

# Retirement Policy



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## **CONTENTS**

## **PAGE**

1.	Introduction	2
2.	Scope	2
3.	Financial Prudence and Managerial Responsibility	2
4.	Age Retirement	2
5.	Ill Health Retirement	3
6.	Early Retirement/Redundancy	5
7.	Efficiency of the Service	5
8.	Regulation 31 of the Local Government Pension Scheme Regulations (1997)	6
9.	Actuarial Reduced Benefits (Teachers Pension Scheme)	6
10.	Flexible Retirement (Local Government Pension Scheme)	7
11.	Phased Retirement (Teachers Pension Scheme)	8
12.	Monitoring, Evaluation and Review	8
13.	Further Information	8

## **1. INTRODUCTION**

- 1.1 Retirement is a time of great significance in a person's life and the Trust is committed to giving employees who are retiring every facility to ensure as smooth a transition as possible from work to retirement. This includes a flexible approach to retirement.
- 1.2 The contribution of employees at all stages of their working life is acknowledged and respected by the Trust. The purpose of this policy and procedure is to lay down the principles and practices that will govern the Trust's approach to retirement. It is intended to promote equity and fairness and to give the Trust and employees the flexibility to plan retirements.
- 1.3 This policy has been developed to ensure that decisions are taken in accordance with employment legislation, The Local Government Pension Scheme (LGPS) Regulations, the Teachers Pension Scheme (TPS) and with full regard to achieving solutions that can be practically applied and are affordable, equitable and fair and take account of school needs.

## **2. SCOPE**

- 2.1 This policy applies to all Trust employees and it is in line with the Discretions Policy.
- 2.2 In schools with delegated budgets, authorisation for early retirements rests with the Trust Board and all early retirement decisions are made in accordance with this policy.
- 2.3 The Trust Board should seek advice of the Trusts HR Business Partner in advance of reaching a decision to grant applications for early retirement, in order to ensure that all policy considerations are taken into account.

## **3. FINANCIAL PRUDENCE AND MANAGERIAL RESPONSIBILITY**

- 3.1 Employees who are aged 55 or over do not need the consent of the employer in order to retire early. Where an employee chooses to retire early under these regulations they will bear any associated costs through a reduction in pension. The general rule is that the earlier you retire, the greater the reduction.

Where an individual is 55 or over and may potentially be released on grounds of redundancy or efficiency, the automatic release of pension benefits may attract significant costs. These costs must be considered as part of the business case for the release of the employee, for example realising on going savings over a reasonable period of time, for example, two years.

## **4. AGE RETIREMENT**

### **4.1 LGPS**

- 4.1.1 There is no compulsory retirement age, however in terms of the Local Government Pension Scheme (LGPS), the normal age of retirement is equivalent to the state pension age subject to a minimum age of 65. If a member chooses to retire before their normal

pension age (Normal Pension Age), their pension will be reduced for early payment. If they choose to retire after normal pension age their pension will be increased for late payment.

4.1.2 Normal pension age will be whatever state pension age is at the time of retirement. Therefore members of the scheme will have different normal pension ages dependent on their date of birth and state pension rules at the time of retirement. Where retirement occurs at the normal retirement age there will be no reduction in benefits and no associated actuarial costs.

4.1.3 If you continue to work after the age of 65 you can still stay in the Pension Scheme, but you must draw your benefits by the age of 75.

## **4.2 TPS**

4.2.1 There is no compulsory retirement age, however in terms of the Teachers Pension Scheme (TPS), normal retirement age depends on which scheme you are in.

4.2.2 NPA for the career average scheme members is equal to State Pension Age (SPA) or age 65, whichever is the later date.

4.2.3 NPA for final salary scheme members is 60 or 65 depending on when you entered pensionable service.

4.2.4 The latest age at which you can draw your pension is 75 years, however you may only accrue a maximum of 45 year's reckonable service.

## **5. ILL HEALTH RETIREMENT**

### **5.1 LGPS**

5.1.1 Ill Health Retirement can be granted at any age and is made exclusively on medical grounds. This is based on an assessment by a Medical Practitioner approved by the relevant pension fund. The employee must have at least two years qualifying membership in the scheme to be eligible for Ill Health Retirement benefits.

5.1.2 To qualify for Ill Health Retirement benefits two conditions must be satisfied:

- The member is, as a result of ill health or infirmity of mind or body, permanently incapable of discharging efficiently the duties of the employment the member was engaged in.
- The member, as a result of ill health or infirmity of mind or body, is not immediately capable of undertaking any gainful employment.

5.1.3 There are three tiers of benefits for ill health retirement, which are categorised as follows:

- Tier 1 – where a member is permanently incapable of discharging the duties of their

current employment and is unlikely to be capable of undertaking any gainful employment before normal pension age. Benefits are enhanced and are payable for life.

- Tier 2 – if a member is not entitled to Tier 1 benefits, is unlikely to be capable of undertaking any gainful employment within three years of leaving employment, but is likely to be able to undertake gainful employment before reaching normal pension age. Benefits are enhanced by one quarter of the Tier 1 enhancement and are payable for life.
- Tier 3 – the employee has a reasonable prospective of being capable of undertaking any gainful employment within three years of leaving employment. Benefits are not enhanced and are payable for a maximum of 3 years or until the member obtains further employment, whichever is the sooner.

5.1.4 Prior to making any decision on ill health retirement, consideration must have been given to redeployment and any 'reasonable adjustments' under the Equality Act 2010.

5.1.5 If an employee is granted ill health retirement under the LGPS scheme, they must be dismissed through a formal hearing process.

## **5.2 TPS**

5.2.1 If you are under Normal Pensionable Age (NPA) and have to retire through ill health, you can apply for ill health benefits. In conjunction with the Trusts HR Business Partners the school must first look at ways of helping a return to work, e.g. redeployment, part time working, transfer to a post with less responsibility or consider other workplace adjustments, before concluding that ill health retirement may be appropriate.

5.2.2 There are two tiers of benefits for ill health retirement under the TPS:

- Accrued Benefits would be paid if the employee is permanently unable to teach but can do other work. This is based on accrued reckonable service.
- Enhanced Benefits would be paid if the employee is unable to undertake any type of gainful employment. The enhancement you may receive is half the service you could have completed before NPA. Where a member works part-time any enhancement will be calculated using the annual rate of pensionable earnings as if the position was full-time.

5.2.3 The Trusts HR Business Partners in conjunction with the employee's medical practitioner need to provide medical evidence and complete an application form.

5.2.4 If you apply for ill health retirement within 2 years of leaving pensionable employment and there is evidence that you left for the same medical reasons as that which forms the basis of your application, your application will be treated as though you were still in service.

## **6. EARLY RETIREMENT**

6.1 An early retirement on the grounds of redundancy must satisfy the statutory definition of redundancy, as follows:

- “the fact that the employer has ceased, or intends to cease, to carry on the business for the purposes of which the employee was employed by him, or has ceased or intends to cease, to carry on that business in place where the employee was so employed”.
- “the fact that the requirements of that business for employees to carry out work of a particular kind, or for employees to carry out work of a particular kind in a place where he or she was so employed, have ceased or diminished or are expected to cease or diminish”.

### **6.2 LGPS – Early Retirement**

6.2.1 Early retirement is normally only on the grounds of redundancy. Additionally, the revised regulations under LGPS 2014 give employees the option to retire early with a reduction of benefits, without employer consent.

6.2.2 Anyone aged 55 or over who is made redundant is entitled to receive immediate, unreduced, payment of pension benefit and a redundancy payment.

### **6.3 TPS – Premature Retirement**

6.3.1 If you are aged 55 or over and you are made redundant (under the statutory definition of redundancy) or leave for efficiency reasons (see Section 7) you may be granted Premature Retirement benefits. This is entirely at the discretion of the Trust. If premature retirement is granted, the Trust are obliged to pay Mandatory Compensation.

6.3.2 Benefits (pension and lump sum) are split between the TPS and the Trust. The Trust Board must agree to pay their share, i.e. mandatory compensation, if an application for Premature Retirement is to be accepted. The costs will depend on the individuals’ age and length of service, and will be different in each case.

6.3.3 Premature retirement is not an option at the end of a fixed term contract.

## **7. EFFICIENCY OF THE SERVICE (LGPS and TPS)**

Retirement on the grounds of ‘Efficiency of the service’ is relevant where a post still exists within the Trust but where early retirement is the most mutually acceptable and beneficial way forward for the employee and the Trust. This applies to all employees irrelevant of grade or seniority, examples of where retirement may be considered to be in the interests of efficiency of the service include:

7.1

- (i) Where, due to no fault of the employee, the work method or job content have altered to the extent that they fundamentally affect the competence of that employee

(e.g. technology changes, changes in legislation, service redesign or organisation, development of professional standards).

Note: If the job content changes significantly, redundancy maybe more relevant. The distinction between efficiency of the service and redundancy would be, for example, where through total service redesign the post no longer exists. Further advice on this matter should be sought from the Trusts HR Business Partners.

- (ii) Where an employee, who has in the past given valuable service, but is no longer capable of doing so, either because of new or expanded duties or evidential decline in their ability to do so resulting from a health condition, but not so far as to qualify for ill health.
- (iii) Where it is considered to be in the interests of the Trust and those of the individual employee.

7.2 Anyone aged 55 or over retiring under the 'efficiency of the service' may be entitled to receive immediate unreduced, payment of pension benefit. Each case will be considered on its merits and will be subject to approval of the Trust Board.

## **8. RETIREMENT ON COMPASSIONATE GROUNDS (LGPS)**

8.1 The Trust will consider applications for early retirement on the grounds of compassion for people aged 55 and over. Although the term compassionate grounds is not defined in the regulations, the Trust's policy is to apply the following definition:

'Compassionate Grounds means that the employee is required to look after a close relative/dependent, who must have an evidenced debilitating condition or illness, on a whole time basis. This therefore means the employee is unable to continue gainful employment in their current role and as a consequence would experience significant financial hardship. The Trust will also consider an employee's personal circumstances where they are, due to reasons related to the above, unable to continue undertaking the duties of their job role and may face significant financial hardship'.

8.2 In addition, the Trust will satisfy itself that the close relative/dependent has a permanent long-term condition with a reasonable life expectancy having regard to his/her age.

8.3 Each case will be considered on its merits and will be subject to approval by the Trust Board. For those cases that are approved, there will be no actuarial reduction to pension benefits.

## **9. ACTUARIAL ADJUSTED BENEFITS (TPS)**

9.1 Anyone age 55 or over can ask to access their retirement benefits before the NPA. The benefits will be actuarially adjusted for the lifetime of the pension. Early retirement cannot be awarded if the benefits are less than their Guaranteed Minimum Pension.

9.2 Please note: An actuarially adjusted pension is payable for life, and any additional pension purchased will also be actuarially reduced.

- 9.3 You must gain consent from the Trust Board to gain access to your pension benefits, however they may not withhold consent for more than 6 months.

## **10. FLEXIBLE RETIREMENT (LGPS)**

- 10.1 This is a discretionary provision which allows employees aged 55 or over who have at least two year's membership of the LGPS to seek the Trust's consent to flexibly retire.
- 10.2 The purpose of flexible retirement is to enable a managed transition to retirement and enables an employee to access accrued pension benefits whilst either reducing working hours or by moving to a lower graded job. In addition, employees can continue paying into the LGPS to build up further benefits in the Pension Scheme.
- 10.3 Where such a request is approved, the employee will receive immediate payment of pension and lump sum, though these may be subject to an actuarial reduction.
- 10.4 In order to take advantage of the Flexible Retirement option an employee must:
- Be an active member of the LGPS; **and**
  - Be aged 55 years or over; **and**
  - Reduce either their hours of work by 25% or more or reduce their grade by at least one or more pay grades; **and**
  - Have gained the Trust's consent to do so.
- 10.5 Consideration of flexible retirement will be on the merits of each case, the following will be considered:
- The needs of the school.
  - Any significant detrimental effect on service delivery.
  - The circumstances of the employee and the wider team in school.
- 10.6 The Trust's policy in respect of Flexible Retirement will be applied consistently and fairly to all employees in the Trust.
- 10.7 It is acknowledged that there may be occasions where flexible retirement may assist in achieving organisational change and longer-term workforce planning.
- 10.8 It is essential, in the interests of both parties, that the following are known at an early stage.
- An indication of the pension which the employee may receive.
  - Any costs to the Trust
  - Any actuarial reduction which may arise.
- 10.9 The employee will receive any reasons for refusal. As flexible retirement is a discretion, there is no right of appeal.



## **11. PHASED RETIREMENT (TPS)**

- 11.1 If you are age 55 or over, you may take Phased Retirement, i.e. continue to work and receive part of your benefits, without having a break in employment provided that your pensionable salary reduced immediately by 20% or more for 12 months. This could, for example, be because you have taken up a post of lesser responsibility or because you are working reduced hours.
- 11.2 The reduction in earnings is compared to the previous 12 month's average earnings.
- 11.3 You can decide how much you wish to take of the benefits you have accrued up to the commencement of Phased Retirement subject to a maximum of 75% of your reckonable service total benefits.
- 11.4 Your remaining service will be aggregated with any subsequent service you accrue and be used in any future benefit calculations.
- 11.5 You must apply within 3 months of you receiving a reduced salary.
- 11.6 You may exercise this option twice before final retirement if you are a Protected Member. For those who are New Scheme Members or Transition Members (see Appendix A for further information) you can take this option three times before finally retiring, but only two of your Phased Retirements can be before Age 60 years.

**Please note** that if your Phased Retirement benefits are drawn before your normal pensionable age, the benefits taken will be actuarially reduced.

## **12. MONITORING, EVALUATION AND REVIEW**

- 12.1 This policy is monitored, evaluated and reviewed to ensure it is kept up to date and meets legislative and best practice requirements.

## **13. FURTHER INFORMATION**

- 13.1 Further advice and guidance on this policy or specific circumstances covered by this policy can be obtained from the Trust's HR Business Partner.

## How Phased Retirement works

This factsheet provides you with information that's useful to know about Phased Retirement.

### What is Phased Retirement and who can take it?



Phased Retirement is a flexible retirement option that allows you to take part of your pension while you continue to work. You can take up to 75% of your benefits from age 55, as long as you reduce your pensionable earnings by at least 20%.

You can reduce your pensionable earnings by either:

- Reducing your working hours
- Changing your role to one with less responsibility.

You'll need to keep this arrangement for at least 12 months.

### Applying for Phased Retirement



Once agreed  
you can start  
immediately

You don't have to take a one day break in employment to take Phased Retirement (as you do with other types of retirement in the Scheme). This means that you can start your new contract or arrangement immediately once it's agreed with your employer.

You can also submit an application up to three months after moving to the lower paid post (as long as it fits the criteria for Phased Retirement).

If you've left employment you can still apply, as long as you return to work (either with the same employer or a new one who is part of the Teachers' Pension Scheme), within six months of leaving.

The number of Phased Retirements that you can take will depend on which section your benefits are in:

#### Final salary

You can take **two** before you fully retire.

or

#### Career Average

You can take **three** before you retire but only **two** can be taken before age **60**.

or

#### Benefits in both final salary and career average

You can take different proportions of your benefits from both sections.

When you're ready to retire fully, you'll need to apply for your final pension. You can find out more about your options on our [website](#) and in the '[Planning Retirement](#)' guide.

## FAQs

### Will I need to discuss my Phased Retirement plans with my employer?

Yes, you'll need to discuss this with them to make sure there's an appropriate position available and they can accommodate your request. They will also need to certify your Phased Retirement application form.

### What if my employer is unable to accommodate a phased arrangement?

If this is the case, you'll need to find a new job role or post with another employer who is also in the Teachers' Pension Scheme. Once agreed, your new employer will need to certify that your salary has been reduced.

### What if my salary exceeds the 20% reduction during Phased Retirement?

If this happens, then your application will be invalidated and your benefits will be suspended. There may also be an unauthorised payment charge from HMRC of 40% of the lump sum you've received.

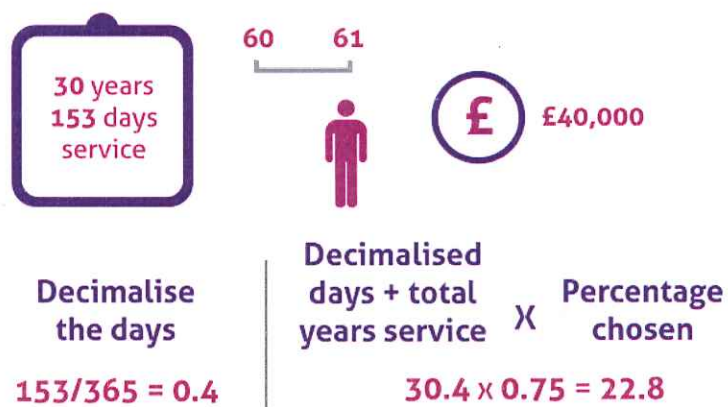
### What is an example of Phased Retirement and how is it calculated?

Steven's service is in final salary and this is his first Phased Retirement:

Steven has 30 years 153 days service. His Normal Pension Age (NPA) is 60 and he's currently 61. His average salary is £40,000.

To work out his estimate, he needs to:

1. Decimalise the days:  
153 divided by 365 = 0.4
2. Take the decimalised figure and add it to the total years service i.e. 30 years
3. Then multiply it by the chosen percentage i.e. 75%. For example, 30.4 multiplied by 0.75 = 22.8



To arrive at Steven's estimate pension and lump sum the following calculation would be done:

$$\frac{40,000 \times 22.8}{80} = \text{£}11,400$$

Accrual rate

$$\text{£}11,400 \times 3 = \text{£}34,200$$

A lump sum equal to three times his pension

## FAQs

### What are the benefits of Phased Retirement?

- A change in your work life balance before retirement
- Less responsibility (if you choose)
- Slower ease into retirement rather than going straight into it
- Continue to build up pension benefits while you work.

### How does Phased Retirement impact my in-service death benefits?

When you take Phased Retirement you become known as a dual capacity member because you're both a pensioner member and an active member at the same time. This has an effect on the in-service death benefits available to your beneficiaries if you were to die.

If you remain in service and are paying contributions, or if you've left service and have deferred benefits in the Scheme, when you die, a death grant may still be payable to your beneficiaries. However, any retirement lump sum you were paid at the point you took Phased Retirement would be deducted from the value of your death grant.

If you were to die within five years of taking your Phased Retirement (or before you had received five years' worth of pension), a further supplementary death grant may also be available to your beneficiaries. The supplementary death grant is five times your rate of pension when you die, less the amount of pension you had received before you died.

Find more FAQs and the application form on our [website](#).