

Why should I join the scheme?

Your Civil Service pension is an important part of your reward package and, on average, costs your employer more than 18% of pay. If you choose not to join the scheme, you are effectively saying you don't want part of your pay package,

As well as providing you with an easy and secure way to help you save for your retirement, your Civil Service pension scheme also provides benefits for others on your death and may provide you with an income if you have to retire early because of ill health.

What pension will I get?

Each year we will credit your pension account with an amount of annual pension calculated as a proportion of your pensionable earnings in the year. Then, every April, we will take the balance on your pension account at 31 March and increase this in line with price inflation (RPI).

The "pension build-up factor" is currently 2.3%.

Example:

Ahmed joins the Civil Service in September 2007 and has pensionable earnings of £10,000 in the period to 31 March 2008. At 31 March 2008, Ahmed will have earned a pension of £230pa (£10,000 x 2.3%). If the increase in RPI was then 2.6% we would increase Ahmed's pension to £236pa (£230 x 1.026).

Suppose Ahmed earns £22,000 in the year to 31 March 2009. This would earn him a further pension of £506pa, bringing his total pension earned to £742pa. If the increase in RPI was then 2.4%, we would increase Ahmed's pension to £759.81pa (£742 x 1.024)

How much will scheme membership cost me?

Your contribution rate will be 3.5% of your pensionable earnings. You get tax relief on this so the net cost to you is less.

Example

Bella's basic pay is £18,000 a year. Bella's pension contributions cost her £52.50 a month before tax but, because she gets tax relief on this, the net cost to Bella is just under £41 a month.

Also, as the scheme is "contracted out" of the State Second Pension, you pay lower National Insurance contributions than you would if you choose not to join the scheme.

When do I get my pension?

The scheme pension age is 65 but you can retire and draw pension at any age from 55 to 75.

If you start to draw your pension before age 65 we will usually reduce it for early payment. Similarly, if you start to draw your pension after age 65 we will increase it for late payment.

If you have to retire early because of ill-health and you meet the conditions for an ill-health pension, we will pay your pension without reduction for early payment. Depending how ill you are, we may also give you some extra pension.

Can I have a tax-free lump sum?

When you retire we will give you an option (assuming that the tax law doesn't change!) to swap some of your pension for a tax-free lump sum.

We will also let you give up some of your pension in exchange for an increase to the pension payable to your spouse or partner after you die.

Will my pension be big enough for me to live on in retirement?

Your pension will vary depending on the time you spend in the scheme and the amount you earn. Every year we will send you a statement showing you the amount of pension you have built up in the Civil Service scheme and in the State scheme. Your statement will also include a projection of the pension you might have if you carried on working to a range of different ages. Everyone is different, so it will be for you to decide whether your pension is sufficient or you need to save more.

Can I pay more to top-up my pension?

You can top-up your pension in a number of ways:

- You can choose to buy additional pension in the scheme, either for yourself only or for yourself plus your partner. This pension will be payable at age 65 and will increase with inflation. At present, we restrict the amount of additional pension you can buy to a pension of £5,000pa.
- You can make contributions to one of our money-purchase pension providers to build up a separate pension pot in one or more of their investment funds. You have more flexibility with this option – both in terms of how you invest your money and when you take your pension – but you also take higher risks.
- You can build up extra pension with another provider. This works in a similar way to using one of our panel of providers except that you have more choice available to you. You should make sure that you are aware of the charges that the provider will take from your fund as these may be higher than the ones we have negotiated with our panel of providers.

If you are considering topping-up pension, you may wish to consult an independent financial adviser (IFA) to get advice

on what may be best for you. You should also be aware that the taxman places limits on annual contributions, although these are sufficiently high not to be an issue for most people.

What happens if I leave before pension age?

Provided you have been in the scheme for at least two years, you will keep your pension rights in the scheme when you leave the Civil Service, but you won't be able to make any more contributions. This is called a deferred pension. We will increase your deferred pension every April in line with inflation, and we will pay you your pension when you reach age 65. Alternatively, you may ask to transfer the value of your pension rights to another employer's pension scheme or arrangement (for instance, a personal or stakeholder pension).

If you have been in the scheme for less than two years we will ask you to choose between

- transferring your pension rights to another scheme or arrangement; and
- a refund of your (but not your employer's) contributions.

If you choose the refund option, we will reinstate you in the State Second Pension.

What about benefits for others after I die?

After you die, the scheme will pay an ongoing pension for life to your surviving spouse or civil partner. If you're not married or in a civil partnership but you nevertheless live with someone as their partner, you may be able to nominate them to receive a pension. If you have made contributions for additional pension for self + partner, your spouse or partner will also get a proportion of this extra pension that you have bought. The scheme will also pay a pension to any children who were dependent on you at

your death. These pensions normally stop when the child reaches age 23.

If you die while in service, the scheme will pay a "life insurance" lump sum of twice salary. If you die within five years of retirement, the scheme will pay a lump sum reflecting the balance of five years' worth of pension payments. If you die after leaving the scheme but before your pension comes into payment, the scheme will pay a lump sum of five times your deferred pension and we will also refund, with interest, any contributions you have paid for additional pension for self only.

Can the deal change in the future?

Nothing in life is certain and there is no guarantee that Civil Service pension arrangements, or the contributions we ask you pay, will not change in the future. However, the pension you have built up to the date of any change will be protected fully – in other words, although the rate at which you build up pension in future might change, pension that you have already earned will not be affected.

No changes will be introduced without full consultation with the Civil Service trades unions.

How do I find out more?

Visit the Civil Service Pensions' website at www.civilservice-pensions.gov.uk

Please note

This brief factsheet is intended to provide only a summary of the main provisions of the Civil Service pension scheme for entrants from 1 July 2007. You should not rely upon this summary document when making financial decisions. Ask your employer for further information

New scheme factsheet