

A break in service: what does it mean for your pension?

Rob Today, we're talking about what returning from a break in service means for your pension. We're here with Karen, a member who returned to the Civil Service in 2014 after a short break, and Louise Kaplan, from Civil Service Pensions, who's going to help us understand the technical aspects of what it means to be a dual member.

Emily Welcome to you both. Thanks for joining us today on the podcast. Karen, I'll come to you first. Can we start with you telling us a bit about yourself and your career so far?

Karen Good morning both. I joined the Civil Service late in life. I didn't join until my late 30s, I raised my children first. Came to the Civil Service in an admin post, worked for a succession of Generals in an outer office capacity, up until the last year of my service before I took a break. And I then was moved sideways, quite unexpectedly, to run the iHub, which is an Information Admin team, which was my first foray into line management, and spent a year doing that before I left on VERS.

Rob So, I understand that you, kind of, left the Civil Service and then came back. What was it that made you decide to come back? Was the pension part of that decision at all?

Karen It was, I needed stability. So, when I left, I was going to retrain as a teacher, I was getting married. And then I suffered a bereavement and because I'd been working temp for the 14 months I was out, I needed the stability of a regular income. And I knew the Civil Service could give me that, so I came back in. One of the things that I did recognise when I left was that I hadn't thought enough about my pension on leaving. And it really hit me when I came back in, I came back in on new terms and conditions, and that impacted my pension. And at that point, I realised I should have paid more attention to my pension before I'd left and made that decision.

Rob We hear that so often, don't we, Emily?

Emily Yeah, definitely. I was, actually, you kind of already answered my next question, which was going to be, how did you find things when you came back and whether much had changed?

Karen Yeah, the work hadn't changed so much, but coming back in on different terms and conditions and the different pension scheme and the impact that that was going to have, longer-term, that was a big wake up call for me. And I've been much more invested in my pension since and making the right decisions longer-term and making decisions like taking out an EPA, so that I was building some extra into my pension so that I could retire when I wanted to retire on the sort of money that I wanted to retire on.

Emily Yeah. We do hear a lot from, particularly, people who've already retired, don't we, where we ask them, "What advice would you give to your younger self or somebody who's early on in their career, or even approaching retirement now?" and a consistent theme that we get from them is "Just start thinking about it now. It's never too early. I wish I'd thought about it sooner". So yeah, that makes a lot sense.

Karen So, both my daughters worked for the Civil Service in various departments, and one of the things that I have said to them is "Pay attention to your pension now. Make sure that you are looking at what your pension planning is early, so that you don't make the same mistakes that I've been making".

Emily It's great that they're also civil servants as well, because you're all, kind of, in the same boat, if that makes sense. You clearly have a really good understanding of how the pension works and that must be really helpful to them.

Karen It is helpful to be able to have those conversations with them and for them to be able to ask advice of me and to know what I've been through and whether to take the same decisions.

Emily Yeah, absolutely, yeah.

Rob So, before we bring in Louise, I just want to ask you one question. So, you came back into the Civil Service in 2014. So, did you join back and you were part of the alpha scheme then, or were you still in the legacy scheme and then you moved into the alpha scheme in 2015?

Karen So when I left, I was in premium. When I came back in, I was on nuvos, and then when I moved to my next position, I then moved into alpha.

Rob Okay, I can see Louise nodding, as if that's quite a common story. So, let's bring you in now, Louise. So, for members like Karen who have returned to the Civil Service after a break in service, what does that mean for their pension?

Louise So, to start with, we'll assume that you've got at least two years qualifying service in the scheme, which means that you're qualified to receive your pension on a deferred basis.

If you're returning after a break of less than five years, broadly speaking, you'll essentially resume the contributions to your Civil Service Pension as it was before you left, so it'll keep building up. Now, there are exceptions to this, as we've already said, with the VERS scheme that you left on, Karen, but it's usually how it does work.

If you've had a break of more than five years, you'll have what we call a 'preserved award', which is what we call your old Civil Service Pension, which will sit there as it was before you left. You'll then begin building up a new pension, separate from your preserved award, and that'll start with your new role. Both of these are usually visible in the Pension Portal, so it's really easy to keep track of everything that you've got. A break of this length also impacts on how any legacy benefits you've built will work.

A gap in service of more than five years will mean that any final salary benefits will be linked to your final salary at the point when you left the scheme, not your final salary when you come to retire.

Emily That's quite an important point, isn't it? I think we've touched on that in previous episodes in this season, because it links to 2015 Remedy or the McCloud judgment, and that's why people who were affected by 2015 Remedy are only asked to make that decision at the point that they come to retire, because of how those final salary benefits are still linked to your final salary when you retire.

Louise Yep, that's right.

Rob Just one thing I want to pick up on. You mentioned VERS. What does that mean?

Louise That's the Voluntary Exit Redundancy Scheme. So, that's when people opt and choose to take a compensation package earlier.

Emily So let's bring it back to 2015 Remedy or McCloud. For people who were impacted by that, would they be in the same position?

Louise No, it is slightly different. So, if you were an active member of the Civil Service Pension scheme or you're on a qualifying break from the scheme with membership of less than five years on both 31st March 2012 and 31st March 2015, you're likely to be impacted by 2015 Remedy or the McCloud judgment.

As someone who's impacted by 2015 Remedy, whether you've had a break in service or not, you

might find that you've got two pensions, one in the legacy scheme, which could be classic, classic plus, premium or nuvos, and also one in alpha. And this makes you what we call the 'dual member'. If you were impacted by 2015 Remedy or McCloud and had a break in service where you rejoined the scheme during the remedy period, which is the 1st April 2015 to the 31st March 2022, you may even have three pensions, depending on the reasons why you left.

Emily Ah, such as Karen.

Louise Exactly like Karen. Your old pension's still very much there, but you'll just be building up pension activity actively now in alpha. You should be able to see both the old pension and your alpha pension on the portal.

Rob So, Karen, you're in scope of the 2015 Remedy, is that right?

Karen I am indeed.

Rob And what's your experience of that? I mean, what's your awareness of the 2015 Remedy?

Karen I went to a pension webinar which MyCSP run, and that was the first that I'd really delved into the detail of what that might mean for me. And it was really helpful because what they did is, they took an example from somebody who was attending the webinar and ran through what it would look like if they applied the Remedy and what it would look like if they just stayed on alpha. And I think, all of us went away and did some quick calculations in the background. And, you know, it's hard to know until you get to that point where you can see both on paper, but I think for most of us, staying on alpha was going to be the better option for us. But until it comes to that point where I can actually see what my options are on paper for both, I won't know which decision I'm going to make on that.

Rob So they'll be the point at which you come to fully retire?

Karen Yes, indeed.

Rob Have you got a plan?

Karen I do have a plan. I'd like to retire a couple of years early, which is why I started paying into an EPA so that I'm aiming for 65, rather than 67.

Emily And EPA, for those wondering, is- can you just quickly summarize what that is for us, Louise?.

Louise Yeah, so basically, you have an option to pay additional into the scheme and you can elect to take your retirement date earlier. And you choose it in one, two or three years, I think it is, that you can actually reduce your pension age.

Emily So, you can effectively buy out the reduction that you would get if you took your pension earlier.

Louise Yeah.

Rob So, I guess you're going to be spending quite a bit more time in your garden then when you eventually do retire.

Karen I certainly am, and traveling, and adding to my rockery.

Rob Yeah. Very good. Good for you. Okay, so just thinking about Karen's experience as a rejoiner or, you know, a dual member, Louise, what would you say to a recent kind of rejoiner, a recent sort of dual member? What would you advise them, you know, to do?

Louise Make sure you've got access to the Pension Portal. Now, if you'd signed it before you left and you'll still be able to access your account with your old email address, but it might be worthwhile setting up the two-factor authentication on that. The Pension Portal is the quickest, easiest way to keep track of your pension details in one place, anywhere, anytime, and on any device, so just make sure you registered for that.

Check out the Retirement Modeller in the portal, it helps you calculate your pension benefits based on what you've already built up. Sign up for Pension Power sessions as a refresher on how the scheme works, particularly if you've come back recently and not been an alpha before. It'll give you an overview of alpha and how it works.

So, all this is covered in one of our many sounds in Season 2, '6 things to kick start your retirement planning'. It's a quickfire list of what you can do to get to grips with your pension and lay a solid foundation for your financial future.

And if you've got any pensions from previous workplaces, use the government tracing tool to find out how to access them, and if you're eligible, transfer them into the Civil Service Pension scheme. And it's important to note you've only got one year to do that, so don't waste time with it. If you are in the scheme for over one year and haven't agreed to transfer your benefits in, you will no longer be able to do so, and they'll have to remain where they are or transferred to a different scheme that will accept them.

Rob So to be clear, it's not like a mandatory thing to transfer your pensions into the Civil Service Pension scheme.

Louise No, it's not mandatory and you would get a quotation from your former scheme, a quotation from us, and then you would make the decision as to whether it was worthwhile doing it.

Rob So I presume, if you wanted to get some professional advice on that, you'd need to speak to a financial advisor who could tell you if it was sensible to do that?

Louise We aren't able to provide advice. Certain other schemes will say you are not able to transfer out of their scheme without taking that advice. But yeah, if you do want any advice before you make that decision, it would need to be independent.

Emily That's interesting that all the schemes may ask you to get financial advice before you take your benefits out. I didn't know that.

Louise It tends to be if the transfer values over £30,000, so if it's a significant amount, they might say they need you to take some form of advice.

Emily That's interesting, and I guess the one option could be that you could always request the quote and then you don't have to go through with it. So, you'll see exactly what your pension would be worth in alpha, essentially, and then if you decide actually this isn't really worth my while, you can just leave where it is.

Louise And that's exactly it. We'd get the quotations from your former scheme, give you a quote - it could actually be, dependent upon the scheme it was coming from, you could get final salary benefits and alpha, depending on what you'd accrued in that scheme. But you'd get your quotes and then we've given you all the information to make that informed decision. We can't provide any further advice, so if you weren't sure, get that independent financial advice.

Emily Okay, great. And I guess the other point that's probably worth highlighting is that, if you are in a similar position to Karen, where you've been in a civil service and then you've left and then you've come back, at the point that you come back, that transfer window reopens, right? If you didn't get round to doing it the first time, you have a second chance to do it the second time.

Louise That's exactly right. If you've got a break in service, you then get 12 months to transfer into alpha.

Rob Have you done all those things, Karen?

Karen I have done all of those except for the previous pension, which wasn't applicable for me. But I'm in the portal most weeks, which I find terribly useful. It gets me quite excited about retiring, so I can use the Retirement Modeller to see if I might be able to go slightly early or if I might want to take partial retirement. The only thing it doesn't take account of is the deferred pension, which sits as a separate pot so I have to treat that slightly differently.

Rob Well, it's good to hear that you're logging in on a sort of regular basis and I guess you're probably doing that more now. You're feeling closer to being ready to retire than perhaps earlier in your career.

Karen Oh, definitely. Coming back in and having that impact of, "Oh no, what have I done to my pension by leaving and then coming back?", that's really opened my eyes to paying attention to my pension and making sure that I am keeping on top of it and doing as much as I can to make the best of my retirement.

Emily I feel like that's the phrase of the episode. 'Pay attention to your pension'. For sure.

Rob It is. Yeah. Absolutely. You trademark that one.

Emily Great. Well, Louise, Karen, thank you so much for taking the time to talk to us today. It's been great to learn a bit more about what a break in service can mean for your pension.

Karen Thank you.

Emily To find out more about anything 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 on accessible versions of this podcast in the episode description.

Rob Make sure to follow so you never miss an episode. And if you're listening on Spotify, you can also share feedback through the in-app poll. Otherwise, please do leave us a review wherever you get your podcasts.

Emily This episode was recorded in July 2024. All information is accurate at the time of recording. Thanks for listening.