

Reference No: P18/16/88; **Date:** 30/12/88

30/12/1988 LP:- Purchase of notional service for superannuation purposes by non-established State employees

Dear Personnel Officer

I am directed by the Minister for Finance to refer to Circular 24/88 about the purchase of notional service for superannuation purposes by non-established State employees. This letter contains detailed instructions for the implementation of the new arrangements. A copy of the Scheme is enclosed and examples of the treatment of cases under the Scheme are set out in Appendix 1 to this letter.

Applications under the Scheme

2. The existence of facilities for purchasing notional service should be brought to the notice of all serving employees (including employees on special leave with pay) and new appointees. Employees who express a wish to purchase service should, as a preliminary measure, be given estimates of the cost involved based on their age and known service. An employee who wishes to pursue the matter further should submit a formal written application giving details of

(i) any jobs held before entry to the civil service (if any such service is reckonable for superannuation purposes, it could increase the amount of notional service which may be purchased) and

(ii) any retained benefits (e.g. a refund of superannuation contributions) in respect of those jobs - such benefits could reduce the service which can be purchased. (Cases involving retained benefits of the type specified in paragraph 4 of Appendix 2 of the Scheme should be referred to this Department.)

3. The following points should be noted in particular:-

(a) Periodical contributions will be payable with effect from the birthday following the date of the option and will continue until the person reaches 65 years of age. Lump-sum contributions must be paid within six months of the exercise of the option.

(b) Income tax relief is not allowed on periodic contributions in excess of 15% of salary and any employee who opts to purchase service should be so informed. A note of the position in relation to income tax relief on contributions for purchased service is attached at Appendix 2 to this letter.

Pensioners

4. It has been agreed that former employees who retired between 1 November 1987 and 31 December 1988 will, provided they comply with the other conditions of this Scheme, be allowed a lump-sum option which must be exercised, and the contribution paid, before 30 June 1989.

5. The contribution will be calculated by reference to the individual's age next birthday at date of retirement and the pensionable remuneration and net pensionable remuneration by reference to which the retirement benefits were calculated. The benefits in respect of the purchased service will be calculated in accordance with the normal rules of the Purchase Scheme but any increase in pension will only be effective from the date on which the appropriate contribution is paid.

6. The Paymaster General's Office will notify pensioners of the existence of facilities for purchasing service and will advise them to apply to their parent Departments if they require further information.

Accounting for contributions

7. Departments should keep a record of the contributions paid by each employee who opts to purchase service. All contributions (whether periodical or lump-sum) are applied as appropriations-in-aid of the Vote for Superannuation and Retired Allowances. Accordingly, Departments should pay over the contributions they collect to the Accounts Branch, Department of Finance, for credit to the Appropriations-in-aid subhead of the Vote for Superannuation and Retired Allowances. Transfers should be made quarterly, as soon as practicable after the close of the quarter in which the contributions were collected.

8. Where an employee transfers to another Department/Office between the effective date of a pay increase and the date on which payment of any arrears is made, the Department which pays the arrears is responsible for collecting the appropriate contributions.

Employees on special leave without pay

9. Employees who are on special leave without pay on 1 January 1989 will not be allowed an option under the Scheme unless they return to the civil service. If they so return, and opt to purchase service by lump sum contribution, the expression "beginning of service as a non-established State employee" in paragraph 4.3 of the Scheme may be interpreted as the date of return to the civil service. On return they may also exercise an option to purchase service by periodical contributions at any time subsequently, provided the terms of the Scheme are complied with.

10. Any enquiries about this Scheme should be referred in writing to the Pensions Section of this Department.

Yours sincerely,

William Power
Principal/Superannuation Section

Appendix 1 - Examples of the treatment of cases under the Purchase Scheme

1. Serving male employee aged 55 next birthday (22/12/1988) will on that day have 22.4 years reckonable service; his present pay is £136.78 a week and he is a member of the Spouses' and Children's Pension Scheme.

* The maximum service which may be purchased is 7.6 years [i.e. $40 - (22.4 + 10)$].

* He may opt at any time up to age 63 to purchase by periodic contributions.

* In addition to or in lieu of the option to pay periodic contributions he may opt either before 31 December 1990 (see paragraph 4.3 of Scheme) or at any time between 22/12/1996 and 22/12/1998 (i.e. the two year period preceding retirement) to purchase by lump sum contribution.

2. The employee in example 1 opts to purchase 1.6 years immediately by lump sum and a further 4 years by periodic contributions. His contributions will be calculated as follows:

* In the case of the lump sum option he will pay 4.78% of his full annual salary (i.e. $2.99\% * 1.6$ yrs) plus 20.69% of his coordinated salary (i.e. $12.93\% * 1.6$ yrs). If the

current single persons rate of contributory old age pension is £56.80 a week, he will pay a total of £591.40 i.e.

4.78% of £7137.18 ($£136.78 * 52.18 = £7137.18$)

plus

20.69% of £1209.54 [$£7137.18 - (£56.80 * 52.18 * 2)$]

This contribution must be paid within 6 months of the option date.

* In the case of the periodic contribution option he will pay 1.32% of his full salary (i.e. $0.33% * 4$ yrs) plus 6.28% of his coordinated salary (i.e. $1.57% * 4$ yrs) i.e. a total of £170.17 a year, viz.

1.32% of £7137.18

plus

6.28% of £1209.54

This contribution will fall to be revised on the occasion of any change in the rate of either salary or contributory old age pension and will be payable each year until the employee attains age 65.

3. The employee in example 2 resigns at age 60 with an entitlement to preserved benefits (payable at age 65). His actual service at age 60 is 27.4 years. He will be credited with the full period of service purchased by lump sum viz. 1.6 years. He will also be credited with a proportion $[(A * B)/C]$ of the service being purchased by periodic contributions viz. $(4 * 5)/10$ i.e. 2 years giving him a total of 31 years service.

4. The employee in example 2 retires on ill-health grounds at age 60 with an entitlement to an immediate pension and lump sum. He will be credited with 5 notional ill-health added years (difference between age at retirement and age 65; purchased service is not taken into account in calculating ill-health added years) giving a total of 32.4 years. The service he has purchased at age 60 is 3.6 years (1.6 years by lump sum and 2 years by periodic contributions - see example 3). This 3.6 years falls to be actuarially reduced in line with paragraph 6.6 of the Scheme using the table in Appendix 3. He will be credited with 3.2 years for lump sum purposes (i.e. $3.6 * 0.89$) and 2.45 years for pension purposes (i.e. $3.6 * 0.68$) giving total reckonable service of 35.6 years for lump sum purposes and 34.85 years for pension purposes.

Appendix 2 - Tax relief on payments made under Circular 24/88 for purchased service

1. Tax relief is allowable on contributions for purchased service, whether periodical or lump sum, up to a limit of 15% of salary in the year in question. In computing that 15%, however, account must be taken of any other superannuation contributions (e.g. periodical contributions under the Non-established State Employees' Spouses and Children's Contributory Pension Scheme).

2. Where a lump sum option is made at retirement the relief is given by spreading the payment evenly over the five years preceding the year of payment; any remaining excess could be carried back into the year preceding the fifth year and so on as far back as the tenth year. Where a lump sum option is

exercised during service, the relief is given, up to the 15% limit, in the year of payment, any excess being carried forward into the following year where it would again be allowable up to the 15% limit; any remaining excess would be carried forward into the following year and so on until the year of death or retirement. If the full relief had not then accrued, any excess could be relieved by treating it as if it were a lump sum contribution payable at retirement.

3. It will be noted from the above that it is not possible to say with certainty that the full relief will accrue in any particular case. There would not normally be a problem in a case where the option is made at a young or relatively young age (unless, of course, the person dies shortly after making the option). However, where the option is made at, or close to, retirement, the 15% limit could easily be exceeded, particularly when the normal spouses' and children's periodical and lump sum contributions are taken into account.

4. It should also be noted that the "net salary" arrangement which applies in applying tax relief in relation to periodical contributions under the Spouses' and Children's Scheme does not apply in relation to periodical contributions under the Purchase Scheme. The employee will, in all cases, have to claim the relief himself.

Scheme for Purchase of Service for Superannuation purposes for members of the Non-Contributory Pension Scheme for Non-Established State Employees

1. Commencement

1.1 This Scheme will be deemed to have come into force on 1 January 1989.

2. Definitions

2.1 In this Scheme save where the context otherwise requires -

(a) words importing the masculine gender shall, unless the contrary intention appears, also import the feminine gender;

(b) "the Main Scheme" means the non-contributory pension scheme for non-established State Employees;

(c) "the Original Spouses' and Children's Pension Scheme" means the Non-established State Employees' Spouses' and Children's Contributory Pension Scheme, exclusive of the amendments referred to in paragraphs 2 and 3 of the Department of the Public Service Circular Letter 1/86, dated 15 April, 1986;

(d) "the Spouses' and Children's Pension Scheme" means either the Original Spouses' and Children's Pension Scheme or the Non-established State Employees' Spouses' and Children's Contributory Pension Scheme, amended as indicated in paragraphs 2 and 3 of the Department of the Public Service Circular Letter 1/86, dated 15 April, 1986;

(e) "non-established state employee", "reckonable service", "retiring age", "pensionable remuneration", "net pensionable remuneration", "weekly pay", "net weekly pay", "pension", "lump sum", "death gratuity", "preserved lump-sum", "preserved death gratuity", have the meaning assigned to them in the Original Spouses' and Children's Pension Scheme;

(f) "superannuation benefit" means any benefit payable under the provisions of the Main Scheme or the Spouses' and Children's Pension Scheme;

(g) "employee" means a non-established State employee;

(h) "pay" means the annual equivalent of weekly pay;

(i) "net pay" means the annual equivalent of net weekly pay;

(j) "purchased service" means pensionable service reckonable by virtue of this scheme.

3. Scope

3.1 This Scheme applies only to non-established State employees who, on or after 1 January 1989,

(a) would have at least nine years' reckonable service (excluding purchased service) by the time they reach retiring age,

(b) are not on sick leave or special leave without pay or suspended from duty (with or without pay), and

(c) exercise a valid option at the appropriate time (see paragraph 4).

4. Conditions

4.1 The service which an employee may opt to purchase may not exceed the limits described in Appendix 2 to this Scheme.

4.2 An option to purchase service by periodical contributions may be exercised at any time in the employees career, provided that at least two years will elapse between the date of his next birthday and the date on which he will reach retiring age.

4.3 An option to purchase service by lump sum contribution must be exercised either within two years of the beginning of service as a non-established State employee (or before 31 December 1990 in the case of an employee serving on 1 January 1989) or prior to and within two years of retirement.

4.4 Where the service being purchased is less than one year it must be paid for by lump sum contribution.

4.5 An option to purchase service by either method must be exercised in writing while the employee is still serving.

4.6 An employee will not be allowed to revoke an option under this scheme unless he gives notice in writing to that effect before the lump sum contribution is made or the periodical contributions commence. In the case of an option to pay by way of periodical contributions, the employee may, if he so wishes, choose to cease paying the contributions with effect from the date of his next birthday following receipt of his notification of cesser; in such a case his credit in respect of purchased service will be calculated in accordance with paragraph 6.5.

4.7 If an employee makes more than one option to purchase service each such option will be treated separately for the purposes of this Scheme.

5. Procedure

5.1 Service may be purchased by two methods:

- (a) by periodical contributions, or
- (b) by lump sum contribution.

5.2 For the purposes of this Scheme the term "salary" means;

(a) the pensionable remuneration and net pensionable remuneration by reference to which the employee's lump sum and pension are calculated, where the purchase option is made at retirement; or

(b) the actual rate from time to time of an employee's pay and net pay, where the purchase option is made before retirement.

5.3 Where, however, the purchase option is made before retirement and an employee's superannuation benefits are calculated by reference to an amount which includes an element other than salary, an extra contribution (to be determined by the Minister) will be payable, by way of deduction from the lump sum or death gratuity or preserved lump sum or preserved death gratuity, in respect of such non-salary element.

5.4 If an employee opts to purchase service by periodical contributions, these contributions will be levied on salary payable from the date of his next birthday until the date he reaches age 65. The rate of contribution will be calculated in accordance with Table I of Appendix 1.

5.5 If an employee opts to purchase service by lump sum contribution, this contribution will be levied on his salary at the date he exercises the option. The rate of contribution will be calculated in accordance with Table II of Appendix 1 by reference to his age next birthday. The contribution must be paid within six months of the actual date of exercising the option; otherwise the option will be invalidated.

5.6 Only one option to purchase service by lump sum contribution may be made.

5.7 Where an employee is in receipt of a reduced rate of salary because of absence from employment, the contributions in respect of that period will be calculated by reference to the rate of salary that would be payable to him if he were not so absent. No contributions may be made during unpaid periods of absence from employment and the service credit will be proportionately reduced in any such case.

6. Crediting of Purchased Service

6.1 Subject to sub-paragraphs 6.2 and 6.3 following, purchased service will be taken into account for the purpose of calculating all superannuation benefits. The employee concerned must, however, have the requisite minimum reckonable service (excluding purchased service) to qualify for the benefit in question.

6.2 In calculating the amount of any supplementary pension which may become payable under the Main Scheme no account will be taken of service purchased under this Scheme.

6.3 Purchased service will not be taken into account in calculating any period of added service which is awarded on ill health grounds

6.4 If an employee continues to serve up to age 65 and, in case he is purchasing by way of periodic contributions, continues to pay such contributions up to age 65, the full amount of any service he has purchased will count as reckonable service.

6.5 If an employee who is purchasing service under this Scheme by way of periodic contributions ceases to pay such contributions before age 65, the amount of service he has purchased will be $A \times B/C$ where A is the number of years of service which he opted to purchase, B is the period (expressed to the nearest day) over which he has paid periodic contributions and C is the total period over which he should have paid periodic contributions.

6.6 If an employee who is purchasing service under this Scheme qualifies for a superannuation benefit which is payable before age 65 (e.g. if he retires on ill-health grounds), the service he has purchased (i.e. the full service purchased by way of lump sum contribution or the proportionate service - calculated in accordance with paragraph 6.5 - purchased by way of periodic contributions) will be actuarially reduced at a rate calculated in accordance with the Table in Appendix 3.

6.7 If a person who is purchasing service under this Scheme becomes an established civil servant, periodic contributions will cease and his reckonable service will be increased by $P \times Q/R$ where P is the service he has purchased (i.e. the full service purchased by way of lump sum contributions or the proportionate service - calculated in accordance with paragraph 6.5 - purchased by way of periodic contributions), Q is the total amount of the contributions he has paid and R is the total contributions he would have paid had his rate of contribution been levied in full on his weekly pay/pensionable remuneration as appropriate.

7. Refunds

7.1 If an employee who has purchased service dies in service or retires or resigns and neither qualifies for a superannuation benefit in respect of the purchased service nor transfers that service for superannuation purposes to another organisation or service, an appropriate refund may be made to him or his personal representative as follows:

(i) if he does not qualify for any superannuation benefit in respect of the purchased service and does not transfer any of that service, all contributions paid will be refunded;

(ii) if he qualifies for a superannuation benefit in respect of, only some of the purchased service, the proportion A/B of all contributions paid will be refunded where A is the period of purchased service in respect of which he does not qualify for a superannuation benefit and B is the period of service actually purchased.

7.2 If a member of the Original Spouses' and Children's Pension Scheme while unmarried,

* dies in service, or

* retires or resigns (and does not transfer his service to another organisation for superannuation purposes)

his contribution for purchased service in respect of the Spouses' and Children's Scheme will be refunded to him or his personal representative as follows:

(i) if he was unmarried during the whole of the period of his membership of the Scheme, all contributions paid will be refunded,

(ii) in any other case

(a) if he has paid by periodical contributions, all contributions paid since his last marriage ended will be refunded;

(b) if he has paid by lump sum contribution, the proportion A/B of the contribution, where A is the period (expressed to the nearest day) since his last marriage ended and B is the period

(expressed to the nearest day) since he opted to purchase service, subject to this not exceeding the contribution paid.

7.3 The rate of contribution in respect of the Spouses' and Children's Pension Scheme is the rate obtained by subtracting the rate of contribution which the employee would have paid had he not been a member of the Spouses' and Children's Scheme from the rate of contribution he actually paid.

7.4 A deduction in respect of tax will be made from all refunds of contributions in accordance with section 21 of the Finance Act, 1972.

7.5 If it becomes clear while an employee is purchasing service by periodic contributions that he is likely to qualify for a superannuation benefit in respect of only some of the service which he contracted to purchase, a revised rate of periodic contribution will be calculated based on his age next birthday on the date of his original option and the maximum period of notional service which is likely to be reckonable; contributions at this rate will commence as soon as possible but the excess contributions will be offset against contributions due under the revised purchase option. The amount of the excess contributions under the former option would be equal to the proportion A/B of all contributions paid to date under that option where A is the period of purchased service in respect of which the employee is unlikely to qualify for a superannuation benefit and B is the period of service which the employee contracted to purchase.

8. General

8.1 The Minister for Finance retains the right to vary the rates of contributions set out in Appendix 1 and the actuarial reduction factors set out in Appendix 3.

8.2 The decision of the Minister for Finance in any exceptional case or on any question of interpretation will be final.

8.3 Enquiries concerning, and applications to avail of, this Scheme, should be made to an employee's own Department.

Appendix 1 to the Non-Established State Employee's Scheme for the purchase of service for superannuation purposes: Rates of contributions

1. For an employee who opts to purchase service by periodic contributions, Table I shows the rate of contribution (for each year of service being purchased) which will be levied on salary payable between the date of the employee's next birthday and the date on which he attains age 65.

2. For an employee who opts to purchase service by a lump sum contribution, Table II shows the rate of contribution (for each year of notional service being purchased) which will be levied on salary payable at the date the option is exercised.

3. The rates of contribution are split into two parts the first of which is levied on net pay or net pensionable remuneration as appropriate and the second part of which is levied on pay or pensionable remuneration as appropriate (see paragraph 5.2).

4. Where purchased service is not an exact number of completed years, the appropriate contribution will be calculated by applying the appropriate fraction to the contribution rate in question.

Table 1 - Non-Established Purchase Scheme: Periodic Contributions

(A) Members of the Spouses' and Children's Pension Scheme

Age next birthday at exercise of option	% of net pay or net pensionable remuneration		% of pay or pensionable remuneration	
	Male	Female	Male	Female
25	.26	.27	.06	
26	.27	.28	.06	
27	.28	.29	.06	
28	.29	.30	.06	
29	.30	.31	.07	
30	.31	.33	.07	
31	.33	.34	.07	
32	.34	.36	.08	
33	.36	.37	.08	
34	.38	.39	.08	
35	.39	.41	.09	
36	.41	.43	.09	
37	.44	.45	.09	
38	.46	.48	.10	
39	.48	.50	.10	
40	.51	.53	.11	
41	.54	.56	.12	
42	.57	.59	.12	
43	.60	.63	.13	
44	.64	.67	.14	
45	.68	.71	.15	
46	.73	.76	.16	
47	.78	.81	.17	
48	.84	.87	.18	
49	.91	.94	.19	
50	.98	1.01	.21	
51	1.06	1.10	.23	
52	1.16	1.20	.25	
53	1.28	1.32	.27	
54	1.41	1.46	.30	
55	1.57	1.63	.33	
56	1.77	1.84	.37	
57	2.02	2.10	.43	
58	2.33	2.43	.49	
59	2.76	2.88	.58	
60	3.35	3.51	.71	
61	4.24	4.45	.90	
62	5.73	6.02	1.21	
63	8.71	9.18	1.83	

(B) Non-Members of the Spouses' and Children's Pension Scheme

Age next birthday at exercise of option	% of net pay or net pensionable remuneration		% of pay or pensionable remuneration	
	Male	Female	Male	and Female
25	.18	.24		.06
26	.19	.25		.06
27	.19	.26		.06
28	.20	.27		.06
29	.21	.28		.07
30	.22	.30		.07
31	.23	.31		.07
32	.24	.32		.08
33	.25	.34		.08
34	.26	.35		.08
35	.28	.37		.09
36	.29	.39		.09
37	.31	.41		.09
38	.32	.43		.10
39	.34	.45		.10
40	.36	.48		.11
41	.38	.51		.12
42	.40	.54		.12
43	.43	.57		.13
44	.46	.61		.14
45	.49	.65		.15
46	.52	.69		.16
47	.56	.74		.17
48	.61	.80		.18
49	.66	.86		.19
50	.71	.93		.21
51	.78	1.01		.23
52	.86	1.11		.25
53	.94	1.22		.27
54	1.05	1.35		.30
55	1.18	1.51		.33
56	1.34	1.71		.37
57	1.54	1.95		.43
58	1.79	2.26		.49
59	2.14	2.68		.58
60	2.62	3.28		.71
61	3.35	4.17		.90

62	4.58	5.65	1.21
63	7.03	8.63	1.83

Table II - Non-Established Purchase Scheme: Lump-sum Contributions

(A) Members of the Spouses' and Children's Pension Scheme

Age next birthday at exercise of option	% of net pay or net pensionable remuneration		% of pay or pensionable remuneration	
	Male	Female	Male	Female
25	6.25	6.56	1.48	1.44
26	6.40	6.72	1.51	1.47
27	6.55	6.89	1.55	1.51
28	6.71	7.06	1.58	1.55
29	6.87	7.23	1.62	1.58
30	7.03	7.41	1.66	1.62
31	7.21	7.59	1.70	1.66
32	7.38	7.78	1.74	1.70
33	7.56	7.98	1.79	1.75
34	7.74	8.17	1.83	1.79
35	7.93	8.38	1.87	1.83
36	8.13	8.59	1.92	1.88
37	8.32	8.80	1.97	1.92
38	8.53	9.02	2.01	1.97
39	8.73	9.24	2.06	2.02
40	8.95	9.48	2.11	2.07
41	9.16	9.71	2.16	2.12
42	9.39	9.96	2.21	2.17
43	9.61	10.21	2.27	2.22
44	9.85	10.46	2.32	2.28
45	10.09	10.73	2.38	2.33
46	10.34	11.00	2.43	2.39
47	10.59	11.28	2.49	2.44
48	10.85	11.57	2.55	2.50
49	11.12	11.86	2.61	2.56
50	11.39	12.17	2.67	2.62
51	11.68	12.49	2.73	2.69
52	11.97	12.82	2.79	2.75
53	12.28	13.16	2.85	2.82
54	12.60	13.51	2.92	2.89
55	12.93	13.88	2.99	2.95
56	13.28	14.26	3.05	3.02
57	13.65	14.66	3.12	3.10
58	14.04	15.08	3.19	3.17
59	14.45	15.52	3.26	3.25
60	14.89	15.98	3.34	3.32
61	15.37	16.46	3.41	3.40
62	15.88	16.97	3.49	3.49

63	16.42	17.52	3.58	3.57
64	17.02	18.09	3.66	3.66
65	17.70	18.80	3.75	3.75

(B) Non-Members of the Spouses' and Children's Pension Scheme

Age next birthday at exercise of option	% of net pay or net pensionable remuneration		% of pay or pensionable remuneration	
	Male	Female	Male	Female
25	4.33	5.93	1.48	1.44
26	4.44	6.08	1.51	1.47
27	4.56	6.23	1.55	1.51
28	4.67	6.39	1.58	1.55
29	4.79	6.55	1.62	1.58
30	4.91	6.71	1.66	1.62
31	5.04	6.88	1.70	1.66
32	5.17	7.06	1.74	1.70
33	5.30	7.24	1.79	1.75
34	5.44	7.42	1.83	1.79
35	5.58	7.61	1.87	1.83
36	5.72	7.80	1.92	1.88
37	5.87	8.00	1.97	1.92
38	6.02	8.21	2.01	1.97
39	6.18	8.42	2.06	2.02
40	6.34	8.64	2.11	2.07
41	6.51	8.86	2.16	2.12
42	6.68	9.09	2.21	2.17
43	6.86	9.32	2.27	2.22
44	7.04	9.57	2.32	2.28
45	7.23	9.82	2.38	2.33
46	7.43	10.08	2.43	2.39
47	7.64	10.35	2.49	2.44
48	7.85	10.62	2.55	2.50
49	8.08	10.91	2.61	2.56
50	8.31	11.20	2.67	2.62
51	8.56	11.51	2.73	2.69
52	8.82	11.83	2.79	2.75
53	9.10	12.16	2.85	2.82
54	9.39	12.51	2.92	2.89
55	9.70	12.87	2.99	2.95
56	10.04	13.24	3.05	3.02
57	10.40	13.63	3.12	3.10
58	10.80	14.05	3.19	3.17
59	11.22	14.49	3.26	3.25
60	11.67	14.93	3.34	3.32
61	12.16	15.41	3.41	3.40
62	12.69	15.92	3.49	3.49
63	13.26	16.46	3.58	3.57
64	13.88	17.04	3.66	3.66
65	14.60	17.75	3.75	3.75

Appendix 2 to the Non-Established State Employee's Scheme for the purchase of service for superannuation purposes: Limits on the amount of service which may be purchased.

1. The maximum amount of service which may be purchased depends on the employee's prospective pensionable service at retiring age and any retained benefits received or receivable by virtue of earlier service under another occupational pension scheme. (Retained benefits mean benefits from a previous pension scheme and include pensions, commutation payments, lump sums, gratuities and refunds of superannuation contributions.)

2. For an employee

(1) who would have at least nine years' reckonable service (excluding purchased service and ill-health notional service) at retiring age and

(2) who is not entitled to retained benefits from a previous pension scheme

the maximum amount of notional service which may be bought is as follows:-

Reckonable service (including transferred service but excluding purchased service and ill-health notional service) which the employee would have if he remains in service until retiring age	Maximum service which can be purchased
20 years or more	Difference between 40 years and actual reckonable service by minimum retiring age
19 years	17 years
18 years	15 years
17 years	13 years
16 years	11 years
15 years	9 years
14 years	7 years
13 years	5 years
12 years	4 years
11 years	3 years
10 years	2 years
9 years	1 year

Where the potential actual reckonable service by minimum retiring age is less than twenty years but includes days of service in excess of a whole number of years of service, a number of days equal to 365 less the excess days in question may be purchased in addition to the appropriate number of years in the second column of the Table.

3. For an employee who is entitled to retained benefits for earlier service under another occupational pension scheme, the maximum number of years of notional service which may be purchased will normally be the smaller of

- (1) the maximum specified in paragraph 2; and
- (2) $40 - A - B$,

where A is the actual reckonable service which he would have if he serves to the minimum retiring age, and B is the length of his pensionable service in the previous scheme.

4. Where the value of the retained benefits paid or payable is less than or greater than the value of the superannuation benefits which would be payable under the Main Scheme in respect of an equivalent period, the case should be referred to the Department of Finance for a decision as to the amount of service which may be purchased.

Appendix 3 to the Non-Established State Employees' 8 Scheme for the purchase of notional service for superannuation purposes: Calculation of actuarially reduced equivalent of notional service purchased (see Paragraphs 6.6 of scheme)

Where payment of a superannuation benefit which takes account of purchased service commences before the date of the employee's 65th birthday (e.g. where an employee who is purchasing service retires on ill-health grounds before age 65) the following table shows the factors to be used in calculating the actuarially reduced equivalent of the proportionate service purchased at that date:

Table

Age previous birthday on date payment of benefit commences	Factor to be used in calculating	
	(a) Lump Sum	(b) Pension Male/Female
64	0.98	0.920.93
63	0.95	0.850.87
62	0.93	0.780.82
61	0.91	0.730.77
60	0.89	0.680.72
59	0.87	0.630.68
58	0.85	0.590.64
57	0.83	0.550.61
56	0.81	0.510.58
55	0.79	0.480.55
54	0.78	0.450.52
53	0.76	0.420.49

52	0.74	0.400.47
51	0.72	0.380.45
50	0.71	0.360.43