

An introduction to the effective pension age option



Contents

An introduction to EPA	3
EPA	3
About EPA	4
How it works	4
Cost	5
Buying your EPA	6
Changes to State Pension age (SPA)	7
Added pension	7
Death benefits / Ill-health	7
EPA Case Study 1	8
EPA Case Study 2	9
Andrew has a number of choices about when he takes his pension benefits.	10
Andrew could choose to take his benefits at his classic NPA of 60.	10
Andrew could choose to take his pension benefits two years before his alpha NPA.	11
Andrew could choose to take his benefits at his alpha NPA of 67.	12
EPA FAQs	13
What is EPA?	13
How early can you access an EPA portion of your pension?.	13
Can anyone buy an EPA?	13
Are there any other restrictions?.	14
What happens to an EPA option if your NPA changes?.	14
How much do I pay for EPA contributions?.	14

An introduction to EPA

Effective Pension Age (EPA)

EPA is a way that alpha members can take control of their retirement planning.

By paying higher contributions, you are able to take part of your pension earlier than your Normal Pension Age (NPA) without any early payment reduction.

In alpha your NPA is the same as your State Pension age (SPA) and if you choose to take your alpha pension benefits before your NPA they would be reduced as they may be paid to you for longer.

EPA allows you to pay more on top of your normal pension contributions, to build up an EPA portion of your alpha pension that can be paid one, two or three years earlier than your NPA without any early payment reduction.

Age 65 is the earliest that your pension under the EPA option can be paid in full without any reduction. If your NPA is age 67 you cannot choose an EPA that could be paid three years early, as this would be before age 65.

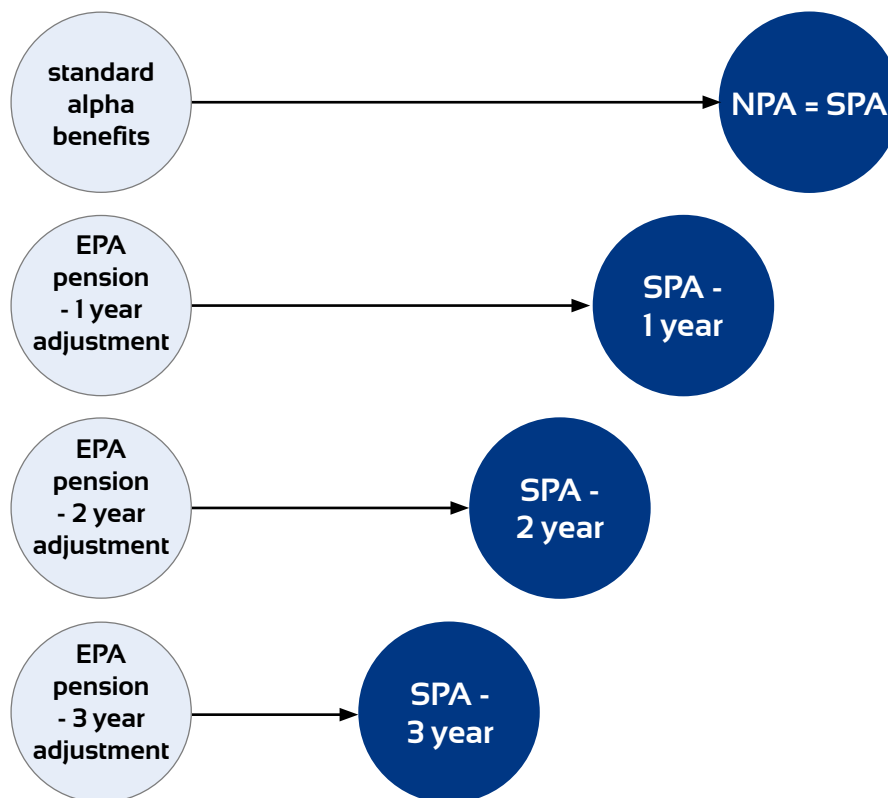
NPA = 67



About EPA

How it works

- You pay for an EPA portion of your alpha pension by making extra contributions, on top of your normal alpha contributions.
- Your EPA portion builds up as a separate alpha pension, at a rate of 2.32% of your pensionable earnings each scheme year. Any alpha pension built up before you opt for EPA will not be subject to the lower pension age.
- When you take up this option, the EPA portion of your alpha pension replaces the pension that would have been built up.
- The EPA portion of your pension can be taken without reduction one, two or three years before your alpha NPA, depending on the option you choose, but not before age 65.
- You can only buy one EPA portion at a time. But over the course of your scheme membership, you can choose to change which option you are buying, and build up another EPA portion of your pension under one of the three available options.



Cost

When you buy an EPA portion of your alpha pension you will have to pay an additional regular EPA contribution for 12 months, and cannot cancel the EPA part way through a scheme year.

The amount you pay will vary, depending on which EPA option you choose, your age, and how long you have to build it up. These contributions get tax relief in the same way as your normal alpha contributions. Your payroll will normally apply the tax relief for you.

We will provide an estimator tool on the website so you can see how much the extra contributions will be for the different EPA options.

The cost of buying an EPA is fixed each scheme year. However, the cost can change for each new scheme year. We will tell you every year what your contributions will be for the following 12 months.

When you select one of the EPA options you are agreeing to continue your payments until the end of the scheme year, this is 31 March.

If you leave the pension scheme your EPA contributions will stop immediately on the day you leave. You keep the EPA portion of your pension that you have built up, unless you are leaving with less than two years' service. You can then choose to have your pension, including your EPA, refunded, or to transfer them to your new pension scheme.

Buying your EPA

An EPA can only start at the beginning of the scheme year, 1 April. However, you can apply for an EPA at any time (it just won't start until the beginning of the next scheme year).

If you want to buy an EPA that will build up from your start date, you must apply within the first three months of joining alpha. This includes the date you move into alpha from your current scheme.

This means that you will have some backdated EPA contributions to pay the first time they are taken from your salary. We will explain how the backdated contributions will be collected during the application process.

For information on how to apply or cancel an EPA please visit our website - <https://www.civilservicepensionscheme.org.uk/planning-for-retirement/what-are-my-options/early-retirement/epa-effective-pension-age/>

Changes to State Pension age (SPA)

Current legislation states that over the coming years, SPA is set to rise to age 68 for both men and women.

Your SPA may change, and this means that your alpha NPA will change too.

When you buy an EPA portion of an alpha pension, you choose an EPA option that is a number of years before your NPA. You are not buying a fixed retirement age. If your SPA changes, your NPA changes with it, and the age that the EPA portion of your alpha pension can be paid without any early payment reduction also changes.

For example, if your NPA was 68 and you decided to buy an EPA of NPA minus two (two years early), the EPA portion of your alpha pension that you are building up is payable in full from age 66.

If in the future your SPA changes to 69, your NPA changes with it and your EPA portion of your pension would still be payable in full two years early, which would now be from age 67.

Added pension



Please note: If you have bought the maximum amount of alpha added pension, you cannot buy an EPA. If you buy an EPA, this could affect how much added pension you are able to buy.

Death benefits / Ill-health

If you buy an EPA it does not affect the pension benefits payable to your dependants if you die before retirement. Dependants' pensions are a percentage of the pension you have built up, including any EPA portions of your pension and the main alpha pension too.

Buying an EPA has no effect on the way the death in service lump sum is worked out, as this is usually equal to two years' pensionable earnings.

If you retire through ill-health, the EPA portion of your pension has no effect on how your benefits are worked out, or the age used in the tests by the scheme medical advisers. They will use your NPA.

They will still check to see if you will be able to return to employment by your NPA, not the age you could take the EPA portion of your alpha pension.

EPA Case Study 1

Anita, alpha member, since 1 April 2015

- Anita joined alpha on 1 April 2015
- She was a new entrant
- Her SPA is 67 years six months

Anita has a SPA that includes a part year. Her alpha NPA matches her SPA, so this also includes a part year.

Anita decides she wants to buy an EPA. Because her NPA includes a part year, this affects the EPA options she can choose from.

Anita cannot choose an EPA option of NPA minus three, because that EPA portion could be paid without reduction before age 65. However, because of the part year in her NPA there is a special option available, Anita can choose an age 65 EPA option.



Anita is not buying a fixed age EPA, she is buying an EPA option of NPA minus two years and six months. Her NPA is currently 67 years and six months so this means that she could take her pension without any early payment reduction from age 65.



If in the future her SPA changes to 68, her NPA changes with it. Her EPA option is payable, without any early payment reduction, two years and six months before her new NPA, from age 65 and six months.

EPA Case Study 2

Andrew, alpha member, since 1 April 2015

Andrew was a member of classic before moving to alpha on 1 April 2015

On 1 April 2016, Andrew chooses to buy an EPA of NPA minus two years. The EPA portion of his alpha pension he builds up can be paid without reduction two years earlier than his alpha NPA. His pension looks like this:

1. A standard alpha pension with the alpha NPA, which will not build up any further whilst Andrew is paying for his EPA.
2. An EPA alpha pension with a NPA minus two years, which will build up whilst Andrew is paying for his EPA.

Andrew's NPA in alpha is 67. The earliest his EPA portion of his pension could be taken without an early payment reduction would be 65.

He continues to buy his EPA for nine years. During the ninth year, Andrew decides that he no longer wants to pay the additional EPA contributions. His EPA cancellation takes effect from the start of the next scheme year, in this case 1 April 2025.

His alpha pension now looks like this:

1. Standard alpha pension subject to the standard NPA. Andrew is now making standard alpha contributions from 1 April 2025 so this pension will start to build up again.
2. The EPA of NPA minus two years. This pension will not build up from 1 April 2025 as Andrew is no longer paying for his EPA option.

Andrew's classic benefits are not impacted by taking the alpha EPA option.

Both the standard and the EPA pension will be adjusted in line with inflation.

Andrew has a number of choices about when he takes his pension benefits.



Andrew could choose to take his benefits at his classic NPA of 60.

At this point, his pension benefits would be made up of:

1. A standard alpha pension – this would be reduced for early payment as it is being paid earlier than his alpha NPA of 67. He can exchange some of this alpha pension for a tax-free cash lump sum;* and
2. An EPA alpha pension – reduced for early payment as this is being paid earlier than his alpha NPA minus two years (65). He can exchange some of this pension for a tax-free cash lump sum;* and
3. A classic pension (based on service built up before 1 April 2015 and final pensionable earnings worked out at, or close to, the date that he takes his pension) – paid in full without any early payment reduction; and
4. A classic lump sum of three times his classic pension* – paid in full without any early payment reduction.

*Tax-free cash lump sums are subject to limits set by HM Revenue & Customs.



Andrew could choose to take his pension benefits two years before his alpha NPA.

At this point, his pension benefits would be made up of:

1. A standard alpha pension – this would be reduced for early payment as it is being paid earlier than his alpha NPA of 67. He can exchange some of this alpha pension for a tax-free cash lump sum;* and
2. An EPA alpha pension – reduced for early payment as this is being paid earlier than his alpha NPA minus two years (65). He can exchange some of this pension for a tax-free cash lump sum;* and
3. A classic pension (based on service built up before 1 April 2015 and final pensionable earnings worked out at, or close to, the date that he takes his pension) – having been increased to account for late payment; and
4. A classic lump sum of three times his classic pension* – paid in full without any early payment reduction.

*Tax-free cash lump sums are subject to limits set by HM Revenue & Customs.



Andrew could choose to take his benefits at his alpha NPA of 67.

At this point, his pension benefits would be made up of:

1. A standard alpha pension – this would be reduced for early payment as it is being paid earlier than his alpha NPA of 67. He can exchange some of this alpha pension for a tax-free cash lump sum;* and
2. An EPA alpha pension – reduced for early payment as this is being paid earlier than his alpha NPA minus two years (65). He can exchange some of this pension for a tax-free cash lump sum;* and
3. A classic pension (based on service built up before 1 April 2015 and final pensionable earnings worked out at, or close to, the date that he takes his pension) – having been increased to account for late payment; and
4. A classic lump sum of three times his classic pension* – paid in full without any early payment reduction.

*Tax-free cash lump sums are subject to limits set by HM Revenue & Customs.

EPA FAQs

What is EPA?

If you are an active member of alpha, you can choose to pay extra contributions to buy an EPA option.

The extra contributions let you build up an EPA portion of your alpha pension that can be paid in full (without any early payment reduction) one, two or three years earlier than your standard alpha pension.

Pensions from alpha are usually payable at your Normal Pension Age (NPA). This is normally your State Pension age (SPA), or age 65 if that's later.

The EPA portion of your pension builds up in the same way as the 'standard' alpha pension - at a rate of 2.32% of actual pensionable earnings. The pension that is built up under the EPA option is added to any standard alpha pension benefits that you may have. EPA portions of alpha pensions are also adjusted each scheme year in line with inflation, just like the standard alpha pension.

How early can you access an EPA portion of your pension?

There is no minimum age from which you can access this option.

When you buy an EPA option, you don't choose a set age to retire.

You select a number of full years before your Normal Pension Age (NPA) that you want to take your EPA pension.

You can choose an EPA option that can be claimed in full, one, two, or three years earlier than your NPA. But not earlier than age 65.

Can anyone buy an EPA?

You can only buy an EPA if you are an active member of alpha.

If you have already bought the maximum amount of added pension for alpha you cannot buy an EPA.

You can have the maximum added pension from classic, classic plus, premium, or nuvos, if you were a member before moving into alpha.

For more information please visit our website:

<https://www.civilservicepensionscheme.org.uk/planning-for-retirement/what-are-my-options/early-retirement/epa-effective-pension-age/>

Are there any other restrictions?

You must not be older than the age you could claim the EPA portion of your alpha pension in full.

For example, if your NPA is 68, and you are age 66 you could not buy an EPA option of NPA minus three, because it would be payable in full at age 65. You cannot buy an EPA that could be paid in full before age 65.

What happens to an EPA option if your NPA changes?

Your EPA option will always stay as one, two or three years earlier than the NPA that applies at your date of retirement.

If your NPA is, for example, age 67 and you buy an EPA option of NPA minus one year, the EPA portion of your pension could be paid in full from age 66 (NPA 67 minus one).

If your NPA increases to age 68 (because your SPA increases), the EPA portion of your pension could only be paid in full from age 67 (NPA 68 minus one).

How much do I pay for EPA contributions?

The amount varies depending on the EPA option you choose, but they will be higher than standard alpha contributions. We will tell you how much you will be paying towards your EPA before your contributions start.

