

PASNAS

Normal, Early, Late and Flexible Retirement

This factsheet is designed for members who are approaching retirement, to help you think about making the most of your PASNAS retirement savings. If you have accepted a Voluntary Severance Agreement and wish to retire then please contact the pensions team with your agreed date of leaving. The Pensions Team will then issue you with your retirement quote with forms to complete. You should read the information in this factsheet alongside those documents.

When can I retire?

- The normal pension age (NPA) in PASNAS is currently 65.
- You may be able to retire early from age 55 but your benefits will be actuarially reduced.
- If you are an active member, you also may be able to consider flexible retirement, if your employer agrees.
- If you are an active member you can retire later than NPA.

PASNAS pension scheme

PASNAS is a final salary pension scheme and is split in to two periods. This is service accumulated up to and including 30th September 2010 and service accumulated on or after 1st October 2010. The service accumulated up to and including 30th September 2010 has a protected retirement age of 60. Service accumulated on or after 1st October 2010 has a normal retirement age of 65. This means that if you retire before your 65th birthday but on or after your 60th birthday then your pension in respect of service up to and including 30th September 2010 will not be reduced but your pension in respect of service on or after 1st October 2010 will have an actuarial reduction applied. Please see example below:

Mr PASNAS

Start date: 01/10/2005 End date: 30/09/2020

Salary at leaving: £20,000

Service up to and including 30th September 2010: 5 years

Service on or after 1st October 2010: 10 years

Total Pension at age 65: 15 years X £20,000 / 80 = £3,750 pension per annum

£3,750 X 3 = £11,250 tax free lump sum

If this member retired on their 60th birthday instead and accumulated the same amount service and salary as above then their pension would look more like this:

Mr PASNAS

Start date: 01/10/2000 End date: 30/09/2015

Salary at leaving: £20,000

Service up to and including 30th September 2010: 10 years 10 years X £20,000 / 80 = £2,500 pension per annum

£2,500 X 3 = £7,500 tax free lump sum

Service on or after 1st October 2010: 5 years 5 years X £20,000 / 80 = £1,250 – 21.0% reduction (£262.50) = £987.50

£1,250 X 3 = £3,750 lump sum – 12.1% reduction (£453.75) = £3,296.25

Total pension and lump sum after reductions:

Pension: £3,487.50

Tax Free Lump sum: £10,796.25

If you retire after your 65th birthday as an active member, your benefits would be treated in the same way as you retiring on your 65th birthday with no reductions applied. You would still accrue benefits passed your NPA and have full life assurance protection.

Flexible Retirement

Flexible retirement allows you to draw a proportion of your pension and tax-free cash lump sum but while still continuing to work, albeit at reduced hours and salary. You must drop your working hours by at least 20% if you take up flexible retirement. Importantly, you still build up more benefits based on your future membership in the scheme.

The earliest age at which you could flex part of your benefits is currently age 55.

You can take part of your benefits on two occasions whilst continuing to work; on the third occasion you would have to fully retire, receive the remainder of your benefits and have 'retired' as defined in the PASNAS rules.

How much can I flex on each occasion?

You can draw between a maximum of 80% and a minimum of 20% of your benefits. However, if you flex 80% on the first flex then to draw further benefits you must fully retire.

If you flexed 50% on the first occasion, then on the second occasion you could flex up to 30% if you intended to remain in employment. Remember, at each flex you must reduce your current working hours and salary by at least 20%.

What happens to the benefits I've not drawn and what about future contributions?

When you flex part of your benefits, you will continue to contribute to PASNAS on a part-time basis up until the point you fully retire. You will therefore continue to build up additional benefits going forward, which will increase the amount of benefits that you have yet to draw. Your final benefits will then be based on your total benefits, less the value of benefits already flexed. Using the example on page 1, your flexible retirement benefits would look more like this if you took 80% of your benefits:

Mr PASNAS

Start date: 01/10/2005 End date: 30/09/2020

Salary at leaving: £20,000

Service up to and including 30th September 2010: 5 years

Service on or after 1st October 2010: 10 years

Total Pension at age 65: 15 years X £20,000 / 80 = £3,750 pension per annum

£3,750 X 3 = £11,250 lump sum

£3,750 x 80% = £3,000 pension per annum (£750 left for when you fully retire)

£11,250 x 80% = £9,000 tax free lump sum (£2,250 left for when you fully retire)

In addition to this you will also be receiving your part time salary from your employer.

Small 'trivial' pensions

If your pension from PASNAS is very small, it may be possible in some circumstances to 'fully commute' this benefit. This means you could get a one-off lump sum payment rather than the small pension income. The calculation to calculate the trivial commutation is your annual pension entitlement, multiplied by 20 plus any separate tax-free cash sum. If the amount of your pension pot is less than £30,000 (roughly £1,300 pension and £3,900 lump sum) then the pension team will tell you if this is an option.

Approaching retirement

When you are getting close to your chosen retirement age, please get in contact with your line manager and the pensions department 2-3 months before your chosen retirement date. This will ensure that your pension and lump sum will be paid on time.

Paying your benefits

- Your pension income and / or lump sums will be paid to your bank. If any tax is payable we will deduct this first
- Your pension will be paid in monthly instalments on last working day of the month
- Your pension will be subject to income tax - speak to HMRC if you have any queries.
- You'll get a payslip when you receive your first payment, and then annually each April.

Pension increases

The pension you receive from PASNAS will be increased every April in line with inflation.

Money and Pensions Service

You may also find the Money and Pensions Service website (MAPS) helpful. This website brings together three bodies of financial guidance: Pension Wise, the Money Advice Service, and The Pensions Advisory Service. You can visit MAP Sat maps.org.uk, or you can contact them by email at: contact@maps.org.uk or phone 01159 659 570. If you're not sure what's best for you, speak to an independent financial adviser. You can find one at unbiased.co.uk. You may be charged for any advice.

Contact details for PASNAS

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