

Partial retirement

A guide for scheme members



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Who should read this booklet?

The partial retirement rules allow you to take some or all of your 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.

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.

Why might I be interested?

Increasingly, people are choosing to work on 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 isn't 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 to bring on other people.

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 round 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 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 isn't 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**);
- you need to be sure that you understand the effect that partial retirement may have on your final pension as well as the immediate impact 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 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** and 65 in **nuvos**) your benefits will be reduced for early payment.

You then carry on working in your reshaped job and building up further pension (assuming that you have not reached your pension limit).

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, plus any further reckonable service built up before his final retirement, will give him a pension based on his pay when he finally retires.



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: Henry earns £30,000 a year. Henry is 62 and expects to retire at 65. He would like to “wind down” gradually. If Henry 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 manager 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.

Condition 4

You must take sufficient pension to cover any Guaranteed Minimum Pension (GMP) and/or sufficient lump sum to cover any “WPS 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 scheme (SERPS) rather than an occupational pension. Please contact us for more information about your GMP.

“WPS 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 must bear in mind that any pension you take will be subject, potentially, to “abatement”. Abatement is the reduction or suspension of your pension and it will apply if your pension plus your new pay is bigger than your “salary of reference”. Your “salary of reference” is normally your actual pensionable earnings in the 12 months before your partial retirement but, if your “best year” is not your final year, it might be based on a different period. The rules vary from scheme to scheme so contact us if you need to know more about this.

For the abatement rules, “pension” assumes that you take the standard lump sum in **classic** or the equivalent in **premium**, **classic plus** or **nuvos**. You can find out more about abatement by reading the leaflet “What is abatement?” which you can download from our website. There is also a 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 has built up a pension of £7,000 a year in **nuvos** and decides to take the lot when she opts to take partial retirement. Jane’s salary of reference is £20,000 a year and her new salary is £15,000 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 £30,000.

For abatement purposes, Jane is assumed to have taken a standard lump sum of $£7,000 \times 2.25 = £15,750$. This would reduce Jane’s pension to £5,688 a year and this is the figure that is used for the abatement test.

Jane’s new salary (£15,000) plus her notional pension (£5,688) exceed her salary of reference (£20,000) so her pension will be reduced (abated) by £688 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.



2. Final salary

If you are in one of the “final salary” schemes (**classic**, **classic plus** or **premium**) you need to think carefully about the effect of partial retirement on your final pension. This is because partial retirement will reduce your reckonable service in the years before final retirement. This may not be straightforward as, depending on your personal circumstances and the scheme you are in, partial retirement might mean that your final, total, pension is bigger or smaller than would otherwise have been the case. And the result could be different depending on whether your pay goes down when you reshape your job because you reduce your hours or because you move to a role with fewer responsibilities.

Bear in mind that your final pension will be made up of two parts:

- (i) the pension you take on partial retirement will reflect your pensionable earnings at that time. This part of your pension will go up with rises in the cost of living from the date of your partial retirement.
- (ii) the extra pension you take on final retirement will be based on your new service, plus any reckonable service which you don't take on partial retirement, and will reflect your pensionable earnings when you finally retire.

The calculator on our website may help you understand the consequences for you.

In all cases, “pensionable earnings” will be your “best year” as defined in scheme rules. The definition of “best year” varies between **classic** and **premium/classic plus**; as well as your “last 12 months”, **classic** looks back over your last 3 years while **premium** and **classic plus** look back over your last 12 full scheme years. Read the information on our website to find out more.

If you move to part-time working, don't forget that “pensionable earnings” for the purpose of working out your pension is the full-time equivalent rate (and the service counting towards your pension reflects your part-time hours).



Example: Ahmed is in **classic** and decides to reshape his job by reducing his hours when he reaches 60. Ahmed then takes all his pension and builds up further service before he finally retires at 62.

Ahmed's partial retirement pension is based on his pensionable earnings at 60; his extra pension at 62 is based on the full-time equivalent pensionable earnings he has then. Depending on Ahmed'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 the cost of living increase).



Example: Lizzie is in **premium** and moves to a less demanding job when she is 61. Lizzie takes all her pension at this point and carries on until she is 65. Lizzie's final 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**, the decision is generally more straightforward because you know what pension you have built up and your benefits reflect the pensionable earnings you get each and 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 Civil Service and left with a pension preserved for payment later, you will 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 reemployment 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 calculator on our website. This is designed to help you understand the possible effect of partial retirement on your income during your transition to retirement and also 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 (or 50 if you joined classic, classic plus or premium before 6 April 2006). But if you take your pension before pension age we will reduce it for early payment. For planning purposes, you should work on a 5% reduction for each year before pension age. 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 calculator on the Civil Service Pensions website takes account of any reduction and may help you with this.



Example: Kris is in **premium** 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 pension, 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.



Note: Re-employment and aggregation can both affect members' minimum retirement age – If you are considering this option you should contact us if you think you will 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, you can apply for partial retirement only if you do so before 31 May 2008. Your pension will be backdated to 1 March 2008 (not the date of job reshaping). When you fill in the application form, 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 you need to think about 1. Abatement** above).

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

No, but both employers must participate in the Civil Service Pension Scheme and you must not have a break in service between jobs. You will need to get both employers to sign your application for a partial retirement quote (see step 3 in the application process set out above).

Can I do partial retirement more than once?

No. You are only allowed one bite at partial retirement.

Is anyone excluded from partial retirement?

Prison officers who joined before October 1987 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: Arnold takes partial retirement when he is 65 and his initial nuvos pension entitlement is £14,000. He could take a cash lump sum of anything up to £60,000 but he decides to maximise his income and take no lump sum at all. Arnold finally retires at 72, with a remaining nuvos pension entitlement of £7,000 a year. Arnold now has the option to take a lump sum of anything up to £30,000. He cannot now opt to use the lump sum entitlement he had when he 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 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 scheme to find out more about limits.

I am in classic – when do I get my WPS 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 “WPS refund”. This will be paid on final retirement.

What happens 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) as well as your annual benefit statements from us.



Note: 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 in premium. 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) the lump sum "guarantee" payable on death soon after retirement; and
b) the death in service lump sum.



a) Lump sum guarantee

This is worked out as the balance of 5 years' partial retirement pension not yet received plus 5 years' worth of the pension Andrew had built up but not yet taken. In this case, this would be:

2 years' worth of partial retirement pension not yet received

$$(2 \times £8,000) = £16,000$$

5 years' pension built up but not yet taken

+

$$(5 \times £1,000) = £5,000$$

$$\text{Total} = £21,000$$

b) Death in service lump sum

The death in service lump sum in premium is 3 x salary less any lump sum paid on partial retirement. In this case this would be:

3 x salary

(3 x £20,000) = £60,000

Lump sum taken on partial retirement

-

on partial retirement

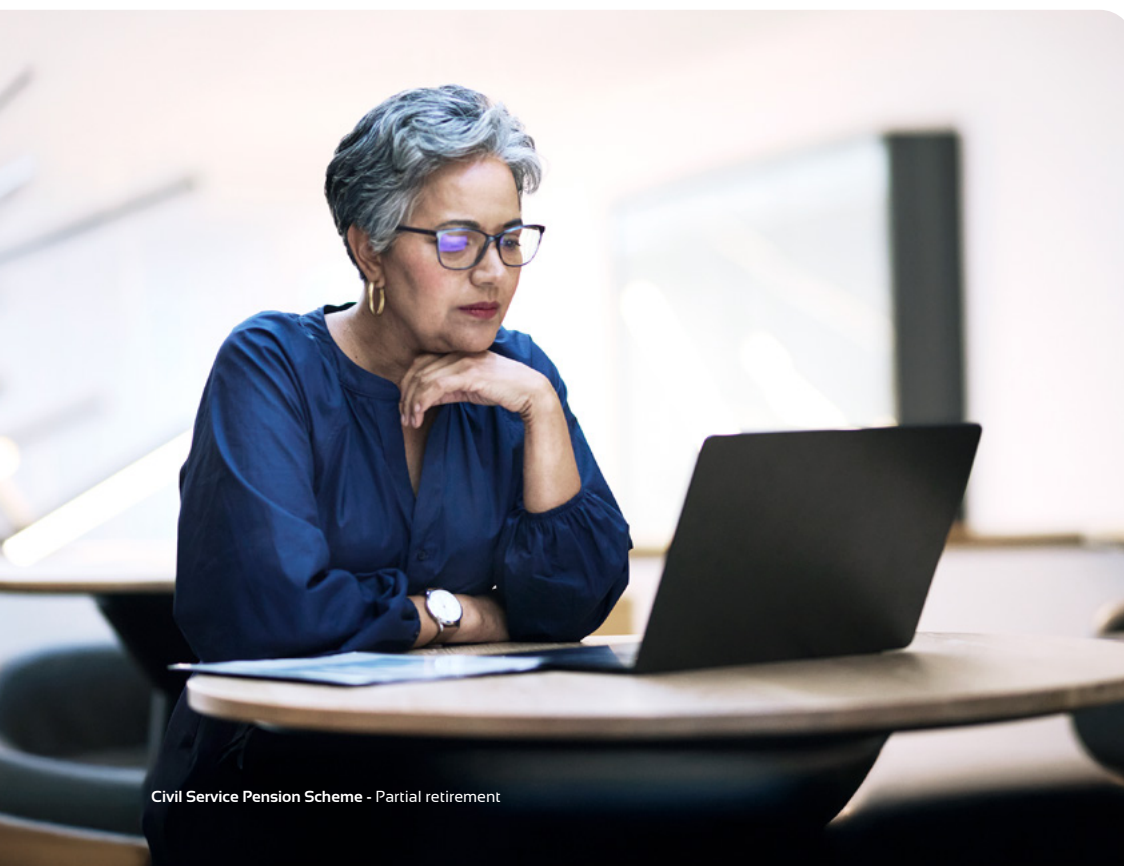
= £30,000

Total

= £30,000

In this case, the death in service lump sum is the greater, so Andrew's widow would therefore get a lump sum of £30,000.

As well as the lump sum of £30,000, Andrew's widow will also get a pension of 37.5% of Andrew's partial retirement pension (before any reduction in exchange for a lump sum) plus 37.5% of the further pension Andrew had built up when he died. Andrew's service will not be enhanced in any way.



Example: Janet is in classic. 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 £4,000 (plus a lump sum of £12,000).

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

- a) the lump sum "guarantee" payable on death soon after retirement; and
- b) the death in service lump sum.

a) Lump sum guarantee

This is worked out as the balance of 5 years' partial retirement pension less the pension and lump sum already received, plus 5 years' worth of the pension that Janet had built up but not yet taken.

This would be:

5 years' worth of partial retirement pension less pension and lump sum already received [(5 x £15,000) - £15,000 - £45,000]	=	£15,000
5 years' pension built up but not yet taken	+	
(5 x £4,000)	=	£20,000
Total	=	£35,000



b) Death in service lump sum

The death in service lump sum in classic is 2 x salary less any lump sum paid on partial retirement. This would be:

2 x salary (2 x £25,000)	=	£50,000
Lump sum paid on	-	
partial retirement	=	£45,000
Total	=	£ 5,000

In this case, the lump sum guarantee is the greater, so Janet's widower would therefore get a lump sum of £35,000.

As well as the lump sum of £35,000, Janet's widower will also get a pension of 50% of Janet's partial retirement pension (before any reduction in exchange for additional lump sum) plus 50% 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.

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.

If you are in classic, classic plus or premium and are buying added years, your contributions will continue unless you choose to cancel your contract (if you decrease the number of hours you work when you reshape your job, the percentage contribution from your salary will be increased so that the cash amount you pay remains the same).

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 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 nuvos or partnership and your total pension would be assessed for abatement.

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 also 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 calculator on the Civil Service Pensions website may help you understand the financial implications. Partial retirement will not suit everyone, but if it is for you then carry on to...

Step 2 – talk to your employer and see if it is possible for you to agree a reshaped job. Bear in mind that your employer is likely to want to have discussions well in advance of you starting your reshaped job.

Step 3 – once you have agreed the details of a reshaped job, complete the Partial Retirement application form (CSP15) and give it to your employer to complete their section.

You can find on the form on the Member Forms page on our website:

www.civilservicepensionscheme.org.uk

Step 4 – study your pension quote, decide if you want to take any pension and, if so, how much. You can take any amount of your pension up to the maximum amount quoted (although please note that if you are in **classic**, **classic plus** or **premium**, you can only take any added pension you may have bought if you choose to take all of your pension benefits). Please stay in touch with us throughout this process.

Step 5 – apply for your partial retirement pension. You must do this no later than 3 months after starting your reshaped job. We will arrange to pay your chosen pension and cash lump sum with effect from the date of your partial retirement. We will tell you if the pension has been abated.

