

CHAPTER 9

RETIREMENT BEFORE NORMAL RETIREMENT AGE

Reviewed May, 2015

9.1

Early retirement benefits may be provided on, or after, the employee's 50th birthday.

Ill-Health

9.2

If retirement is caused by *ill-health*, benefits may be paid immediately, regardless of the employee's age. The benefit may be the same fraction of *final remuneration* the employee could have received had he or she remained in *service* until *NRA*. For the purposes of this paragraph, benefits include pensions and/or lump sum.

Pension Benefits

9.3

In cases other than **paragraph 9.2** above, the maximum immediate pension is the greater of:

(a) 1/60th of *final remuneration* for each year of *service*, regardless of *retained benefits*

or

(b) $\frac{N \times P}{NS}$

N = number of actual years of *service*

NS = number of years of total potential *service* to *NRA* had *service* continued until then

P = maximum pension approvable had the employee served to *NRA*.

Any restriction for *retained benefits* should be made in arriving at P and before applying the N/NS fraction.

The formula is subject to the qualification that if the employee's actual *service* is less than 10 years, the pension should not exceed the lesser of:

(i) the maximum approvable at *NRA* for the same *service* in accordance with the table in [Chapter 6.6](#),

(ii) 2/3rds of *final remuneration* less any *retained benefits*.

Example:

N = 9 years Actual Service

NS = 10 years potential Service to Normal Retirement Age

FR = €21,000 Final Remuneration

RB = €3,000 Retained Benefit

The maximum approvable pension is computed on the basis of (b) above:

$$\frac{N \times P}{NS} \quad 9/10 \times [(2/3 \times 21,000) - 3,000] = 9,900$$

But is not to exceed the lesser of

- (i) $36/60 \times 21,000 = 12,600$ Maximum uplifted scale for actual service as per **Chapter 6.6**.
- (ii) $(2/3 \times 21,000) - 3,000 = 11,000$ 2/3rds final remuneration less retained benefits.

The maximum early retirement pension is €9,900 per annum.

Lump Sum Benefits

9.4

In cases other than **paragraph 9.2** above, the maximum immediate benefit is the greater of -

- (a) 3/80ths of final remuneration for each year of actual service

or

- (b) $\frac{N \times LS}{NS}$

N and NS have the same meaning as **paragraph 9.3(b)** above.

LS = the maximum lump sum receivable had the employee served until NRA less retained benefits and may take into account the increased benefits detailed in **Chapter 7.2**.

If the employee's service is less than 20 years, the benefit should not exceed the lesser of:

(i) the maximum allowable at *NRA* for the same *service* in accordance with the table in [Chapter 7.2](#),

or

(ii) 1½ times *final remuneration* less retained lump sum benefits.

Deferred Benefits

9.5

If an employee retires early and defers benefits until *NRA* the relevant limits are set out in [Chapter 12.15](#).

20% Directors

9.6

Generally, where early retirement benefits are taken, all links with the business must be severed, including the disposal of all shares in the company.

Encashment option

9.7

Please refer to section 787TA TCA 1997 for information on the encashment option which provides a one-off opportunity for individuals with dual private and public sector pension arrangements, who meet certain conditions, to encash their private pension rights, in whole or in part, from age 60 (or earlier, where retirement is due to ill health), with a view to eliminating or reducing the chargeable excess that would otherwise arise when their public service pension crystallises.