

Flexible Retirement Policy & Procedure

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Author	Stacey Martin, Senior HR Officer
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FLEXIBLE RETIREMENT POLICY

1 Purpose and Scope

- 1.1 The Glasgow School of Art (GSA) has a Flexible Retirement Policy and Procedure as a means of supporting staff in their extended working lives and to help staff make a more gradual transition from work to full-time retirement.
- 1.2 Flexible Retirement provides eligible staff with the opportunity to either draw their pension benefits whilst remaining in the employment of GSA (either on reduced hours and/or in a lower graded role) or to work reduced hours whilst maintaining the full retirement benefits had they continued to work their normal hours.
- 1.3 The advantages to GSA include the ability to undertake long term succession planning, improved retention and retaining age balance and improving age diversity.
- 1.4 There is no automatic right to flexible retirement and each application will be considered on its individual merits in light of service delivery needs, the benefits to GSA of the retirement and the overall costs to GSA. Given that the financial costs to GSA can be considerable, GSA has ultimate discretion as to whether an application will be accepted.
- 1.5 The Flexible Retirement provisions will be subject to review in light of any further changes to the pension scheme arrangements/tax rules.
- 1.6 GSA is an admitted body of the Local Government Pension Scheme (LGPS) which is administered by the Strathclyde Pension Fund Office (SPFO) and the Teacher's 2015 Scheme (formerly Scottish Teachers Superannuation Scheme) which is administered by the Scottish Public Pensions Agency (SPPA).

In addition, there is a workplace pension scheme set up by the government, the National Employment Savings Trust (NEST). NEST currently do not offer flexible retirement options. This position will be reviewed as the scheme evolves and fund sizes increase.

This policy is entirely governed by the rules and regulations of these pension schemes.

- 1.7 GSA cannot offer any financial advice in terms of pensions or retirement options. Should employees wish to seek advice, it may be appropriate to consult with an Independent Financial Adviser.

1.8 This policy and procedure relates specifically to flexible retirement. Both pension schemes have other retirement options available to members such as voluntary retirement, ill-health retirement, or retirement in the interests of efficiency of the service. Details are outlined in **Appendix (II) Retirement Factsheet**. If any member of staff is interested in finding out more about any retirement options, they should contact a member of the HR team. Information is also available online:

- LGPS: <http://www.spfo.org.uk/>
- Teachers' 2015: <http://www.sppa.gov.uk>
- Nest: nestpensions.org.uk

2 Flexible Retirement Options

In order to qualify for flexible retirement staff will be required to reduce their income by at least 20%. Each pension scheme has its own rules.

2.1 Teachers' 2015 scheme

The former scheme, STSS closed to unprotected members on 31st March 2015, but any benefits employees earned in the scheme before that date are protected. More details are outlined in **Appendix (II) Retirement Factsheet**.

Members of Teachers' 2015 can be considered for two forms of flexible retirement.

2.1.1 Phased Retirement

Phased retirement allows members of Teachers' 2015 to reduce their working commitment while releasing a proportion of their pension benefits up to full retirement. To be eligible for phased retirement, you must be:

- Age 55 or over;
- Have been in pensionable employment on or after 1st April 2007;
- Have the agreement of GSA before applying.

Phased retirement allows employees to draw up to 75% of total benefits while still teaching and building up more benefits in the scheme. Employees' pensionable salary must fall by 20% or more for at least 12 months.

Benefits will be actuarially reduced if applying before Normal Pension Age (NPA). NPA is linked to your State Pension Age (but with a minimum of age 65). You can find your State Pension Age online at www.gov.uk/calculate-state-pension Benefits earned before 1st April 2015 have a NPA of 65.

Individuals may apply for phased retirement twice before applying for final retirement benefits.

2.1.2 The Winding Down Scheme

The Winding Down (WD) Scheme offers Teachers' 2015 members approaching their retirement age, the opportunity to continue in employment on a part-time basis whilst protecting their overall final retirement pension entitlement. To be eligible you must:

- have the consent of GSA;
- elect to wind down no earlier than 4 years prior to your NPA;
- have been in continuous full time service for a period of 10 years immediately prior to commencing winding down employment;
- have accrued a minimum of 25 years teaching service prior to commencing winding down (you must have had an academic contract for at least 25 years). The period may include, for qualifying purposes, 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;
- go part-time and your employment must be equal to or more than 0.5 full time equivalent;
- remain in winding down employment for no longer than 4 years.

2.1.3 Further information on flexible retirement under the Teachers' 2015 scheme can be found online at: <http://www.sppa.gov.uk>

2.2 Local Government Pension Scheme (LGPS)

2.2.1 With the consent of GSA, and provided you have met the 2 years vesting period in the scheme, from age 55, if you reduce your hours or move to a less senior position, you can draw some or all of the pension benefits you have built up, helping you ease into retirement.

You can still draw your salary from your job on the reduced hours or grade and continue paying into the LGPS, building up further benefits in the scheme.

2.2.2 If GSA agrees to flexible retirement then you would have to draw:

- All of the benefits that relate to any pre 1st April 2009 membership, **plus:**
- All, none or some of the benefits that relate to your membership from 1st April 2009 to 31st March 2015, **plus:**
- All, non or some of the benefits that relate to your pension built up from 1st April 2015, **plus:**
- Any "additional benefits" in accordance with the actuarial guidance issued by Scottish Ministers.

"Additional benefits" are any added years you may be purchasing under a contract you entered into before 1st December 2006.

The LGPS can confirm the exact details of the above, once an application for flexible retirement has been lodged, as the benefits drawn will be determined on an individual basis.

- 2.2.3 If you were to draw some or all of your benefits under flexible retirement before age 65, your benefits may be reduced to take account of being paid for longer. How much your benefits are reduced by depends on how early you draw them.
- 2.2.4 Benefits will be actuarially reduced unless you meet the '85 year rule' (service + age = 85 years). The rules on deciding whether you have protection from a reduction to your benefits if you choose to draw them before age 65 under the 85 year rule, and the level of that protection are quite complex. If you are thinking of voluntarily retiring or asking for flexible retirement before age 65, it is advised that a quotation of the benefits payable is obtained from the SPFO first. There are no strain on the fund costs where a member is over the age of 60 and meets the rule of 85. The rule '85 year rule' will be repealed in 2020.

Further information on flexible retirement under the LGPS scheme can be found online at: <http://www.spfo.org.uk/>

3 Discretions

The early release of pension benefits could cause a financial strain on the pension fund which is required to be met by GSA. Any such cost, which can often be considerable, will be carefully considered by GSA within the context of any compensatory savings or other benefits. Every case will be decided on its individual merits.

4 Process - How to Apply for Flexible Retirement

- 4.1 An employee who is interested in being considered for flexible retirement should contact a member of the HR department. An appropriate member of HR staff will then be appointed to take this forward in conjunction with the employee. The HR staff member will request an estimate of pension benefits from the relevant Pension Office.

It can take up to 4 weeks for requests to be processed by the relevant Pension Office therefore pending receipt of the figures the member of staff should feel free to discuss the matter in principle with their line manager.

- 4.2 The Pension Office will send the estimate of benefits directly to HR as often flexible retirement can incur significant costs to GSA. HR will forward the estimate of benefits to the member of staff upon receipt.
- 4.3 Should the member of staff then wish to proceed with their request, they can make a formal application by completing the **Application for Flexible Retirement form (Appendix I)** and submit it to HR no later than 6 months before the requested implementation date. This is to allow sufficient time for the application to be fully considered and, if approved, for contractual changes to be made and pensions

implemented (note: both pension schemes normally require 3 months notice to process benefits).

- 4.4 HR will acknowledge receipt of the application in writing and will notify your line manager that a formal request has been submitted. Your line manager will be asked to comment on whether or not the application should be favourably considered. Your line manager will also be required to confirm how operational needs would be affected and what would be done to minimise disruption to service delivery and colleagues.

In considering the request, the line manager must be satisfied that:

- There will be clear benefits to the Department and GSA from the flexible retirement;
- There will be no detrimental effect on service delivery, e.g. the role can be covered by the individual on reduced hours, the gap can be filled by a colleague increasing their hours or by recruiting a new part-time member of staff;
- There will be no detrimental effect on budgets. Note: any strain on the fund costs would normally be met by the relevant department;
- The arrangement proposed is fair and equitable to other team members;
- There are alternative working procedures;
- If appropriate, that there are suitable job(s) available within the department at a lower grade.

The line manager may meet with the member of staff, if necessary, to discuss their request in more detail.

4.5 Line manager supports the request

If the line manager is able to support the application then the completed form should be submitted, along with recommendations to their Head of Department/School for consideration. The Head of Department/School can then discuss the application with HR. The form should then be submitted via HR to the Director of Finance and Resources for approval.

4.6 Decision of Director of Finance and Resources

The Director of Finance and Resources is ultimately responsible for deciding the outcome of the request. No action should be taken by the individual to progress the flexible retirement, for example via the relevant Pension Office, until approval has been received from GSA. A decision will normally be made within 10 working days.

4.7 Approved by Director of Finance and Resources

If the application for flexible retirement is approved by the Director of Finance and Resources, HR will notify the individual in writing and a new contract of employment will be issued for the employee's signature. HR will also send the member of staff the relevant form(s) which will require completion in order to notify the appropriate Pension Office. The new flexible retirement will not be

implemented until all the necessary documents have been completed by the employee and returned to GSA i.e. contract of employment, pension form.

4.8 Not approved by Director of Finance and Resources

In the interest of fairness, where an application has been declined by the Director of Finance and Resources, the member of staff may choose to request a review of their application. This request should be sent to the Head of HR who will nominate an appropriate member of senior staff to look at the application independently. There will be a review of the documentation, including the individual's submission, the line manager's recommendation and the Head of Department/School's comments. The reasons for the Director of Finance and Resources' decision will also be taken into consideration.

4.9 In order for the review to be undertaken, the individual will be required to forward a copy of the completed application form with the necessary comments to the Head of HR. This documentation will be required to be submitted within 10 working days from when the individual was advised of the outcome of their original request. The employee may provide additional written information if he/she wishes. The individual will be notified in writing of the decision within 10 working days. The decision made at this review stage is final.

4.10 Line manager does not support the request

If the line manager is unable to support the request, they should approach HR for guidance in the first instance, and then arrange a meeting with their line manager, normally the Head of Department/School. The decision of the Head of Department/School at this stage is final. If GSA is unable to support the application then the member of staff will be informed accordingly in writing with the reasons.

4.11 In the case of a declined application, an employee may reapply for flexible retirement after a period of 12 months from the date their application was declined.

5 Implications for Employment Conditions

5.1 Individuals whose flexible retirement request has been granted will be required to sign new contracts of employment to reflect the agreed reduction in hours/grade and any revised duties or working arrangements.

5.2 Apart from the general pay award and incremental progression (if appropriate), no additional payments can be made to the member of staff. This means that no payment will be paid for any additional hours worked (including overtime) or additional duties undertaken. Any additional hours worked by an individual by agreement with their Head of Department will be required to be taken as compensatory time off in lieu (TOIL).

5.3 Continuity of service will be preserved for entitlement to annual leave, sick leave, redundancy etc. but will be calculated on the reduced working hours/pay as appropriate.

- 5.4 GSA's other employment procedures and practices will continue to apply as normal.
- 5.5 Should a member of staff wish to retire from GSA's service completely they are required to give GSA notice in writing. The length of the notice period will be stipulated in your contract of employment.

6 Re-joining the pension schemes

- 6.1 Staff who are granted flexible retirement can continue in the relevant pension scheme (but this is treated as "re-joining") and build up further pension benefits based on their reduced hours/salary. This means that when you cease work altogether you will start to receive a second pension based on your subsequent period of service.

FLEXIBLE RETIREMENT APPLICATION FORM

This form should be completed by anyone who wishes to be considered for flexible retirement and who meets the eligibility criteria outlined as follows: -

- I am a member of the Teachers’ 2015 Scheme or the Local Government Pension Scheme (LGPS);
- I am aged 55 or more;
- I am in receipt of a recently calculated estimate of pension benefits from either the Teachers’ 2015 or the LGPS;
- I am aware that it may be appropriate to seek financial advice in respect of my retirement options.

EMPLOYEE	
NAME:	JOB TITLE AND DEPARTMENT:
DATE OF BIRTH: ____/____/____	LINE MANAGER:
1. Describe your current working pattern (days/hours/times worked) and salary grade:	
2. Describe the salary grade and/or working pattern you would like to have/work in future (days/hours/times worked):	
3. Impact of new working pattern:	
4. Accommodating the new working pattern and/or role:	
5. Employee Confirmation	
I would like to request flexible retirement from (insert date): ____/____/____	
Signature: _____ Date: ____/____/____	

Human Resources

Date Benefits and costs requested from relevant Pension Office: ___/___/_____

Date Line Manager notified:

___/___/_____

Date Application Form received:

___/___/_____

Comments

Line Manager Recommendation

Have operational needs been considered? Yes No

Comments:

I confirm that I do/do not* support the above named employee's request for flexible retirement.
* delete as appropriate

Print Name : _____ Signature: _____

Job title : _____ Date: ___/___/_____

Head of Department/School Recommendation

Have operational needs been considered? Yes No

Comments:

I confirm that I do/do not* support the above named employee's request for flexible retirement.
* delete as appropriate

Print Name : _____ Signature: _____

Job title : _____ Date: ___/___/_____

Director of Finance and Resources Decision

Is the request approved?

Yes

Comments:

Print Name : _____

Signature: _____

Job title : _____

Date: ____ / ____ / ____

Retirement Factsheet

1. LGPS salary scheme

LGPS changed from a final salary scheme to a career average scheme on 1st April 2015. Therefore, all benefits built up in the LGPS for membership after 31st March 2015 are worked out under the rules of the new career average scheme.

If you joined the scheme before 1st April 2015, you will also have built up benefits in the final salary scheme.

For membership up to 31st March 2009, you receive a pension of 1/80th of your final pay plus an automatic tax-free lump sum of 3 times your pension.

For membership built up from 1st April 2009 to 31st March 2015, you receive a pension of 1/60th of your final pay. There is no automatic lump sum for membership built up after March 2009, but you do have the option to exchange some of your pension for a tax free lump sum.

For membership built up from 1st April 2015, every year you will build up a pension at a rate of 1/49th of the amount of actual pensionable pay you received in that scheme year if you are in the main section of the scheme (1/98th if you are in the 50/50 section of the scheme.) This pension is then added to your pension account and revalued at the end of each scheme year so your pension keeps up with the cost of living.

1.1 Voluntary Retirement

You can voluntarily retire and draw retirement benefits at any age on or after age 60 and before age 75, provided you have met the 2 years vesting period in the pension scheme.

You can chose to retire and draw your pension from age 60 without consent from GSA. You must provide notice to GSA as per your contract of employment. If you are aged 55 to 59 you would need to obtain GSA's consent to draw your benefits as this will likely incur a significant cost.

1.2 Choosing to work after your Normal Pension Age

If you chose to carry on working after normal pension age, you will continue to pay into your pension scheme, building up further benefits. To take into account of the fact that you will be drawing your pension after your normal pension age, your benefits will be paid at an increased rate. The increase is calculated in accordance with guidance issued by Scottish Ministers.

1.3 Redundancy

If you are aged 55 or over, your main benefits are payable immediately without early retirement reductions if you are made redundant and you have met the 2 years vesting period in the scheme.

1.4 Ill health retirement

If you have to leave work due to illness you may be able to receive immediate payment of your benefits. To qualify for ill health benefits, you have to have met the 2 years vesting period in the scheme and the pension scheme must be satisfied that you will be permanently unable to do your own job until your Normal Pension Age.

Ill health benefits can be paid at any age and are not reduced on account of early payment. Your benefits would actually be increased to take into account your early retirement.

1.5 Rule of 85 protection

A reduction will apply if you take your benefits before your NPA unless you meet the rule of 85. If you are covered, this protects some or all of your benefits from the normal early payment reduction.

Even if your age and service add up to 85 you must be age 60 to retire voluntarily. To retire before age 60 you must have GSA's permission and some reduction may still be applied.

You must draw your benefits from the pension scheme before your 75th birthday.

2. Teachers' 2015

When you retire you will receive a pension based on your earnings throughout your career and while you were paying into the scheme. Each year you will earn a pension equal to 1/57 of your pensionable pay.

The STSS closed to unprotected members on 31st March 2015, but any benefits employees earned in the scheme before that date are protected. They will still be payable at your previous normal pension age using your final pay when you leave or retire.

If on 1st April 2012 you were paying into the STSS and you were within ten years of your normal pension age, you will not join the Teachers' 2015 scheme and you will continue to earn benefits in the STSS. This is known as full protection.

If on 1 April 2012 you were paying into the STSS and you were within 13 years and six months of your normal pension age, you did not automatically join the Teachers' 2015 on 1 April 2015. You will continue to earn benefits in the STSS and join the Teachers' 2015 scheme at a later date depending on your age. This is known as tapered protection.

All other members automatically joined the Teachers' 2015 scheme on 1 April 2015.

2.1 Voluntary Retirement

The Teachers' 2015 scheme pension age is linked to your State Pension age. You can take your benefits earlier if you wish, but this is the age you can take your benefits in full without a reduction for early payment. The minimum age for retirement is 55.

2.2 Choosing to work after your Normal Pension Age

The Teachers' 2015 scheme also offers you the flexibility to delay your retirement if you wish and gives you a number of options. You can:

- Continue contributing to the scheme and building up pension pots for each year of service;
- Leave the scheme until you're ready to retire;
- Retire and take the benefits you have earned so far. You can then re-join the scheme after a break and start earning new pension pots, which will be revalued each year.

There is no maximum period of service that you can build up.

2.3 Redundancy

If you are to receive early retirement because of redundancy or in the interest of organisational efficiency, you may be granted premature retirement benefits. You must be age 55 or over and paying into the scheme to qualify.

2.4 Ill health

If you become ill and wish to apply for ill health retirement benefits, only the remaining benefits you have in the scheme, following your phased retirement, would be used in the calculation of your benefits.

Ill health retirement benefits may be awarded if you:

- have at least two years qualifying service;
- are not already in receipt of an ill health pension, premature or actuarially reduced pension and;
- are too ill to work in your present job until your Normal Pension Age (NPA) – (age 60 if you were a member of the scheme prior to 1 April 2007 and age 65 if you became a member on or after 1 April 2007).

3. NEST

From age 55 you could:

- Take all of your pot as cash;
- Use all of your pot to buy a retirement income;
- Take some as cash and use the rest to buy a retirement income;
- Keep your money invested and draw at a later date.

The current options for taking your money out of NEST focus on making the most of relatively small investments. As NEST is only a few years old, members haven't been saving with NEST for very long. They are currently developing new options for how people with larger investments will be able to take their money out in the future.

4. Further information

If any member of staff is interested in finding out more about any retirement options, they should contact a member of the HR team. Information is available online:

- LGPS: <http://www.spfo.org.uk/>
- Teachers' 2015: <http://www.sppa.gov.uk>
- Nest: nestpensions.org.uk