

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



Department of
**Finance and
Personnel**

www.dfpni.gov.uk



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 from 6 April 2006.

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 five 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).

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 five years' qualifying service. Staff aged 55 or over with at least 25 years qualifying service may apply under this category with agreement from their employer.

→ See Section C (page 6).

Compulsory early retirement

For those aged 50 or over with at least five 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 (page 7-11).

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 12).

Flexible early retirement

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

→ See Section F (pages 13-15).

Important note

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


Terms highlighted in **bold** text are explained in the glossary on page 17.

Section A

Compulsory early severance

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

In each of the three scenarios detailed, you may be able to transfer your benefits out of classic and into another pension arrangement.

 For more information about taking a transfer value contact us. Be aware that time limits apply.

If you have less than two years qualifying service and do not transfer out your classic benefits your employer will buy you back into the **State Second pension (S2P)** arrangements.

1. 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**.

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.

2. 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.

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 (NICS) will not count towards your CSCS(NI) benefits, but will count towards your pension benefits.

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

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.

3. 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:

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

We work out your lump sum as:

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

Continued 

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 NICS 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.

 You should contact us for further information.

Example 1

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

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

Example 2

Jenny is aged 38. Her final pensionable earnings are £22,000 and she has 4 years' reckonable and qualifying service.

$$\text{Pension} = \frac{(\pounds 22,000 \times 4)}{80} = \pounds 1,100 \text{ a year (preserved)}$$

$$\text{Lump sum} = 3 \times \pounds 1,100 = \pounds 3,300 \text{ (preserved)}$$

Lump sum compensation payment =

- 1 month for each of 4 years = 4 months
- Nil as Jenny has not completed 5 years' qualifying service
- 1 month for each year of reckonable service after age 35 = 3 months


$$\text{Total} = 7 \text{ months} = \frac{(\pounds 22,000 \times 7)}{12} = \pounds 12,833$$

Section B

Flexible early severance

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

In each of the three scenarios detailed, you may be able to transfer your benefits out of **classic** and into another pension arrangement.

 For more information about taking a transfer value contact us. Be aware that time limits apply.

If you have less than two years qualifying service and do not transfer out your classic benefits your employer will buy you back into the **State Second pension (S2P)** arrangements.

1. 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**.

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.

2. One to two years' qualifying service

You will receive a lump sum compensation payment of two weeks' **final pensionable earnings** for every year of **reckonable service** plus two weeks' final pensionable earnings 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 pension age.

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.

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.

3. Two or more 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:

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

We work out your lump sum as:

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

Continued 

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' final pensionable earnings for each year of reckonable service during the first five years of qualifying service; plus
- B:** Three weeks' final pensionable earnings for each year of reckonable service during the next five years of qualifying service; plus
- C:** Four weeks' final pensionable earnings for each year of reckonable service after the first ten years' of qualifying service; plus
- D:** Two weeks' final pensionable earnings for each year of reckonable service after age 40.

We limit your lump sum compensation payment to a maximum payment of two 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 NICS will not count towards your CSCS(NI) benefits, but will count towards your pension benefits.

Section C

Approved early retirement

You qualify for a pension which is payable immediately.

We work out your pension as follows:

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

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, widower's or civil partner's pension.

We can give you more information about this.

There are no compensation payments or enhancement to service.

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

Example:

Colin is aged 55 and has final pensionable earnings of £14,000.

He has 25 years' **reckonable service**. The benefits are payable immediately:

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


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

Section D

Compulsory early retirement

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

In each of the four scenarios detailed, you may be able to transfer your benefits out of classic and into another pension arrangement.

 For more information about taking a transfer value contact us. Be aware that time limits apply.

If you have less than two years qualifying service and do not transfer out your classic benefits your employer will buy you back into the **State Second pension (S2P)** arrangements.

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 Employment Rights Act 1996.

1. 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**.

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.

2. One to two years' qualifying service

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 after 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 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 pension age.

3. 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:

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

We work out your lump sum as:

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

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. If you are within three years of your 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.

Continued 

4. 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 $6\frac{2}{3}$ 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 $6\frac{2}{3}$ years (up to a maximum of $46\frac{2}{3}$ years) and your final pensionable earnings at your early retirement date.
- B:** Your projected reckonable service (up to a maximum of 40 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 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.

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:

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

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 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. We will reduce this payment if you are within three years of your pension age by $\frac{1}{36}$ for each month or part month that you are within the three years. 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. Your tax office can advise you further.

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.

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. And 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 a 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 page 9). The lump sum compensation will also have two further elements calculated as follows:

- $\frac{3}{80}$ x final pensionable earnings x service enhancement (of up to $6\frac{2}{3}$ 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:

$\frac{3}{80}$ x final pensionable earnings x reckonable service x factor

(See table on following page.)

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

Comparison between Option A and Option B

Example

Joan 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, Joan's service enhancement = 5 years.

Option A

Joan's pension for life =
 $£20,000 \times (25 + 5) \times \frac{1}{80} = £7,500$ per year

Joan's tax-free lump sum =
3 x pension = $3 \times £7,500 = £22,500$

Joan's lump sum compensation =
 $\frac{6}{12} \times £20,000 = £10,000$

All benefits are paid immediately.

Option B

Joan's annual compensation payment to pension age =
 $£20,000 \times (25 + 5) \times \frac{1}{80} = £7,500$ per year

Joan's pension from pension age =
 $£20,000 \times 25 \times \frac{1}{80} = £6,250$ per year

Joan's annual compensation payment from pension age =
 $£20,000 \times 5 \times \frac{1}{80} = £1,250$ per year

Alternatively, Joan could take a lump sum instead of $12 \times £1,250 = £15,000$


Joan's tax-free lump sum payable at pension age = 3 x pension = $3 \times £6,250 = £18,750$

Joan's lump sum compensation payable at date of leaving:

- Part 1 = $\frac{6}{12} \times £20,000 = £10,000$
- Part 2 = $\frac{3}{80} \times £20,000 \times 5 = £3,750$
- Part 3 = $\frac{3}{80} \times £20,000 \times 25 \times 0.151$
(a factor based on Joan's age) = £2,831.25

Total lump sum = £16,581.25

Purchase of added years

-  You may be able to buy added years of reckonable service. See additional information on page 16.

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

Section E

Early retirement with actuarially reduced benefits

Apart from the severance and compensation benefits, most members of classic can choose to retire and take their benefits early on an actuarially reduced basis.

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.

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:

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

We work out your lump sum as:

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

Your pension and lump sum will be reduced because they are being paid early. The amount of the reduction will depend upon your age when you retire.

 You should contact us for further information.

There are no compensation payments.

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

Example

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

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

Pension = £4,375 a year before reduction

Lump sum = £13,125 before reduction

The reduction factor applying to the pension is 0.825, so the actuarially reduced pension payable immediately is:
 $£4,375 \times 0.825 = £3,609$ a year

The reduction factor applying to the lump sum for Colin is 0.898, so the actuarially reduced lump sum payable immediately is:
 $£13,125 \times 0.898 = £11,786$

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

Important Note


The reduction applied to actuarially reduced benefits is a permanent reduction in pension, not just a reduction up to pension age.

Section F

Flexible early retirement

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

In each of the four scenarios detailed, you may be able to transfer your benefits out of classic and into another pension arrangement.

 For more information about taking a transfer value contact us. Be aware that time limits apply.

If you have less than two years qualifying service and do not transfer out your classic benefits your employer will buy you back into the **State Second Pension (S2P)** arrangements.

1. 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**.

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.

2. One to two years' qualifying service

You will receive a lump sum compensation payment of four weeks final pensionable earnings for any year of reckonable service, (any part year will be paid as a proportion of a whole year) limited to two years' final pensionable earnings. If you are within three years of your 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 pension age.

3. 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:

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

We work out your lump sum as:

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

You will receive a lump sum compensation payment.

We work this out as four weeks' final pensionable earnings for every year of reckonable service, limited to two 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 (any part year will be paid as a proportion of a whole year after 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 or part month that you are within the three years.

You will receive this compensation payment immediately.

Continued 

4. Five or more years' **qualifying service**

You have the choice of either:

- An enhanced (increased) pension and tax-free lump sum paid immediately (Option A); or
- All your additional compulsory early retirement benefits paid immediately, 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 $6\frac{2}{3}$ 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 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 $6\frac{2}{3}$ years (up to a maximum of $46\frac{2}{3}$ years) and your **final pensionable earnings** at your early retirement date.
- B:** Your projected reckonable service (up to a maximum of 40 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 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.

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

We work out your pension as follows:

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

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 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.

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. And 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 a lump sum compensation when you leave which has two elements calculated as follows:


- $\frac{3}{80} \times$ final pensionable earnings \times service enhancement (of up to $6\frac{2}{3}$ 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:

$$\frac{3}{80} \times \text{final pensionable earnings} \times \text{reckonable service} \times \text{factor}$$

(See table on page 14.)

Purchase of added years

-  You may be able to buy added years of reckonable service. See additional information on page 16.

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

Comparison between Option A and Option B

Example

Joan 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, Joan's service enhancement = 5 years.

Option A

Joan's pension for life =
 $\text{£}20,000 \times (25 + 5) \times \frac{1}{80} = \text{£}7,500$ per year

Joan's tax-free lump sum =
 $3 \times \text{pension} = 3 \times \text{£}7,500 = \text{£}22,500$

All benefits are paid immediately.

Option B

Joan's annual compensation payment to pension age =
 $\text{£}20,000 \times (25 + 5) \times \frac{1}{80} = \text{£}7,500$ per year

Joan's pension from pension age =
 $\text{£}20,000 \times 25 \times \frac{1}{80} = \text{£}6,250$ per year

Joan's annual compensation payment from pension age =
 $\text{£}20,000 \times 5 \times \frac{1}{80} = \text{£}1,250$ per year

Alternatively, Joan could take a lump sum instead of $12 \times \text{£}1,250 = \text{£}15,000$

Joan's tax-free lump sum payable at pension age = $3 \times \text{pension} = 3 \times \text{£}6,250 = \text{£}18,750$

Joan's lump sum compensation payable at date of leaving:

- Part 1 = $\frac{3}{80} \times \text{£}20,000 \times 5 = \text{£}3,750$
- Part 2 = $\frac{3}{80} \times \text{£}20,000 \times 25 \times 0.151$
(a factor based on Joan's age) = $\text{£}2,831.25$

Total lump sum compensation payable = $\text{£}6,581.25$


Additional Information

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 contact us for the leaflet 'Buying added years for your classic pension'.

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

Re-employment

We need to know immediately if you leave classic employment before **pension age** and are then re-employed in the Northern Ireland Civil Service or by another public body covered by the Principal Civil Service Pensions Scheme (Northern Ireland) [PCSPS(NI)].

 You should contact us for further information about how this might affect your future pension arrangements.

Contacting Us

You can contact us at CSP by a number of different methods:-

By Post:

Civil Service Pensions
Waterside House
75 Duke Street
DERRY/LONDONDERRY
BT47 6FP

By Telephone: 028 7131 9000

By Fax: 028 7131 9234

By Email: cspensions.cpg@dfpni.gov.uk

Internet: www.civilservicepensions-ni.gov.uk

Glossary

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

Civil partnership – Partnership between two people of the same sex that has been legally registered under the provisions of the Civil Partnership Act 2004.

Final pensionable earnings is the amount of pay used to work out your pension benefits.

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.

Pension age is the earliest age at which you may retire voluntarily and receive immediate unreduced benefits under classic.

Qualifying service is generally the same as your actual service in the Northern Ireland Civil Service, but may include a period before this if you transferred pension benefits from a previous scheme into classic.

A week's full-time or part-time service is one week's qualifying service.

Reckonable service is the service which counts towards your pension. Part-time service will count on the basis of hours worked.

State Second Pension (S2P) 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.

Important note


This booklet provides a straightforward guide to provisions for early retirement & 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.

You can obtain more information about the Civil Service Compensation Scheme (Northern Ireland) [CSCS(NI)] and pension arrangements from our website:

www.civilservicepensions-ni.gov.uk

Lifetime Allowance

For information about the lifetime allowance, see the booklet 'Pensions and Tax – the rules from 6 April 2006' available on our website or by contacting us (see page 16).



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