

PCSPS(NI)

Principal Civil Service Pension
Scheme (Northern Ireland)

Classic



Civil Service Compensation Scheme (Northern Ireland) [CSCS(NI)]

Early retirement and redundancy
for **classic** members



Civil Service Pensions

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Introduction

This booklet provides information about what happens to your **classic** benefits if you leave on early retirement or redundancy.


Early retirement and redundancy categories

There are a number of these. The categories can be divided into two groups - under and over age 50. You should look at the list below and refer to the indicated section for further information.

Under age 50

Compulsory early severance

For those aged under 50 or with less than 5 years **qualifying service** who must leave early. 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.

 See Section A (pages 2-3).

Flexible early severance

Allows departments to invite those aged under 50 to leave early because of limited efficiency, limited postability, or restructuring. There is no element of compulsion.

 See Section B (pages 4-5).


Important note

This booklet does not cover ill-health retirement. You should ask your scheme administrator for the leaflet 'classic ill-health retirement pension benefits' if you want to know about this.

Over age 50


Approved early retirement

Allows employers with surplus staff to invite volunteers for early retirement. Volunteers must be aged 50 or over with at least 5 years **qualifying service**. Staff aged 55 or over with at least 25 years **qualifying service** may apply under this category with agreement from the employer.

 See Section C (page 6).

Compulsory early retirement

For those aged 50 or over with at least 5 years **qualifying service** 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.

 See Section D (pages 7-8).


Early retirement with actuarially reduced benefits

Allows those aged 50 or over with at least two years qualifying service to retire early. We arrange for your benefits to be paid immediately but they are reduced to allow for the longer period in payment.

 See Section E (page 9)

Flexible early retirement

Allows departments to invite those age 50 or over with at least 5 years qualifying service to retire because of limited efficiency, limited postability or restructuring. There is no element of compulsion.

 See Function F (pages 10-11).

Section A

Compulsory early severance

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). And we cannot preserve (keep) your pension benefits for payment when you reach **scheme pension age**.

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



For more information about taking a transfer value ask your scheme administrator.

If you do not transfer out your **classic** benefits your employer will buy you back into the **State Second Pension (S2P)** arrangements.

If you are unmarried you will receive a refund of the contributions you have paid towards a widow's or widower's pension.

One to two years' qualifying service

You will receive a lump sum compensation of two months **pensionable pay** for every year of **reckonable service** (any part year will be paid as a proportion of a whole year) plus one month's **pensionable pay** for any reckonable service after age 35.

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.

You will receive this compensation payment immediately.

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

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



For more information about taking a transfer value ask your scheme administrator.

If you do not transfer out your **classic** benefits your employer will buy you back into the **State Second Pension (S2P)** arrangements.

If you are unmarried you will receive a refund of the contributions you have paid towards a widow's or widower'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 **scheme pension age**.

We work out your pension as follows:

$$\frac{\text{Pensionable pay} \times \text{Reckonable service}}{80}$$

We work out your lump sum as:

$$3 \times \text{your pension}$$

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 **pensionable pay** for each year of **reckonable service**.

plus

B For those over 30

The lower of:

One month's **pensionable pay** for each year of **reckonable service** after you have completed five years **qualifying service** (see glossary for difference between **reckonable service** and **qualifying service**).

or

One month's **pensionable pay** for each year of **reckonable service** after age 30.

plus

C For those over 35

One month's **pensionable pay** for each year of **reckonable service** after age 35.

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

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 are aged between 40 and 49 and were serving in a **mobile grade** on 1st April 1987 you may be entitled to special arrangements.



You should contact your scheme administrator for further information.

Example:

Colin is aged 45. His final pensionable earnings are £14,000 and he has 12 years' **reckonable** and **qualifying service**.

$$\text{Pension} = \frac{\pounds 14,000 \times 12}{80} = \pounds 2,100 \text{ a year (preserved)}$$

$$\text{Lump sum} = 3 \times \pounds 2,100 = \pounds 6,300 \text{ (preserved)}$$

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

$$\text{Total} = 29 \text{ months} = \frac{\pounds 14,000 \times 29}{12} = \pounds 33,833$$

Section B


Flexible early severance

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), and we cannot preserve (keep) your pension benefits for payment when you reach **scheme pension age**.

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

 For more information about taking a transfer value ask your scheme administrator.

If you do not transfer out your **classic** benefits your employer will buy you back into the **State Second Pension (S2P)** arrangements.


If you are unmarried you will receive a refund of the contributions you have paid towards a widow's or widower's pension.

One to two years' qualifying service

You will receive a lump sum compensation payment of two weeks' **pensionable pay** for every year of **reckonable service** plus two weeks' **pensionable pay** for any **reckonable service** after age 40. Any part year will be paid as a proportion of a whole year.

You will receive this compensation payment immediately.

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

 For more information about taking a transfer value ask your scheme administrator.

If you do not transfer out your **classic** benefits your employer will buy you back into the **State Second Pension (S2P)** arrangements.

If you are unmarried you will receive a refund of the contributions you have paid towards a widow's or widower's pension.

Two or more years' qualifying service

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

We work out your pension as follows:

$$\frac{\text{Pensionable pay x Reckonable service}}{80}$$

We work out your lump sum as:

$$3 \times \text{your pension}$$

Compensation Lump Sum

You will receive an immediate lump sum compensation payment. We work this out according to the length of your **reckonable** and **qualifying service** as follows:

A Two weeks' **pensionable pay** for each year of **reckonable service** during the first five years of **qualifying service**.

plus

B Three weeks' **pensionable pay** for each year of **reckonable service** during the next five years of **qualifying service**.

plus

C Four weeks' **pensionable pay** for each year of **reckonable service** after the first ten years' of **qualifying service**.

plus

D Two weeks' **pensionable pay** for each year of **reckonable service** after age 40.

We limit your lump sum compensation payment to a maximum payment of two years' **pensionable pay**.

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.

Section C

Approved early retirement

You qualify for a pension which is payable immediately.

We work out your pension as follows:

$$\frac{\text{Pensionable pay} \times \text{Reckonable service}}{80}$$

You also qualify for an immediate tax-free lump sum.
We work this out as:

$$3 \times \text{your pension}$$

You may choose to give up all or part of your lump sum in return for an increase in either your own pension, or your own and your widow's or widower's pension.



Your scheme administrator can give you more information about this.

There are no compensation payments or enhancement to service.

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

Example

Colin is aged 55 and has **pensionable pay** of £14,000. He has 25 years' **reckonable service**. The benefits are payable immediately.

$$\text{Pension} = \frac{\text{£14,000} \times 25}{80} = \text{£4,375 a year}$$

$$\text{Lump sum} = 3 \times \text{£4,375} = \text{£13,125}$$

Section D


Compulsory early retirement

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), 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.

 For more information about taking a transfer value ask your scheme administrator.


If you do not transfer out your **classic** benefits your employer will buy you back into the **State Second Pension (S2P)** arrangements.

If you are unmarried you will receive a refund of the contributions you have paid towards a widow's or widower's pension.

One to two years' qualifying service

You will receive a lump sum compensation payment of two months **pensionable pay** for any year of **reckonable service** (any part year will be paid as a proportion of a whole year of **reckonable service**). If you are within three years of your **pension age** the lump sum payment will be reduced by $\frac{1}{36}$ for each month that you are within the three years. You will receive this compensation payment immediately.

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

 For more information about taking a transfer value ask your scheme administrator.

If you do not transfer out your **classic** benefits your employer will buy you back into the **State Second Pension (S2P)** arrangements.

Two to five years' qualifying service

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

We work out your pension as follows:

$$\frac{\text{Pensionable pay} \times \text{Reckonable service}}{80}$$

We work out your lump sum as:

$$3 \times \text{your pension}$$

Compensation lump sum

You will receive a lump sum compensation payment. We work this out as two months' **pensionable pay** for every year of **reckonable service** limited to three year's **pensionable pay**. If you are within three years of your **scheme pension age** the lump sum payment will be reduced by $\frac{1}{36}$ for each month or part month that you are within the three years. You will receive this compensation payment immediately.

Five or more years' qualifying service

We enhance (increase) your **reckonable service** by up to $6\frac{2}{3}$ years as long as:

- Your total **reckonable service** is not 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 **scheme pension age**.

Important note

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

These two calculations are:

- A** Your actual **reckonable service** plus $6\frac{2}{3}$ years (up to a maximum of $46\frac{2}{3}$ years) and your **pensionable pay** at your early retirement date.
- B** Your projected **reckonable service** (up to a maximum of 40 years) and projected **pensionable pay**.

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 enhancement because of the 40 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**.

You are entitled to a preserved pension which we will pay to you at **scheme pension age**.

We work out your pension as follows:

$$\frac{\text{Pensionable pay} \times \text{Reckonable service}}{80}$$

We will also pay you immediately a tax-free lump sum. We work out your lump sum as:

$$3 \times \text{your pension}$$

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

Compensation Payments

You will also receive compensation payments made up of an annual payment and a one-off lump sum.

We pay you the annual compensation payment monthly (ACP) from the date of your early retirement until your **pension age** at which date your pension will commence.

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 it ensures that the benefit maintains its original buying power.

The lump sum compensation payment is equal to six months' **pensionable pay** and is payable immediately. We will reduce this payment if you are within three years of your **scheme pension age** by $\frac{1}{36}$ for each month that you are within the three years.

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.

Section E

Early retirement with actuarially reduced benefits

You are entitled to a pension and a tax-free lump sum both of which we will pay you immediately.


We work out your pension as follows:

$$\frac{\text{Pensionable pay} \times \text{Reckonable service}}{80}$$

We work out your lump sum as:

$$3 \times \text{your pension}$$

Your pension and lump sum will be reduced to take account of the fact that it will be paid for longer. This is called 'actuarial reduction'. The amount of the reduction will depend upon your age when you retire. This reduction is permanent and not just to **scheme pension age**. You cannot have an actuarially reduced award if it would be less than the amount required to pay your **guaranteed minimum pension** at **state pension age**.

 You should contact your scheme administrator for further information.

There are no compensation payments.

You must be aged 50 or over when your pension begins. If you leave before age 50 you can choose to receive actuarially reduced benefits when you reach that age or later.

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

Example

Colin is aged 57 and has a **pensionable pay** of £14,000. He has 25 years' **reckonable service**.

The pension and lump sum benefits are calculated as for approved early retirement.

$$\text{Pension} = \text{£4,375 a year before reduction}$$

$$\text{Lump sum} = \text{£13,125 before reduction}$$

The reduction factor applying to the pension is 0.825, so the actuarially reduced pension payable immediately is:

$$\text{£4,375} \times 0.825 = \text{£3,609 a year}$$

The reduction factor applying to the lump sum for Colin is 0.898, so the actuarially reduced lump sum payable immediately is:

$$\text{£13,125} \times 0.898 = \text{£11,786}$$

Section F


Flexible early retirement

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), and we cannot preserve (keep) your pension benefits for payment when you reach **scheme pension age**.

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

 For more information about taking a transfer value ask your scheme administrator.

If you do not transfer out your **classic** benefits your employer will buy you back into the **State Second Pension (S2P)** arrangements.


If you are unmarried you will receive a refund of the contributions you have paid towards a widow's or widower's pension.

One to two years' qualifying service

You will receive a lump sum compensation payment of four weeks **pensionable pay** for any year of **reckonable service**, (any part year will be paid as a proportion of a whole year). If you are within three years of **scheme pension age** the lump sum payment will be reduced by $\frac{1}{36}$ for each month or part month that you are within the three years. You will receive this compensation payment immediately.

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

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

 For more information about taking a transfer value ask your scheme administrator.

If you do not transfer out your **classic** benefits your employer will buy you back into the **State Second Pension (S2P)** arrangements.

If you are unmarried you will receive a refund of the contributions you have paid towards a widow's or widower's pension.

Two to five years' qualifying service

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

We work out your pension as follows:

$$\frac{\text{Pensionable pay} \times \text{Reckonable service}}{80}$$

We work out your lump sum as:

$$3 \times \text{your pension}$$

Compensation Lump Sum

You will receive a lump sum compensation payment. We work this out as four weeks' **pensionable pay** for every year of **reckonable service**, limited to two year's **pensionable pay**. 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 (any part year will be paid as a proportion of a whole year of **reckonable service**). If you are within three years of **scheme pension age** the lump sum payment will be reduced by $\frac{1}{36}$ for each month or part month that you are within the three years. You will receive this compensation payment immediately.

Five or more years' qualifying service

We enhance (increase) your **reckonable service** by up to $6\frac{2}{3}$ years as long as:

- Your total enhanced **reckonable service** is not then more than twice its original 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 **scheme pension age**.

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

These two calculations are:

- A** Your actual **reckonable service** plus $6\frac{2}{3}$ years (up to a maximum of $46\frac{2}{3}$ years) and your **pensionable pay** at your early retirement date.
- B** Your projected **reckonable service** (up to a maximum of 40 years) and projected **pensionable pay**.

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 40 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**.

You are entitled to a preserved pension which we will pay to you at **scheme pension age**.

We work out your pension as follows:

$$\frac{\text{Pensionable pay} \times \text{Reckonable service}}{80}$$

We will also pay you immediately a tax-free lump sum.

We work out your lump sum as:

$$3 \times \text{your pension}$$

We make a deduction from this lump sum to cover the contributions you would have made towards widow's and widower's benefits for any period of enhanced **reckonable service**.

Annual Compensation Payment (ACP)

You will also receive an annual compensation payment which may be equal to your preserved pension.

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

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 counts only towards pensions benefits.

We will pay the annual compensation payment monthly from the date of your early retirement until **scheme pension age** at which date your pension will commence.

There is no lump sum compensation payment.

Example

Colin is aged 53 and has a **pensionable pay** of £14,000. He has **reckonable service** of $20\frac{1}{3}$ years'.

Benefits are calculated as for compulsory early retirement.

Pension = £4,725 a year (preserved)

No lump sum compensation payment is payable

Additional Information

Repackaging

You may be able to alter the make-up of certain early retirement benefits to a form better suited to your needs. You will need to make your choice before the last day of service.



If you have any questions about the repackaging options you should contact your scheme administrator.

Commutation

If you are entitled to receive an annual compensation payment, you can choose to exchange as much of it as will provide a total lump sum of two years' **pensionable pay** including:

- any lump sum compensation payment;
- any additional lump sum in respect of overseas service;
- your pension lump sum (after deductions of contributions in respect of widow's, widower's or dependants' benefits); and
- the additional lump sum from commutation.

You can choose to commute at any time up to **scheme pension age**.

Purchase of added years

If you are aged 50 or over and you retire early with five or more years' **qualifying service**, you may be able to buy added years (or part years) of **reckonable service**. You pay for your added years out of the lump sum payments due to you on early retirement in the following order:

- your lump sum compensation payment,
- your compensation in lieu of notice (if any); and
- your pension lump sum.

There are conditions and limits to the number of added years which you can buy.



For further information ask your scheme administrator for the leaflet 'Buying added years for your **classic** pension'.

Re-employment

We need to know immediately if you leave **classic** employment before **scheme pension age** and are then re-employed in the NICS or by another PCSPS(NI) employer.



You should ask your scheme administrator for further information about how this might affect your future pension arrangements.

Glossary

This leaflet provides information about what happens to your **classic** benefits if you leave on early retirement or redundancy.

- **Guaranteed Minimum Pension** gives members a pension that is at least the same level as the pension they would have received if they had stayed in the State Earnings Related Pension (SERPS), for their service before 1997. This minimum level pension is known as the Guaranteed Minimum Pension or GMP
- **Mobile grade** - You are in a mobile grade if you are an executive officer or higher and your employer expects you to:
 - move to any post within reasonable travelling distance from your home; or
 - take up any detached duty.
- **Pensionable pay** is the total basic salary and other pensionable earnings received in whichever of the last 3 years of reckonable service gives the highest figure.
- **Qualifying service** is the service which enables you to be entitled to a particular benefit, such as your pension and lump sum. It is generally the same as your actual service in the NICS, but may include an additional period if, say, you transferred the value of benefits from another scheme into your current scheme. A week's full-time or part-time service both count as one week's qualifying service.
- **Reckonable service** is the service which counts towards your pension. It includes service credited from a transfer from elsewhere and any added years that you have paid for. Part-time service counts on the basis of hours worked.
- **Scheme Pension age** is the earliest age at which you may retire voluntarily and receive immediate pension benefits.
- **State Second Pension** is the Government's additional pension replacing their old State Earnings Related Pension Scheme (SERPS). This is paid in addition to the Basic State Pension.

- **State pension age** is currently 65 for men and 60 for women. For women, it will increase to 65 over the years 2010 to 2020.

Other information

Note: This booklet provides a straightforward guide to provisions for early retirement and redundancy in **classic**. It does not cover every aspect; the full details are contained only in the rules, which are the legal basis of the Scheme. You should note that nothing in this booklet can override the rules, and in the event of any unintentional difference, the rules will prevail.




For more information about specific benefits, please contact your scheme administrator at the address below or visit our website at:
www.civilservicepensions-ni.gov.uk

Scheme Administrator's Address

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BT47 6FP**

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