Department of Finance
An Roinn Airgeadais
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Civil Service Pensions (NI)

Partial retirement

a guide for scheme members

INTRODUCTION

The partial retirement rules allow members to take some or all of their pension and carry on working.

This booklet explains how the rules work and outlines the pros and cons of partial retirement. If you are thinking about partial retirement, it is important that you read this booklet carefully and understand the implications for any pension that you may build up in the future and should be read in conjunction with the alpha Scheme Guide, Section 5B.

This booklet 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 apply.

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Why might I be interested?

Increasingly, people are choosing to continue working beyond their scheme pension age and then reshape their job so that they move gradually from work to retirement. This could be achieved by working part-time or by moving to a job with fewer responsibilities. Although this is not for everyone, this sort of gradual transition can have benefits for both employees and employers:

- employees have an opportunity to build up their life outside work, and they (and their family) can prepare for full-time retirement.

- employers can retain skills and experience while making space for new employees.

Lots of people already move gradually into retirement. Others, though, feel that they must carry on working full-time as they can't afford, say, to reduce their hours without being able to take their pension.

Partial retirement offers a way around this problem by allowing people who reshape their job, such that their pay reduces by at least 20%, to take some or all of their pension and carry on working. This means that they have a combination of earnings and pension for a transitional period before they finally retire.

During the transitional period they can build up further pension.

Before you decide that partial retirement sounds like just the thing for you, please bear in mind that:

- partial retirement is possible only if you reshape your job, which must be agreed by your employer. It may not be possible for everyone.

- partial retirement is not restricted to people over pension age but it is unlikely to be attractive to people who are much younger than pension age (60 in Classic, Classic Plus and Premium and 65 in Nuvos and state pension age in alpha).

- you need to be sure that you understand the effect that partial retirement may have on your final pension as well as the immediate effect on your income

How does partial retirement work?

Assuming that you meet all the conditions set out below, you decide how much pension (and tax-free lump sum) you want to take:

- if you are in Classic, Premium or Classic Plus, we reduce your reckonable service by an amount corresponding to your chosen pension.

- if you are in Nuvos, or alpha, or have bought added pension, we reduce your pension account by the amount of pension you choose to take.

If you take benefits before pension age (usually 60 in Classic, Classic Plus or Premium, 65 in Nuvos and state pension age in alpha) your benefits will be reduced for early payment.

This will also apply to any automatic lump sums for Classic and Classic Plus pension benefits.

Example

Bill is 61. He has built up 30 years' reckonable service in Classic and this gives him a pension of £9,000 a year plus a lump sum of £27,000.

Bill does not want to retire just yet. He agrees with his employer to reshape his job by going part-time. This reduces his pay by £10,000 a year. Bill opts for partial retirement and chooses to take a pension of £6,000 a year plus a lump sum of £18,000. In other words, he takes two-thirds of his benefits.

Bill's reckonable service will be reduced by 20 years (i.e. two thirds). The remaining 10 years will give him a pension based on his pay when he finally retires. Bill will not build up any further reckonable service in Classic as he is now a member of alpha.

What are the conditions?

Condition 1:

Partial retirement is allowed only if you agree with your employer to reshape your job so that your salary (together with any permanent pensionable allowances) reduces by at least 20%. You and your employer should expect the job reshaping to apply through to your final retirement.

This is the equivalent of reducing your hours from full-time (5 days a week) to 4 days a week. Alternatively, you could agree to move to a lower-paid job. This could be a lower grade job or one which has fewer responsibilities than your current one.

Example

Harry earns £30,000 a year. Harry is 62 and expects to retire at 65. He would like to "wind down" gradually to full retirement. If Harry wants to be able to access his pension while he carries on working, he will need to agree a reshaped job which reduces his earnings by at least £6,000 a year – that is, to no more than £24,000 a year.

Your employer is not under any obligation to agree to reshape your job but many employers will either have, or be working up, a policy for handling requests by employees to reduce their working hours or job weight. Talk to your line management or HR section at an early stage.

Condition 2:

You must apply to take your partial retirement pension no later than 3 months after reshaping your job.

The partial retirement concession allows you to use your pension to top-up your reduced earnings, so it is reasonable to expect you to do this at the time you reshape your job.

Condition 3:

You can only opt for partial retirement once in each scheme. If you partially retire and choose to take both your alpha and PCSPS(NI) benefits at the same time you can only partially retire once. If you choose to only take your PCSPS(NI) benefits at partial retirement you can, at a later date choose to partially retire only using your alpha benefits (ensuring the other conditions are met on each occasion).

Example

Jenny decides to partially retire from Classic at age 60 and allow her alpha benefits to remain and to continue to accrue. She reduces her hours by 20% and takes her Classic pension in full. She later decides to also partially retire from alpha at age 67. Jenny must further reduce her salary by 20%.

Condition 4:

You must take sufficient pension to cover any Guaranteed Minimum Pension (GMP) and/or sufficient lump sum to cover any “Widows and Dependants liability”.

You will only have a GMP if any of your pension was built up before April 1997; it reflects the pension you would have built up if you had been in the State Earnings Related Pension Scheme (SERPS) rather than an occupational pension.

“Widows and Dependants liabilities” are only an issue for a very few members of Classic and you will generally know if you have one. Typically, they arose for some men who joined the scheme before 1972 and some women who joined before 1987.

Things you need to think about

1 - Abatement

You should be aware that any pension you take may be subject to **abatement**. Abatement is the reduction or suspension of your pension if your pension plus your new salary exceeds your **salary of reference**. It is important to understand how your salary of reference is calculated, as this figure is used to determine whether abatement applies. The definition can differ from what you might expect and may not be the same as your salary on leaving employment.

It is based on the actual pay received during a 12-month period, including any permanent pensionable pay additions where applicable, and **excluding** all other pensionable or additional emoluments. For part-time staff, the part-time rate of pay is used. The rules vary from arrangement to arrangement so talk to us if you need to know more about this.

For further information, including the definition of salary of reference, please read the **"What is abatement?"** leaflet, available on the CSP(NI) website.

For abatement purposes, "pension" assumes you take the standard lump sum in Classic, or the equivalent in Premium, Classic Plus or Nuvos.

Any alpha pension you receive is paid in addition to your salary and is **not** subject to abatement.

There is also a Partial Retirement calculator on the website that will give you an indication of whether abatement would apply to your pension and how much it would be.

Example

Jane is a member of Nuvos and alpha and decides to lift her entire Nuvos pension (£8,000) when she opts to take partial retirement. Jane's salary of reference is £32,000 a year and her new salary is £25,600 a year. Under the Nuvos rules, Jane can choose to give up some of her pension in exchange for a cash lump sum of anything up to £34,285.

For abatement purposes, as there is no automatic lump sum, the Pension is factored down for abatement check.
£8,000 x 0.8125 = £6,500 this is the figure that is used for the abatement test.

Jane's new salary (£25,600) plus her notional pension (£6,500) exceeds her salary of reference (£32,000) so her pension will be reduced (abated) by £100 a year. This level of abatement applies regardless of the lump sum Jane decides to take. When Jane finally retires, the abatement will stop and Jane will receive her full pension amount.

If Jane were to lift her alpha pension when she partially retired, it would not have been subject to abatement.

2 – Final salary (Legacy Arrangements)

Although members are no longer building up service in final salary schemes and are now accruing benefits in alpha, it is still useful to understand how partial retirement may affect any final salary benefits already built up.

If you have benefits in one of the final salary arrangements (Classic, Classic Plus or Premium), you should still consider the potential impact of partial retirement. While no further reckonable service will be added to these schemes, the way and timing in which benefits are taken can still influence your overall pension outcome.

The effect is not always straightforward. Depending on your individual circumstances, partial retirement could result in a higher or lower overall pension compared to taking full retirement at a later date. This may also vary depending on how your pay changes, for example, you may reduce your hours or salary with a move to a role with fewer responsibilities.

Your final salary pension will generally consist of two elements:

- The portion of pension taken at partial retirement, based on your pensionable earnings at that point. This element will then increase in line with the cost of living from the date it is taken.
- Any remaining final salary benefits not taken at partial retirement, which will be paid when you fully retire and will reflect the scheme rules and your pensionable earnings at that time (where relevant to the calculation method).

To understand how partial retirement might affect you personally, you may find it helpful to use the Partial Retirement calculator available on the CSP(NI) website.

For final salary benefits, "pensionable earnings" are based on your "best year," as defined by scheme rules. This varies by arrangement:

- In Classic, this is typically the last 12 months of earnings, with a look-back over the previous three years.
- In Premium and Classic plus, it is the best 12 consecutive months within the last 12 scheme years.

Further details are available in the booklet for your specific arrangement on the CSP(NI) website.

If you move to part-time working, remember that pensionable earnings are based on the full-time equivalent salary, while the service used in the calculation of your pension reflects your part-time hours.

Example

David is in Classic and alpha and decides to reshape his job by reducing his hours when he reaches 60. David then takes some of his Classic benefits, leaving some Classic pension to be claimed alongside his alpha pension when he finally retires at 67. David's partial retirement pension is based on his pensionable earnings at 60; the remainder of his Classic pension at 67 is based on the full-time equivalent pensionable earnings he has then. Depending on David's pay rises in his final years, his pensionable earnings on final retirement might be more or less than his pensionable earnings at 60 (plus cost-of-living increase).

Example

Lizzie is in Premium and alpha and moves to a less demanding job when she is 61. Lizzie takes some of her Premium pension at this point, leaving some Premium pension to be claimed alongside her alpha pension when she finally retires at 67. Lizzie's final salary element of her pension will reflect the pay calculation in Premium and, because Premium looks back for a number of years, it may be that Lizzie's final pension will also reflect her earnings before she changed jobs.

If Lizzie had been in Classic, her final pension would not reflect her higher earnings before she changed jobs.

If you are in Nuvos and alpha, the decision is generally more straightforward because you know what pension you have built up and your benefits reflect the pensionable earnings you get every year. Unless you have a Club transfer or "linked" service, you don't have to worry about final salary calculations.

3 – Partial retirement after re-employment

If you are a Classic member and you previously worked in the Northern Ireland Civil Service (NICS) and left with a pension preserved for payment later, you may have been given a choice in 2006 to keep your two pensions separate or to combine the two periods of service for one pension (we call this aggregation). If you did not choose the aggregation option then, you will get another option when you take partial retirement. This will be your last chance to aggregate; you will not get another option on final retirement.

If you are a Classic member and have already been re-employed on or after pension age, you may take partial retirement, but the special re-employment provisions in classic which allow pensions on final retirement to be based on the better of pensionable earnings on earlier retirement and final retirement will not apply.

Can you help me understand the figures?

You will find a Partial Retirement calculator on the CSP(NI) website. This is designed to help you understand the possible effect of partial retirement on your income during your transition to retirement and on your final pension. The calculator will ask you for information about your pension benefits (so you will need your last annual benefit statement to hand) and about your pensionable earnings now and in your planned reshaped job.

Can I take partial retirement before pension age?

Provided you meet the job reshaping conditions, you can take partial retirement at any age from 55 (if you joined Classic, Classic Plus or Premium before 6 April 2006, you may apply for Partial Retirement in that scheme only from age 50, however you will not be entitled to apply for your alpha element of your pension until 55).

However, if you take your pension before Normal Pension Age (60 for Classic, Classic Plus and Premium, 65 for Nuvos and State Pension Age for alpha) we will reduce it for early payment.

For planning purposes, you should work on approximately a 5% reduction for PCSPS(NI) and 4% for alpha for each year before Normal Pension Age, although the actual reduction will depend on your age at partial retirement and scheme rules. Don't forget that the early payment reduction is permanent, so you need to consider whether you can afford to live on the reduced pension in future. The Partial Retirement calculator on the CSP(NI) website takes account of any reduction and may help you with this.

Example

Kris is a member of Premium and alpha and wants to move from full time working to 3 days a week to give her more time to care for her mother. Kris is 58 and has built up a pension of £10,000. If Kris takes her Premium pension only, it will be reduced by around 10% for early payment (2 x 5%). This reduced amount (around £9,000) will be taken into account when working out abatement.

If you have benefits in more than one scheme (for example, if you moved into alpha from an earlier scheme), different parts of your pension may become payable at different ages. This means that, at the point of partial retirement, you may only be able to take some of your pension benefits, with the remaining benefits becoming payable upon further partial retirement application or at full retirement.

Example

Connor is 52, has 25 years service in Classic and has been a member of alpha since 2015. Connor wishes to claim his pension early and reduce his hours. As Connor joined Classic before April 2006, he can claim his Classic Pension now (subject to approximately a 40% reduction 8 x 5%), however as he is under the age of 55, he is unable to apply for his alpha benefits just yet and they will continue to accrue. Connor may choose to partially retire again if he wishes from the alpha scheme once he reaches the Minimum Pension Age of 55, subject to actuarial reduction if taken before State Pension Age.

NOTE: Re-employment and aggregation can both affect members minimum retirement age. If you are considering this option, you should contact CSP if you believe you could be affected.

Are there any time limits?

Your employer is unlikely to be able to agree to a request for job reshaping overnight and so you need to work with them to agree timings that you are both happy with (for example, you may want to allow yourself sufficient time to consider all the information about the implications for your pension before the change takes place). The scheme rules just require you to apply for your partial retirement pension within 3 months of taking up your reshaped job - your pension will generally be backdated to the date you changed your job

If you are a member of Classic, Classic Plus or Premium who reached pension age and then reshaped your job (and reduced your pay by at least 20%) before 1 March 2008. Your pension will be backdated to 1 March 2008 (not the date of job reshaping).

When you fill in the application for Job Reshaping and Partial Retirement, the details you provide in Section 2 (“Your current job”) should be of your job before reshaping. Please note that, in these circumstances, any abatement of pension will be worked out by reference to the “salary of reference” immediately before taking pension, not the “salary of reference” immediately before job reshaping (see ‘Things to think about – 1. Abatement on Page 6 above)

Does my reshaped job have to be with the same employer?

No, but both employers must participate in the Northern Ireland Civil Service (NICS) pension arrangements, and you must not have a break in service between jobs. You will need to get both employers to sign your application for job shaping and partial retirement.

Can I do partial retirement more than once?

No. You are only allowed to partially retire once in each scheme. (Refer to Condition 3 on Page 6)

Is anyone excluded from partial retirement?

Prison officers who joined before 3 Sept 1989 and who have a reserved right to special pension terms are not eligible for partial retirement. This is because their reserved rights allow them to access their pension and lump sum on “formal retirement” terms.

Do I get a cash lump sum on partial retirement?

On partial retirement you can take a cash lump sum based on the amount of partial retirement pension that you take.

In Classic, you will get a standard lump sum which is usually 3 times your pension, and you can take an extra lump sum of up to an amount usually equal to your initial pension x 33/14.

In Premium and Nuvos, the maximum lump sum is equal to your initial pension x 30/7. If you are in Classic Plus, the Classic rules apply to your service before October 2002 and the Premium rules for your service from October 2002. If you choose to take any optional lump sum, you must pay for this by reducing your pension by £1 for every £12 of lump sum.

On final retirement, your lump sum will be based on the extra pension you get then and not on your total pension. In other words, if you decide not to take a lump sum on partial retirement you cannot carry over any unused lump sum entitlement and use it when you finally retire.

Example

Kate takes partial retirement when she is 65 and her initial Nuvos pension entitlement is £14,000. She could take a cash lump sum of anything up to £60,000 but she decides to maximise her income and take no lump sum at all.

Kate finally retires at 72, with a remaining Nuvos and alpha pension entitlement of £7,000 a year. Kate now has the option to take a lump sum of anything up to £30,000. She cannot now opt to use the lump sum entitlement she had when she took partial retirement.

Is my service limited after partial retirement?

The service limits in Classic, Classic Plus and Premium apply to the total of your service before and after partial retirement. If you are in Nuvos, alpha and/or have bought added pension, the pension limits similarly apply to your total pension built up before and after partial retirement. Read the booklet for your specific arrangement to find out more about limits.

I am in Classic – when do I get my Widows and Dependants refund?

Members of Classic who are neither married nor in a civil partnership when they retire are entitled to a refund of some of their contributions – this is referred to as a “Widows and Dependants refund”. This will be paid on final retirement or it can be paid at partial retirement, if you claim 100% of your Classic PCSPS(NI) pension.

What if something happens to me after partial retirement?

After partial retirement you will be treated partly as a pensioner and partly as an active member. This means that you will receive pension payments (and information about your annual pension increases) from us. We will also continue to send you annual benefit statements - covering the pension you are still building up.

Please note that if you die in service or take ill- health retirement after partial retirement, the benefits payable may be less than what would have been payable if you had not taken partial retirement. If you die in service or take ill-health retirement, we will not enhance any pension payable, and any lump sum payments on death in service will take account of any lump sums paid when you drew benefits on partial retirement.

Example

Andrew is a hybrid member with Classic and alpha service. He takes partial retirement at 60 and then dies in service 3 years later, aged 63. Andrew took all of the pension on partial retirement that he had built up and exchanged some of it for a lump sum of £30,000.

Andrew’s salary after partial retirement is £20,000 a year and his partial retirement pension (after exchanging some for a lump sum) is £8,000 a year. He has also built up a further pension of £1,000 a year in the 3 years since partial retirement.

Andrew’s widow (his nominee for death benefits) will receive the better of:

A. Lump Sum Guarantee

Five times the total amount of full retirement pension built up, less any pension payments (but not lump sums) already made from the Northern Ireland Civil Service Pension arrangements. In this case, this would be:

5 x Annual pension in payment at date of death (5x £8,000) = £40,000
+ 5 x Pension built up after partial retirement (5x £1,000 = £5,000)
= £45,000 less Pension already paid (3x £8,000 = £24,000)
= **£21,000**

B. Death in service lump sum

A multiple of his final pay, less any lump sum payments due (or already paid) from the Northern Ireland Civil Service Pension Scheme or under the partnership pension account death benefits scheme.

2 x salary (2 x £20,000)
= £40,000 less lump sum taken on partial retirement £30,000
= **£10,000**

In this case, option A is the greater, so Andrew’s widow would therefore get a lump sum of £21,000.

As well as the lump sum of £21,000, Andrew’s widow will also get a pension of 50% of the Classic pension and 37.5% of alpha pension Andrew had built up (before any reduction in exchange for a lump sum). Andrew’s service will not be enhanced in any way.

Example

Janet is in alpha. She takes partial retirement at 60 and then dies in service 1 year later, aged 61. Janet took a pension of £15,000 and a lump sum of £45,000 on partial retirement.

Janet’s salary after partial retirement is £25,000 a year. She has also built-up further pension in the 1 year since partial retirement and the value of this, together with the pension she did not take at partial retirement, amounts to £2,000.

Janet’s widower (her nominee for death benefits) will receive the better of:

A. Lump Sum Guarantee

Five times the total amount of full retirement pension built up, less any pension payments (but not lump sums) already made from the Northern Ireland Civil Service Pension arrangements. In this case, this would be:

5 x Annual pension in payment at date of death (5x £15,000) = £75,000
+ 5 x Pension built up from partial retirement (5x £2,000 = £10,000)
= £85,000 less Pension already paid £15,000 (£85,000 - £15,000)
= £70,000

B. Death in service lump sum

Two times your final pay, less any lump sum payments due (or already paid) from the Northern Ireland Civil Service Pension arrangements or under the partnership pension account death benefits scheme.

2 x salary (2 x £25,000) = £50,000
less lump sum taken on partial retirement £45,000
= £5,000

In this case, Option A is the greater, so Janet’s widower would therefore get a lump sum of £70,000.

As well as the lump sum of £70,000, Janet’s widower will also get a pension of 37.5% of Janet’s partial retirement pension (before any reduction in exchange for additional lump sum) plus 37.5% of the pension Janet had built up when she died but not yet taken. Janet’s service will not be enhanced in any way.

What happens if I am made redundant after partial retirement?

Partial retirement will not affect the service you have built up which is used to decide whether you are eligible for early retirement benefits under the Civil Service Compensation Scheme (Northern Ireland) [CSCS(NI)].

However, partial retirement will affect the service which is used to work out the amount of your early retirement benefits. Your early retirement benefits would be based on your new service, plus any reckonable service you didn’t take on partial retirement. Any reckonable service you took on partial retirement would therefore not count towards your early retirement benefits.

As a minimum, you would receive a compensation lump sum equal to the amount payable under the statutory redundancy payments scheme. This would be worked out using all your service (including the service you took on partial retirement).

Can I still make contributions to top up my pension after partial retirement?

You can buy added pension and make additional voluntary contributions after you have taken partial retirement.

Can I give up part of my pension on partial retirement to provide benefits for someone else?

No. But you can give up (or “allocate”) part of the pension payable to you on final retirement.

What happens on final retirement?

When you finally retire, we will work out your further pension based on your service since your partial retirement. This will also reflect any service (or, for Nuvos and alpha members and anyone who has bought added pension, any pension) that you didn’t take on partial retirement. You will have the same sort of choices – for instance to exchange some of your pension for lump sum – as on partial retirement. We will pay this pension together with your original partial retirement pension.

What if I am re-employed after final retirement?

The same re-employment rules would apply as for everyone else. Under current scheme rules you would normally be given a choice of alpha or Partnership and your PSCPS(NI) element of your pension would be assessed for abatement.

Will I be able to apply for promotion after partial retirement?

If your application for Job Reshaping (Partial Retirement) was received on or after the effective date of the introduction of the revised Partial Retirement policy (18 October 2013) you will not be eligible to be considered for promotion. This means that you will not be eligible to apply for any competition advertised either internally within your Department/another Department or externally that could result in promotion to a higher grade, if you are successful. Nor will you be eligible to be promoted to a higher grade as a result of any competition competed in prior to your application being approved.

Will I be eligible for Temporary Promotion / Deputising after partial retirement?

You will also not normally be eligible for consideration for Temporary Promotion / Deputising. Exceptionally this may be waived by management to meet the business needs of the Department. However, management must consider all alternative options in the first instance and must take all steps to limit the need for staff that have reshaped their role to enable them to partially retire as a transition to full retirement, to be considered for additional responsibility. In such exceptional circumstances where temporary promotion for a partial retiree is deemed necessary, it is the responsibility of local management to ensure minimal use and should be limited to a period of three months when it should be reviewed.

How do I apply?

Step 1 – Think about things carefully. What sort of work-life balance would you like? What sort of income do you need to live on both now and when you retire finally? What are the things you like about coming to work and what are the things you would like to change?

The Partial Retirement calculator on the CSP(NI) website may help you understand the financial implications:

www.finance-ni.gov.uk/civilservicepensions-ni

Partial retirement will not suit everyone.

Step 2 – Bear in mind that you need to make an application well in advance of you starting your reshaped job. You should make your application at least 6 months before you wish to commence your reshaped role. This will provide management with time to consider your request and, if approved, provide sufficient time for Civil Service Pensions to furnish you with details of your pension entitlement and to process your confirmation of acceptance of your pension for payment from the date your reshaped job commences.

Note: If you want your pension and lump sum to be paid when your reshaped job starts, Civil Service Pensions will need at least 3 months' notification from the date your application is authorised.

Step 3 – HRConnect If you wish to proceed, and your employer is covered by HRConnect you should then download the Job Reshaping (Partial Retirement) application form and User Guide from the Employee Services Portal and follow the instructions. If you do not have access to HRConnect you should contact your Departmental/Agency HR Section.

Non-HRConnect If your employer is not covered by HRConnect you should complete the application form which can be accessed on the CSP(NI) website and liaise with your employer.

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This booklet is published by
Civil Service Pensions

Issue 10 - September 2026