

Two pensions in one: how does being a dual member work?

ROB: In today's Minisode, we dive into what it means to be a dual member, which is where members have benefits in more than one scheme under the Civil Service Pensions arrangements.

EMILY: That's right, and we're joined by Kelly Freaney, Senior Training Consultant at Civil Service Pensions, to look at what being a dual member means for you, and what you need to know.

ROB: Kelly, welcome to the podcast. Thanks for joining us today.

KELLY: Thank you for having me.

ROB: Okay, let's dive straight in. What do we mean by the phrase dual member?

KELLY: It's when you have benefits built up in more than one Civil Service Pension scheme. So classic, classic plus, premium and nuvos are all schemes under the Principal Civil Service Pension Scheme (also known as the PCSPS). These are what now we refer to as the legacy schemes. And then you will have an alpha benefit scheme. Now, alpha is the only open pension scheme, so if you're an active member, that's the scheme you're in, unless you've opted for partnership.

Now, depending on how long you've worked or did work in the Civil Service, we know that roughly 277,000 members have pension benefits in both the legacy scheme and the alpha pension scheme. If this applies to you, you're what's known as a dual member.

EMILY: Okay, so how does having two Civil Service Pensions actually work?

KELLY: So, you stop being an active member of your legacy scheme once you move into alpha. So, your benefits are still there, they're still ready for you for retirement and they are still final salary linked. So, your legacy scheme benefits, whether that be classic, classic plus, premium or nuvos, are there ready for retirement, you're just now in the alpha pension scheme. Now, you can see this on the Pensions Portal via your Annual Benefit Statement or via the Civil Service [Pensions] website as well of where your benefits will be based upon the date that you joined the service. Now, if you have no breaks in service, those two periods of service are now linked back together.

ROB: So, it's a bit like then, Kelly, having a pension from a previous job that's still there, it's still waiting for you for when you retire, and then the current pension that you're currently contributing to.

KELLY: That's right, Rob. So, you've got lots of different choices when it comes to those two pension schemes and your retirement. But yeah, you've got two pension schemes that are just working alongside each other currently.

ROB: Perfect. So are there any advantages then to being in that position?

KELLY: So, you can start claiming your pension and continue on working. Now active members can partially retire and claim their legacy scheme pension at any time after reaching their Minimum Pensionable Age. Now your Minimum Pensionable Age is based upon the date that you joined the scheme. So if you joined before the 6th of April 2006, the minimum age of pension is 50. So that would be for classic and classic plus members who have joined before that date. premium members as well, if they joined before the 6th April 2006, their Minimum Pensionable Age would be 50. premium, alpha and nuvos, after the 6th April 2006, their Minimum Pensionable Age is 55.

ROB: Okay, so, you can partially retire, but just claim one of those pots as opposed to claiming them both?

KELLY: Yep, and leave the other one for your full retirement.

ROB: Okay, any others?

KELLY: So, if you've got a pension in classic, classic plus or premium, as well as nuvos, you can partially retire and start claiming that at minimum age and leave your alpha pension for a later date. But if you do decide to claim that at the same time, which you're eligible to do so, then there would be a reduction applied to that. Now, the earlier that you claim it, the bigger the reduction that would be applied to your pension.

ROB: That makes sense. So, if you claim your alpha pension early, earlier than Normal Pension Age, it gets reduced by an according amount, presumably.

KELLY: It does. So, it's based upon your State Pension Age, which is what alpha is linked to, so the earlier that you claim it, the bigger the reduction. But obviously if you're only taking your original pension schemes, so your legacy pension scheme at partial retirement and leave your alpha, then that will continue to increase as you continue working. And then if you reduce it earlier, it won't be as big a reduction as when you partially retired.

EMILY: Oh, okay. So, that's quite a big advantage, I would say. And I guess it's when we talk about that reduction, it's a reduction because it's paid to you over a longer period of time, right?

ROB: How does somebody find out what their Normal Pension Age is?

KELLY: So, your Normal Pensionable Age is based upon the scheme that you are in. So, with the scheme website, you'll be able to see on there which scheme you are in, because it shows on your Pensions Portal, and your Normal Pensionable Age will show on your Annual Benefit Statement, the Pensions Portal, and the Civil Service [Pensions] website.

ROB: So then, what about your State Pension Age? Would that be on the government website, would it?

KELLY: So, the State Pension Age is reflected in your Pensions Portal as well, as well as your Annual Benefit Statement. But because the State Pension Age may increase in the future, then your alpha Normal Pensionable Age may also increase. That's also on the government website as well.

ROB: And we can put links to both those on the show notes, can't we?

EMILY: Yes.

Any more advantages that you can think of Kelly?

[00:05:26] **KELLY:** So, one of the big advantages that a lot of people don't realise is, even though you've moved into the new pension scheme, which is alpha, the original pension scheme, so the legacy schemes in classic, classic plus, and premium, are still final salary schemes. So that means it's still based upon your salary when you leave the civil service, not when you moved from your legacy scheme into your alpha pension scheme. So if your salary continues to increase, then the original pension scheme benefits will also continue to increase. But because alpha and nuvos are career average schemes, they have an inflation adjustment applied to their pension scheme each April.

ROB: OK, so with alpha, the value of your pension increases by the same as the rate of inflation, whereas with your final salary schemes, even though you're not contributing to them anymore, and you may not have been since 2015, you'll still get that final salary link at the end when you come to retire.

KELLY: Yeah. So, [in] alpha, you build your accrual up each year plus inflation. [In] your final salary schemes, because you're no longer in those schemes but the benefits are still there available to you, they're still final salary linked. So if you are seeing an increase in salary, then you'll see an increase in your pension benefits as well.

ROB: So, that's probably beneficial for most people because you'd expect most people's salary would increase, wouldn't it? Throughout their career.

EMILY: Yeah. We had this question a few times at Civil Service Live earlier this year, and that made me think, yeah, that is quite a big benefit. That's interesting.

KELLY: However, there is one caveat that people need to be aware of. So if you have a break in service of more than five years, and then you rejoin and become part of the alpha pension scheme, then you will no longer be eligible for the final salary link. So that means your legacy benefits will be calculated based upon the final salary when you left the Civil Service, plus readjusted for current day's value, and your alpha benefits will be based upon the accrual that you are earning now, since you rejoined the service.

ROB: So, in other words, a break in service is, if you leave the Civil Service, you're not contributing towards the scheme anymore. So that could be opting out for five years, or it could equally just be leaving to go and work in the private sector or something like that.

KELLY: It could do, yeah. But if you rejoin in under five years, they will come back together.

ROB: You retain that link.

KELLY: They will retain the final salary.

EMILY: That makes sense. So if you're one of these members that have benefits in both a legacy scheme and in alpha, and if you've had a break in service or not had a break in service, can you see both of those sets of benefits in the Pension Portal, is that all, kind of, linked together?

KELLY: So, if the break in service is more than five years, then they won't both currently show in the portal.

EMILY: Okay.

KELLY: Because your legacy scheme would be classed as deferred.

EMILY: Right.

KELLY: So, they are increased with CPI each year in the April and then obviously payable at retirement age from your Minimum Pensionable Age. If they rejoin back together, so you've got less than a five year break in service, then they'll both show together on your Annual Benefit Statements and the portal because the break in service is disregarded.

EMILY: Okay, that makes sense, and I guess that's an important point for people to know as well is that if you did have a break in service that was longer than five years and you can't see that previous pension in the portal, it doesn't mean it's not there. It doesn't mean that we don't know about it, it's just that it's classed as a deferred benefit, essentially.

KELLY: And you just have to request a deferred statement.

EMILY: Okay. Good to know. Great. Thanks, Kelly. So, my last question for you. What if you're in this position and you're impacted by the 2015 Remedy or McCloud judgment?

KELLY: So, if you're impacted by the 2015 Remedy, when you come to retire, you will be asked to make your choice of how you would like the part of your pension that was impacted by the remedy - so the seven years between the 1st April 2015 - 31st March 2022, so that's what's known as the remedy period - whether you'd like that to be in your legacy scheme, so that would be classic, classic plus, premium or nuvos, or to be in the alpha pension scheme.

So, at retirement, we will give you two options, option A and option B. We will then provide the figures that go along with option A and option B. You'll then decide, at your retirement, which one suits you best. So you'll either keep it in option A, which is your legacy scheme, whichever one that may be, or option B, which is the alpha pension scheme.

ROB: Brilliant. Lots of information there for members who are in this position. Kelly, thank you so much for joining us today.

KELLY: Thank you very much for having me.

EMILY: To find out more about anything that we've talked about today, or to tell us what you'd like us to cover in a future episode, head to civilservicepensionscheme.org.uk/podcast. You can also find links to information, transcripts, and accessible versions of this podcast in the episode description.

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EMILY: This minisode was recorded in July 2024. All information is accurate at the time of recording. Thanks for listening.