

# Company Pension Lump Sum Calculations

## BASED ON SALARY AND SERVICE

### At Normal Retirement Age

3/80ths x final remuneration for each year of service

Or the **lower** of:

- 1) Lump Sum on Uplifted Scale (shown across)

And

- 2) 1.5 times final remuneration less retained lump sum benefits

### Where employee left early and takes benefits at NRA

The maximum lump sum is the **higher** of:

- 1) 3/80ths x final remuneration for each year of service

And

- 2)  $N / NS \times LS$

### On early Retirement

The maximum lump sum is the **higher** of:

- 1) 3/80ths x final remuneration for each year of service

And

- 2)  $N / NS \times LS$

**But where the employee has less than 20 years service completed the maximum lump sum is:**

3/80ths x final remuneration for each year of service

Or the **lower** of:

- 1)  $N / NS \times LS$
- 2) Maximum lump sum on the uplifted scale taking actual service into account, and
- 3) 1.5 x final remuneration less retained lump sum benefits

### Uplifted Scale for Lump Sum Benefits

Service @ NRA	Max. as fraction of Final Remuneration
1 – 8 yrs	3/80ths each year
9 yrs	30/80ths
10 yrs	36/80ths
11 yrs	42/80ths
12 yrs	48/80ths
13 yrs	54/80ths
14 yrs	63/80ths
15 yrs	72/80ths
16 yrs	81/80ths
17 yrs	90/80ths
18 yrs	99/80ths
19 yrs	108/80ths
20 yrs	120/80ths

N = number of years actual service completed

NS = number of years service that would have been completed if the employee remained until NRA

LS = maximum approval lump sum which would have been provided for the individual at NRA had they remained in service until then after restriction for retained benefits

### Ill Health Early Retirement

Where the employee takes ill health early retirement from the employment the maximum lump sum is calculated as follows:

$3/80\text{ths} \times \text{final remuneration for each year of service}$

Or the **lower** of:

1) Lump Sum on Uplifted Scale

And

2) 1.5 times final remuneration less retained lump sum benefits

However if the employee left service with the employer and has a preserved benefit which they take ill health early retirement benefits from then the maximum lump sum is calculated as the **higher** of:

1)  $3/80\text{ths} \times \text{final remuneration for each year of service}$

And

2)  $N / NS \times LS$

### Taxation of Retirement Lump Sums

Since 1 January 2011 the maximum tax free lump sum that can be received on retirement is €200,000. Lump sums over €200,000 are taxed as shown below.

Lump Sum	Income Tax
First €200,000	Exempt
Next €300,000	Standard Rate Income Tax
Balance	Marginal rate income tax plus PRSI & USC

The €200,000 and €500,000 limits include all retirement lump sums taken since 7<sup>th</sup> December 2005

The information contained in this document is based on Irish Life's understanding of legislation and Revenue practice as at October 2015. While great care has been taken to ensure the accuracy of the information, Irish Life cannot accept responsibility for its interpretation nor does it provide legal or tax advice.