

## A quick guide to partial retirement

**Emily:** Today we're looking at partial retirement, an option that enables active members to take some of their pension and tax-free lump sum while continuing to work. It's a great way to ease yourself into your post-work years, or to help you work for longer without having to work full-time. Whatever works best for your circumstances.

**Rob:** We get a lot of queries from members about partial retirement. And even though we've talked about partial retirement on previous episodes, we're hoping that this minisode will be useful for those looking at it as a stepping stone towards leaving work behind for good, whether it's a few years away or further down the line.

**Emily:** So, here with us today is Michelle Storer, Training Consultant for Civil Service Pensions, to talk us through the process, how it works, and what to think about if you're considering partial retirement.

Michelle, great to have you with us today for your podcast debut.

**Michelle:** Thank you very much for having me.

**Rob:** So, Michelle, let's start with the basics.

What is partial retirement?

**Michelle:** So, as you briefly touched on a moment ago, it's where people can draw their pension, so have their pension paid to them, whilst carrying on working for the civil service. It's about substituting their income with the pension, working less hours, and of course, they have the option of a tax-free lump sum at that point as well.

They can reduce their hours or pay and have a combination of pension and pay to live on. It's about financially, mentally, physically easing into retirement, so that they have enough to live on until they fully retire. And then, if you continue to work, you'll then build up more pension, which will be paid to you when you fully retire, as money will be taken out of your salary as normal for those pensions contributions.

**Emily:** Great, so I'm assuming there's some, kind of like, eligibility criteria. Can you explain how that all works?

**Michelle:** Yeah absolutely. So, you can choose how much of your pension, as a percentage, you want to take at partial retirement. So, you don't have to have it all, you can choose a certain amount and anything that you don't use at that stage will be paid to you when you fully retire further down the line. The timing of that is your choice.

So, if you have benefits in a legacy scheme, so when we're talking about Legacy, it's classic, classic plus, premium and nuvos. If you only claim your legacy pension, you can partially retire again further down the line and have your alpha pension paid to you. It's available to any active members that meet the criteria.

So, you have to agree with your employer to reshape your job by reducing your pay by at least 20%. So, that's the minimum requirement to do that and it has to be with your employer's permission. So, of course, you can do that by changing their hours or downgrading. Then [you] have to apply for partial retirement no more than three months after reshaping their job.

So, it's all part of the process. If they did it six months ago, they can't then apply for partial retirement now. They would need to make a further change. So, you apply for partial retirement no more than three months after that reshaping of the job. And as long as you're over Minimum Pension Age, so Minimum Pension Age is the earliest you can take your pension, but it would have a reduction applied to it.

So, for classic, classic plus it's 50. If you're in premium prior to the 6 April 2006, then also from age 50. For premium if you were after the 6 April 2006, nuvos and alpha, then it's from age 55.

**Michelle:** Just a reminder, if anyone claims a pension before Normal Pension Age, there is a reduction applied to that and they would see that on the modeller.

**Emily:** Can I just go back to something you said before?

So, you said if you've got benefits in a legacy scheme, you can partially retire with those benefits, but then you can also partially retire a second time in alpha. Is that right?

**Michelle:** Absolutely, yeah. So, you can partially retire once from each scheme. So, if they wanted to partially retire again and access their alpha pension, they would just need to reduce their earnings again by a further 20%.

So, the qualifying criteria kicks in again for that. So, then again, they could carry on working further and build up another alpha pension for when they fully retire.

**Rob:** So, I want to talk about sort of step by step. But before we do that, I've got another question, which is all about what happens when you fully retire.

So, you can choose how much of your pension you want to take when you partially retire.

And then when you fully retire, you can access the rest of it. But if you claim your pension before pension age, it will be reduced for an early payment. So, how does that work when you make the transition from partial to full retirement? What do you actually get?

**Michelle:** So, if you didn't take all of your pension at that point, because you have to reduce your earnings, sometimes employers can't allow you to reduce your hours more than a particular amount.

So, we're going to come on to a term in a moment about 'abatement'. So, some people then choose to say, "Right, I'm going to take enough of what I need and the rest of it will be left in the scheme". So, what we would say [00:05:00] is, "Right, you've taken 75%, let's say, and the 25% of your pension that you didn't take sits back, let's say it's classic or premium.

It sits back as service in the scheme, and when you come to fully retire, we'll then recalculate your pension based on the service that you didn't take, your salary, and you can have further options for pension and lump sum at that point.

**Rob:** So, when you fully retire, you stop getting that 25% that you took when you partially retired, and you start getting that 75%, let's say, that you left behind.

**Michelle:** So, you're getting all of it. So, you got what you took a partial retirement and then you're getting the additional that you didn't take. If you took it early, then obviously, that amount would have a reduction. If you then took the remaining at a further date and it's over your Normal Pension Age, then that wouldn't have a reduction applied. It all becomes one payment then.

**Rob:** Thank you for clarifying that, Michelle. Ok so, let's go through step by step.

So, let's say I'm going to partially retire. What happens first?

**Michelle:** So, we would recommend that people use the modeller. [00:06:00] That will help them look at their pension options, so that is accessed through the portal. They can look at different ages. It does show all pension benefits. So, if somebody has a legacy pension and alpha, it will show them on there. Underneath where it's doing all the calculations, they'll be able to see the breakdown of it.

So, if they decide they only want to take one without the other, then they'll be able to see the impact there. Then they'll need to look at reshaping their job. So, they'll need to speak to their employer about reducing their earnings, so reducing their hours, taking a downgrade in their pay. As a reminder, it does need to be a minimum of 20% to qualify for that.

We do ask for at least four months' notice for us at MyCSP to get that notification through to say, "I want to look into partially retiring". We ask for four months' notice, but the employers sometimes do have further months added to that just because they may need to do some work to be able to accommodate that change in hours, that downgrading, so it's worth them checking with the employer what their policies are.

We know somewhere it's six months, somewhere it's a little bit more than that.

**Rob:** And I suppose, unlike full retirement, partial retirement perhaps takes a little bit more planning because there's the whole reshaping of the job thing. So, it's important, I guess, for people to speak to their employer first before they speak to the scheme.

**Michelle:** Yeah, we do get a lot of questions of, "How am I supposed to know what salary I need to be on?" With the modeller, that is where they'll be able to see what their pension is. They'll be able to see what their affordability is and speak to their employer. If their employer can't reduce their hours or reduce their salary enough by downgrading, that's when they have the options about what percentage of their pension they can take.

**Rob:** Yes, I suppose that conversation with the employer is super important, because what we can't have is someone coming to us and then just letting their employer know, "Oh, by the way, did, did I not tell you I'm starting my past retirement from tomorrow? I'm going to be coming in less from, from tomorrow."

**Michelle:** Absolutely. It is a big conversation, because they could turn around and say, "Sorry, we can't accommodate those changing your hours or downgrading". So, it isn't a right for people to have, it is having that conversation with their immediate manager who may need to engage other areas of the business, but it is only with their permission.

And then there's a form that needs to be filled in by the member and the employer. So, that comes across to us and we know then that they have granted the permission to do that, and they've got the information on the form then. When we get that form through, that'll have all the information we need about reshaping the job.

It's important to note that the partial retirement date will also be the date that the pension becomes paid, as in if someone retires on the 16th of a month, the pension will be paid 16th of the month for the rest of their life. We will get the request; we look through all of the information to make sure we've got what we need before providing the figures. And we aim to give those figures two months before their partial retirement date. It will come with forms to complete so they can indicate the option that they want. And for anybody impacted by the 2015 Remedy, it'll also have information on there about their options in relation to that, so they can decide, for the Remedy period, which scheme they would like the benefits to be paid from, because that'd be a big factor in their decision making. We ask them to complete the forms and return it to us as soon as possible. We do ask for a month before the retirement date, to allow everything to be processed in time. If they've chosen any lump sum to be paid, then we aim for that to be paid just around the same time as the pension payment, which is paid a month in arrears.

So, it's important when they're factoring in about affordability, that pension isn't going to be paid on the retirement date, it's in arrears and backdated and say the lump sum will be around the same time.

**Rob:** So, they get it a month later, basically.

**Michelle:** Absolutely. Yeah. And of course, we need to watch out for abatement at that point.

**Emily:** Yeah, I hear abatement a lot when we talk about partial retirement. Can you explain to us what that is?

**Michelle:** Yeah, so when you partially retire, the idea is that you are reducing your earnings, your actual salary, but substituting that with drawing your pension. The new combined salary and the pension cannot exceed the salary that you were on beforehand. So, if somebody was earning, let's say £20,000, if they're reducing that salary down to £13,000 pounds.

If the pension's more than that £7000 difference, then they will be subject to abatement, which means the pension would be reduced.

**Emily:** Okay.

**Michelle:** So, anything over that £20,000 will be taken off their pension.

**Emily:** Okay, so that's, kind of, the concept of partial retirement, isn't it? That whilst the first step that you need to take is to reduce your income, you don't need to worry too much because your pension will essentially top you up to where you were when you were working

full time, so you're not going to see a dip in what you're bringing home when you partially retire because of that combination.

**Michelle:** Absolutely, that's the intention behind it, which is why on the option forms, people are allowed to choose a particular percentage of their pension to take to help them to avoid abatement. It's also important to note that it doesn't impact alpha pension, so if somebody has any of their alpha pension put into payment, that won't be subject to abatement. They still have to reduce their earnings by at least 20%, but the abatement only impacts the legacy schemes. So, classic, classic plus, premium and nuvos.

**Michelle:** There's a lot more information about abatement. There's a 'What to Expect' guide on the Civil Service Pension Scheme website. There is lots of FAQs around abatement and of course there is lots of support around how to avoid that.

**Emily:** That's great and that'll be [civilservicepensionscheme.org.uk/abatement](https://civilservicepensionscheme.org.uk/abatement).

**Michelle:** Yes.

**Rob:** Great. Okay. So, if someone wants to fully retire later on, and they're kind of currently, you know, partially retired, what do they then do?

**Michelle:** So, they would still carry on building up a pension because they'd have contributions deducted from their pay. So that would carry on building up an alpha pension. And then you can wait until you reach your Normal Pension Age. For the alpha scheme, which is your State Pension Age, you can decide on a retirement date of course, that's relevant for you. It's not saying that you are having to wait till your Normal Pension Age to take your pension. You're just saying, "I don't want to take it all right now. I'm going to carry on working". So, when they do decide to fully retire, they would then start the process of asking for a quotation.

So again, we would ask for four months' notice for that, but that would be them saying, "I want to completely leave the civil service and have my pension". So, they would have the same options, so, pension, a lump sum options on the paperwork. If they were subject to abatement from their previous pension, when they fully retire, the pension would be restored so that they're no longer abated, but it is important to note they won't get back what was taken off them.

A lot of people think that it is kept in a pot somewhere for them and they'll get this lump sum when they return to full retirement, but that won't be the case. It'll just return to its normal amount. So, the payments then [00:13:00] will be joined together so they'll get one pension payment that will be subject of both of [those] periods of service that they had, both of the pensions that they'd built up. There's lots of information about partial retirement on the scheme website, there's partial retirement guides, so if you head to [civilservicepensionscheme.org.uk/partial-retirement](https://civilservicepensionscheme.org.uk/partial-retirement) to find out more and do read through the 'What to Expect' guides, they're really useful in navigating through that process.

**Rob:** So, I guess, again, when it comes to full retirement, that conversation with your employer is just as important as it is when you partially retire, because it's kind of a, kind of a resignation conversation, a little bit, isn't it?

**Michelle:** Absolutely is yes. And we ask for four months' notice of that, which is normally outside of their standard notice period, where it would be like say four weeks, six weeks, but they're essentially saying to their employer, "I intend on resigning because I want to take my full pension at that point". So, it can be a little bit uncomfortable from what people have said, but I would imagine that your employer knows if you're already partially retired, that this is going to happen at some point. So, that conversation should hopefully be a little bit easier, but it's then saying, "I intend on leaving in four months' time and taking all of my pension".

**Emily:** Brilliant. Michelle, thank you so much for joining us today. It's been great to chat to you and learn a bit more about how partial retirement works.

**Michelle:** Thank you very much for having me. It's been great to be here.

**Rob:** To find out more about anything we've talked about today, or to tell us what you'd like to cover in a future episode, head to [civilservicepensionscheme.org.uk/podcast](https://civilservicepensionscheme.org.uk/podcast). You can also find links to information, transcripts, and accessible versions of this podcast in the episode description.

**Emily:** Make sure to follow so you never miss an episode. And if you're listening on Spotify, you can also share feedback through the in-app poll. Otherwise, please do leave us a review wherever you get your podcasts.

**Rob:** podcasts. This minisode was recorded in July 2024. All information is accurate at the time of recording. Thanks for listening.