# Retirement Guidelines

## New Arrangements

Human Resources

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Contents

# Retirement Guidelines

## 1 New arrangements

With effect from 1 October 2011 the University will no longer operate a contractual retirement age. From this date all staff will be able to choose when to retire. (Current retirement provisions are outlined in Appendix 1.)

As the University will no longer be determining when a member of staff retires the process of retirement will therefore be voluntary and so is essentially a resignation. Members of staff can voluntarily retire at a time of their choosing and, where applicable, draw any occupational pension they are entitled to under the rules of their pension scheme. The University's pension schemes – Universities Superannuation Scheme (USS), Local Government Pension Scheme (LGPS) and Teachers Pension Scheme (TPS) – will still retain a default pension age which is currently age 65 for USS and LGPS and age 60 for TPS. It will be an individual's choice as to how long they wish to carry on working and the onus will be on the individual to inform the University when they wish to resign or retire from their employment.

Staff are required to give notice as set out in their terms and conditions of employment however the University would encourage staff to give as much advance notice as possible (ideally at least six months) to assist in workforce and succession planning, and in particular, to ensure that pension arrangements can be put in place where applicable. A form for staff to give notification of resignation (retirement) is attached in Appendix 2.

Members of staff who are approaching the age of 65 and who are active members of a University pension scheme will continue to be contacted by pensions staff approximately one year before they reach the age of 65 and offered the opportunity to discuss their pension benefits and the options open to them. Staff may request this at an earlier stage by contacting pensions@strath.ac.uk.

## 2 Flexible Retirement

It is recognised that staff in the future may wish to consider phased changes to their working arrangements as part of their personal plans for moving towards retirement, e.g. part-time working. The University's occupational pension schemes each offer "flexible" or "phased" retirement options. Terms vary between the schemes but the principles allow a member to staff to access part of their accrued pension benefits and continue in work thereby allowing a period of transition between full employment and full retirement. Information and guidance on specific scheme provisions can be obtained by contacting pensions@strath.ac.uk.

If interested in flexible/phased retirement, a member of staff can request changes to their working pattern using the existing University Flexible Working Policy, available at http://www.strath.ac.uk/staff/policies/eqdiv/flexibleworking. Requests will be fully considered in the context of operational requirements and business needs. Staff are encouraged to discuss the possibility of flexible or phased retirement with their manager before making a formal request.

## 3 Succession/Career Planning

The maintenance of a balanced workforce is important to the University's long term sustainability in terms of the retention of knowledge and talent, and the development of skills and experience. To foster a truly diverse community, in which for example gender and age are properly represented, succession planning and a flexible approach to retirement, in line with the aims of the strategic plan, are essential. It is also important to balance the maintenance of key skills and experience with the development of new areas of expertise and new organisational initiatives.

In line with these aims Human Resources will provide Heads of Department/School with annual data on the age demographic of their staff. This will enable managers to plan resources and workload and support staff who may wish to retire. Managers will continue, normally through the Accountability and Development Review process, to have workplace discussions with staff about their future plans to help facilitate career and workforce planning. This will enable strategic decisions relating to the academic direction of the institution to be planned on a rolling basis. This is likely to be particularly important for academic staff, and where grant continuation or termination is relevant, including where associated contract research staff have to be planned for.

Staff who are approaching or who work beyond age 65 will be treated in the same way as other staff. They will be expected to continue to contribute fully to the work activities of the Department/School and will undertake the same performance support processes, e.g. Accountability and Development Review. Similarly, they will have access to the same training and promotion/re-grading opportunities as any other staff members.

# 4 Pre-Retirement Seminars/Workshops

It may be beneficial to attend a pre-retirement course. Day release courses are run by the Scottish Pre-Retirement Council at a variety of local colleges. The University will release staff to attend for the two days required once notification of resignation or retirement is given. Staff wishing to attend or find out more about these courses should contact the Organisational and Staff Development Unit within Human Resources at http://www.strath.ac.uk/hr/learninganddevelopment.

# Appendix A: Current Retirement Provisions

The University currently operates retirement procedures which comply with the Employment and Equality (Age) Regulations 2006 and the Equality Act 2010. The procedure sets out a notification process designed to advise staff of their retirement date, and a 'right to request' procedure where a member of staff wished to make a request to defer their retirement.

This document sets out retirement guidelines for all University staff following the removal of the national default retirement age from 6 April 2011, being the date when the Employment Equality (Repeal of Retirement Age Provisions) Regulations 2011 came into effect.

Pre-6th April 2011 the normal expectation was that staff would retire on reaching their contractual retirement age, as set out in their Terms and Conditions of Employment. The normal contractual retirement dates were as follows:

a. For Administrative and Professional Services staff grades 3-5, Technical, Research and Operational Services staff : the date of their 65th birthday.
b. For Academic, Professorial, Teaching and Administrative and Professional Services staff grades 6-10: the 30th day of September following their 65th birthday.

Between 6 April and 30 September 2011 the Government is phasing out the default retirement age which means that the formal 'right to request' procedure will not operate for retirements after 30 September 2011 since it no longer forms part of the statutory requirements. The last date on which a member of staff can therefore be given notice of retirement was 5 April 2011. For those staff whose 65th birthday falls before 1 October 2011 the University's previous retirement procedures will continue to apply. The default retirement age will be abolished completely from 1 October 2011 and the new guidelines outlined in this document will apply to all members of staff whose 65th birthday occurs on or after 1 October 2011.

# Appendix B: Notification of Resignation (Retirement) Form

The actual form can be found on the HR Website.

## Notification of Resignation (Retirement)

*To assist in satisfactory reproduction information on this form must be typewritten.*

*The Scottish Pre-Retirement Council run pre-retirement courses. For further information please see the following: http://www.strath.ac.uk/hr/learninganddevelopment.*

University of Strathclyde Glasgow

### A Personal Details

| | | | | | |
|---|---|---|---|---|---|
| Name | | Department | | | |
| Job Title | | Proposed Retirement Date | | | |
| I belong to the following pension scheme: | | LGPS ☐ | USS ☐ | TSS ☐ | No Pension Scheme ☐ |
| Notice period as set out in my contract of employment: | | Yes ☐ | No ☐ | | |
| Do you wish to vary your hours of work prior to your retirement date? | | Yes ☐ | No ☐ | | |
| If yes, what new working arrangements are you seeking? | | | | | |
| Contact Telephone No. | | Email Address | | | |

I am writing to notify the University that I wish to retire from the University and terminate my contract of employment.

### B Signature

*No signature required for electronic submissions if submitted from proposers University email account.*

| | | | |
|---|---|---|---|
| Employee | | Date | |

*Please return your completed form either by email to: humanresources@strath.ac.uk or by post to:*

*Human Resources*
*McCance Buiding*
*16 Richmond Street*
*Glasgow*
*G1 1XQ*

# Appendix C: Flexible Retirement (LGPS)

Rather than continuing in your job to 65 or beyond you may wish to consider the possibility of flexible retirement. Your employer's permission is always needed if you want to work less hours.

From age 55, if you reduce your hours or move to a less senior position and, if you are under age 60, your employer agrees, you can draw some or all of the pension benefits you have built up – helping you ease into retirement. If you are 60 and your employer agrees to flexible retirement, your pension benefits can be paid without your employer's consent. Your employer will have a policy on flexible retirement and you can ask your employer for details of their policy.

If you take benefits on flexible retirement you can still draw your wages/salary from your job on the reduced hours or grade and continue paying into the LGPS, building up further benefits in the LGPS.

Your election to receive benefits has to be made to us.

If you were in the LGPS on 31 March 2009, you may have an earlier age you can ask for flexible retirement. You can find out more about this from the section if you joined the LGPS before 1 April 2009.

# Appendix D: USS Guidance on Flexible Retirement

The following pages form the published guidance from the USS as of September 2011.

UNIVERSITIES SUPERANNUATION SCHEME LIMITED

# Scheme changes within USS

## Guidance for institutions on flexible retirement

# Scheme changes within USS

# Guidance for institutions on flexible retirement

**Introduction**

Scheme changes within USS will be implemented with effect from 1 October 2011 and, as part of these changes, flexible retirement arrangements will be introduced. Historically, a member has been eligible to retire only when he/she has met one of the retirement conditions set out in the rules and has ceased USS-eligible employment. However, the flexible retirement arrangements will allow active members of the scheme to remain in the employment of an institution and continue to build up pension benefits in the scheme, whilst drawing some of their accrued pension benefits.

It is anticipated that the new flexible retirement arrangements will provide further flexibilities to assist institutions in managing their workforce, specifically in the area of retirement planning, and which will help to avoid what is often a 'cliff edge' outcome for members, and also allowing institutions to retain employees on a reduced working basis that is acceptable to them.

The purpose of this document is to provide detailed information on the flexible retirement arrangements in USS, to enable institutions to develop a flexible retirement policy (or update any existing policy). Institutions will potentially be required to deal with applications for flexible retirement from members from 1 October 2011 onwards.

It is important to note that although the date of implementation of the scheme changes is 1 October 2011, in practice, a member will be required to provide to the trustee company formal notice of their intention to flexibly retire *at least two months* prior to their selected retirement date. Accordingly, members will be able to flexibly retire from 1 December 2011 onwards.

**Eligibility for flexible retirement**

Active members of the scheme – in either the final salary or the career revalued benefits section – will be able to apply to their employer to flexibly retire under these provisions. This will include members who are exempt or excluded from paying contributions having completed 40 years' pensionable service or having reached the age of 65. It also includes members who may be absent from the workplace at the present time, but who are still engaged in a contract of employment with an institution and who are members of USS (these members are in what we refer to as 'suspended membership' due to the absence).

It should be noted that flexible retirement will not be available to deferred members or in respect of any variable time employment. Also, at the current time, multiple appointment members[1] will not be eligible for flexible retirement, however, a review will be undertaken to examine ways in which flexible retirement might be implemented for this member group.

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[1] 'Multiple Appointment Members' are members who hold two or more separate employments which are pensionable within USS, other than where one of the employments is as a VTE, and such members are most commonly found at Oxford University and Cambridge University and their constituent colleges.

**Requirements/features of flexible retirement**

If a member wishes to explore the possibility of flexible retirement, he/she may firstly choose to visit the USS website to use the benefit modeller (inputting information from the member's last service statement) to find out in broad terms the amount of benefits to which he/she is entitled. It should be noted that the modeller facility is currently under construction, but we plan for it to be made available in advance of 1 October 2011. Once the member has an understanding of the estimated benefits payable, in order to proceed a member will need to apply to his/her employer for its consent to reduce his/her working hours and salary in order to be eligible for flexible retirement. It will be entirely a matter for an employer to decide whether or not to consent to an application. Assuming that consent is given by the employer, the member may then make an election to the trustee company to flexibly retire indicating the proportion of benefits that they wish to draw (subject to the limits set out below). A member must provide a minimum of two months' notice of their intended flexible retirement date. There are a number of requirements which must be met:

- the member must be aged 55 or above;

- he/she must have 'qualifying service' (this is a period of service or other qualification that would otherwise entitle a member to preserved benefits if he/she ceased to be an active member, and is normally a period of at least two years' pensionable service);

- the prior written consent of the member's employer is required;

- the proportion of benefits to be drawn is a minimum of 20% and a maximum of 80% of the member's total pension and lump sum at the date of flexible retirement (and note that benefits will be actuarially reduced to the extent that they are payable before the member's normal pension age);

- a member must reduce their working hours by a minimum of 20% and also reduce their salary by a minimum of 20% on a long term basis (and in any event for no less than 12 months); and

- a member may elect to flexibly retire on a maximum of two occasions, following which the member must draw further benefits only by retiring in full. When a member takes a second flexible retirement, the maximum proportion of benefits he/she may receive on the second flex is 80% of the then accrued benefits less the percentage of benefits drawn on the first flex.

Upon flexibly retiring, the member – who will then be referred to as a 'flexible retirer' - will be a pensioner member in respect of benefits that have been flexed, and also an active member in respect of benefits that have not been drawn (and also in respect of pensionable service accrued or credited after flexible retirement).

**Application process and documentation**

When a member is considering making an application to flexibly retire, he/she will most likely want to know his/her expected pension and lump sum benefits. An online modeller is currently being developed which will allow members to obtain an estimate of benefits (to allow them to consider their options and this will be available on the USS website (at http://www.uss.co.uk) in advance of 1 October 2011.

The modeller will provide members with estimates of the benefits payable upon flexible retirement, however if a member requires a more formal, provisional quotation of benefits on flexible retirement, a 'request for a flexible retirement quotation' form should be completed by the employer. At this stage it is anticipated that the employer and member will have started to discuss the issue of flexible retirement, however, no final decision on the application to flexibly retire will have been made by the employer. A quotation prepared by the trustee company will be provided to the employer, along with a copy for the employer to provide to the member.

Should a member decide to proceed to flexibly retire – and his/her employer's consent is secured and confirmed - a 'notification of a member's flexible retirement' form will need to be submitted to the trustee company at least two months ahead of the intended date of flexible retirement. This form will confirm the intended flexible retirement date and the percentage of benefits to be drawn. As part of this form, the employer will be required to complete a declaration regarding the reduction in working hours and salary (this is covered in more detail in Qs 11 and 12). The trustee company will then arrange for payment of benefits to the member.

**Further information**

A number of Q&As on flexible retirement, together with some example calculations, are attached to provide additional information on the calculation of benefits and also on the administration procedures. In addition, a member factsheet on flexible retirement will be made available on the USS website in due course.

**Frequently asked questions**

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| **Q1** | **What is flexible retirement?** |
| A1 | Flexible retirement is a new facility available within USS, which allows an active member to draw a proportion of their retirement benefits, subject to him/her having a reduction in working hours and salary. So, the member can draw some of his/her retirement benefits whilst continuing in pensionable employment on a reduced basis. A flexible retirement must be agreed by the member's employer. |
| **Q2** | **How many times can you flex your benefits?** |
| A2 | You can flex your benefits on a maximum of two occasions – on a third occasion you must retire fully. |
| **Q3** | **Which benefits are taken into account in the calculation of flexible retirement benefits?** |
| A3 | Members often have different components to their overall pension rights in USS, and this response describes which components can be part of a flexible retirement.<br><br>Upon flexible retirement, a final salary section member will draw a pension and lump sum based on their pensionable service up to, and pensionable salary as at, the date of flexing. Pensionable service will include any additional period of service credited as a result of a transfer-in or added years AVC contract. If an active member is a deferred re-joiner – that is a member who left the scheme with an entitlement to deferred benefits who has subsequently rejoined the scheme – any previous period of membership will only be included if it has been cancelled and aggregated with the member's later period of pensionable service.<br><br>Any pension credit rights and benefits derived from a variable time employment will be excluded at this point. For information on the treatment of money purchase AVCs refer to Q5 below. |
| **Q4** | **How are benefits determined for a final salary section member in the event that one of the following events occur …** |
| A4 | **(a) ... he/she flexes on one occasion, and then subsequently retires in full?** |
| | The member will be able to draw between 20% and 80% of his/her benefits as a pension and tax-free cash sum upon the first flexible retirement, based on their pensionable salary as at the date of the first flexible retirement. The remaining proportion of benefits will remain 'unflexed' and the member will continue in active membership accruing pensionable service on a part-time basis.<br><br>Upon final retirement, the member will receive a further pension and tax-free cash sum based on: |

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| | – <u>‘unflexed’ benefits accrued before the date of the first flexible retirement</u> – the unflexed proportion of benefits will be determined based on the member’s pensionable salary calculated as at the date of final retirement; and<br><br>– <u>pensionable service accrued after the date of flexing</u> – pensionable service will be calculated on the reduced, part-time basis from flexible retirement until final retirement. Benefits will be based on the full-time equivalent salary as at the date of final retirement.<br><br>Examples of the calculation of benefits are provided in the example calculations below. |
| | **(b) ... he/she flexes on two separate occasions and then (on a third occasion) retires in full?** |
| | The approach adopted here will be similar to that in (a) above, however, there shall be three stages to the overall calculation of benefits (that is, two flexible retirements, followed by a final retirement). On the second flexing of benefits, the maximum proportion of benefits that the member may draw will be 80% less the percentage of benefits taken on the first flexible retirement. Furthermore, if the member flexed 80% of benefits on his/her first flexible retirement, he/she will be unable to flex benefits on a second occasion. |
| **Q5** | **How will money purchase additional voluntary contributions (AVCs) be dealt with under flexible retirement?** |
| A5 | On each flexible retirement, a member may elect to draw *all or none* of their money purchase AVC benefits held with Prudential – it will not be possible to draw only part of the money purchase AVC benefits. If a member elects to draw these funds, he/she will be able to use the funds to (i) purchase an annuity from Prudential or another annuity provider, (ii) purchase a period of additional service in USS or (iii) draw them in the form of (currently) tax-free cash.<br><br>Please note that if the member elects for option (ii) above, benefits in respect of the additional service in USS will be drawn in their entirety, that is the percentage of benefits expressed by the member in the quotation and/or notification forms will not apply for benefits derived from money purchase AVCs only.<br><br>Following a flexible retirement, a member may enter into a further money purchase AVC commitment and draw those funds upon their final retirement (or, if applicable, on the occasion of their second flexible retirement). However, the member should consider HMRC rules regarding recycling – further information is available at www.uss.co.uk |
| **Q6** | **How are added years AVC contracts dealt with under flexible retirement?** |
| A6 | The treatment of added years AVCs is similar to main scheme benefits (outlined in Q4 above) in that the member will flex the same proportion of added years AVC benefits as main scheme benefits. Following a flexible retirement, a member will continue to contribute to the added years AVC contract based on his/her actual salary (which will have reduced by a minimum of 20%).<br><br>Upon final retirement, the ‘unflexed’ benefits accrued before the date of flexible retirement, plus the benefits based on pensionable service (calculated on the reduced part-time basis) |

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| | accrued after the date of flexing, will become payable – both based on the member's full-time equivalent pensionable salary. |
| **Q7** | **What are the rules regarding how early a member can draw benefits, and do actuarial reductions apply?** |
| A7 | A member may flexibly retire from age 55 onwards, subject to the consent of his/her employer. On flexible retirement some or all of the member's benefits may be subject to actuarial reduction, depending in part on whether the member has reached age 60 and also reached their normal pension age. Please note that benefits provided to an exempt member on a flexible retirement are detailed in Q9 below.<br><br>If a member seeks to flex his/her benefits having reached his/her contractual pension age[2], benefits based on pensionable service accrued up to and including 30 September 2011 *will* be provided on an unreduced (i.e. non-actuarially reduced) basis. Otherwise, if the member seeks to flex his/her benefits having reached age 60, benefits based on pensionable service accrued up to and including 30 September 2011 *may* be provided on an unreduced basis *provided that the employer consents to early payment of those benefits* (further information is provided in Q8 below). In either case, benefits based on pensionable service accrued from 1 October 2011 onwards will be subject to an actuarial reduction where they are payable at any point before age 65, because these benefits are being paid in advance of the revised normal pension age (which will be age 65 in respect of pensionable service from 1 October 2011, then rising in line with increases to the state pension age).<br><br>The calculation of benefits where a person flexibly retires before age 60 is more complicated as different normal pension ages apply to different 'tranches' of benefit. To take the case of a member flexing his benefits at age 58, reductions would apply as follows: |

| **Period during which pensionable service has accrued** | **The extent of the actuarial reductions applied** |
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| service on and after 1 October 2011 | as the NPA is 65, a reduction will apply to allow for the benefit being paid 7 years early |
| service between 1 April 1995 and 30 September 2011 | as the NPA is 63½ (assuming there is no earlier contractual pension age), the reduction would be based on benefits being paid 5½ years early |
| service between 17 May 1990 and 31 March 1995 | as the NPA is 60, the reduction would be based on benefits being paid 2 years early |
| service up to and including 16 May 1990 | as the NPA is 65 (assuming there is no earlier contractual pension age), the reduction for a male member would be based on benefits being paid 7 years early (however, it should be noted that the NPA for a female member is age 60 in respect of this tranche, so the reduction for a female member |

[2] This is the earliest age (not earlier than age 60) at which, on 30 September 2011, a member is entitled to retire in accordance with the member's terms of appointment or contract of employment

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| | (continued) would be based on benefits being paid 2 years early)<br><br>It should be noted that, in very broad terms, benefits are currently reduced by 4% for each year that they are paid early. |
| **Q8** | **Under the current rules, a member who has attained age 60 may retire with unreduced benefits (i.e. non-actuarially reduced) with the consent of their employer. Will this provision be applied in respect of a flexible retirement?** |
| A8 | Yes, this provision is applied in cases of flexible retirement. Where a flexible retirer *has reached the age of 60* but has not reached their NPA (and by NPA here we mean the NPA which applied as at 30 September 2011, as of course the NPA for all members, other than exempt members, after 30 September 2011 will be age 65), that part of his/her benefits based on pensionable service accrued up to and including 30 September 2011 shall be paid without any reduction for early payment *provided that the employer consents to early payment of those benefits*. It should be noted that, as the member has reached the age of 60, no early retirement funding charge will be due from the employer. That part of his/her benefits based on pensionable service accrued after 30 September 2011 will be subject to actuarial reduction if paid before age 65, except in the case of an exempt member. |
| **Q9** | **Will an 'exempt' member be able to retire under the flexible retirement arrangements and, if so, are there any points to consider in the calculation of their benefits?** |
| A9 | An exempt member (that is, a member aged 55 or over on 1 October 2011 who is unaffected by the changes to NPA) will be able to flexibly retire, subject to the consent of his/her employer. However, the calculation of his/her flexible retirement benefits will differ.<br><br>Where the exempt member flexibly retires before reaching age 60, different tranches of benefits will be subject to actuarial reductions for early payment, as in Q7 above. However, the NPA will be age 63½ in respect of pensionable service on and after 1 October 2011, and *not* age 65 (except for those exempt members who had a CPA earlier than age 63½ as at 30 September 2011, whose CPA will continue to apply).<br><br>If an exempt member seeks to flex his/her benefits having reached age 60, *all* benefits *may* be provided on an unreduced basis, if his CPA is 60 or *provided that the employer consents to early payment of those benefits*. However, if this is not the case, some tranches of benefits may be subject to a reduction. |
| **Q10** | **What are the implications of a member retiring late under the flexible retirement arrangements?** |
| A10 | If a member flexes his/her benefits after he/she has attained NPA (or, if later, age 65), benefits accrued in respect of pensionable service before that age will be increased by a late retirement factor (which is currently ½% for each complete month beyond age 65). |
| **Q11** | **What reduction is required to a member's <u>salary</u> in order to qualify for flexible retirement, and are any subsequent salary increases allowed?** |

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| A11 | In order to qualify for flexible retirement, the member's salary must be reduced by a minimum of 20%.<br><br>This reduction must apply from the date of flexible retirement on *a long term basis* and, in any event, for no less than 12 months from the date of flexing benefits. However, certain increases in salary following flexible retirement are permitted, namely increases that form part of a general pay settlement for substantially all the employer's eligible employees within a particular grade or collective bargaining group. |
| **Q12** | **What is the reduction required to a member's <u>hours</u> in order to qualify for flexible retirement, and what are the implications for a flexible retirer of subsequently changing his/her working hours?** |
| A12 | One of the key objectives in introducing flexible retirement is to assist members in phasing their way into retirement, and therefore a reduction in working commitments must occur and a member will be required to reduce his/her working hours by a minimum of 20%. For example, if a member is in full-time employment working 37 hours per week before flexing his/her benefits, he/she must reduce his/her hours of working by at least 20% i.e. to a maximum of 29.6 hours per week (resulting in a part time service fraction(PTSF) of 80%).<br><br>If, following flexible retirement, the working hours of a member fluctuate, the trustee company will seek to ensure that the fluctuation does not cause an increase in retirement benefits. Accordingly, on the final retirement of a member a check will be undertaken to compare (i) the PTSF established at the outset (that is, upon first flexing benefits) and (ii) the average of the PTSFs between flexing benefits and final retirement. If a member flexes benefits on more than one occasion, this test will also be applied as at the second flex.<br><br>If the actual average PTSF between flexing benefits and subsequent retirement exceeds that determined at the outset, the member's benefits will be reviewed and if appropriate limited (based on the PTSF at the outset).<br><br>It should be noted that where there is a material variation in salary, working hours and/or PTSF in anticipation of flexible retirement, the trustee company will have the power to investigate this and take action if necessary. |
| **Q13** | **What if a member who is already a part-time worker elects for flexible retirement?** |
| A13 | Such a member will be required to reduce his/her PTSF further by a minimum of 20% on an ongoing basis. So, if a member is in part-time employment working 30 hours per week (with a PTSF of 75%) before flexing his/her benefits, he/she must reduce his/her hours of working by at least 20% to a maximum of 24 hours per week (resulting in a PTSF of 60%). |
| **Q14** | **What if a flexible retirer commences an additional post or employment following flexible retirement?** |
| A14 | If a flexible retirer commences an *additional* post or employment following flexible retirement with the same or a new employer, the flexible retirer will not be entitled to become a member in relation to that employment despite the fact that the subsequent |

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| | employment may be an eligible post. |
| **Q15** | **Why is the employer required to complete a flexible retirement declaration, and what are the terms of the declaration?** |
| A15 | As with any retirement, the employer of the member who is to retire will be required to complete a declaration on the flexible retirement notification form. In addition to the standard disclosure items, on the notification of a member's flexible retirement form the employer will be required to provide:<br>– consent that the member may elect to draw a proportion of his/her benefits under the flexible retirement arrangements;<br>– confirmation that the member's PTSF will reduce by a minimum of 20% on a long term basis (and for at least 12 months);<br>– confirmation that the member's salary will reduce by a minimum of 20% on a long-term basis (and for at least 12 months); and<br>– an indemnity to the trustee company from any additional funding requirements for the scheme arising from a failure to apply the restrictions on the member's PTSF and salary following the flexing of benefits.<br>All of the above declarations must be made before a member is eligible for flexible retirement. |
| **Q16** | **What information is required in the notification of member's flexible retirement form?** |
| A16 | In addition to the standard information required in any retirement notification form (such as latest salary data, bank account details and benefit options selected), the following information will be required:<br>– selected date of flexible retirement;<br>– percentage of USS benefits to be taken on flexible retirement or preferred pension amount[3]; and<br>– preferred option in respect of money purchase AVCs funds. |
| **Q17** | **In cases of flexible retirement, will the employer of the member be required to pay an early retirement funding charge in any circumstances?** |
| A17 | The employer will not be required to pay an early retirement funding charge where a member flexes his/her benefits. |

[3] If the member opts for a quote based on a preferred pension amount, the lump sum available will be three times this amount, and if commutation is to occur it will be after this figure has been calculated.

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| **Q18** | **In cases of flexible retirement, will the employer of the member be able to pay an amount to the scheme to augment a member's benefits?** |
| A18 | An employer will be allowed to augment a member's benefits, if so desired, by paying special employer contributions to the scheme under the scheme rules. |
| **Q19** | **What are the annual allowance implications of a member flexing his/her benefits......** |
| A19 | **(a) ...in the pension input period in which flexing takes place?** |
| | General information on the issue of the revised annual allowance was provided in I-letter number 753 (entitled "Forthcoming changes from government to restrict tax relief"), and further guidance can be found on our website at http://www.uss.co.uk.<br><br>A member's pension input amount for annual allowance purposes is established by calculating the value of the member's benefits at the start and end of a pension input period (PIP, running from 1 April to 31 March for the scheme) and the difference between these two values – taking into account an allowance for inflation - is used to calculate the annual allowance value of the member's benefits by applying a standard multiplying factor.<br><br>If a member flexes his/her benefits within a PIP, the calculation of the member's pension input amount for annual allowance purposes will be affected. An opening value and end value (what is formally referred to as the 'closing value') will need to be determined. However, the closing value will be based on<br><br>(i) in respect of any benefits not flexed and pensionable service accrued after flexible retirement, benefits payable to the member as though he is finally retiring at the end of the PIP;<br><br>plus<br><br>(ii) the benefits drawn upon the flexible retirement (or flexible retirements, if the member has flexed on more than one occasion) that has taken place during the PIP. |
| | **(b) ...in subsequent pension input periods?** |
| | The benefits drawn upon the flexible retirement ((ii) in (a) above) are ignored in the calculation of both opening and closing values for the subsequent PIPs. |
| **Q20** | **What are the lifetime allowance (LTA) implications of a member flexing his/her benefits?** |
| A20 | The LTA is the maximum amount of tax-privileged retirement benefits that a member can build up in all registered pension schemes. The LTA is currently £1.8 million, however, it should be noted that this will reduce to £1.5m with effect from April 2012.<br><br>The trustee company is required to check whether a member has exceeded the LTA when he/she becomes entitled to a scheme pension and, accordingly, this check will need to be undertaken when a member flexes his/her benefits. The trustee company will confirm to the |

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| | member the proportion of LTA used on each occasion that benefits are flexed.<br><br>If the benefits flexed by the member exceed the LTA applicable at that point (or the remainder of the LTA in the case of a subsequent flexible retirement or final retirement of a member), the member may incur a tax charge (and a further tax charge will then be incurred upon any subsequent retirement). Further information on this tax charge may be found on our website – http://www.uss.co.uk. |
| **Q21** | **What will the approach be to flexible retirement in respect of members of the Career Revalued Benefits section of the scheme?** |
| A21 | The requirements and application process for members of the Career Revalued Benefits section of the scheme will be the same as those for the final salary section, as will the principles underlying the calculation of benefits. However as such members will accrue an amount of pension and lump sum each year rather than building up pensionable service, there shall be some variations.<br><br>It should be noted that the test referred to in Q12 above to ensure that any fluctuation in PTSFs following the flexing of benefits does not cause an increase in retirement benefits will be applied to flexible retirers in the Career Revalued Benefits section. |
| **Q22** | **Is a request for flexible retirement the same as a request for flexible working?** |
| A22 | No. There is a difference between flexible working (which often involves a change in working hours and/or location) and flexible retirement (which involves a reduction in working hours and salary whilst drawing some accrued pension benefits). In the absence of express provisions in the scheme rules, as under USS, there is no statutory obligation on employers to allow, or consider applications for, flexible retirement.<br><br>By way of contrast, under statutory regulations, any employee can request their employer to consider an application for flexible working, however there is a legal requirement for the employer to consider requests for flexible working in certain circumstances. This will often be the case for parents, individuals undertaking parental responsibilities (for example, foster parents) and carers.<br><br>Flexible working can include a change in the hours the employee works (flexi time or term-time hours), changes in the times he/she is required to work, working from another location or home etc.<br><br>Under the statutory requirements, an employer will be required to consider a request for flexible working if the individual concerned:<br><br>(i) is an employee, not agency worker;<br>(ii) has been in continuous employment for at least 26 weeks; and<br>(iii) has parental responsibility for a child under age 17 or for a disabled child under age 18 or to act as a carer for an individual (be it the employee's spouse, partner, civil partner, relative, or a person who resides at the same address).<br><br>It should be noted that the government has recently proposed, as part of its "Consultation on modern workplaces", an extension to this statutory framework to *require* employers to |

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| | consider an application for flexible working from *any* employee (not just those described above) . This consultation is due to close in August 2011 with a view to implementing legislation in 2012. |
| **Q23** | **What benefits would a member be entitled to in the event of his/her death following flexible retirement but before final retirement?** |
| A23 | If a flexible retirer dies in service, his/her benefits will be determined as follows:<br>(i) in respect of any benefits not flexed and pensionable service accrued after flexible retirement, benefits will be payable to the member as though he/she has died in active membership; and<br>(ii) in respect of benefits drawn upon flexible retirement (or flexible retirements, if the member has flexed on more than one occasion), benefits will be payable to the member as though he/she has died following full retirement.<br>However, an overall maximum will apply to death benefits of a flexible retirer to ensure that no double counting of benefits occurs. |

## Example calculations

### 1. Final salary section, exempt member, flexible retirement and subsequent final retirement

Flexible retirement 1

Mr White is aged 60, with a contractual pension age (CPA) of 60, and decides to take flexible retirement, having accrued 30 years' pensionable service on a full time basis, with the consent of his employer. His pensionable salary is £45,000 and he chooses to flex 80% of his benefits whilst reducing his working hours and salary by 20%.

As he is an exempt member and has a CPA of 60, no reductions shall apply to his benefits which are outlined below:

| | Calculation | Early retirement reduction | Flex % | Pension |
|---|---|---|---|---|
| 1 | 1/80 x 30 x £45,000 = £16,875.00 | Not applicable | 80% | £13,500.00 |

The standard lump sum available will be **£40,500**, representing three times this pension amount.

Final retirement

As 80% of benefits has been drawn at the first opportunity, no further flexible retirement can take place.

Mr White continues working for a further five years, at a part time service fraction of 80%, before retiring in full. Accordingly, he has accrued a further 4 years' pensionable service (5 years x 80%) and his pensionable salary is now £55,000 (full time equivalent rate).

Upon final retirement, Mr White's benefits shall be determined based on the following tranches of service as follows:

1 pensionable service accrued up to first flexible retirement ('unflexed' benefits)
2 pensionable service accrued from first flexible retirement until final retirement

| | Calculation | Early retirement reduction | Flex % | Pension |
|---|---|---|---|---|
| 1 | 1/80 x 30 x £55,000 = £20,625.00 | Not applicable | 20% | £4,125.00 |
| 2 | 1/80 x 4 x £55,000 = £2,750.00 | Not applicable | 100% | £2,750.00 |
| Total pension | | | | **£6,875.00** |

The standard lump sum available will be **£20,625.00**, representing three times this pension amount.

**2. Final salary section, non-exempt member, flexible retirements and subsequent final retirement**

Flexible retirement 1

Mr Green is aged 55 on 30 September 2015 and he does not have a CPA. He decides to flexibly retire at this date having accrued 30 years of service at full time with a pensionable salary of £40,000. He decides to flex 50% of his benefits whilst reducing his working hours and salary by 20%.

As this member is a non-exempt member, his benefits are reduced and it is necessary to split his benefits into different tranches (to which different Normal Pension Ages and early retirement reduction factors apply - further information on tranches is provided in Q&A 7 above) as follows:

| | Dates of service | Service period | Normal Pension Age | Reduction factor |
|---|---|---|---|---|
| 1 | 2 October 1985 to 16 May 1990 | 4.62 years | Age 65[4] | 0.646 |
| 2 | 17 May 1990 to 31 March 1995 | 4.87 years | Age 60 | 0.793 |
| 3 | 1 April 1995 to 30 September 2011 | 16.5 years days | Age 63 ½ | 0.6855 |
| 4 | 1 October 2011 to 30 September 2015 | 4 years | Age 65 | 0.646 |

So his pension benefits will be determined as follows:

| | Calculation | Early retirement reduction | Flex % | Pension |
|---|---|---|---|---|
| 1 | 1/80 x 4.62 x £40,000 = £2,310.00 | £2,310.00 x 0.646 = £1,492.26 | 50% | £746.13 |
| 2 | 1/80 x 4.87 x £40,000 = £2,435.00 | £2,435.00 x 0.793 = £1,930.96 | 50% | £965.48 |
| 3 | 1/80 x 16.5 x £40,000 = £8,250.00 | £8,250.00 x 0.6855 = £5,655.38 | 50% | £2,827.69 |
| 4 | 1/80 x 4 x £40,000 = £2,000.00 | £2,000.00 x 0.646 = £1,292.00 | 50% | £646.00 |
| Total pension | | | | **£5,185.30** |

The standard lump sum available will be **£15,555.90**, representing three times this pension amount.

Flexible retirement 2

Mr Green continues working for a further 4 years, at a part time service fraction of 80%, before his second flexible retirement, on 30 September 2019. Accordingly, he has accrued a further 3.2 years' service (4 years at 80%) and his pensionable salary is now £45,020 (full time equivalent rate).

He decides to take a further 30% of his benefits whilst reducing his hours and salary by a further 40%. Early retirement reductions are applied to his benefits as the second flexible retirement is taking place at age 59. An additional tranche of benefit is accrued between the date of his first flexible retirement and second flexible retirement, and the early retirement reduction factors to be used for this second flexible retirement are as follows:

[4] As this member is male and does not have a CPA, a Normal Pension Age (NPA) of 65 applies for this tranche of service. An NPA of 60 would apply for a female member.

| | Dates of service | Service period | Normal Pension Age | Reduction factor |
|---|---|---|---|---|
| 1 | 2 October 1985 to 16 May 1990 | 4.62 years | Age 65 | 0.760 |
| 2 | 17 May 1990 to 31 March 1995 | 4.87 years | Age 60 | 0.952 |
| 3 | 1 April 1995 to 30 September 2011 | 16.5 years days | Age 63 ½ | 0.811 |
| 4 | 1 October 2011 to 30 September 2015 | 4 years | Age 65 | 0.760 |
| 5 | 1 October 2015 to 30 September 2019 | 3.2 years | Age 65 | 0.760 |

So his pension benefits will be determined as follows:

| | Calculation | Early retirement reduction | Flex % | Pension |
|---|---|---|---|---|
| 1 | 1/80 x 4.62 x £45,020 = £2,599.91 | £2,599.91 x 0.760 = £1,975.93 | 30% | £592.78 |
| 2 | 1/80 x 4.87 x £45,020 = £2,740.59 | £2,740.59 x 0.952 = £2,609.04 | 30% | £782.71 |
| 3 | 1/80 x 16.5 x £45,020 = £9,285.38 | £9,285.38 x 0.811 = £7,530.44 | 30% | £2,259.13 |
| 4 | 1/80 x 4 x £45,020 = £2,251.00 | £2251.00 x 0.760 = £1,710.76 | 30% | £513.23 |
| 5 | 1/80 x 3.2 x £45,020 = £1,800.80 | £1,800.80 x 0.760 = £1,368.61 | 30% | £410.58 |
| Total pension | | | | **£4,558.43** |

The standard lump sum available will be **£13,675.29**, representing three times this pension amount.

<u>Final retirement</u>

Mr Green continues working for a further 6 years, at a part time service fraction of 60%, before his final retirement on 30 September 2025. Accordingly, he has accrued a further 3.6 years' service (6 years at 60%) and his pensionable salary is now £53,756 (full time equivalent rate).

An additional tranche of benefit is accrued between the date of his second flexible retirement and final retirement:

| | Dates of service | Service period | Normal Pension Age | Reduction factor |
|---|---|---|---|---|
| 6 | 1 October 2019 to 30 September 2025 | 3.6 years | Age 65 | Not applicable |

As final retirement is taking place at age 65, no reductions to be applied and the remaining percentage of each tranche of benefit is drawn. So his pension benefits will be determined as follows:

| | Calculation | Early retirement reduction | Flex % | Pension |
|---|---|---|---|---|
| 1 | 1/80 x 4.62 x £53,756 = £3,104.41 | Not applicable | 20% | £620.88 |
| 2 | 1/80 x 4.87 x £53,756 = £3,272.40 | Not applicable | 20% | £654.48 |
| 3 | 1/80 x 16.5 x £53,756 = £11,087.18 | Not applicable | 20% | £2,217.44 |
| 4 | 1/80 x 4 x £53,756 = £2,687.80 | Not applicable | 20% | £537.56 |
| 5 | 1/80 x 3.2 x £53,756 = £2,150.24 | Not applicable | 70% | £1,505.17 |
| 6 | 1/80 x 3.6 x £53,756 =£2,419.02 | Not applicable | 100% | £2,419.02 |
| Total pension | | | | **£7,954.55** |

The standard lump sum available will be **£23,863.65**, representing three times this pension amount.