

Service after Normal Retirement Age

Chapter 8

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8.1 Accrual of extra benefits

The aggregate benefits that may be provided at normal retirement age (NRA) are set out in [Chapter 6](#). An employee who remains in service after normal retirement age may be provided with aggregate benefits up to the maximum approvable on the basis that the actual date of retirement was the normal date of retirement; that is, two-thirds of final remuneration at the date of retirement or the appropriate fraction for less than ten years' service under the table in [Chapter 6](#).

Payment of benefits in excess of a specified monetary amount may trigger a tax charge. Please refer to [Chapter 25](#) for further information.

8.2 Service exceeding 40 years –pension benefits

If total service exceeds 40 years, each year of service up to a maximum of five years may earn a further 60th of final remuneration; the maximum pension then becomes 45/60ths of final remuneration at the date of retirement.

Example A

An employee who has served for 42 years up to NRA and five years thereafter, a total of 47 years, may receive a pension of 45/60ths of their final remuneration at the date of retirement.

Example B

An employee who has served for 38 years up to NRA and five years thereafter may receive a pension of 43/60ths of their final remuneration at the date of retirement.

8.3 Service exceeding 40 years – alternative pension benefits

As an alternative, but not in addition, to the extra benefits referred to in the paragraphs 8.1 and 8.2, the aggregate benefits which would have been payable at NRA may be increased actuarially to reflect their later commencement and the yield on the scheme's investments or the policy monies. Actuarial increases will require special consideration where the NRA is exceptionally early or the service after NRA is exceptionally long.

8.4 Additional Lump Sums

The part of the aggregate benefits which an employee who remains in service after NRA may take in lump sum form may be increased up to the maximum approvable on the basis that the actual date of retirement was NRA; that is, 120/80ths of final remuneration at the date of retirement, or, where service is less than 40 years, any lesser amount as outlined under [Chapter 7.2](#).

8.5 Service exceeding 40 years – lump sum benefit

If total service exceeds 40 years, the lump sum element of the aggregate benefits may be increased by $\frac{3}{80}$ ths of final remuneration at the date of retirement per each additional year of service, up to a maximum of five years.

Example

In example A in paragraph 8.2, where the individual had 47 years' service (42 years to NRA and five years thereafter) the maximum lump sum is $45 \times \frac{3}{80}$ ths of final remuneration at the actual date of retirement.

In example B, where the individual had 43 years' service (38 to NRA and five years thereafter) the maximum lump sum multiplier is $43 \times \frac{3}{80}$ ths.

8.6 Service exceeding 40 years – alternative lump sum benefit

As an alternative to, but not in addition to, the appropriate increase mentioned in paragraphs 8.4 and 8.5, the lump sum of aggregate benefits earned by service up to NRA may be increased in respect of further service after that date, by an amount representing interest at a rate commensurate with the yield of the scheme's investments, or, in a scheme operated by an insurance policy, at a reasonable rate of increase. Increases under this paragraph will require special consideration if the NRA is exceptionally early or the service after NRA is exceptionally long.

8.7 20% Directors

If service continues after NRA, the rules of the scheme should not permit an actuarially increased pension, exceeding the maximum fraction of final remuneration applicable, on the basis that for ages up to 70 years the age attained at retirement is deemed to be the NRA.

- (i) Final remuneration may be calculated at age 70 years (or the relevant lower age of retirement) as if that age had been the NRA and the relevant dynamisation (that is, escalation or indexation) provisions may apply.
- (ii) There is no Revenue objection to an actuarial increase over and above the $\frac{2}{3}$ ths limit or to an increase under paragraph 8.3 in respect of years of service after age 70 years.

Example

A 20% director with an NRA specified as age 65 years retires at age 73 years having completed 48 years of service. As 3 years additional service has been completed after age 70, the maximum pension under paragraph 8.2 is increased to 43/60ths of final remuneration at the actual date of retirement.

- (iii) The same principles should be applied for calculating maximum lump sum retirement benefits and increases under paragraphs 8.5 and 8.6 should be limited accordingly.
- (iv) Restrictions for 20% directors on these lines should be explicitly included in the rules of all schemes.

8.8 Benefits paid at normal retirement age

An employee continuing to serve after NRA may elect to take at that date or before they retire either the lump sum, or the pension and lump sum, benefits which would have been due if they had retired rather than defer all benefits until retirement. In this event no further benefits should be provided for except to the extent that they would fall within the maximum approvable in respect of service up to the date they take the lump sum; although if only the lump sum is taken at this time the deferred pension may be increased actuarially on the basis mentioned in paragraph 8.3.

Any additional benefits for 20% directors must be taken in pension form.