

## Important news – changes to your premium pension

### Please read - this note updates the information in the booklet

- **Additional cash lump sums**

The booklet explains that when you retire you can choose to give up some of your pension for a 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](http://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.

- **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.





Department of  
**Finance and  
Personnel**

www.dfpni.gov.uk

## premium retirement benefits

This leaflet provides a straightforward guide to the **premium** benefits that may be payable when you reach **pension age**, usually age 60.

If you are leaving the Northern Ireland Civil Service (NICS) through early retirement, redundancy or severance, you should contact us for further information.

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 the terms.

### Retirement benefits

When you retire, you will receive a pension calculated from your **final pensionable earnings** and **reckonable service**. You will have some options:

- to give up, or 'commute' some of your pension for a lump sum (tax-free under current legislation); and
- 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

We work out your pension as follows:

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

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.

### Lifetime Allowance (LTA)

From April 2006, everyone will have a lifetime allowance (LTA) – this is the total capital value of all pension benefits (except the State pensions) before you pay extra tax. If your pension takes you over your LTA, you will have to pay tax on the excess benefits. As the LTA will be £1.5m to start with, most people will not be affected by this.



Any occupational pensions where the scheme is promising to pay an amount of pension on retirement in the future are valued by multiplying the current pension earned by 20. This formula applies to 'frozen' pensions from previous employments as well as any pension being built up in current employment. Money purchase pensions such as personal pensions or Additional Voluntary Contributions (AVCs) have a fund value associated with them. The value of these pensions is the fund value.

Any pensions in payment on 6 April 2006 are valued by multiplying the annual amount by 25.

Contact us for further information.

### Lump sum

You can commute some of your pension into lump sum. Your estimate statement will show the maximum lump sum you can have.

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

### Allocation of pension

You may want to give up some of your pension to provide a pension, after your death, for someone else.

The **premium** scheme does provide a pension for a surviving husband, wife, civil partner or partner anyway, but you might want to allocate some of your pension either to increase this pension or to provide a pension for someone else.

You can only allocate pension to someone who is either financially dependent on you, or if you are both financially interdependent. 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.

You must make your allocation decision at the time you retire.

### Reckonable service

You cannot have more than 40 years of **reckonable service** in premium. You will have to stop paying contributions once you have built up 40 years' reckonable service.

### State pension

When you reach State pension age the State basic pension will become payable, as long as you have paid enough National Insurance contributions. You should contact your local Social Security office for more information.

### Paying benefits

Every effort is made to make sure that you receive your lump sum within a few days of retiring, and your pension as soon as possible afterwards. It will help if you agree your last day of service as far in advance as you can.

If you choose a lump sum it is paid direct either to your bank or building society account.

Pensions are normally paid monthly in arrears by direct credit to your bank or building society account. They are treated as earned income for tax purposes. Any tax that is due is taken off before the pension is paid.

### Death after you retire

#### Lump sum benefits

If you die within 5 years of drawing your pension, we will pay the balance of 5 years' worth of pension to whoever you have nominated. If you want to change your death benefit nomination after you leave service, please contact us. If we do not have a nomination on file, we will pay any death benefit to your **personal representatives**.

#### Benefits for your husband, wife or civil partner

If you are married, or have registered your relationship under the Civil Partnership Act 2004, then we will pay your husband, wife or civil partner a continuing pension for the rest of their life. This will be calculated as  $\frac{3}{8}$  of your pension before making any deduction for commuting pension into lump sum.

## Benefits for your partner

If you are not married, or have not registered a civil partnership, then your partner may be eligible for a pension for the rest of their life. It is essential that you and your partner fill in a nomination and declaration form as we cannot pay a pension without this. Ask for the booklet 'Pensions for Partners' which contains more information about eligibility for a partner's pension.

The pension for a partner will be based on  $\frac{3}{8}$  of your pension before commuting pension 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, civil partner or 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 amount that we would pay for two children.

## Re-employment after pension age


If you retire and are then re-employed in the NICS immediately or at a later date, the Principal Civil Service Pension Scheme (Northern Ireland) [PCSPS(NI)] pension arrangements can affect you in a number of ways. You should ask us if you need further information.

## Pensions increase

Pensions in payment increase every year in line with the cost of living. All pensioners aged 55 or over receive increases. This makes sure that the benefit maintains its original buying power.

## Changes at State pension age

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

-  There are further details about paying pension increases after the State retirement age in the booklet 'Inflation Proofing Public Service Pensions' (HM Treasury publication)


## Disagreements and complaints procedures

If you have a complaint about your **premium** pension that you have not been able to sort out with us, you can ask us for the leaflet 'If you have a complaint about your pension'.

## Other information

This leaflet provides a straightforward guide to the main provisions of premium retirement benefits.

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 leaflet can override the rules, and in the event of any unintentional difference, the rules will prevail.

-  For more information and advice about specific benefits, please contact us, using any of the methods listed overleaf.

## Glossary

### Eligible child

Is your natural or adopted child and 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 26, are either in full-time education or training or unable to work because of a disability.

**Note:** For new pensions awarded after 6/04/06 the upper age limit will be 23.

### Final pensionable earnings

The pensionable earnings used to calculate your pension. Your statement of benefits will explain which earnings have been used.

### Guaranteed minimum pension

Is the minimum pension that premium must pay you for reckonable service before 6 April 1997 as a result of being contracted-out of the State Earnings Related Pension Scheme (SERPS).

### Personal representatives

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

### premium

A final salary occupational pension scheme which forms part of the PCSPS(NI) pension arrangements from 1 October 2002. In this scheme, your pension is based on your years of service and final pensionable earnings. Contributions are 3.5% of your pensionable earnings.

### Reckonable service

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

## Contacting us

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Leaflet published by Civil  
Service Pensions

Issue 2      August 2006