

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

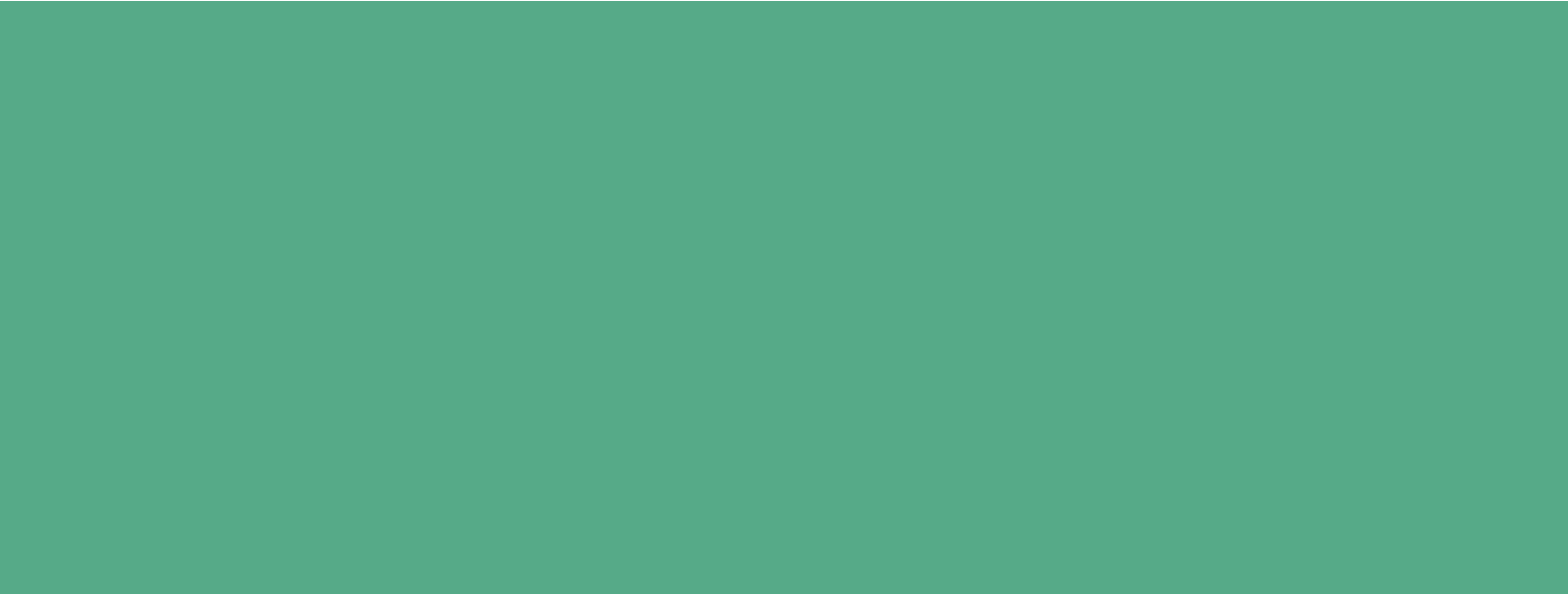


Department of
**Finance and
Personnel**

www.dfpni.gov.uk



Civil Service Pensions



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Important Note

This booklet does not cover every aspect of the Civil Service Compensation Scheme (Northern Ireland) [CSCS(NI)]. 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 apply.

Words in **bold** in this booklet are explained in the glossary section on page 18.

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 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 2-4).

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 5-6).


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 7).

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 (pages 8-12).

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 E (pages 13-16).

Important note

This booklet does not cover ill-health retirement. You should contact us if you want to know about this.

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) [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.

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

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 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.

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.

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

If you do not transfer out your classic benefits your employer will buy you back into the State Second pension arrangements.

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:

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

We work out your lump sum as:

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

(but see page 17 'Options available for pension and lump sum').

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 contact us. Be aware that time limits apply.

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.

You should contact us for further information.

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.

Example 1

Greg 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

Nicola 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 Nicola 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**.

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.

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

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 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.

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.

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.

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

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

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

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:

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

(but see page 17 'Options available for pension and lump sum').

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 contact us. Be aware that time limits apply.

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.

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 this figure will be based on a proportion of your full-time and part-time service.)

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 contact us. Be aware that time limits apply.

If you joined or re-joined the NICS on or after 1 April 1997, any service credits, added years or previous service in the PCS(S(NI)) 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 subject to the **Lifetime Allowance**. We work this out as:

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

(but see page 17 'Options available for pension and lump sum').

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:

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

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

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

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

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) [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.

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

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

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.

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.

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

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

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:

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

We work out your lump sum as:

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

(but see page 17 'Options available for pension and lump sum').

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.

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.

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

You can use your compensation lump sum to buy **added pension**. To find out more, contact us.

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 6²/₃ 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 6²/₃ years (up to a maximum of 51²/₃ years) multiplied by your final pensionable earnings at your early retirement date divided by 80.

B: Your projected reckonable service (up to a maximum of 45 years) multiplied by 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.

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:

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

(but see page 17 'Options available for pension and lump sum').

Note: Pension lump sums are tax-free subject to the Lifetime Allowance.

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.

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. To find out more, contact us.

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 (which is treated as taxable income) equivalent to the enhanced pension payable under Option A until you reach pension age. From pension age the annual compensation payment is reduced to the amount of enhancement under Option A so that when added to your preserved pension it is equivalent to the enhanced pension under Option A.

There is no enhancement to your pension or that of your spouse's or civil partner's pension; therefore, no deduction is taken 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 payment when you leave of up to six months' final pensionable earnings calculated in the same way as under Option A (see previous page). This will be tax free up to £30,000.

In addition we will pay you two further elements which are tax free, worked out 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 page 11).

What factor is used to work out 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

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 = £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

Added Pension

You can use your compensation lump sum to buy added pension. To find out more contact us.

Section E

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 (NI) [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.

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

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

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.

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.

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.

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

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

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:

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

(but see page 17 'Options available for pension and lump sum').

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 contact us. Be aware that time limits apply.

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 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.

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

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 early retirement benefits paid solely in the form of compensation (paid immediately), 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.

We 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 $51\frac{2}{3}$ years) multiplied by your final pensionable earnings at your early retirement date divided by 80.

B: Your projected reckonable service (up to a maximum of 45 years) multiplied by projected final pensionable earnings divided by 80.

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.

We will 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:

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

(but see page 17 'Options available for pension and lump sum').

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

Note: Pension lump sums are tax-free subject to the Lifetime Allowance.

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.

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.

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 (which is treated as taxable income) equivalent to the enhanced pension payable under Option A until you reach pension age. From pension age the annual compensation payment is reduced to the amount of enhancement under Option A so that when added to your preserved pension it is equivalent to the enhanced pension under Option A.

There is no enhancement to your pension or that of your spouse's or civil partner's pension, therefore, no deduction is taken 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 payment when you leave which has two elements calculated as follows:

- $3/80 \times \text{final pensionable earnings} \times \text{service enhancement (of up to } 6^{2/3} \text{ years)}$.
- An element recognising that you have to wait until pension age for the full value of your tax-free lump sum.

This is worked out as follows:

$$3/80 \times \text{final pensionable earnings} \times \text{reckonable service} \times \text{factor (See table on page 11)}$$

Because these 2 elements relate to the payment of the pension lump sum that would have been payable immediately under option A they 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 = $£20,000 \times (25 + 5) \times 1/80 = £7,500$ per year

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

All benefits are paid immediately.

Option B

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

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

Joan's annual compensation payment from pension age = $£20,000 \times 5 \times 1/80 = £1,250$ 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 = $3 \times$ pension = $3 \times £6,250 = £18,750$

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

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

Total lump sum = $£6,581.25$

Added Pension

You can use your compensation lump sum to buy added pension. To find out more contact us.

Re-employment

We need to know immediately if you leave classic employment before pension age and are then re-employed in the NICS or in a body covered by the PCSPS(NI) pension arrangements

If you are re-employed by a PCSPS(NI) employer within 28 days of your early retirement, your compensation benefits will be cancelled and any compensation you have already received will have to be repaid.

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

Partial retirement

If you have already taken benefits under partial retirement arrangements it will affect the amount of compensation you will get. Ask us for more details.

Options available for pension and lump sum

You may opt to take your pension benefits 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 additional lump sum you want, but for each £12 of additional lump sum you must give up £1 of annual pension. The amount of pension after commuting must be enough to cover the amount of guaranteed pension we have to pay you at State pension age. That may limit how much additional lump sum you can have. You can find out how much additional lump sum you can take, and the effect it will have on your pension by using the calculator at: www.civilservicepensions-ni.gov.uk

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 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 $3\frac{3}{14}$ 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 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.

You must contact us if you want to take up one or more of the options. **The options are not available once your benefits have come into payment.**

Glossary

Added years. Members of classic were allowed to boost their pension benefits by buying added years of service, either with a lump sum on joining, or by monthly contributions during service. Added years was replaced by added pension from 1 March 2008.

Added pension. Members of classic can boost their pensions benefits by buying specific amounts of additional or 'added' pension. Members can buy added pension by making monthly contributions from pay and/or by contributing a lump sum.

Aggregation. If classic members leave the scheme and then come back, they can choose to join their two periods of service together.

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

classic. A defined benefit occupational pension scheme based on final salary. It was open to civil servants from 1972 to 2002 and is now closed to new entrants. The name classic came into effect in October 2002.

Commutation/commuting. To give up some pension in exchange for a tax-free lump sum.

Enhancement. An increase to reckonable service for benefit calculations following early retirement.

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

Lifetime Allowance. A limit on the total value of all pension benefits (except the state pension) that can be taken without paying additional tax. The value of benefits is assessed at the time that the pension is taken. It does not limit the total amount of pension benefits that an individual can be paid in their lifetime.

Mobile grade. You are in a mobile grade if you are an executive officer or higher and your employer expects to:

- move to any post within reasonable travelling distance from your home; or
- take up any detached duty.

Partial retirement. The partial retirement arrangements allow members of the PCSPS(NI) to take some or all of their pension benefits and carry on working.

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

Preserved pension. Pension benefits from an earlier period of service in employment covered by the PCSPS(NI) arrangements that will come into payment at a later date usually at pension age.

Qualifying service. Generally the same as your actual service in the NICS, 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. The service which counts towards your pension. Part-time service will count on the basis of hours worked.

Reserved rights. Terms which were applicable for staff in post before a given date.

Service credits. Applies to added years, transferred-in benefits and any previous service that has been aggregated.

State Second Pension (S2P). The additional state pension (on top of the basic State Retirement Pension) that used to be called the State Earnings-Related Pension. The amount you receive depends on your National Insurance contributions.

Contacting us

If you have any questions about the content of this booklet, about your benefit entitlement or about pensions in general, please contact us using any of the methods below.

**Civil Service Pensions
Waterside House
75 Duke Street
Derry / Londonderry
BT47 6FP**

Tel: 028 7131 9000
Fax: 028 7131 9234

Email: cspensions.cpg@dfpni.gov.uk

Web: www.civilservicepensions-ni.gov.uk

Other useful contacts

Department for Work and Pensions (DWP):

www.dwp.gov.uk

Social Security Agency Northern Ireland:

www.dsdni.gov.uk

Her Majesty's Revenue & Customs (HMRC):

www.hmrc.gov.uk



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