range of investment options. We have negotiated competitive charges with these providers. You choose which provider you want to invest your NICSAVCS, and the fund or funds to invest in. You can use your NICSAVCS to buy yourself extra pension from age 55 (or 50 if you had a NICSAVC before 6 April 2006) until the day before your 75th birthday. You can take up to 25% of your fund as a tax-free lump sum subject to the **Lifetime Allowance**. You do not have to take your NICSAVCS at the same time as your PCSPS(NI) pension as long as it is before your 75th birthday.
- you may, if you wish, contribute to a **stakeholder pension**. You can choose our designated provider, Standard Life, or any other provider. Stakeholder pensions work in a similar way to AVCs, except you are able to draw your pension at any time between the ages of 50 and 75 (age 55 to 75 for those who joined after 6 April 2006 and age 55 to 75 for everyone with effect from 6 April 2010) and you can take up to 25% of your fund as a tax-free lump sum when you retire.

It was possible, up to 29 February 2008, to buy 'added years' of service. If you have an existing added years contract and want to know more about it, please contact us.

Leaving the scheme (before retiring)

What if I resign?

If you have at least 2 years' service we will give you the choice of **preserving** your pension or of taking a **transfer value** to another pension scheme. If you **preserve** your pension, it will increase every year in line with inflation and then be paid when you reach **pension age**. You are able to draw your pension at any time between the ages of 50 and 75 (age 55 to 75 for those who joined after 6 April 2006). However, your benefits are worked out using the scheme pension age so we will reduce the pension because of early payment.

If you have less than 2 years' service when you leave, we will either:

- refund your contributions, less tax. We will also make a deduction from your refund to pay for part of the cost of putting you back into **S2P**, or
- transfer the value of the benefits you have built up to another pension scheme. You must tell us if you want this to happen. Be aware that time limits and other restrictions apply. We can give you more information about this.

What happens if I become too ill to work?

If you have to leave the NICS before scheme **pension age**, and our medical adviser agrees that you cannot do your job because your health has broken down permanently, we may pay you your pension. In these circumstances, we will pay your pension without making any reduction because of leaving early and, if you have very short service, we may give you extra years of service. If our medical adviser believes that your ill health is so severe that you are unlikely to work again, we may also give you all the extra years of service you would have expected to have had if you had worked to the scheme pension age.

There is one other condition and that is you usually need to have worked for your employer for at least two years.

What happens if I am made redundant?

Your employer will pay you compensation for loss of employment under the Civil Service Compensation Scheme (Northern Ireland) [CSCS(NI)]. You can get information on what the scheme provides from us.

I no longer want to be a member of premium

If, having joined **premium**, you wish to 'opt out', you can do so at the next available pay period. We advise you to think very carefully about what you are giving up. Before you make a decision, please look at our 'Opting out' fact sheet on the PCSPS(NI) website:

www.civilservicepensions-ni.gov.uk

You may also wish to consult an Independent Financial Advisor.

If you do decide to opt out, you will be asked to confirm this decision in writing.

Once you have opted out, you can rejoin at a later date in your service if you wish but you will only have one opportunity to opt back in.

I would like to change my pension arrangements

As long as you joined premium on or after 1 October 2002, you will have one opportunity to switch from premium to **partnership**. There is one exception: **classic** members in post on 30 September 2002 and who moved to premium on 1 October 2002 may not switch.

You will have one opportunity to switch back from partnership to premium.

We only allow you to switch on 1 April and 1 October each year and you must give us three months' notice in writing.

Retiring

When can I get my pension?

The scheme currently has a **pension age** of 60. This is the earliest that you can usually get your pension without it being reduced for early payment. You are able to draw your premium pension at any time between the ages of 50 and 75 (age 55 to 75 for those who joined after 6 April 2006). However, because your pension will be paid for more years, we will reduce it. Typically, we will reduce your pension by around 5% for each year before pension age. This reduction to your pension is permanent.

It will help if you agree your last day of service with your employer as far in advance as you can. Your employer/HR Connect will notify us and we will send you an estimate of your pension benefits, plus a Personal Details Form – this is, effectively, your pension claim form. You should check the details, complete and sign the form, and return it as quickly as possible. We cannot pay your pension without this form.

Will you increase my pension?

We will increase your pension every April, in line with the rise in the Retail Prices Index.

Can I continue to work and get my pension?

Partial retirement allows you, with the agreement of your employer, to draw some or all of your premium pension and remain in work. Your employer has to consider the needs of the business first. Because of this, you do not have an automatic right to partial retirement.

Partial retirement involves 'reshaping' your job so that your earnings reduce by at least 20%. You must apply to take partial retirement no later than 3 months after your employer has agreed to reshape your job.

Can I give some of my pension benefits to someone else?

Yes, you have the option to give up part of your pension to provide benefits for another person. This is known as 'allocation' of pension. You may choose to add to the benefits you have already provided for your husband, wife or civil partner, or to provide for another person who is dependent on you.

You need to remember a number of points about allocating part of your pension.

- You must be eligible.
- You give up part of your pension permanently.
- You can only allocate at final retirement; it is not possible to allocate when you take partial retirement.
- You must make your allocation decision before we start to pay your final pension.
- You cannot change or cancel the allocation, even if the person who would have received the benefits dies first.
- The pension you allocate is payable for life and is not affected if you get married again or enter into a civil partnership.

Contact us if you are interested in allocating your pension.

Benefits for your dependants

What happens if I die in service?

We will pay a sum of 3 x your pay to the person (or people) you have named on your death benefit nomination form. (We tell you more about this form later in the booklet.)

As long as you have been in the scheme for at least two years we will give your widow, widower or civil partner a pension. We will work this out as $\frac{3}{8}$ ths of your pension (this is the same as a $\frac{1}{160}$ th of your **final pensionable earnings** for each year of **reckonable service**). If you die in service we will grant some extra years of reckonable service, up to 10 years.

Once your husband, wife or civil partner is receiving a pension it will continue for the rest of their life, and we will increase it in April, in line with the increase in the **Retail Prices Index**.

Example

Sandra dies in service, aged 45. She has 20 years' service and final pensionable earnings of £20,000 a year. Sandra leaves a civil partner, Nicola.

We base Nicola's pension on 30 years' service – that is, Sandra's 20 years' service plus an **enhancement** of an extra 10 years.

Nicola's pension
= $\frac{3}{8} \times (\frac{1}{60} \times £20,000 \times 30)$
= £3,750 a year.

The lump sum is $(3 \times £20,000) = £60,000$ and will be paid to the person (or people) Sandra has named.

What if I die after I leave the scheme but before I start getting my pension?

If you leave the scheme and then die before receiving your pension, we usually pay the person or people a lump sum of

- 5 x your **preserved** pension; or
- 2 x your final pensionable earnings when you left the scheme, whichever is smaller.

We will normally pay a pension to your widow, widower or civil partner, based on $\frac{3}{8}$ ths of the pension you would have got. However, we may reduce this if you left with an ill health pension with your reckonable service enhanced through to **pension age**. In that case, we will base the pension for your husband, wife or civil partner on the extra years that we would have given if you had died in service on the day you retired. This is likely to (but may not) be less.

What happens if I die after retirement?

If you die within 5 years of starting to receive your pension, we will usually pay a lump sum to the person (or people) you have named. The amount we pay is 5 times your pension less any lump sum and pension you had received up to the date of your death. However, you need to be aware that if you take the maximum amount of lump sum on retirement, it will impact on this 'death after retirement' lump sum, which could be significantly reduced and, in some cases, wiped out.

Your widow, widower or civil partner will get a pension based on $\frac{3}{8}$ ths of your pension.

If you are over age 75 when you die, we will pay any outstanding balance annually, in arrears, to your nominee(s) as a pension until the 5-year period has expired.

If you die more than 5 years after you start getting your pension we do not pay a lump sum.

I'm not married or in a civil partnership, but I have a partner

If neither you nor your partner is married to anyone else or in a civil partnership, we may pay your partner a lump sum and pension, depending on the circumstances. We work them out in the same way as we would for a husband, wife or civil partner. **You must make sure that you and your partner fill in a declaration as we cannot pay a pension without this.** The declaration form is in the booklet 'Pensions for partners: a guide'. The booklet is available from us or on our website:

www.civilservicepensions-ni.gov.uk

How do I nominate someone to receive benefits?

You can nominate any person, including a child, and / or an organisation (such as a bank, a trust, a firm of solicitors or accountants) to receive the lump sum death benefit. The advantage of making a nomination is that we can then pay the benefit without delay.

You must complete a Death benefit nomination form to make your nominations, which you can get from us or download from our website:

www.civilservicepensions-ni.gov.uk

You must send us a new nomination if your wishes or circumstances change.

The nomination will be valid unless you change or cancel it, or if the person you nominated dies. The one exception to this is when you nominate your husband, wife or civil partner and the marriage/civil partnership comes to an end, through divorce/dissolution (but not separation). The nomination is then no longer valid (unless you had nominated them prior to your marriage/civil partnership taking place) and you should make a new nomination.

Important Note

At the time of a divorce or dissolution, a court may order that when a scheme member, or a previous member, dies, all or part of the death benefit must be paid to the ex-husband, ex-wife or ex-civil partner. If this is the case, we will pay any balance to the person you nominated (nominee) or to the personal representative of the person who died if there is no valid nomination.

HM Revenue and Customs regulations do not take account of the lump sum death benefit when assessing liability for inheritance tax.

You should keep your nominations under review. Your annual benefit statement shows your nominated beneficiary(ies).

Will my children get a pension?

We will pay a pension to your children (and to any other children who rely on you financially) when you die.

We pay children's pensions for children up to the age of 18, or up to 23 if they are in full-time education. We will go on paying a pension after age 23 to any child who was dependent on you because of physical or mental impairment. (Please note that the eligibility rules for children's pensions were different where a civil servant died before 6 April 2006.)

We work out children's pensions based on 30% of your pension entitlement if we pay a pension to your surviving husband, wife or civil partner, or 50% if you did not leave an adult dependant. 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.

Other Information

What if I am re-employed in the future?

If you leave and, at some point in the future, are re-employed by an organisation that offers the PCSPS(NI), you will only be able to rejoin **premium** under certain circumstances.

If you are re-employed after you started taking your pension by an organisation that offers the PCSPS(NI), your pension may be reduced. You will not be able to rejoin premium.

Your prospective employer will be able to tell you more about this.

What if I am injured at work?

You may be entitled to benefits under the Civil Service Injury Benefits Scheme (Northern Ireland) [CSIBS(NI)] if you are injured on duty. Eligibility depends on individuals' circumstances and the nature of the accident or incident.

The injury benefit arrangements provide a guaranteed income for you if you suffer a qualifying injury that will affect your earnings in the future. The level of benefit depends on how much the qualifying injury affects your future earnings and on the length of your service.

If you are killed on duty, your widow, widower or civil partner may qualify for an income, which is guaranteed to be at least 45% of your **pensionable earnings**. We also provide an income for dependant children.

You or your family may receive personal injury compensation if you have to stay away from home overnight as part of your job and you are then seriously injured or killed while off duty.

Please note that we do not normally pay injury benefits if you are injured or killed while travelling to or from work or if you are involved in activities which are not related to your duties.

How do I complain?

If you have a problem with any part of your pension benefits, you should try to sort it out with us. Often, a phone call or an email will be enough. If you cannot sort out the problem to your satisfaction, we have a complaints procedure known as Internal Dispute Resolution (IDR).

This entitles you to a written explanation from us and then, if you are still not satisfied, you can also contact The Pensions Advisory Service (TPAS) at any stage during the IDR procedures. TPAS is an independent organisation set up to help with sorting out disagreements between scheme members and the administrators or trustees of their scheme.

You can write to TPAS at:
11 Belgrave Road
LONDON
SW1V 1RB.

Their email address is:
enquiries@pensionsadvisoryservice.org.uk

If you have gone through IDR and your complaint has still not been resolved satisfactorily, you can contact the Pensions Ombudsman. For more information see their website:

www.pensions-ombudsman.org.uk

You can write to the Pensions Ombudsman at:
11 Belgrave Road
LONDON
SW1V 1RB.

Who is the Pensions Regulator?

The Pensions Regulator is the statutory regulator for occupational pension schemes. Their task is to make sure that pension schemes are run legally. They also educate and inform and work with others to raise standards.

You can contact The Pensions Regulator by writing to them at:

Napier House
Trafalgar Place
BRIGHTON
BN1 4DW

Website:

www.thepensionsregulator.gov.uk

Email:

customersupport@thepensionsregulator.gov.uk

Transferring your rights to benefits (assignment)

You are not allowed to assign any of your benefits. This means you cannot give anyone else the right to your entitlement from the scheme.

Rules

Premium rules are set out in section 1 of the Principal Civil Service Pension Scheme (Northern Ireland) [PCSPS(NI)]. This is a statutory scheme made under the Superannuation (NI) Order 1972.

This booklet is based on the rules current at the time of writing and there is no guarantee that any part of the rules will not change in the future.

Before we make changes to the rules, we consult with the NICS unions. Under the Superannuation (NI) Order 1972 we must get the agreement of the unions for any changes to the rules that affect benefits that members have already earned. Any changes we make to the rules are laid before Parliament.

You can find the rules on our website:

www.civilservicepensions-ni.gov.uk

General information

Pension tracing service

The Pension Tracing Service acts as a central tracing agency to help people keep track of any pension arrangements they had in the past.

You can contact 'The Pensions Tracing Service' by writing to them at:

Whitley Road
Newcastle-upon-Tyne
NE98 1BA

Website:

www.thepensionservice.gov.uk

Loss of benefits

If you become bankrupt, your pension will be paid in line with the Bankruptcy Acts.

What about State benefits?

You will receive basic State Retirement Pension based on the National Insurance contributions you have paid.

You will not receive the State Second Pension for your period of service as the scheme is contracted-out.

How do I find out more about State pensions?

Visit the Department for Social Development website:

www.dsdni.gov.uk

HM Revenue and Customs regulations

Premium is a statutory scheme which is registered with HM Revenue and Customs. As a result, there are a number of tax concessions.

This means:

- contributions are taken from your pay before tax is worked out;
- pension lump sums are free of tax;
- lump sum death benefits are normally tax free, subject to the **Lifetime allowance**;
- compensation lump sums due under early departure terms are free of tax, up to £30,000;
- there are limits on the benefits that you can take when you retire; in some cases, benefits or contributions (or both) might be restricted to meet these rules. We will tell you if a restriction affects you;
- most members are also limited by the permitted maximum amount on earnings which can be taken into account for working out benefits. We can tell you more about this.

Finding out more

We hold your premium pension details and can give you information which is specific to you. We do not have the authority to advise you on financial matters relating to pension decisions you may have to make. If you want help in making such decisions, we suggest you contact an Independent Financial Advisor.

Publications

We have a range of booklets and leaflets covering all aspects of the PCSPS(NI) and associated benefits, all of which appear on the PCSPS(NI) website. Alternatively, you can ask us for hard copies. Here are a few titles relating to some of the benefits we have mentioned in this booklet:

‘Civil Service Compensation Scheme (Northern Ireland) [CSCS(NI)]. Early retirement and redundancy for **classic plus**, **premium** and **partnership** members’.

‘Injury Benefits Scheme - A brief guide’

‘classic plus and premium ill-health retirement pension benefits – a brief guide to the benefits available’

‘Partial retirement - a guide for scheme members’

‘What is abatement?’

Contacting us

If you have any questions about the content of this booklet, about your benefit entitlement or about pensions in general, please contact us using any of the methods below.

**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

Other useful contacts

Department for Social Development:

www.dsdni.gov.uk

Her Majesty's Revenue & Customs (HMRC):

www.hmrc.gov.uk

Glossary

Abatement

If you are re-employed by an organisation covered by the PCSPS(NI) after you have taken your pension, we may reduce or stop paying your pension. This is because scheme rules require that your new salary and your pension, when added together, may not normally be more than your salary when you retired.

Annual benefit statements

These statements tell you how much pension you have built up to date and gives you an idea of the benefits that premium may provide you with in the future.

Classic

A defined benefit occupational pension arrangement based on final salary. It was closed to new members from 1 October 2002.

Contracting-out

If you join premium, you will opt out or 'contract-out' of (leave) the State Second Pension. You and your employer will pay the lower rate of National Insurance contributions.

Defined benefit

A pension scheme where the benefits are worked out using a formula reflecting pensionable earnings and length of service.

Defined contribution

Type of pension in which benefits are dependent on contributions and the growth of the pension fund.

Earnings cap

The maximum level of pay we will use when working out pension benefits and contributions. It applies to most members who joined the PCSPS(NI) on or after 1 June 1989.

Enhancement

If you retire early because of ill health, die in service, or are made redundant, we may increase the number of years you have in the scheme when we work out your pension or Annual Compensation Payment (ACP). This is called enhancement.

Final pensionable earnings

These are the earnings on which we base your pension. Your final pensionable earnings will be whichever is the best of:

- your last 12 months' pensionable earnings; or
- your highest pensionable earnings in any of the last 4 complete scheme years; or
- your highest average pensionable earnings in any period of 3 complete scheme years during the last 13 years ending on your last day of service.

A scheme year is the period from 1 April to 31 March.

We will take account of inflation in making the comparison. For those who receive compensation benefits or a lump sum for death in service, this will be based on the best of your permanent pensionable earnings in the last 12 months and the best of one of the last 2 scheme years. We will not make any adjustment for inflation when making the comparison.

Lifetime allowance

A limit on the total value of all pension benefits (except the State pension) that you can take without paying additional tax. The value of benefits is assessed at the time that you take your pension. It does not limit the total amount of pension benefits that an individual can receive in their lifetime.

Partnership

A defined contribution (money purchase) stakeholder pension available only to entrants joining on or after 1 October 2002.

Pension age

This is the earliest age you can take your premium pension without it being reduced because of early payment. Pension age is currently age 60.

Pensionable bonuses

Bonus payments do not usually count towards your pension unless your employer has agreed that they can.

Pensionable earnings

These are all earnings which could count towards your pension. They can include non-cash items, for example, uniforms or accommodation.

Preserved benefits

We will hold (preserve) the pension benefits you have built up if you leave the scheme before pension age and have decided not to transfer them to another pension scheme. (We will only do this if you have built up more than two years' qualifying service.)

Qualifying service

This is the time you have been a member of premium and it qualifies you for certain benefits. For many people qualifying service is the same as the reckonable service. But for some people, like those who work part-time, their qualifying service will be more than their reckonable service.

Reckonable service

This is the number of years and days that count towards your pension. Generally, the days that you are a member of the scheme count towards your pension. Things like strike day and career breaks do not count towards your pension.

Retail Prices Index

The official index of increases in retail prices.

Scheme actuary

An adviser on financial questions involving probabilities relating to mortality and other contingencies.

Stakeholder pension

A form of personal pension.

State Second Pension (S2P)

The additional State pension (on top of the basic State Retirement Pension) that used to be called State Earnings-Related Pension. The amount you receive depends on your National Insurance contributions.

Transfer value

The value of accumulated pension rights within a pension scheme that may be used to transfer benefits from that scheme to another pension scheme.

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