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Committee for Finance and Personnel
Room 419
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Our Ref: CFP13/11-15

27 June 2011

Dear Shane,

Proposed Superannuation Bill

Following the recent update provided by officials from Civil Service Pensions, the Committee sought further information. This is now attached.

Yours sincerely,

Norman.

NORMAN IRWIN

THE PROPOSED SUPERANNUATION BILL

1. Introduction

Following the Committee's evidence session on 15th June on the above Bill, additional information was requested by members. This information is now provided.

2. The impact of proposed changes.

The table at **Annex 1** provides a summary of the changes to Compensation Scheme. It contains details of the current exit terms which exist at present in the N Ireland Compensation Scheme and the proposed terms which are the terms that pertain under the current GB scheme.

3. Clarification on whether the purpose is to modernise a system to reflect economic reality or simply a cost-saving measure.

The reform of the Compensation Scheme in GB began under the previous Labour government. This reform was driven by a need to minimise the cost to the public purse, simplify the system and also to comply with age discrimination legislation. It should be noted that changes have already been introduced in the other public sector compensation schemes.

The Coalition Government has made it clear that the Civil Service must play its part in reducing the fiscal deficit. The Cabinet Office has stated that the changes in GB were introduced to ensure that any future compensation payments in the Home Civil Service affordable in the economic climate and sufficiently flexible to meet individual business needs.

The previous terms of the Compensation Scheme, (with some modifications) are those which were in place since 1987. These terms generally provided a service and age-related payment for people aged under 50, and enhanced early retirement packages for people aged between 50 and 60. The key elements are set out below, further details are provided in Annex 1.

- Compulsory exit terms - used in cases of redundancy, including volunteers in a pre-redundancy situation – the most generous.

- Severance payments for people under 50 calculated with reference to age and service, subject to a maximum of three years' pay.

- People aged 50 to 60 could receive an enhanced early retirement package (immediate payment of an unreduced pension, enhanced by up to 6 ⅔years' added service).

Some aspects of the compensation terms which had been in place since 1987 were considered to be "age discriminatory" as different benefits were payable depending on age. Furthermore, the Minister for the Cabinet Office under the Coalition Government, Francis Maude MP, stated in July 2010 "In light of the extremely difficult fiscal circumstances facing the national economy, the Government has no option but to take steps to ensure that any scheme for civil servants is affordable in the economic climate."

4. Information on the previous legal challenge and outcome.

The Public and Commercial Services (PCS) Union applied for judicial review of the decision to introduce changes to the CSCS in GB that were detrimental to existing civil and public servants, without the agreement of the union representing the majority of civil servants. On 11 May 2010, the High Court ruled in favour of the PCS and said the amendments to the CSCS should be quashed. Mr Justice Sales pointed to section 2(3) of the Superannuation Act 1972 (as amended), which says:

> "No scheme under the said section 1 shall make any provision which would have the effect of reducing the amount of any pension, allowance or gratuity, in so far as that amount is directly or indirectly referable to rights which have accrued (whether by virtue of service rendered, contributions paid or any other thing done) before the coming into operation of the scheme, unless the persons consulted in accordance with section 1 (3) of the Act have agreed to the inclusion of that provision."

He rejected the argument made by the Cabinet Office that the protection conferred by section 2(3) applied to benefits under the Principal Civil Service Pension Scheme (PCSPS) but not to the Civil Service Compensation Scheme;

> "In my judgment the phrase "rights which have accrued" uses the words "rights" and "accrued" in the same natural, non-technical sense in which they were used in paragraph 12 of the Joint Committee report. In the context of the PCSPS as it stood down to 1994 and now in the context of the PCSPS and CSCS, those entitlements which existed as a matter of administrative practice (albeit not as a matter of legal right) were nonetheless regarded by both staff and management sides as "accrued rights" in the sense relevant for the protection of section 2(3) to apply. The position down to 1972, according to which benefits which were a matter of legal form discretionary were nonetheless treated in substance as entitlements and were in fact always paid, had continued without a break up to the amendment of the law in 1990. Moreover the language in the PCSPS in relation to such discretionary benefits was the language of entitlement and right. Thus, on the natural reading of section 2 (3) in its particular context and against the background of the Joint Committee report, I consider that the phrase "rights which have accrued" was apt to cover both those pension and other rights which were a

> matter of legal entitlement and also other “rights” to benefits which were in substance a matter of administrative entitlement”

This meant the terms governing the amount of those Civil Service Compensation Scheme benefits referable to length of service and contributions paid, could not be altered without the consent of the trade unions consulted:

> “In light of the interpretation of section 2 (3) of the 1972 Act as amended set out above, therefore, those benefits under the CSCS in relation to redundancy, compulsory early retirement and the like, which are defined by reference to length of service or contributions paid, all attract the protection of section 2 (3). The Claimant’s agreement is required before the terms governing the amount of those benefits may be altered.”

The Court ruled that consideration would need to be given to how far the effects of the judgment should extend:

> “For these reasons, the Claimant’s application for judicial review succeeds and the amended CSCS falls to be quashed. Consideration will now need to be given to what any quashing order should say and how far the effects of this judgment extend. The parties should consider the terms of the order which they propose should be made in the light of this judgment. Any outstanding area of dispute in relation to the terms of the order can be referred back to the court for determination.”

The Cabinet Office said it was “disappointed by the High Court's decision” and was “considering the terms of the judgement." The PCS hailed it as a “major victory”.

A copy of Mr Justice Sales’ full judgement is provided at **Annex 2.**

5. Details of grounds for the legal challenge.

Subsequent to the amendment to the Superannuation Act 1972 removing the need for union consent to detrimental changes to the Civil Service Compensation Scheme (CSCS) in GB, Cabinet Office introduced a new scheme for the Home Civil Service with effect from 22 December 2010.

On 21 March 2011 the Public and Commercial Services (PCS) Union announced that, in conjunction with the Prison Officers Association (POA), it has launched fresh legal action against the imposition of the new scheme. The unions are seeking a Judicial Review on the basis that the manner in which the scheme has been implemented to cut benefits which are based on civil servants' accrued service is in breach of the European Convention on Human Rights. A date for a hearing in the High Court has yet to be set.

Human rights and legality of the Bill's provisions

The relevant legislation is contained in Article 1, Protocol 1 of the European Convention on Human Rights. A point of disagreement exists between the Coalition Government and the Unions on the extent to which Compensation Scheme benefits are protected under human rights legislation.

The Minister for the Cabinet Office has stated, pursuant to section 19(1) (a) of the Human Rights Act 1998, that in his view the Bill is compatible with the Convention rights. The Coalition Government considers that the limits in clause 1 are not an interference with the right to possessions protected by Article 1 of Protocol 1 (A1P1) to the European Convention on Human Rights. A1P1 provides that everyone is entitled to the peaceful enjoyment of his possessions and that no-one shall be deprived of his possessions except in the public interest and subject to the conditions provided for by law. The Coalition Government also considers that first, payments under the Compensation Scheme are not considered to be "possessions" within A1P1. Second, those limits only apply where notice of compulsory severance is given, or voluntary severance agreed, after clause 1 comes into force. So there is no deprivation of or interference with existing possessions (if any).

Article 1 of Protocol 1 (A1P1) to the European Convention on Human Rights reads as follows:

> “Every natural or legal person is entitled to the peaceful enjoyment of his possessions. No one shall be deprived of his possessions except in the public interest and subject to the conditions provided for by law and by the general principles of international law.
>
> The preceding provisions shall not, however, in any way impair the right of a State to enforce such laws as it deems necessary to control the use of property in accordance with the general interest or to secure the payment of taxes or other contributions or penalties. “

6. <u>Assessment of other options considered, in addition to the option of maintaining parity, including associated costs / benefits.</u>

The information at **Annex 3** provides the detail of the actual terms of the current Compensation Scheme in NI and the GB scheme.

The Northern Ireland Civil Service pension and compensation schemes have always operated on the basis of parity with the equivalent schemes in the Home Civil Service. The GB schemes are made and maintained by the Cabinet Office under the provisions of the Superannuation Act 1972 which is the GB equivalent to the Superannuation (Northern Ireland) Order 1972. Although public service pension policy is a transferred matter it has been a matter of practice for many decades that the pension scheme for civil servants in Northern Ireland has been virtually identical to its equivalent in GB. The Northern Ireland Civil Service Compensation Scheme and the equivalent Home Civil Service both determine the levels of compensation paid to civil servants who are made voluntarily or compulsorily redundant. Cash payments in the Northern Ireland Compensation Scheme are determined with reference to both length of service and age of the individual. Under the current provisions payments are generally limited to a maximum of 3 years' pay. A new Compensation Scheme for the Home Civil Service was introduced on 22 December 2010 and the maximum payable is limited to 21 months' pay for voluntary redundancy and 12 months' pay for compulsory redundancy. These terms are considerably less generous than those currently available to Northern Ireland Civil Servants. Failure to maintain parity in this instance would result in civil servants in Northern Ireland who are made redundant continuing to receive higher compensation payments than GB civil servants who leave in similar circumstances which may also exert additional pressures on public expenditure in Northern Ireland.

Parity with GB has provided a number of benefits over the decades, including a central forum for negotiations with the Trades Unions and consistency of approach across the public sector. It has enabled the costs of administration to be controlled as parity provides for a source of primary legislation and also secondary legislation from GB in the form of Scheme Amendments; associated communication booklets, leaflets etc for staff and employers notices; legal advice and policy guidance; and common IT systems maintained at minimal cost. A break with parity would result in the above benefits being lost.

A break from parity would require careful consideration on two key aspects in terms of the costs and benefits. Firstly, is the policy intent to provide for a very different Compensation Scheme from that in place in GB – and if so will it be more or less generous than the current N Ireland Scheme and at what consequence to the public purse; and, secondly assuming benefits are reduced under the Compensation Scheme in N Ireland, will this reduction justify the extra costs incurred in breaking the link and establishing our own stand alone IT systems and all of the above for a different N Ireland Compensation Scheme?

7. <u>Examples / scenarios of cost differences between current position and proposed changes.</u>

Detail on the existing terms of the Compensation Scheme is provided at **Annex 3** along with a number of worked examples at **Annex 3A** which provide a comparison of benefits under the current N Ireland Compensation Scheme and the GB Scheme**.** Information on the comparison between the current N I scheme and proposed Compensation Scheme in also contained in the table at **Annex 4.**

8. <u>Number of staff in each of the four pension schemes currently in operation and details of differences between the schemes, including costs to members.</u>

The PCSPS (NI) is the pension scheme for Northern Ireland Civil Servants. Employees of related bodies which are listed at Schedule 1 to the Superannuation (Northern Ireland) Order 1972 are also eligible for membership. The PCSPS (NI) is an unfunded scheme administered by the Department of Finance and Personnel and provides final salary or career average arrangements for members depending on their date of entry to the scheme.

Depending on which arrangement the PCSPS (NI) member belongs to they pay contributions at either 1.5% or 3.5% of pensionable pay. Membership accrual and contribution rate arrangements within the PCSPS (NI) are as follows:

- **<u>Classic</u>** (approximately 23,300 active members) – a final salary arrangement with a 1.5% member contributions which was closed to new joiners from 1 October 2002. Benefit accrual is 1/80th final pensionable earnings for each year of reckonable service plus an automatic lump sum of 3/80th final pensionable earnings. Members may increase their lump sum up to the maximum 25% of the capital value of their total pension entitlement by commuting pension.

- **Premium** (approximately 7,000 active members) – a final salary arrangement with a 3.5% member contribution and closed to new joiners from 30 July 2007. Benefit accrual is 1/60th final pensionable earnings for each year of reckonable service. There is no automatic lump sum but members may opt to commute pension for a lump sum of up to 25% of the capital value of their total pension entitlement.

- **Classic plus** (approximately 300 active members) – a final salary arrangement which is a hybrid of classic and premium and has 3.5% member contribution rate for service from 1 October 2002. classic plus is closed to new joiners from 30 July 2007. Members may increase their lump sum up to the maximum 25% of the capital value of their total pension entitlement by commuting pension.

- **Nuvos** (approximately 3,000 active members) – a career average arrangement with a 3.5% member contribution for new joiners from 30 July 2007. Benefits accrual is 2.3% of pensionable earnings per scheme year. There is no automatic lump sum but members may opt to commute pension for a lump sum of up to 25% of the capital value of their total pension entitlement.

Benefits are uprated annually in line with the percentage increase applied to additional state pensions. Members of classic, classic plus and premium have a normal pension age of 60. The maximum service which may reckon for pension purposes is 45 years.
The normal pension age for nuvos is 65. There is no limit on reckonable service but the nuvos pension cannot exceed 75% of final pay. PCSPS (NI) members who would qualify for preserved benefits in the scheme can receive ill-health retirement pension early (two–tier system). A PCSPS (NI) member can increase their pension entitlement by buying extra pension in the scheme.

The PCSPS (NI) provides that accrued pension rights are transferable to and from other schemes.

PCSPS (NI) employers pay a salary related superannuation charge as set out below. These are known as Accruing Superannuation Liability Charges (ASLCs).

Salary Band	**Annual full time equivalent pensionable salary 2011/12**	**Employer's ASLC Charge**
	£ per annum	% of salary
1	Up to £23,099	18%
2	£23,100 to £46,899	20%
3	£46,900 to £100,999	23.5%
4	£101,000 and over	25%

The appropriate rate for Prison Officers appointed before 4 September 1989 who retain reserved rights will be 26% with effect from 1 April 2010.

Membership of the PCSPS (NI) is as follows:

- 33,600 current employees, known as "active members" who are contributing to the scheme
- 8,500 former employees, known as "deferred members" – these are people who have left and are yet to draw their pension
- 20,000 pensioner members
- 5,300 dependents in receipt of a pension

The PCSPS (NI) paid approximately £179 million in pension benefits and £53 million in lump sum payments during the 2010/11 financial year. The rules of the PCSPS (NI) contain provisions for cost capping and the sharing of future increases in scheme costs between employers and employees.

PARTNERSHIP PENSION ACCOUNT

As an alternative to joining the PCSPS (NI) staff may choose to open a Partnership pension account. Partnership is a stakeholder pension with employer contributions. This is a type of personal pension. Staff do not have to make any payments to have a partnership pension account as the employer will make contributions anyway. If the member does choose to contribute, the employer will match payments up to a further 3% of pensionable salary.

These contributions are invested by the chosen provider. Over the years, the pension fund should grow with investment returns (the money earned by the investments), and the resulting ‘pot’ is used to either buy a pension when they retire or to leave to someone on their death.

The employer will pay a monthly contribution into the partnership pension account depending on the members’ age and salary. If the member does contribute the employer will match any regular contributions made (up to 3% of pensionable salary) and the fund will grow faster giving a bigger ‘pot’ to buy a pension when they choose.

They will also be able to take up to 25% of this ‘pot’ as a tax-free lump sum at any age from 55 even if they are still working.

If they leave the NICS they can take this pension with them, it is theirs for life. In addition, opening a partnership pension account also gives access to other PCSPS (NI) benefits. If they are unable to work through ill health, a lump sum may be payable, or if they were to die in service, a lump sum would be payable to their dependants. The PCSPS (NI) has chosen three partnership pension providers: Standard Life, Scottish Widows and TUC (Prudential).

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<u>ANNEX 1</u>

<u>CURRENT AND PROPOSED TERMS FOR COMPENSATION SCHEME</u>

Current Exit Terms			**Proposed Terms**
Compulsory Redundancy Terms	**Early Retirement > 50 with min of 5 years service**	**Early Severance - (Standard terms) < 50 (or > 50 with < 5 years)**	**Compulsory Redundancy Terms**
These terms are intended to be used when an individual's contract is being terminated compulsorily (eg on redundancy but also for "structural" departures of senior staff).	Immediate payment of pensions & associated lump sum without reduction for early payment. Pensionable service enhanced by up to 6 2/3 years* plus a lump sum compensation payment of the greater of (a) 6 months pay & (b) statutory redundancy which is reduced by 1/36th for each month the person is aged > 57. Under the new proposals the current terms will be modified to remove the tapering which currently applies to the compensation lump sum paid to those between 57 & 60 (backdated to 16 July 2008) & a full 6 months compensation	1 months pay per year of service plus 1 months pay per year of service after the alter of (a) 5 years service and (b) age 30 plus 1 months pay per year of service after age 35. Subject to a maximum of 3 years pay. Early Severance (1987 terms – apply to staff in mobile grade @ 1/4/87) < 40 on departure – as standard terms but not capped. Aged between 40 & 50 on departure - standard terms topped to the capital value of the early retirement package under pre-1987 terms. Cost can exceed 6 years pay.	Employer must offer Voluntary Redundancy Terms before moving to Compulsory Terms 2 Year qualifying service condition Compensation payment of 1 months pay for each year of service - subject to a maximum of 12 months pay for those under pension age. Tapering will apply – Maximum compensation will be limited to number of months to pension age plus 6 months. Employees earning less than £23,000 per annum will be deemed to be earning that amount for the purposes of calculating the compensation payment. Employees earning more than £149,820 per annum will be deemed to be earning that amount when calculating the compensation payment. The lower and higher deemed earnings will not apply to calculation of pension benefits. Redundancy payments will be capped @ a maximum of 6 months pay for those > pension

Current Exit Terms			Proposed Terms
	lump sum will be paid to those > 60 (backdated to 1 April 2009.		age. Immediate access to pension. Members may opt for the Employer to use their compensation payment to buy-out the actuarial reduction, which would otherwise apply, to members who are over age 50 (55 if joined scheme on or after 6 April 2006). Employers will not meet any buy out costs due in excess of the compensation amount but members may buy out the short-fall – otherwise must take compensation payment and draw pension on reduced basis or leave pension preserved to pension age. Employers have no Flexibility to vary Compulsory Redundancy Terms.
Voluntary Redundancy Terms Employers must offer Voluntary Terms prior to moving to Compulsory	**As for compulsory above.**	**As for compulsory above.**	**Voluntary Redundancy Terms** 2 Year qualifying service condition – although Employers can waive the qualifying period or reduce it. Compensation payment of 1 months pay for each year of service – subject to maximum of 21 months for those under pension age. Tapering will apply – Maximum compensation will be limited to number of months to pension age plus 6 months. Employees earning less than £23,000 per annum will be deemed to be earning that amount for the purposes of calculating the compensation payment.

Current Exit Terms			Proposed Terms
			Employees earning more than £149,820 per annum will be deemed to be earning that amount when calculating the compensation payment. The lower and higher deemed earnings will not apply to calculation of pension benefits. Employers must offer early payment of pension to those aged 50 (55 if member joined after 6 April 2006) or over & chose to fund part or all of the cost of buying out the actuarial reduction from their compensation payment. If compensation payment is insufficient to meet the cost of buy out, then the Employer must fund the difference. If there is residual compensation payment after buy out the member will be paid the balance. Redundancy payments will be capped @ a maximum of 6 months pay for those > pension age. Immediate access to pension.
Flexible Retirement/ Severance Employers can invite individual applications to assist with Structural change.	**Early Retirement > 50 (& under pension age) with minimum of 5 years service** Immediate payment of pensions & associated lump sum without reduction for early payment. Pensionable	**Early Severance Under 50 (or between 50 & 60 with < 5 years service).** Minimum of 12 months service required. 2 weeks pay per year of service during the 1st 5 years	**Voluntary Exit Terms** 2 Year qualifying service condition – although Employers can waive the qualifying period or reduce it. Compensation payment of 1 months pay for each year of service – subject to maximum of 21 months for those under pension age. Tapering will apply – Maximum

Current Exit Terms			Proposed Terms
	service enhanced by up to 6 2/3 years*	plus 3 weeks pay per year of service during years 5-10 plus 4 weeks pay per year of service after 10 years plus 2 weeks pay per year of service after reaching age 40. Subject to a maximum of 2 years pay.	compensation will be compared to number of months to pension age plus 6 months. Employees earning more than £149,820 per annum will be deemed to be earning that amount when calculating the compensation payment. Employer flexibilities: • Employer can offer compensation payment of up to twice the standard tariff up to overall limit of 21 months, subject to approval of Department of Finance and Personnel. • The minimum an Employer can offer is equal to the amount due under statutory redundancy terms. • Employers may, where the member earns less than £23,000, deem the member to be receiving that amount for purposes of calculating the compensation payment only. • Employers can offer to top up the compensation payment on current service for those who have reached minimum retirement age (50, or 55 where member joined service on or after 6 April 2006) and wish to take their pension benefits early without reduction.

Current Exit Terms			Proposed Terms
Approved Early Retirement Members over age 55 with more than 25 years service may apply to leave on these terms, subject to Employer agreement/funding of costs until pension age. Otherwise Employers can invite individual applications to assist with Structural Change or limited postability	**> 50 (age 55 for new entrants from April 2006) with minimum of 5 years service** Immediate payment of pension & associated lump sum without reduction for early payment.	**N/A**	**Voluntary Exit Terms** As for voluntary exit terms set out above.

ANNEX 3

EXISTING TERMS OF THE CIVIL SERVICE COMPENSATION SCHEME (NORTHERN IRELAND)

REDUNDANCY BENEFITS UNDER CLASSIC

VOLUNTARY EARLY SEVERANCE IF YOU ARE UNDER 50

Compulsory early severance terms are given to those aged under 50 who are made redundant (other than through inefficiency or ill health) or who apply for redundancy when their employers call for volunteers.

What are the benefits?

Your benefits will depend upon the length of your qualifying service.

Less than one year's qualifying service

You will not receive any payments under the Civil Service Compensation Scheme (Northern Ireland) [CSCS (NI)] and we cannot preserve (keep) your pension benefits for payment when you reach pension age.

However, you may be able to transfer your benefits out of classic and into another pension arrangement.

One to two years' qualifying service

You will receive a lump sum compensation payment of one month's final pensionable earnings for each year of reckonable service (any part year will be paid as a proportion of a whole year) plus one month's final pensionable earnings for any reckonable service after age 35, limited to three years' final pensionable earnings.

If you have had any part-time service this figure will be based on a proportion of your full-time and part-time service. Compensation lump sums are free of tax up to £30,000.

You will receive this compensation payment immediately.

If you joined or re-joined on or after 1 April 1997, any service credits, added years or previous service in the Northern Ireland Civil Service counts only towards pension benefits.

We cannot preserve (keep) your pension benefits for payment when you reach pension age.

However, you may be able to transfer your benefits out of classic and into another pension arrangement.

If you are neither married nor in a civil partnership, you will receive a refund of the contributions you have paid towards a widow's, widower's or civil partner's pension.

Two or more years' qualifying service

You are entitled to a pension and lump sum which we will keep and pay to you at pension age.

We work out your pension as follows:

$$\frac{\text{Final pensionable earnings x reckonable service}}{80}$$

We work out your lump sum as: 3 x your pension

However, you may be able to transfer your benefits out of classic and into another pension arrangement.

Compensation lump sum

You will receive an immediate lump sum compensation payment. We work this out according to your age and length of reckonable service.

A: All age groups
One month's final pensionable earnings for each year of reckonable service; plus

B: For those over 30 who have over 5 years' qualifying service

The lower of:

One month's final pensionable earnings for each year of reckonable service after completing five years' qualifying service; or

One month's final pensionable earnings for each year of reckonable service after age 30; plus

C: For those over 35

One month's final pensionable earnings for each year of reckonable service after age 35.

We limit your lump sum compensation payment to a maximum payment of three years' final pensionable earnings.

(If you have had part-time service in the last three years of reckonable service this figure will be based on a proportion of your full-time and part-time service.)

If you joined or re-joined the NICS on or after 1 April 1997, any service credits, added years or previous service in the PCSPS (NI) will not count towards your CSCS (NI) benefits, but will count towards your pension benefits.

If you are aged between 40 and 49 and were serving in a mobile grade on 1 April 1987 you may be entitled to special arrangements, called reserved rights.

Compensation lump sums are free of tax up to £30,000. There is a further tax-free element in addition to the £30,000 limit, in the extra lump sum compensation paid to members who have reserved rights to the pre-April 1987 terms.

VOLUNTARY EARLY RETIREMENT IF YOU ARE OVER 50

Compulsory Early Retirement terms are given to those aged 50 or over with at least 5 years' qualifying service and who must retire. It covers those who are made redundant (other than through inefficiency or ill health) or who apply for redundancy when their employer calls for volunteers.

What are the benefits?

Your benefits will depend on the length of your service.

Less than one year's qualifying service

You will not receive any payments under the Civil Service Compensation Scheme (Northern Ireland) [CSCS (NI)] and we cannot preserve (keep) your pension benefits for payment when you reach pension age.

However you may be able to transfer your benefits out of classic and into another pension arrangement.

One to two years' qualifying

You will receive a lump sum compensation payment of two months' final pensionable earnings for any year of reckonable service, limited to three years' final pensionable earnings (any part year will be paid as a proportion of a whole year). You will receive this compensation payment immediately.

Compensation lump sums are free of tax up to £30,000.

We cannot preserve (keep) your pension benefits for payment when you reach pension age. However you may be able to transfer your benefits out of classic and into another pension arrangement.

If you joined or re-joined the NICS on or after 1 April 1997, any service credits, added years or previous service in the PCSPS (NI) will not count towards your CSCS (NI) benefits, but will count towards your pension benefits.

Two to five years' qualifying service

You are entitled to a preserved pension and lump sum which we will pay to you at pension age.

We work out your pension as follows:

$$\frac{\text{Final pensionable earnings x reckonable service}}{80}$$

We work out your lump sum as:

3 x your pension

You may be able to transfer your benefits out of classic and into another pension arrangement.

You will receive a lump sum compensation payment. We work this out as two months' final pensionable earnings for every year of reckonable service limited to three years' final pensionable earnings.

You will receive this compensation payment immediately.

Compensation lump sums are free of tax up to £30,000.

You can use your compensation lump sum to buy added pension.

If you joined or re-joined the NICS on or after 1 April 1997, any service credits, added years or previous service in the PCSPS (NI) will not count towards your CSCS (NI) benefits, but will count towards your pension benefits.

Five or more years' qualifying service

You have the choice of either:

- An enhanced (increased) pension and tax-free lump sum paid immediately plus a lump sum compensation payment
(Option A); or

- All your additional compulsory early retirement benefits paid solely in the form of compensation, with an unenhanced pension and tax-free lump sum preserved for payment at pension age
(Option B)

Option A

We enhance (increase) your reckonable service by up to 6 $^{2}/_{3}$ years as long as:

- Your total reckonable service is not then more than twice its actual length: and
- The value of your benefits would not then be greater than those you would have received had you continued working in your current grade until your pension age.

Important Note

We then make two further calculations to find out the amount of reckonable service and final pensionable earnings that we will use when we work out the benefits we will pay you.

These two calculations are:

- **A.** Your actual reckonable service plus 6 $^{2}/_{3}$ years (up to a maximum of 51 $^{2}/_{3}$ years) and your final pensionable earnings at your early retirement date.
- **B.** Your projected reckonable service (up to a maximum of 45 years) and projected final pensionable earnings.

We use the smaller amount to work out your pension benefits. If the second calculation is used we make a further calculation to work out the limit of the enhancement because of the 45 years' limit.

If you work part-time, the amount of this increase will be in the proportion that your actual reckonable service bears to the equivalent full-time reckonable service.

In all cases, if you joined or re-joined the NICS on or after 1 April 1997, any service credits, added years or previous service in the NICS will not count towards your CSCS (NI) benefits, but will count towards your pension benefits.

We pay you a pension and tax-free lump sum immediately.

We work out your pension as follows:

$$\frac{\text{Final pensionable earnings x reckonable service}}{80}$$

We work out your lump sum as:

3 x your pension

We make a deduction from this lump sum to cover the contributions you would have made towards spouse's or civil partner's benefits for any period of enhanced reckonable service.

However, we will not make this deduction if you are neither married nor in a civil partnership, and you will receive a refund of some or all of the contributions you have already paid towards a spouse's or civil partner's pension.

You will also receive a one-off lump sum compensation payment.

This is equal to six months' final pensionable earnings and is payable immediately. Compensation lump sums are free of tax up to £30,000.

If you have had part-time service in the last three years of reckonable service
the lump sum compensation payment is calculated by reference to the actual pay and pensionable allowances rather than by the full-time rate of pay.

In all cases, if you joined or re-joined the NICS on or after 1 April 1997, any service credits, added years or previous service in the PCSPS (NI) will not count towards your CSCS (NI) benefits, but will count towards your pension benefits.

You can use your compensation lump sum to buy added pension.

Option B

Your pension and tax-free lump sum will not be enhanced. They will be preserved for payment at pension age.

But we will pay you an annual compensation payment until you reach pension age equivalent to the enhanced pension payable under Option A. We will then pay you a further annual compensation payment from pension age so that when added to your preserved pension it is equivalent to the enhanced pension payable under Option A.

However, because your pension itself is not enhanced, neither would a pension for your spouse or civil partner be. We will not, therefore, make a deduction from any of your benefits to cover contributions towards spouse or civil partner benefits. You can choose to give up (commute) the annual compensation payment from pension age for a lump sum. This lump sum is 12 times the annual rate of compensation payment.

We will pay you lump sum compensation when you leave which will include an element equal to six months' final pensionable earnings calculated in the same way as under Option A (see previous page). The lump sum compensation will also have two further elements calculated as follows:

• 3/80 x final pensionable earnings x service enhancement (of up to 6 $^{2}/_{3}$ years).

• An element recognising that you have to wait until pension age for the full value of your tax-free lump sum.

This is calculated as follows:

3/80 x final pensionable earnings x reckonable service x factor

What factor is used to calculate the element relating to having to wait until pension age for the full value of your pension lump sum?

Age at retirement (year and complete months)

From	To	Factor
50 years 0 months	50 years 5 months	0.285
50 years 6 months	50 years 11 months	0.272
51 years 0 months	51 years 5 months	0.260
51 years 6 months	51 years 11 months	0.247
52 years 0 months	52 years 5 months	0.234
52 years 6 months	52 years 11 months	0.221
53 years 0 months	53 years 5 months	0.207
53 years 6 months	53 years 11 months	0.193
54 years 0 months	54 years 5 months	0.179
54 years 6 months	54 years 11 months	0.165
55 years 0 months	55 years 5 months	0.151
55 years 6 months	55 years 11 months	0.136
56 years 0 months	56 years 5 months	0.121
56 years 6 months	56 years 11 months	0.106
57 years 0 months	57 years 5 months	0.090
57 years 6 months	57 years 11 months	0.074
58 years 0 months	58 years 5 months	0.058
58 years 6 months	58 years 11 months	0.042
59 years 0 months	59 years 5 months	0.025
59 years 6 months	59 years 11 months	0 008

Important Note

If you are over pension age, you will not be eligible for these benefits. You may, however, be eligible for compensation equivalent to that which would be payable under the statutory provisions of the Employments Rights (NI) Order 1996.

Purchase of added pension

You may be able to use your compensation lump sum to buy added pension.

Options available for pension and lump sum

You may opt to take your pension benefits (not Annual Compensation Payment) in a different form.

- Giving up some of your pension for a larger lump sum – You may choose to give up (commute) some of your pension in exchange for an additional lump sum (on top of the standard lump sum of 3 times pension). Within the maximum, you can choose how much extra lump sum you want, but for each £12 of additional lump sum you must give up £1 of annual pension. Reducing annual pension in this way generally has no impact on dependants' pensions as these are based on your pension before you give any up for a higher lump sum. However, if you are aged 75 or over when you die, the tax rules on pensions will restrict the total of any dependants' pensions payable to a maximum of the amount of your pension at the date of your death. As taking a higher lump sum reduces your pension, this might lead to dependants' pensions being reduced if you die after reaching 75.

If you are single and eligible to receive a partial refund of WPS (widows'/widowers' pension scheme) contributions on retirement, you will have less scope to give up pension for an additional lump sum. This is because the total of any WPS refund plus any additional lump sum you choose to take cannot exceed the limit of 33/14 times your initial pension.

- Exchanging your lump sum for an increased pension – You may choose to give up all, or part, of your retirement lump sum to increase your own pension, or increase your own pension and also your widow's, widower's or civil partner's pension.

- Allocation of pension – You many choose to give up part of your pension to provide benefits for another person. This is known as 'allocation of pension'. If you take this option your pension is permanently reduced.

Note: Pension lump sums are tax-free subject to the lifetime allowance.

Additional Information (All categories)
As this is a voluntary scheme, staff will leave on an agreed date and will not be entitled to any compensation in lieu of notice.

Staff aged over 60

If you are over age 60 on leaving service, you will receive an annual pension and lump sum based on your reckonable service. In addition, you will receive a compensation lump sum of 6 months pay or you may receive a compensation payment under the Employment Rights (Northern Ireland) Order 1996.

REDUNDANCY BENEFITS UNDER PREMIUM AND CLASSIC PLUS

VOLUNTARY EARLY SEVERANCE IF YOU ARE UNDER 50

Who qualifies?

Compulsory early severance terms are given to those aged under 50 with at least one year's qualifying service who are forced to leave early (other than through inefficiency or ill health). Those aged 50 or over who do not have sufficient service to be eligible for compulsory early retirement may also qualify for the compulsory early severance terms.

What are the benefits?

We pay you a compensation lump sum calculated as:

• One month's final pensionable earnings for each year of current reckonable service; plus

• One month's final pensionable earnings for each year of current reckonable service after completing five years' qualifying service or, if less, for each year of current reckonable service after age 30; plus

• One month's final pensionable earnings for each year of current reckonable service after age 35.

The maximum lump sum is 3 years' final pensionable earnings (or a pro rata amount if you have had recent part-time service).

What happens to my pension?

If you are a member of the classic plus or premium pension schemes with at least two years' qualifying service (or have transferred pension rights into classic plus or premium from a personal pension), we preserve (or freeze) your pension until pension age, but you could apply to take it early on actuarially-reduced terms from age 55 (or from age 50 if you were employed before 6 April 2006).

If you are a member of classic plus or premium with less than two years' service we will instead give you a refund of your pension scheme contributions less your share of the cost of reinstating you into the State Second Pension (S2P). If you have a partnership pension account, it will be for you to decide when to turn your pension pot into an annuity (an income for life). You can do this at any time between the ages of 50 (55 from 2010) and 75.

What about tax?

Under current legislation, your compensation lump sum will be tax-free up to a maximum of £30,000 and you will pay income tax on anything over this.

When your pension comes into payment, you will have an option to give up some of your pension for a lump sum. Under current legislation, this lump sum will be tax-free subject to the lifetime allowance. You will pay income tax on your pension as if it were earned income.

VOLUNTARY EARLY RETIREMENT IF YOU ARE 50 OR OVER

Compulsory Early Retirement terms are given to those aged 50 and over who have at least five years' qualifying service and who are forced to retire early (other than through inefficiency or ill health). It includes those who are made redundant and those who apply for redundancy when their employer calls for volunteers.

What are the benefits?

We pay you:

- A lump sum compensation payment when you leave;
- An annual compensation payment (ACP) until you reach pension age; and
- A smaller ACP or a further lump sum when you reach pension age.

How do you work out the lump sum?

The lump sum when you leave has three elements:

- A maximum of 6 months' final pensionable earnings or a pro-rata amount if you have had recent part-time service; plus
- 3/80 x your final pensionable earnings x a notional service enhancement; plus
- An element recognising that you will have to wait until pension age for the full value of your pension lump sum.

This is calculated as follows:

3/80 x your current reckonable service x your final pensionable earnings x factor.

What factor is used to calculate the element relating to having to wait until pension age for the full value of your pension lump sum?

From	To	Factor
50 years 0 months	50 years 5 months	0.285
50 years 6 months	50 years 11 months	0.272
51 years 0 months	51 years 5 months	0.260
51 years 6 months	51 years 11 months	0.247
52 years 0 months	52 years 5 months	0.234
52 years 6 months	52 years 11 months	0.221
53 years 0 months	53 years 5 months	0.207
53 years 6 months	53 years 11 months	0.193
54 years 0 months	54 years 5 months	0.179
54 years 6 months	54 years 11 months	0.165
55 years 0 months	55 years 5 months	0.151
55 years 6 months	55 years 11 months	0.136
56 years 0 months	56 years 5 months	0.121
56 years 6 months	56 years 11 months	0.106
57 years 0 months	57 years 5 months	0.090
57 years 6 months	57 years 11 months	0.074
58 years 0 months	58 years 5 months	0.058

58 years 6 months	58 years 11 months	0.042
59 years 0 months	59 years 5 months	0.025
59 years 6 months	59 years 11 months	0 008

How big is the ACP?

The ACP to pension age is:

Your final pensionable earnings x (your current reckonable service plus the notional service enhancement) x 1/80

The ACP from pension age is:

Your final pensionable earnings x the notional service enhancement x 1/80

You can choose to give up (commute) the ACP from pension age for a lump sum. This lump sum is 12 times the annual rate of ACP. If you have a partnership pension account you will receive this lump sum and you will not have the choice of an ACP from pension age.

ACPs in payment are increased every year in line with the cost of living. These increases are paid to all those in receipt of an ACP aged 55 or over, and make sure that the benefit maintains its original buying power.

Options available for pension and lump sum

You may opt to take your pension benefits (not Annual Compensation Payment) in a different form.

- Giving up some pension for lump sum:

Classic plus member – you may choose to give up (commute) some of your pension in exchange for an additional tax free lump sum on top of the automatic lump sum that you are entitled to.

Premium member – you may choose to give up some of your pension in exchange for a tax free lump sum.

Within the maximum, you can choose how much lump sum you want, but for each £12 of lump sum you must give up £1 of pension. Reducing annual pension in this way generally has no impact on dependants' pensions as these are based on your pension before you give any up for a higher lump sum. However, if you are aged 75 or over when you die, the tax rules on pensions will restrict the total of any dependants pensions payable to a maximum of the amount of your pension at the date of your death.

As taking a higher lump sum reduces your pension, this might lead to your dependants' pensions being reduced if you die after reaching 75. But this is only likely to be an issue if you leave two or more children under age 18 (or under age 23 if they are in full-time education) when you die over age 75. If you are in classic plus and eligible to receive a partial refund of WPS (widow's/widowers' pension scheme) contributions on retirement, the refund will count towards the maximum limit of additional lump sum you can take.

- Exchanging your lump sum for an increased pension – If you are a classic plus member you may choose to give up all, or part, of your standard retirement lump sum to increase your own pension, or increase your own pension and also your widow's, widower's or civil partner's pension.

- Allocation of pension – You may choose to give up part of your pension to provide benefits for another person. This is known as 'allocation of pension'. If you take this option, your pension is permanently reduced.

    - Added pension – You can use your compensation lump sum to buy added pension.

Additional Information (All categories)

As this is a voluntary scheme, staff will leave on an agreed date and will not be entitled to any compensation in lieu of notice.

Staff aged over 60

If you are over age 60 on leaving service, you will receive an annual pension and lump sum based on your reckonable service. In addition, you will receive a compensation lump sum of 6 months pay or you may receive a compensation payment under the Employment Rights (Northern Ireland) Order 1996.

ANNEX 3A

COMPARISON BETWEEN CURRENT NORTHERN IRELAND TERMS AND NEW GB TERMS – WORKED EXAMPLES

CURRENT ARRANGEMENTS	PROPOSED ARRANGEMENTS (GB ARRANGEMENTS)
Example 1 **Compulsory Early Severance (Classic)*** Greg is aged 45. His final pensionable earnings are £14,000 and he has 12 years' reckonable and qualifying service. Pension = (£14,000 x 12) = £2,100 a year 80 (preserved) Lump sum = 3 x £2,100 = £6,300 (preserved) Lump Sum Compensation Payment = • 1 month for each of 12 years = 12 months • 1 month for each year of reckonable service after 5 years' qualifying service = 7 months • 1 month for each year of reckonable service after age 35 = 10 months Total = 29 months = (£14,000 x 29) = £33,833	**Redundancy Terms** Pension = (£14,000 x 12)/80 = £2,100 a year (preserved) Lump Sum = 3 x £2,100 = £6,300 (preserved) Lump Sum Compensation payment of 1 months pay per year of service up to a maximum of 21 months if Voluntary Redundancy / 12 months if Compulsory Redundancy for those under scheme pension age. Lower Pay protection applies – salary deemed to be £23,000. Voluntary Redundancy (Compensation Scheme): Compensation payment: (12 x £23,000) / 12 = £23,000 Voluntary Redundancy (Superannuation Bill) Compensation payment: (12 x £14.000) / 12 = £14,000 Compulsory Redundancy (Compensation Scheme): Compensation payment (12 x £23,000) / 12 = £23,000 Compulsory Redundancy (Superannuation Bill): Compensation payment (12 x £14,000) /12 = £14,000

CURRENT ARRANGEMENTS	PROPOSED ARRANGEMENTS (GB ARRANGEMENTS)
Example 2 **Compulsory Early Severance (Classic)** Nicola is aged 38. Her final pensionable earnings are £22,000 and she has 4 years reckonable and qualifying service. Pension = (£22,000 x 4) = £1,100 a year 80 (preserved) Lump sum = 3 x £1,100 = £3,300 (preserved) Lump sum compensation payment = • 1 month for each of 4 years = 4 months • Nil as Nicola has not completed 5 years' qualifying service • 1 month for each year of reckonable service after age 35 = 3 months Total = 7 months = (£22,000 x 7) = £12,833 12	 **Redundancy Terms** Pension = (£22,000 x 4) / 80 = £1,100 a year (preserved) Lump Sum = 3 x £1,100 = £3,300 (preserved) Lump Sum Compensation payment of 1 months pay per year of service up to a maximum of 21 months if Voluntary Redundancy / 12 months if Compulsory Redundancy for those under scheme pension age. Lower Pay protection applies – salary deemed to be £23,000. Voluntary Redundancy (Compensation Scheme): Compensation Payment: (4 x £23,000) /12 = £7,666.66 Voluntary Redundancy (Superannuation Bill): Compensation Payment: (4 x £22,000) / 12 = £ 7333.33 Compulsory Redundancy (Compensation Scheme): Compensation Payment: (4 x £23,000) /12 = £7,666.66 Compulsory Redundancy (Superannuation Bill): Compensation Payment: (4 x £22,000) / 12 = £7,333.33

CURRENT ARRANGEMENTS	**PROPOSED ARRANGEMENTS (GB ARRANGEMENTS)**
Example 3 – Approved Early Retirement (Classic) David is aged 55 and has final pensionable earnings of £14,000. He has 25 years' reckonable service. The benefits are payable immediately: Pension = (£14,000 x 25) = £4,375 a year 80 Lump sum = 3 x £4,375 = £13,125 Cost to the Employer 5 x £4,375 = £21,875	**Voluntary Exit Terms** Employer has flexibilities - may choose to apply the lower paid protection and whether or not they offer to top up the compensation payment on current service for those over minimum pension age and wish to take their benefits without reduction. Therefore if lower paid protection is applied any compensation payment will be higher, Compensation Payment: With Protection : 21 x £23,000 / 12 = £40,250 or Without Protection: 21 x £14,000 / 12 = £24,500 If Employer chooses to offer buy out of actuarial reduction, where compensation is foregone, it will cost £22,251.25. Therefore in this case a residual compensation payment is payable, the amount dependent on whether or not protection is payable: With Protection: Balance of compensation payable = £17,998.75 or Without Protection: Balance of compensation = £2,248.75 As the compensation payable exceeds the actuarial reduction cost in this case, regardless of Employer choosing to offer buy out of the reduction the member could opt to offset the compensation payable against the reduction.

CURRENT ARRANGEMENTS	PROPOSED ARRANGEMENTS (GB ARRANGEMENTS)
Example 4 – Compulsory Early Retirement (Classic) Melanie is aged 55. Her final pensionable earnings is £20,000, her pension age is 60 and she has 25 years' reckonable service. In this case, Melanie's service enhancement = 5 years. Option A Melanie's pension for life = £20,000 x (25 + 5) x 1/80 = £7,500 per year Melanie's tax-free lump sum = 3 x pension = 3 x £7,500 = £22,500 Melanie's lump sum compensation = 6/12 x £20,000 = £10,000 All benefits are paid immediately. Option B Melanie's annual compensation payment to pension age = £20,000 x (25 + 5) x 1/80 = £7,500 per year Melanie's pension from pension age = £20,000 x 25 x 1/80 = £6,250 per year Melanie's annual compensation payment from pension age = £20,000 x 5 x 1/80 = £1,250 per year Alternatively, Melanie could take a lump sum instead of 12 x £1,250 = £15,000 Melanie's tax-free lump sum payable at pension age = 3 x pension = 3 x £6,250 = £18,750 Melanie's lump sum compensation payable at date of leaving: • Part 1 = 6/12 x £20,000 =	**Redundancy Terms** The compensation payable depends on whether or not the redundancy is Voluntary or Compulsory as does whether or not the Employer offers buy out/top-up of the actuarial reduction to permit pension benefits to be paid early if the member is over the minimum pension age. Voluntary Redundancy (Compensation Scheme): Maximum compensation payment = 1 months pay for each year up to the maximum of 21 months. The employer must apply the protection for the lower paid and must offer buy out/top up of the actuarial reduction if member over minimum pension age. Compensation payment: (21 x £23,000) / 12 = £40,250 Buy out of actuarial reduction would cost £31,787.50. Therefore residual compensation payment payable = £8,462.50 If reduction bought out – benefits payable: Compensation payment £8,462,50 Pension £6,250.00 payable immediately Lump Sum £18,750 payable immediately. Voluntary Redundancy (Superannuation Bill): (12 x 20,000) / 12 = £20,000 Compulsory Redundancy (Compensation Scheme) Maximum compensation payment = 1 months pay for each year up to the maximum of 12 months. The Employer has no flexibility to offer buy out/top up of the actuarial reduction although member may choose to use compensation payment to do so but buy out must cover all the

CURRENT ARRANGEMENTS	PROPOSED ARRANGEMENTS (GB ARRANGEMENTS)
£10,000 • Part 2 = 3/80 x £20,000 x 5 = £3,750 • Part 3 = 3/80 x £20,000 x 25 x 0.151 (a factor based on Melanie's age) = £2,831.25 Total lump sum = £16,581.25	reduction. However protection for lower paid must be applied to the compensation payable. Compensation payment: (12 x £23,000) / 12 = £23,000 As actuarial reduction would cost £31,787.50, member would need to fund the difference between the compensation payment payable and this amount in order for benefits to be paid unreduced immediately. However, member could take the compensation payment in full and take a reduced pension of £4,756.25 and reduced lump sum of £15 712.50 payable immediately. Compulsory Redundancy (Superannuation Bill): (12 x £20,000) / 12 = £20,000

CURRENT ARRANGEMENTS	PROPOSED ARRANGEMENTS (GB ARRANGEMENTS)
Example 5 **Compulsory Early Retirement (Premium)** Joan is aged 60 and is a member of the premium scheme. Joan's final pensionable earnings are £20,000, her pension age is 60 and she has 25 years' current reckonable service Joan's compensation lump sum – limited to 6 months pensionable pay: (6 x £20,000) / 12 = £10,000 Pension payable immediately: (25 x £20,000) / 60 = £8,333.33 There is no automatic scheme lump sum but Joan can commute pension to provide a lump sum – commutation 12:1	**Redundancy Terms** **Compulsory Early Retirement Terms** Compensation 1 months' pay for each year of service limited to 6 months where the member is over the retiring age for the scheme. However, lower paid protection must be applied to the compensation payable. Compulsory Redundancy (Compensation Scheme) : (6 x £23,000) / 12 = £11,500 Pension payable immediately: (25 x £20,000) / 60 = £8,333.33 There is no automatic scheme lump sum but Joan can commute pension to provide a lump sum – commutation 12:1 Compulsory Redundancy (Superannuation Bill): (6 x £20,000) / 12 - £10,000

CURRENT ARRANGEMENTS	PROPOSED ARRANGEMENTS (GB ARRANGEMENTS)
Example 6 - Compulsory Early Retirement **(Prison Officer Reserved Rights)** Mervyn is age 51 and is a member of the Classic scheme. Mervyn's normal retirement age is 55 and his service doubles after 20 years of service. He has 27 years 18 days service and an extra 7 years 18 days doubling. Therefore has total service of 34 years 36 days. Service is further enhanced by 3 years 176 days to age 55 Mervyn's pension for life = £38111.28 x (34 y 36 d + 3 y 176 d) x 1/80 = £17903.15 per year Mervyn's tax-free lump sum = 3 x pension = 3 x £17903.15 = £53709.45 Mervyn's lump sum compensation = 6/12 x £38111.28 = £19055.64 All benefits are paid immediately. Option B Mervyn's annual compensation payment to pension age = £38111.28 x (34years 36 days + 3 years 176 days) x 1/80 = £17903.15 per year Mervyn's pension from pension age = £38111.28 x 34y 36d x 1/80 = £16244.27 per year Mervyn's annual compensation payment from pension age = £38111.28 x 3y 176d x 1/80 = £1658.89 per year Alternatively, Mervyn could take a lump sum instead of 12 x £1658.89 = £19906.68	**Redundancy Terms** The compensation payable depends on whether or not the redundancy is Voluntary or Compulsory as does whether or not the Employer offers buy out/top-up of the actuarial reduction to permit pension benefits to be paid early if the member is over the minimum pension age. Voluntary Redundancy (Compensation Scheme): Maximum compensation payment = 1 months pay for each year up to the maximum of 21 months. The employer must apply the protection for the lower paid and must offer buy out/top up of the actuarial reduction if member over minimum pension age. Compensation payment: (21 x £38,111.28) / 12 = £66,694.74 Voluntary Redundancy (Superannuation Bill): (15 x 38,111.28) / 12 = £47,639.10 Compulsory Redundancy (Compensation Scheme) Maximum compensation payment = 1 months pay for each year up to the maximum of 12 months. The Employer has no flexibility to offer buy out/top up of the actuarial reduction although member may choose to use compensation payment to do so but buy out must cover all the reduction. However protection for lower paid must be applied to the compensation payable. Compensation payment: (12 x £38,111.28) / 12 = £38,111.28 Compulsory Redundancy (Superannuation Bill):

CURRENT ARRANGEMENTS	PROPOSED ARRANGEMENTS (GB ARRANGEMENTS)
Mervyn's tax-free lump sum payable at pension age = 3 x pension = 3 x £16244.27 = £48732.81 Mervyn's lump sum compensation payable at date of leaving: • Part 1 = 6/12 x £38111.28 = £19055.64 • Part 2 = 3/80 x £38111.28 x 3y 176d = £4976.67 • Part 3 = 3/80 x £38111.28 x 34y 36d x 0.106 (a factor based on Mervyn's age) = £5165.68 Total lump sum = £29197.99	(12 x £38,111.28) / 12 = £38,111.28

- = Compulsory Terms payable whether severance/redundancy scheme is voluntary or compulsory under existing terms of the CSCS (NI)

ANNEX 4

PRINCIPAL CIVIL SERVICE PENSION SCHEME (NORTHERN IRELAND) [PCSPS (NI)]

SUMMARY OF THE MAIN PROVISIONS OF THE CLASSIC, PREMIUM, CLASSIC PLUS AND NUVOS ARRANGEMENTS OF THE PRINCIPAL CIVIL SERVICE PENSION SCHEME (NORTHERN IRELAND)

PROVISION	CLASSIC	PREMIUM	CLASSIC PLUS	NUVOS
Normal Pension Age	60	60	60	65
Member Contributions	1.5% of salary	3.5% of salary	3.5% of salary	3.5% of salary
Benefits on normal retirement	1/80th of pensionable earnings x years of service + lump sum of 3/80th pensionable earnings x years of service	1/60th of final pensionable earnings x years of service No automatic lump sum but members can commute pension for optional lump sum on basis of £1 of pension for each £12 of lump sum	Benefits calculated in 2 parts: A - Reckonable service up to 30 September 2002: 1/80th of pensionable earnings x years of service + lump sum of 3/80th pensionable earnings x years of service B - Reckonable service from 1 October 2002: 1/60th of final pensionable earnings x years of service	Pension built up during contributing scheme years consisting of: A - Pensionable earnings x scheme build up rate applied during contributing scheme years (currently 2.3%) B - "Interest" (currently based on RPI but CPI from 2011) added to A at the end of year 1, then annually to A + B in subsequent years

PROVISION	CLASSIC	PREMIUM	CLASSIC PLUS	NUVOS
			No automatic lump sum but member can commute pension for optional lump sum on basis of £1 of pension for £12 of lump sum	
Restrictions on pension benefits	45 years service	45 years service	45 years service	Benefits limited to a total of 75% of final pay
Benefits on voluntary early retirement	Accrued pension and lump sum reduced for early payment	Accrued pension reduced for early payment	Accrued pension and lump sum reduced for early payment	Accrued pension reduced for early payment
Benefits on ill-health retirement	Immediate payment of benefits as on normal retirement but based on enhanced service if 5 years qualifying service completed	Two-tier approach (after completing 2 years qualifying service): Lower tier - immediate payment of accrued benefits (with enhancement for those under 10 years qualifying service) for those who cannot continue at their present level Upper tier – Immediate payment of benefits as on normal retirement but based on service enhanced to pension age for those who cannot work again	Immediate payment of benefits calculated as for normal retirement. Enhancement as for premium but added to service from 1 October 2002 only	Two-tier approach (after completing 2 years qualifying service): Lower tier - accrued benefits paid early without reduction or enhancement for those who cannot continue at their present level Upper tier – Immediate payment of benefits as on normal retirement but based on service enhanced to pension age for

PROVISION	CLASSIC	PREMIUM	CLASSIC PLUS	NUVOS
				those who cannot work again
Benefits payable on death in service	A -lump sum of 2 x pensionable earnings B - Spouse's/civil partner's pension 50% of member's pension payable on ill-health Only service from 1 July 1987 accrues for widowers' pensions. Only service from 6 April 1988 accrues for civil partners' pensions Certain short-term(up to 9 months) widows'/widowers'/civil partners' pensions may be paid	A - Lump sum 3 x final pensionable earnings B - Spouse's/civil partner's/partner's pension 3/8th rate of member's pension with service enhanced No short-term pension paid	A - Lump sum 3 x Final pensionable earnings B - Spouse's pension 50% of member's pension for service up to 30 September 2002 and 3/8th rate of member's pension for service (enhanced) from 1 October 2002 C - Civil partner's pension 50% of member's pension for service from 6 April 1988 to 30 September 2002 and 3/8th rate of	The greater of: A - 2 x final pay less any lump sums (pension lump sums and death lump sums) already paid and B - 5 x accrued pension, including any added pension, less any pension (but not lump sums) already paid from the nuvos section. C - Spouse's/civil partner's/partner's (as defined in premium) of 37.5% x member's pension

PROVISION	CLASSIC	PREMIUM	CLASSIC PLUS	NUVOS
			member's pension for service (enhanced) from 1 October 2002 D - Partner's pension 3/8th rate of member's pension for service from 1 October 2002 No short-term pension paid	No short-term pension paid
Benefits on resignation	less than 2 years' qualifying service after 5 April 2006			
	Transfer value payment to another scheme or refund of members' contributions, less cost of buying back into State 2nd pension scheme	Transfer value payment to another scheme or refund of members' contributions, less cost of buying back into State 2nd pension scheme	Not applicable	If fewer than 3 months' contributing service an automatic refund of contributions. If between 3 months' and 2 years' qualifying service, choice of a transfer value payment to another scheme or refund of members' contributions,

PROVISION	CLASSIC	PREMIUM	CLASSIC PLUS	NUVOS
				less cost of buying back into State 2nd pension scheme
	2 or more years' qualifying service			
	Benefits preserved in scheme, increased in deferment and payable from pension age or transfer value payment to another scheme	Benefits preserved in scheme, increased in deferment and payable from pension age or transfer value payment to another scheme	Benefits preserved in scheme, increased in deferment and payable from pension age or transfer value payment to another scheme	Benefits preserved in scheme, increased in deferment and payable from pension age or transfer value payment to another scheme
Pensions Increase	Applied in line with increases in CPI from 2011	Applied in line with increases in CPI from 2011	Applied in line with increases in CPI from 2011	Applied in line with increases in CPI from 2011