

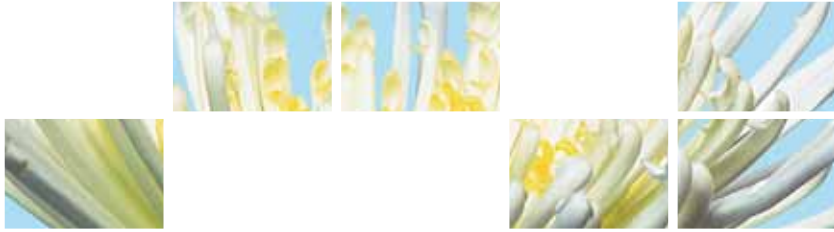
Leaving classic before pension age with 2 or more years' service

A brief guide to what is available

www.civilservice-pensions.gov.uk

This booklet is published by Civil Service Pensions.





This booklet provides a guide to the **classic** benefits you will receive when you reach pension age.

For most people that is age 60.

If you are leaving early with benefits, see the booklet 'Civil Service Compensation Scheme (CSCS) Early retirement and redundancy for **classic** members'.

Note: This booklet provides a guide to the main provisions of leaving **classic** 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 apply.

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 technical terms section for an explanation.

Retirement benefits

Your pension is preserved for payment at pension age. We will increase your preserved pension each year in line with the increase in the Retail Prices Index (RPI). This 'pensions increase' will continue when your pension comes into payment. Our paying agent, Capita Hartshead, will write to you every year to tell you the current value of your preserved pension. Remember to tell Capita Hartshead (contact details at end of booklet) if you move house.

When you reach pension age, you will be entitled to a pension and pension lump sum worked out using your **pensionable earnings** and your **reckonable service**.

You will also have the following options, which you may wish to consider before pension age:

- to take the transfer value of your pension to another pension scheme or arrangement that is registered by Her Majesty's Revenue and Customs (HMRC) or to a qualifying recognised overseas pension scheme.



- to draw your pension early, but on a reduced basis, from age 50 (55 if you joined the Civil Service 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

We work out your pension as follows:

Pensionable earnings times **reckonable service** divided by 80.

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

Lump sum

You will receive a pension lump sum worked out as 3 times your pension. The pension lump sum will be tax-free subject to the **Lifetime Allowance (LTA)**.

You will also be able to choose to give up part of your pension for an additional lump sum. You can choose how much extra lump sum you want, to a maximum of your pension x 33/14, 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 Lump sum calculator on the Civil Service Pensions website (or you can contact Capita Hartshead nearer the time your benefits are due to come into payment if you do not have access to the calculator).

Reducing annual pension in this way generally has no impact on 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.

If you are single and eligible to receive a 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 plus any additional lump sum you choose to take cannot exceed the maximum permitted lump sum.

Claiming your pension

Unless you transfer your pension elsewhere, or draw it early, you should write to Capita Hartshead around two months before you reach pension age. Capita Hartshead 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** provides a pension for a surviving husband, wife or civil 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 a 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 Capita Hartshead for further details about what this might mean for you.

Taking a transfer value

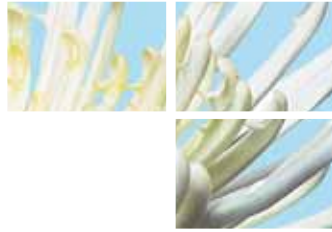
Instead of having your pension preserved in **classic**, you can have the value of your pension transferred to another pension scheme. The pension scheme must be a scheme or arrangement which is registered by HMRC or a recognised overseas pension scheme.

If you want to transfer the value of your **classic** pension, you should ask your pensions administrator for a transfer value quotation. You may also wish to ask your new scheme administrator about the transfer arrangements. Before you go ahead 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 about taking a transfer value ask your pensions administrator.

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



Drawing your pension early

You can apply to Capita Hartshead to have your pension paid early on a reduced basis at any time after reaching age 50 (age 55 if you joined the Civil Service on or after 6 April 2006). As it is paid early, we reduce your pension by around 5% for each year before pension age. So, if you draw your pension 5 years early at age 55, it would be around 25% 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. For more information, ask your pensions administrator.

Death benefits

Lump sum benefits

If you die before you draw your pension we will pay a death benefit equal to your preserved pension lump sum increased by annual pensions increase.

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

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 (from 21 December 2005)

If you leave the Civil Service and die before you draw your pension we will pay your surviving spouse or civil partner a pension. You must be legally married or in a civil partnership with them on your death.



The pension will depend on contributions paid. If you joined **classic** after 1 June 1972 (men) or 1 July 1987 (women), the pension is one half of your pension.* If you joined before these dates it will also be one half* , as long as you have chosen to provide a pension at this rate for all your service.

NB men who opted to pay one third contribution rate - The widow's pension for this period will be paid at one third of their pension benefits. If you have service for which you have paid no contributions that service will not count towards a widow's pension.

*If you die leaving a surviving civil partner their continuing pension will be based on your service from 6 April 1988 only.

Benefits for your children

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

The level of the pension we will pay depends on the number of eligible children you leave and whether you leave them in the care of your widow, widower, civil partner, or another person.

We will pay:

- one quarter of your pension for each child in the care of partner; or
- one third of your pension for each child in the care of another person.

We will not pay more than one half of your pension in total as children's pension unless:

- we are not paying a continuing pension to your widow, widower or civil partner when we will pay up to seven twelfths of your pension as a children's pension.
- more than one child is in the care of another person when we will pay up to two thirds of your pension as a children's pension.



Re-employment

If you are re-employed in the Civil Service (or an organisation covered by the Civil Service pension arrangements), the Civil Service pension arrangements can affect you in a number of ways (for example, if you are receiving your pension, it may be reduced).

You should ask your prospective employer about this before you accept the post.

State pension

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

You can find more information about the State basic pension on the Department of Work and Pensions website www.thepensioners.gov.uk.

Changes at State pension age

When you reach **State pension age**, most of the pensions increase which relates to your **guaranteed minimum pension** is paid with your State pension rather than with your Civil Service pension.

The Civil Service Additional Voluntary Contribution Scheme (CSAVCS)

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

Disagreements and complaints procedures

If you have a complaint about your **classic** pension which you have been unable to sort out with your pensions administrator, you can ask them for the leaflet 'If you have a complaint about your pension'.



Technical terms

classic is a defined benefit occupational pension scheme based on final salary. It was open to civil servants from 1972 to 2002 and is now closed to new entrants. The name **classic** came into effect in October 2002.

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

Guaranteed minimum pension (GMP) is a pension that is at least the same level as the pension you would have had if you had stayed in the State Earnings-Related Pension (SERPS) for service before 1997.

Lifetime Allowance (LTA) is a limit on the total value of all pension benefits (except the state pension) that can be taken without paying additional tax. The value of benefits is assessed at the time that the pension is taken. It does not limit the total amount of pension benefits that an individual can be paid in their lifetime.

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

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



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.

The Public Sector Transfer Club is a group of around 100 final salary occupational pension schemes, mainly within the public sector. The Club allows easier movement of staff. It does this by making sure that employees receive broadly equivalent benefits when they transfer their pensionable service to their new scheme regardless of any increase in salary when they move to their new employment.

Qualifying service is the service which enables you to be entitled to a particular benefit, such as your pension. It is generally the same as your actual service in the Civil Service, but may include an additional period if, say, you transferred the value of benefits from another scheme into **classic**. 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. 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.



How do I find out more

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

Capita Hartshead,
PO Box 215, Mowden Hall,
Darlington, Co Durham
DL3 9GT
Tel: 0870 1699700
Fax: 0870 1699720
E-mail:
csp.enquiries@capita.co.uk

You can obtain more information about the Civil Service pension arrangements from the website:
www.civilservice-pensions.gov.uk

For more information about specific benefits, please contact your pensions administrator.