

Public Service Pension reform

A summary

The Government's offer

- The Government set out its offer to public service workers on 2 November 2011. It is asking public service workers to pay more towards their pensions and work a bit longer in return for pension benefits that are among the very best available.
- The offer includes the Government's preferred scheme design, which is based on the recommendations of an independent review of public service pensions. However, discussions are ongoing and the preferred design does not represent a final position. Employers and the trades unions for each scheme are discussing the preferred design for the new schemes.
- The Government has set out its offer for four major public service schemes (Teachers, National Health Service, Local Government and Civil Service schemes).
- The offer for the Firefighters Pension Scheme in England will be announced soon. The offer for police officers, armed forces and judiciary will be set in 2012.
- You can read the full details in the Government's paper: ['Public Service Pensions: good pensions that last'. \(PDF 460KB\)](#)

Who is affected by the proposed reforms?

- The Government also announced its intention to protect those closest to retirement.
- If you are ten years or less from your normal pension age, the Government's objective is that you will not see any change in when you can retire, or the amount you receive.
- If you are more than ten years from your normal pension age changes will apply from 2015 and pensions earned from this date will be calculated differently.

How will the proposed reforms affect me?

Under the Government's preferred scheme:

- You will continue to earn pension benefits under your existing scheme until April 2015.
- Any benefits earned up to 2015 will be protected.
- This means your pension will be worked out in two parts:
 - the benefits you have earned up until 2015, which are protected
 - the pension you earn after 2015, which will be reformed.

- Where existing pension benefits are based on 'final salary' they will continue to be calculated on your pay when you leave the pension scheme, not your pay when the changes happen.
- From April 2015, for every year of employment you will earn pension benefits worth 1/60th of your salary.
- The pension earned in the new scheme will then be increased in line with earnings growth for every year until retirement or when you leave the scheme.
- Deferred pensions (if you leave the scheme before your benefits are paid) and pensions in payment will be index linked.

When can I retire?

- We are proposing you work longer before you can draw your full pension – to the same age you get your state pension.
- You will still be able to draw your pension earlier if you choose.
 - For pension benefits earned up to 2015, you will continue to be able to take these at current normal retirement age for your pension scheme
 - For benefits earned after 2015, you will be able to draw these earlier than State Pension Age but if you do they will be reduced to reflect the cost of paying them earlier
- If you are ten years or less from your normal pension age then you will not see any change in when you can retire

How much will I get?

- If you do retire later, you are likely to retire on a larger pension than you can expect today. If you are a low to middle earner working a full career you will receive pension benefits at least as good, if not better than you get now.
- Future employees working a full career in the new scheme would receive a pension on retirement worth around three quarters of their average salary.
- This pension would be among the best available from any employer.
- The teachers', national health service and civil service pension schemes have published calculators to show what pension benefits could be paid under the proposed reformed schemes:
 - [Teachers pension calculator](#)
 - [National Health Service pension calculator](#)
 - [Civil Service pension calculator](#)

How much will I need to pay?

- On 19 July 2011, the Government set out that you will pay more towards the costs of providing your pension.

- Phased in across the three years from April 2012 to April 2015 the amount you pay towards their pension is planned to go up by an average of 3.2 %.
- Details vary from scheme to scheme, but the Government's proposals would mean that:
 - If you earn less than £15,000 (Full Time Equivalent) your contributions will not increase.
 - If you earn less than £21,000 (Full Time Equivalent) your contributions will increase by no more than 1.5%.
 - Contribution increases for higher earners will be capped at the maximum of 6 % (before tax relief) by 2014-15.
- Your employer will continue to contribute more than you towards your pension.