

PCSPS(NI)

Principal Civil Service Pension
Scheme (Northern Ireland)

Premium

Premium retirement benefits

A brief guide to the benefits available



Department of
**Finance and
Personnel**

www.dfpni.gov.uk



Who should read this booklet?

This booklet provides a guide to pension benefits for anyone leaving and taking their premium 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. Pension age is the earliest that you can usually take your pension without it being reduced for early payment. If you joined the scheme before 6th April 2006 you can apply to take your pension at any time from the age of 50 (55 if you joined after that date) 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 our website:

www.civilservicepensions-ni.gov.uk

or 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. (It 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 worked out from your final pensionable earnings and length of **reckonable service**. Your pension is worked out as:

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

Part-time service counts on the basis of the actual hours you have worked, and the equivalent full-time pensionable earnings.

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

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.

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.

Example

Mary had 15 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 £10,000 a year

$$(15/60 \times 36,000) + (1,000) = 10,000$$

Can I have a tax-free lump sum?

At the time you take your pension you can choose to give up part of your pension for a 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, subject to the **Lifetime Allowance**. The maximum lump sum you can take will be shown on your pension estimate. If you want to take a smaller amount, you can find a calculator on our website:

www.civilservicepensions-ni.gov.uk

For each £12 of lump sum you want to take, your pension will reduce by £1 a year. This is called “commuting” pension for lump sum.

Note that commuting your pension will not generally affect the way your dependants’ pensions are worked out.

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

When you finally retire and take your pension, and before it starts to be paid, 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 is worked out.

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 was 40 years. The change in March 2008 was not retrospective so if you already had more than 40 years service at that date, the excess will not count towards your pension.

Example

Stephen is 59 on 1st March 2008 and has 41 years' service, with only 40 years reckoning for pension purposes. From 1 March 2008 Stephen was able to start building 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 then write to you separately to give you information about taking your AVC 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 premium 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".

Who pays my pension, and when?

We pay your pensions. You can find our contact details at the end of this booklet. We will pay your pension to you monthly, at ¹/₁₂ (to the nearest penny) of the yearly rate.

When will I get my first payment?

If you choose to have a lump sum, it will be sent to the bank or building society account you put on your Personal Details Form. We will pay your lump sum as quickly as possible, although no particular date can be promised. It will normally be paid within a few days of your retiring, if we have received the information in good time. You should 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 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 stock we may be able to provide you with a copy.

Are there any changes at State pension age?

If your premium pension includes any service before 1997, for example service which you have transferred in from another scheme, and this part of your pension includes a **guaranteed minimum pension** (GMP), you should note that 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 premium pension may therefore appear to be less than a full **Retail Price Index** increase.

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?

If you choose to take a lump sum, it 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 premium 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 and may pay a lump sum to your widow, widower, or surviving civil partner. If you have a partner but are not married or in a civil partnership, they may be eligible if you have registered a partner declaration form with us and they meet the criteria for payment of a pension. We will also pay a pension to any eligible children.

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?

If you die within five years of starting to draw your pension, we will pay a lump sum representing the difference between:

- five times your annual pension (including any **added pension** you had bought) on the date you died, and
- the total pension and lump sum payments you had already received.

We will pay any lump sum due to the person or people you have named.

If you are over 75 when you die, we cannot pay this lump sum due to tax rules. So we will pay any outstanding balance annually in arrears to your nominee(s) as a pension until the five-year period has expired.

We do not pay a lump sum if you die more than five 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), although if there are good grounds for considering it is not appropriate to pay the sum to your nominee it can instead be paid 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, civil partner or eligible partner get?

Their pension entitlement is worked out as 37.5% of your pension, including any added pension you have bought for yourself and your family, and any pension bought by a transfer in from another scheme. Their pension is payable for life.

If you have exchanged (commuted) part of your pension for a lump sum, this will not generally affect the pension for your husband, wife, civil partner or **eligible 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. As taking a higher lump sum reduces your pension, this may reduce the amount of dependants' pensions payable.

If your husband, wife, civil partner or eligible partner is more than 12 years younger than you, their pension will be reduced to reflect the fact that it is likely to be in payment for a longer time.

Will my children get a pension?

We will pay a pension to your eligible children. The child's pension is 30% of your pension entitlement if we pay a pension to your surviving husband, wife, civil partner or eligible partner, or 50% if there is no such pension payable. 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, register a civil partnership or have children after I've retired?

We will pay a pension to your family on your death, on the same terms and conditions as set out in previous questions.

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 pension 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 premium or another section of the scheme, and you are re-employed by an employer covered by the PCSPS(NI) pension 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

or get one from us.

What if I have a complaint about my pension?

If you have a problem with any part of your premium 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 premium 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 18 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.

Eligible partner

Is someone with whom the member has jointly completed the partner declaration form, and who continued to meet the eligibility criteria at the date of the member's death. Details of the eligibility criteria are given in the booklet 'Pensions for partners: a guide'.

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. In premium 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 of:

- pensionable earnings in your final 12 months of employment; or
- the highest pensionable earnings in any of the last four scheme years; or
- the highest average pensionable earnings in any three consecutive scheme years ending up to 13 years before the retirement date.

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.

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