



## Proposed changes to your pension

This leaflet updates you about proposed changes to Civil Service pensions (classic, classic plus, premium and nuvos).

- In June 2010 the Government commissioned an independent review to look into all public service pensions. The review concluded that current pension arrangements, including those for the Civil Service, need to be reformed.
- The proposed reforms will not change the fact that a Civil Service pension will remain a very effective way to save for your retirement.

## What is not changing...

Whenever the final pension reforms are agreed and whatever they are:

**You will keep the pension and lump sum you have already earned.** This is often referred to as 'accrued rights'. **These will be protected.**

- This means that if you are close to retirement, you will see little change to your pension as the bulk of it will be calculated on your current scheme arrangements, rather than any new scheme.
- It also means that whatever your age, if the proposed changes were to come into effect, any pension you have earned until that point will be worked out in the same way as it would be today, including the age at which you can claim it in full. When you retire or leave the scheme, this will be calculated separately from any further pension you build up under the new reformed scheme.

**You will keep a guaranteed level of pension.** This kind of pension scheme is often known as a 'defined benefit scheme.' **This will not be changed in a new scheme.**

- This means that when you retire you will receive a guaranteed amount of pension every year based on a proportion of your salary. This is quite rare. Many other pension schemes are based on investment returns meaning that pension income is less predictable.

## What is proposed to change from 2012...

**An increase in employee contributions. 2012-13 contribution increases are currently under consultation.**

- Employee contributions are the amount of money you pay towards your pension every month.
- Currently Civil Servants generally pay either 1.5% or 3.5% of their monthly salary for their pension. These proposals mean contributions could rise by an average of 1.3 percentage points in 2012-13.
- But lower earners would be protected from any increase. These proposals mean that if you earn less than £15,000 you would not see an increase in your payments. It also means that if you earn between £15,000- £21,000 your payments would go up by a maximum of 0.6 percentage points 2012-13.
- There are also plans to consult on employee contribution rises for 2013-14 and 2014-15.

### Remember:

- **Your employer pays the majority of the cost of your pension.**
- **You receive tax relief on your pension contributions, so the real cost to you is less than the headline figure.**

## **What change could happen from 2015...**

Discussions are taking place between the Government and the trade unions about what a new Civil Service pension scheme might look like from 2015 onwards.

The proposals being considered are:

### **That from 2015, your pension could be in two parts:**

- 'Part 1' being what you have earned in your current pension scheme up to 2015, based on the current rules.
- 'Part 2' being what you earn in your new scheme pension after 2015, based on new rules.

If you are in **classic**, **classic plus** or **premium** schemes, the final salary used to calculate your 'Part 1' pension would continue to be based on your salary when you retire, or leave the scheme, not your 2015 salary.

That, based on the recommendations from the independent review into all public service pensions, new **'Part 2' schemes should be based on:**

- **career average earnings rather than final salary.**

And that

- **future pension earnings should become payable at your State Pension Age (currently 65, due to increase to 68 by 2046).**

Remember: If you are in **nuvos**, you are already in a 'career average' scheme. However, the new 'Part 2' scheme may be slightly different.

## **What has already changed...**

The Government has **changed the way Civil Service pensions are increased in retirement**, moving from basing these calculations on the Retail Prices Index to the **Consumer Prices Index**. This came in to effect in April 2011. The change also affects the way in which the pension builds up in **nuvos**.

## **The ongoing benefits of your Civil Service pension**

- A Civil Service pension is still a **very effective way to save for your retirement**.
- **A new scheme will keep a guaranteed level of pension** – calculated as a fraction of your salary, not an uncertain amount based on investment returns.
- Your **employer will still meet the bulk of the cost** of providing your pension.
- Your pension scheme also still **provides valuable benefits for you and your family such as ill-health pensions and payments after your death**.

## **Where you can find out more**

- **Pensions Reform Q&A** at [www.civilservice.gov.uk](http://www.civilservice.gov.uk)
- **Helpline numbers** for queries about your current scheme at [www.civilservice.gov.uk/pensions](http://www.civilservice.gov.uk/pensions)
- **Employee contributions consultation** at [www.civilservice.gov.uk](http://www.civilservice.gov.uk).  
Including:
  - **Contributions Calculator** to help work out what your potential contribution increases might be.
  - **Consultation document and Q&A** on the contribution increases that could come into effect from April 2012.