

## Pensions for millennials

**ROB:** Today we're talking about why millennials should pay more attention to their pension. We know that some of our younger members are less likely to be engaging with their pension at this stage. It's unsurprising, given that the complexity surrounding pensions can make the topic feel impenetrable and irrelevant for their stage in life.

**Emily:** That's why we're joined by Helen Shrimpton, Training Consultant for Civil Service Pensions, who's going to explain why it's never too early to be thinking about your pension, even if retirement feels far away, and what makes being a member of this scheme so worthwhile.

**ROB:** Helen, thanks so much for joining us today.

**Helen:** Thanks for having me.

**ROB:** So, can we start with the obvious question - what do we mean by 'millennials'?

**Helen:** Sure, so, millennials are anyone who is born between the early 1980s and the mid to late 1990s, otherwise known as 'Generation Y'. So, according to the Institute of Government, in 2022, around 39% of Civil Servants were millennials, and it could be fair to say that this group is less likely to be engaged with their pension compared to older age groups.

**Emily:** For sure, I can definitely relate to that. A lot of my friends are Civil Servants, my fiancé is a Civil Servant. And when we talk about work, like at the pub or, you know, over dinner or something, they often ask me, "Is it really worth being in alpha?" or "I don't really know anything about my pension". Um, and I just try and give them, like, the key headlines, that I'm sure we'll get to in a minute, that I find really cut through the noise and make the pension relatable to them at their, kind of, life stage.

**ROB:** Well, it's interesting, isn't it? Because we, we often talk, when we're talking about, sort of, communications and engagement and pensions, we often talk about the, sort of, wilderness years that people go through, where they, they join the scheme, they fill in all their forms, and then they just kind of have a career, have a life. And then about five, 10 years before retirement, they start thinking about their pension again, they just, sort of, disappear off the radar. And I guess, that's, kind of, that group, isn't it, right now? They're, they're just sort of sat just going through life and just doing their thing.

**Helen:** Absolutely. Um, I would say before I worked in the pensions industry, very much, kind of, like yourself, I had a pension, I knew money came out of my account every month to go to really understand what it meant, what it meant for the future. Um, of course, since working in the pensions industry now, all I want to do is talk to everyone about their pension. Um, and you don't really get invited out to dinner a lot when you do that, to be honest.

**Emily:** But you're very good at your job.

**Helen:** But absolutely fair point. So, no matter what stage you're in in your life, even if you love your job, nobody would want to do it for free or forever.

**Emily:** That's so true.

**Helen:** You know, because we've all got things that we want to achieve outside of our careers. So, I would say, view your pension as your ticket to making those dreams a reality and also how to get there sooner as well. So, if you take your time to understand your pension and making a plan, well, that can really help you focus on what your life would look like after work, even if it does now feel a million years away.

**ROB:** That's really interesting because, you know, we're all conditioned, aren't we, to think about what the next five years is going to bring for us. And often, that relates to things like, I want to progress in my career. I want to earn more money. I want to get married. I want to go on holiday. I want to buy a house. No one has an ambition to retire, do they? So, I suppose, it's really interesting to hear you thinking about or talking about adjusting your thinking around retirement to make it easier to, sort of, comprehend. Because it must be, you must see it Helen, it must be difficult for people who are at that, sort of, age to, sort of, imagine what it, what it's going to be like not to work when your whole life is so centered around it.

**Helen:** Absolutely. Um, so my parents are both retired. They've been retired for quite a few years now and what their retirement plan looked like is very different to what mine would look like, and maybe that is a generational thing and that we have different changes in life that we might work more than one job or have a different career path. Maybe a couple of generations ago, it was, um, sort of, a more well-defined plan of what retirement would look like, you know, going to the garden centre or going on lots of holidays. I mean, that might still be your plan in retirement. I hope it is, but the retirement plan for the next generation coming through, I think will look a lot different. And it's just ensuring that you've got that income and that plan behind you to understand how to basically fund that and what you want to do then for the rest of your life.

**ROB:** Okay. So, I just want to bring it back to like the Civil Service Pension Scheme and trying to help people understand what it really is worth. And one of the things I always come back to is that kind of return on investment for being a member of the scheme. So, I want to clarify this kind of once and for all, okay. Is it right that, after a certain number of years in retirement, no matter how long you've been paying into the scheme, you essentially, sort of, break even after a certain point?

**Helen:** Yeah, that is right. So, as long as you've been in the pension scheme for at least two years, so two years is the minimum qualifying period, so how long you need to be in the scheme for to actually be eligible to receive a pension. So, as long as you're in the scheme for at least two years, you've then qualified to receive a pension. So, no matter how long you're in the scheme, though, every penny that you'll pay in, you're actually going to get back, um, after about between two and three and a half years of living in retirement, and you'll get that back via your annual pension payments.

**ROB:** So, no matter how long you've been in the civil service for, paying into the scheme, and no matter how much you've earned, you're going to get everything back within two to three and a half years.

**Helen:** Exactly that. So, the reason for that is because, um, your employer contribution in the alpha pension scheme is very high. It's 28.97%. So, your employer is actually covering the majority of the benefits that you'll receive in retirement through that very high employer contribution rate. So essentially, if you see that as kind of free money, for the rest of your life after then. So, of course, yeah, absolutely. The longer that you're in the scheme, the better it's going to be. It's just worth noting, as well, in the alpha scheme that your money isn't invested. And also, it does attract inflation while you're in the scheme, you also get inflation

applied once you're in receipts of that pension as well. And of course, then it's guaranteed to be payable to you. for the rest of your life.

**Emily:** See, when I explain this to my friends in those terms, because I think you were the person that explained that to me a couple of years ago, when we were at Civil Service Live, and I think my eyes popped out of my head because it, I think it, it really gives people a sense of how, how, how strong the scheme is, how good the scheme is, how generous it can be. The other thing that I think sets it apart from all the schemes is the level of flexibility that you get. Can you kind of talk us through that a bit?

**Helen:** Yeah, of course. So, um, flexibility in the scheme, we'll break that down a little bit more. So, when thinking about your pension plan, there's lots of, kind of, actions that you can do to kind of make your pension work in the right place that you want to make it work for. So, let's be honest, if you're struggling at the moment with affordability, so that contribution coming out of your pay, going into your pension, maybe there's other financial priorities right now that you've got to focus on.

**Emily:** I think that's all particularly relevant for millennials.

**Helen:** Absolutely. So, in terms of flexibility, there is an alternative pension scheme that you could choose to join, and it's called the partnership scheme. So, the partnership scheme is different to alpha, in that it's a defined contribution pension scheme and within the wider Civil Service scheme arrangements.

So, if you're a member of the partnership scheme, you as a member, your contribution is optional. So, you could decide to contribute to it and your employer can match that contribution up to a further 3% of your earnings, or you could decide not to contribute at all, and your employer still would contribute. So, the employer contribution in partnership, again, is different to alpha. So, the employer contributions in partnership begin from \*% and they go up to 14.75%. And that's dependent on your age. So again, remember that employer contribution is there for the benefits of the scheme that you'll receive. So again, think of that as free money for your retirement. And again, another thing worth pointing out in partnership is that because it's a defined contribution pension scheme, the money is invested. So, it's just worth bearing that in mind that the value of the pension pot that builds up, that could fluctuate dependent on market performance.

**ROB:** But I guess just to interject on that, if you cannot afford the contributions in the main scheme, then that is a real way of getting free money...

**Helen:** Absolutely.

**ROB:** ...from the government that again, is just deferred pay.

**Helen:** Absolutely. So, like I say, um, rather than not being a pension scheme at all, if you're in the partnership, even if the affordability issue is there and you can't afford to contribute because your employer still does, there is still investment going into your pension scheme. There is still going to be benefits that you'll receive at retirement. And if you can afford to contribute, then remember your employer can match your contribution as well.

**ROB:** I'm going to guess in the private sector, although heavily caveated, that would be unheard of, wouldn't it?

**Helen:** So, the average total contribution, so members and employers making a contribution together in a private sector scheme is 8%. So, let's break that down a little bit. 8% in total compared to 28.97% as employer contribution in alpha, and a minimum of 4% from you as the member, if you're in alpha. And remember in partnership, you can decide to contribute whatever you like, and your employer can match that, and the minimum contribution from your employer is 8%, but it goes up to 14.75%. So, like I say, so, really, if it is an affordability issue, if you want to free up more of your salary right now, looking at the partnership scheme as an alternative, that could be a really good option for you. So, on the other hand, if you're in a better financial position, maybe a bit later on, uh, I don't know, maybe you've had a promotion or a pay rise, then you could actually switch back into alpha if you wanted to. Um, there are also ways that you can then give your alpha pension a boost. So, maybe to make up for some time away, whether you've been in partnership or maybe you've had a career break or some parental leave, you can find out about more ways to boost your pension in Episode 3 of Season 2 – 'It's never too late to start planning'. So, keep that in mind.

**ROB:** So, you can also find out about the difference between a DB and a DC scheme by listening to 'Pensions 101', um which is basically the first episode in, in Season 1. And we also talk about partnership in our leaving or opting out episode, both of which are in, in Season 1, actually.

**Helen:** So, the other thing to consider is that being a member of the scheme, it's not just for yourself. I mean, that's great that you'll receive a pension in retirement, but there may be other people that you need to consider as well, hopefully, the people that you care about. So, if anything happens to you, heaven forbid, but the scheme can provide benefits for your loved ones. So, whether that's through a dependent's pension, which could be paid to a spouse, a civil partner, a long-term cohabiting partner, or any dependent children, um, and there's also a death benefit lump sum that can be payable to anyone who you nominate. So, essentially that's a little bit of life insurance that's provided by the scheme to make sure your family or friends will be looked after when you're no longer here.

And also as well, in the event that you might become too ill to work, and you might be classed then as a suitable candidate for Ill Health Retirement and you can find out more about ill health retirement and what that means in Season 2, Episode 5 and that's Gerald's story.

**Emily:** I love that this is your first time on the podcast and you're plugging previous episodes. It's brilliant.

**Helen:** I am a fan.

**Emily:** I love it. So, to finish off, um, let's talk about the ways that people can keep track of their pension as it builds up.

**Helen:** Absolutely. Um, first port of call is to make sure you are registered on the Pension Portal. So, the Pension Portal will keep all of your Civil Service Pension information in one place. Um, you can access it anywhere, at any time and also on any device as well. So, if you're out shopping and you just want to check your pension details, you can do that.

**Rob/Emily:** As you do.

**Helen:** Now, we often get asked this question as well, that if you have had a few jobs before joining the civil service, there may be other pensions that you've built up from previous employers. So, depending on where you've worked and what type of scheme that previous employer provided, you might be able to actually transfer different pension pots into your Civil Service Pension. And again, that's all in one place. Also, as well, on the portal, you can see your Annual Benefit Statement, which is a snapshot of the pension benefits that you've built up within a scheme year. You'll get an Annual Benefit Statement, um, every year, hence it being annual, and also, as well, on the portal, you can just check and make sure your details are up to date. That's really important to do. So, making sure that your personal information is up to date, such as addresses or changes of names. You can also update your death benefit nomination details as well. So, um, if you've had falling out with someone and you want to change your nomination detail, you can do that on there. Um, all of that is via access on the portal. Also, on the portal as well, there is the retirement modeller, which is a great tool to help you forecast what your pension might provide for you when you're ready to take that step to retirement. As we were saying, Rob, before, maybe people of our generation think, I don't need to bother looking at what my pension will be. It's too far in the future. But having a look on the portal on the modeler on a regular basis to at least give yourself an idea of what that income might look like will then help you to start making your future plans.

**Emily:** And at least I guess, even if hearing that you're still like, "Oh, I just, I'm not, I'm not thinking about that right now. I've got other things going on". Just register for the portal.

**Helen:** Absolutely.

**Emily:** And it will come in handy later down the line when it does become more of a priority for you.

**Helen:** Absolutely. We get metrics of people that register on the portal, and we can see like a little spike. It's usually on a Friday night when people have had a glass of wine. They suddenly decide that they want to go on the portal and check their pension information.

**ROB:** Just a caveat, we can't tell if you've had wine when you look at these statistics.

**Helen:** I just find that quite funny.

**Emily:** They must just be like, "Oh, I could, I could get used to this Friday night, like, retirement, maybe I should start thinking about it."

**Helen:** What a life to live on a Friday night. Let's check our pension information.

**Emily:** Why not?

**Helen:** But it's really, it's a really good idea.

**ROB:** One thing I just want to pick up on, Helen, is obviously there's a lot of stuff there that you've, kind of, like, listed. And one of the things I'm always really conscious of with pensions is that they can, it can be quite kind of overwhelming and intimidating for people.

So I suppose what would be good to kind of hear you acknowledge is that, you know, you don't have to do all of this stuff all the time. You know, it's okay to just look, like, once a year and, you know, look at your Annual Benefit Statement just so that you're, so you know what's going on and you know where it is. You don't have to be doing this sort of stuff every day. It's not a big commitment.

**Helen:** No, absolutely. Like I say, um, tools like the portal just make that a little bit easier. So, it's quite, um, a simple process to get registered. You can log in anytime, anywhere. You're not expected to be logging in on a constant basis, but it just helps with that engagement to know that it's, it's an easy way to access what your pension benefits are, to understand your benefit statement as well, and just to keep those details up to date, because we don't know what's going to happen in the future. It's always a good idea to make sure, maybe once a year, that you've got that information up to date, you can do a review and just make sure everything is going in the direction that you want.

**ROB:** Thank you. Helen, it's been a real pleasure having you on the podcast. Thank you so much.

**Helen:** Well, thank you for having me.

**ROB:** 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](https://civilservicepensionscheme.org.uk/podcast). You can also find links to information, transcripts, and accessible versions of this podcast in the episode description.

**Emily:** 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.

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