

Midlothian  
Negotiating  
Committee for  
Teachers

# Retirement Options Policy

**MNCT 16/07**



## Retirement Options Policy

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### For Teachers, Music Instructors and other Associated Professionals

#### 1. INTRODUCTION

This document sets out the policy statement, guiding principles and process to be followed by a teacher in Midlothian Council making an application for winding down, actuarially reduced pension (ARP) or phased retirement. It also outlines other means by which an employee can access their pension.

#### 2. POLICY STATEMENT

The Council recognises that, it may be in the interests of the Council and its employees to allow relevant employees to either retire earlier than normal retirement age (as defined under the Scottish Teachers Superannuation Scheme) or initiate a phased retirement option.

#### 3. DEFINITIONS

**Actuarially Reduced Pension (ARP)** – this is an early retirement facility whereby employees, who are members of the Scottish Teacher's Superannuation Scheme (STSS), can retire with actuarially reduced benefits. The entry age for the scheme is set at age 55 to 59.

**Winding Down Scheme** – this is a phased retirement option which offers teachers who are members of the STSS, the opportunity to continue in employment on a part-time basis while protecting their overall final retirement pension entitlement. The entry age for this scheme is set at age 56 or over if normal retirement age (NRA) is 60, or age 61 or over if NRA is 65.

**Phased Retirement Scheme** – this offers employees who are members of the Scottish Teacher's Superannuation Scheme, the opportunity to continue in employment on a lower salary whilst drawing part of their retirement benefits. A member must be aged 55 or over and have at least 2 years membership of the pension scheme.

**Premature Retirement (VSER)** – this allows teachers to take accrued pension benefits without a reduction. The cost of premature retirement benefits is shared between the STSS and the Council and could be implemented in redundancy situations or efficiency saving situations following a service review. Unless separate notification is made to staff, this provision is not available.

**Ill Health Retirement** – these benefits are payable subject to qualifying criteria if an employee become permanently unfit to teach due to illness before reaching their Normal Pension Age.

#### 4. GUIDING PRINCIPLES

The Council will continue to meet its aims and values whilst recognising the need to provide services which are responsive, efficient, reliable and effective. The retirement process can be employer or employee initiated and is carried out in conjunction with information provided by SPPA.

#### 5. NORMAL RETIREMENT AGE

The definition of normal retirement age (NRA) changed following the changes to the Scottish Teachers' Superannuation Scheme in April 2015.

The full definition of normal retirement under the scheme rules is age and service dependant. Click on the link below for the definition:

[http://www.sppa.gov.uk/index.php?option=com\\_content&view=article&id=885%3Aproposed-2015-scottish-teachers-pension-scheme-fqs&catid=414&Itemid=1574](http://www.sppa.gov.uk/index.php?option=com_content&view=article&id=885%3Aproposed-2015-scottish-teachers-pension-scheme-fqs&catid=414&Itemid=1574)

### **6. ACTUARIALLY REDUCED PENSION**

- 6.1 This is an early retirement facility whereby teachers, who are members of the STSS, can retire with actuarially reduced benefits. The amount of actuarial reduction depends on the member's age in years and months at the point of retirement.
- 6.2 Members considering this option should be aware that the pension will be actuarially reduced and this is permanent. reduction is a permanent one. Seeking independent financial advice is therefore essential before proceeding.
- 6.3 This is voluntary form of retirement. Employees must have at least 2 years STSS membership to become eligible and be aged between 55 and 59. Members with preserved benefits on or after 1 July 2002 are also eligible for ARP.
- 6.4 Employees granted early retirement will normally be treated as terminating by mutual agreement.
- 6.5 Added years and compensation payments cannot be awarded.
- 6.6 A member wishing to leave the Council's employment and apply for immediate payment of actuarially reduced benefits requires the consent of the Director, Education Communities & Economy.
- 6.7 The ARP is available to scheme members who cease to be in pensionable or excluded employment, provided the value of the reduced pension is not less than the guaranteed minimum pension to which the member would become entitled at state retirement age.
- 6.8 Both the annual pension and the lump sum payment will be subject to actuarial reduction using the factors related to the member's age.

### **7. WINDING DOWN SCHEME**

- 7.1 Winding down is a form of phased retirement which offers members approaching their retirement age the opportunity to continue in employment on a part-time basis whilst protecting their overall final retirement pension entitlement. Due to the costs associated with this scheme, this is subject to approval from the authority.

7.2 The entry age for the scheme has been set at age 56 or over if NRA is 60, or  
61 if NRA is 65.

- 7.3 The member can remain in winding down employment for a maximum of 4 years prior to their NRA. They must have been in full-time employment for a period of 10 years immediately prior to commencing winding down employment.
- 7.4 The member must have accrued a minimum of 25 years' teaching service prior to commencing winding down. For qualifying purposes, the period may include a maximum period of 5 years during any break or breaks in teaching service which will count towards the requirement of having 25 years teaching service, but will not count towards the calculation of benefits.
- 7.5 The part-time winding down contract is set at 0.5 full time equivalent. Each year served under a part-time contract will count as one full year for pension benefit calculation purposes.
- 7.6 The final pensionable salary, for benefit calculation purposes will be the salary received in the 365 days prior to entering winding down employment, index-linked (adjusted according to the value of the retail price index at the time of calculation by SPPA) to the actual point of retirement. This may not be the most beneficial as the index linked winding down salary may not provide a pension equal to or better than a pension based on similar part-time service and using the average of the best 3 out of the last 10 years' salary.
- 7.7 Employee and employer contributions will continue at the same percentage and will be based on actual salary received.
- 7.8 Once winding down pension arrangements have commenced, they cannot be revoked.

## **8. PHASED RETIREMENT SCHEME**

- 8.1 This option gives employees the opportunity to continue in employment, reduce their working commitment by receiving a lower salary whilst releasing part of their pension benefits. It is available to those aged 55 or over who have been in pensionable employment on or after 1 April 2007 and have the agreement of the Council to apply.

- 8.2 The maximum amount employees can take is 75% of total retirement benefits. There must be a reduction of at least 20% of pensionable salary and this must occur for a minimum of 12 months from date of implementation. This can be a reduction in the number of hours worked or moved to a post of lesser responsibility. If the employee works part-time and has multiple contracts this reduction could be achieved by terminating one of the contracts or by reducing them all.
- 8.3 Employees can take two phased retirements before final retirement but in each case their salary must be reduced by at least 20% and the member must retain at least 25% of benefits in the scheme.
- 8.4 If the employees' salary increases within 12 months following phased retirement and has gone above the required 20%, the application will be void and the pension will be suspended.

### **9. PREMATURE RETIREMENT (Voluntary Severance/Early Release)**

- 9.1 Premature retirement benefits may be awarded if an employee has 2 years qualifying service and be aged 55 to 59 (if a member prior to 1 April 2007) or aged 55 to 64 (if a member on or after 1 April 2007)
- 9.3 This provision is not open to applications. Employees will receive written notification if premature retirement (VSER) is being considered by the Council.

### **10. ILL HEALTH RETIREMENT**

- 10.1 If employees are under Normal Pension Age (NPA) and have to retire through ill-health, they can apply for Ill-Health benefits. Applications should only be submitted after all other avenues such as redeployment have been exhausted. Employees must provide medical evidence that their illness permanently prevents them from teaching and carrying out any work impaired by more than 90% and is likely to do so permanently.



10.2 **Partial Incapacity Benefits** would be granted if employees are assessed as being permanently unable to teach but can undertake other employment. Members who qualify for PIB will receive a lower level of benefits consisting of service accrued to date of retirement with no enhancement.

10.3 **Total Incapacity Benefits** would be granted if, as well as being permanently unable to teach, employees are assessed as having their ability to carry out any work impaired by more than 90% and likely to be so permanently. The total amount of enhancement employees may receive if they are awarded TIB is half the service they could have completed before NPA.

## 11. ADMINISTRATION

11.1 Members wishing to apply for winding down, actuarially reduced pension or phased retirement should have a discussion with their Head Teacher in the first instance.

11.2 At least 4 months notice should be given by the employee of an intention to utilise any of the retirement options. Head Teachers are asked to notify the Employment and Reward Team of any employee whose application they intend to support prior the Easter break each year. The relevant forms are available on SPPA website (see link below) and should then be completed and submitted to [leavers@midlothian.gov.uk](mailto:leavers@midlothian.gov.uk).

11.3 To apply for phased retirement or ARP (early retirement) a form “TEACH: RET” form needs to be completed.

11.4 To apply for winding down a form “STSS: (WD)12” needs to be completed.

Both forms and guidance notes can be found on the SPPA website by clicking the link below:

[http://www.sppa.gov.uk/index.php?option=com\\_content&view=category&id=143&Itemid=584](http://www.sppa.gov.uk/index.php?option=com_content&view=category&id=143&Itemid=584)

11.5 Upon receipt of completed forms, the Employment and Reward team will (1) liaise with the SPPA regarding eligibility, (2) verify that the application is supported by the Head of Service and authorisations are in place (3) confirm

acceptance with the employee and their Head Teacher and then (4) process the retirement option and contractual change as required.

- 11.6 Access to all the schemes detailed above are subject to approval from the Council. If a request is declined, the teacher can appeal against the decision by detailing the basis of their appeal in writing to the Head of Service for a Teacher or Director of Education for a Head Teacher.

## 12. **ADVICE**

Prior to making any decisions on pension and retirement options, members are encouraged to seek assistance from an independent financial adviser (IFA).

