

## **Options for Retirement – Scotland**

### **Increase in Normal Pension Age**

A Scottish Teachers' Pension Scheme (STPS) member's Normal Pension Age (NPA) i.e. the date from when they can take their pension in full under the new career average revalued earnings (CARE) scheme, is their State Pension Age (SPA).

Under the UK Government's and Scottish Government's pension reforms which came into effect between 2010 and 2015, teachers and most other public service workers have a pension age which is equal to the SPA. An early UK Government reform was to increase the SPA to 68 in 2046 and 69 about ten years' later. In 2013 the UK Government announced an intention to bring these increases forward by about ten years. The NASUWT strongly opposes this increase in the SPA and has been implementing national industrial action since November 2011 against the increase in the teachers' pension age. The NASUWT will continue to press the Scottish Government, which has devolved powers over teachers' pensions, to implement a pension scheme for Scottish teachers which gives a decent pension at a decent age.

### **Early Retirement**

Members of both the old final salary and the new CARE scheme can take early retirement from age 55 (although there are plans to increase this to 57 from 2028, which the NASUWT opposes). However, their pension and any lump sum will be actuarially reduced.

The actuarial reduction is calculated by the Government Actuary's Department (GAD). The amount of the actuarial reduction depends on a member's age (years and months) at the time of retirement and their NPA, with a greater reduction for those who are furthest away from their NPA. The current actuarial reduction tables are set out in Appendix 1.

Protected members and tapered members who have not transitioned to the new CARE scheme may take early retirement from the final salary scheme. Appendix 2 sets out, for illustrative purposes, the impact of actuarial reduction on three levels of final salary pension in payment. Members are advised to contact the Scottish Public Pensions Agency (SPPA) for a more definitive projection of the actuarial reduction of their pension in payment.

### **Premature Retirement**

Scheme members may be eligible for premature retirement if they are over the age of 55, employed on a permanent contract, have at least two years of reckonable service and their employer decides to terminate their employment by granting them redundancy or the efficient discharge of the employer's function.

The decision to grant premature retirement will be made by the employer as it would pay the cost of any pension and lump sum relating to premature retirement, with the SPPA paying the balance. The NASUWT argued for a change in the reformed STPS Regulations, so that all teachers being made redundant between the STPS minimum pension age and their NPA would be entitled to early retirement without actuarial reduction, with the costs met by the employer making the redundancy. This was refused by the Scottish Government.

The amount paid by an employer to avoid a pension being actuarially reduced is known as mandatory premature retirement compensation. This differs from discretionary retirement compensation which takes the form of added years of pensionable service.

Transition members who have service under both the final salary and CARE scheme would have to take their benefits at the same time and therefore they would be eligible to receive compensation on both sets of pensionable service.

## **Phased Retirement**

If scheme members are over 55 years of age, they can choose to take part of their pension benefits whilst remaining in pensionable service and also contribute to further pension under the phased retirement option. Phased retirement allows for a more managed transition from work to full retirement by enabling teachers to continue to remain in the profession whilst drawing up to 75% of their benefits.

In order to be eligible for the phased retirement facility, members must undergo a 20% reduction in their pensionable salary compared to the previous six months. This may be achieved by reducing their working hours or because they have taken up a post of less responsibility. Any new employment will have to be taken within six months of leaving previous employment and the application must be made within three months of the salary reduction taking effect.

The arrangement will need to be agreed with the employer who will need to certify the 20% salary reduction and complete part of the application to access phased retirement.

Protected members who have only final salary service are entitled to take two phased retirements under the final salary scheme before finally retiring, and members under the CARE scheme (new, transition and tapered members who have transitioned into the CARE scheme) are able to take three phased retirements (two before 60) until they finally retire. Also, members who have service in both the final salary and CARE schemes have the option to take different proportions of their benefits for phased retirement purposes.

## **Re-employment - abatement**

Members of the CARE scheme are permitted to take retirement from the scheme and receive their pension and lump sum (if applicable) and, if they wish to do so, take up re-employment, without it affecting their teachers' pension. They are not subject to abatement rules.

Teachers may wish to retire early and remain in the profession as a casual or supply teacher. Teachers will therefore be permitted to rejoin the CARE scheme and begin to accrue CARE pension. Alternatively, teachers can take up another job elsewhere after taking their retirement pension at their NPA without any subsequent re-employment affecting their teachers' pension.

However, the normal abatement rules continue to apply to protected and tapered members who retire from the final salary scheme.

Under the current final salary pension scheme, if an STPS pensioner takes their full pension (without any actuarial reduction) and takes up re-employment after retirement, then their pension may be affected if the pension plus the new salary exceeds the STPS member's salary of reference (the highest salary in the average salary period, as calculated at retirement).

The earnings limit is the amount an STPS member can earn without their pension being reduced or surrendered. The earnings limit is calculated by deducting the annual rate of pension from the pensioner's index linked salary of reference.

To avoid any overpayment of pension and subsequent recovery of sums by the SPPA for any overpayment, members of the scheme are advised to inform the SPPA immediately if they take up any teaching employment, by completing a certificate of re-employment, to avoid any recovery for overpayments at a later date.

## Appendix 1

### Early retirement actuarial adjustment tables for final salary scheme members.

1. Pension and lump sum factors for NPA 60 members from age 55 to 59 years and 11 months (complete months).

Age	0	1	2	3	4	5	6	7	8	9	10	11
55	0.794	0.797	0.8	0.803	0.806	0.809	0.812	0.815	0.818	0.821	0.824	0.827
56	0.83	0.834	0.837	0.84	0.843	0.847	0.85	0.853	0.856	0.86	0.863	0.866
57	0.869	0.873	0.876	0.88	0.883	0.887	0.89	0.894	0.897	0.9	0.904	0.907
58	0.911	0.915	0.918	0.922	0.926	0.929	0.933	0.937	0.94	0.944	0.948	0.951
59	0.955	0.959	0.963	0.967	0.971	0.975	0.979	0.982	0.986	0.99	0.994	0.998

2. Pension and lump sum factors for NPA 65 members from Age 55 to 64 years and 11 months (complete months).

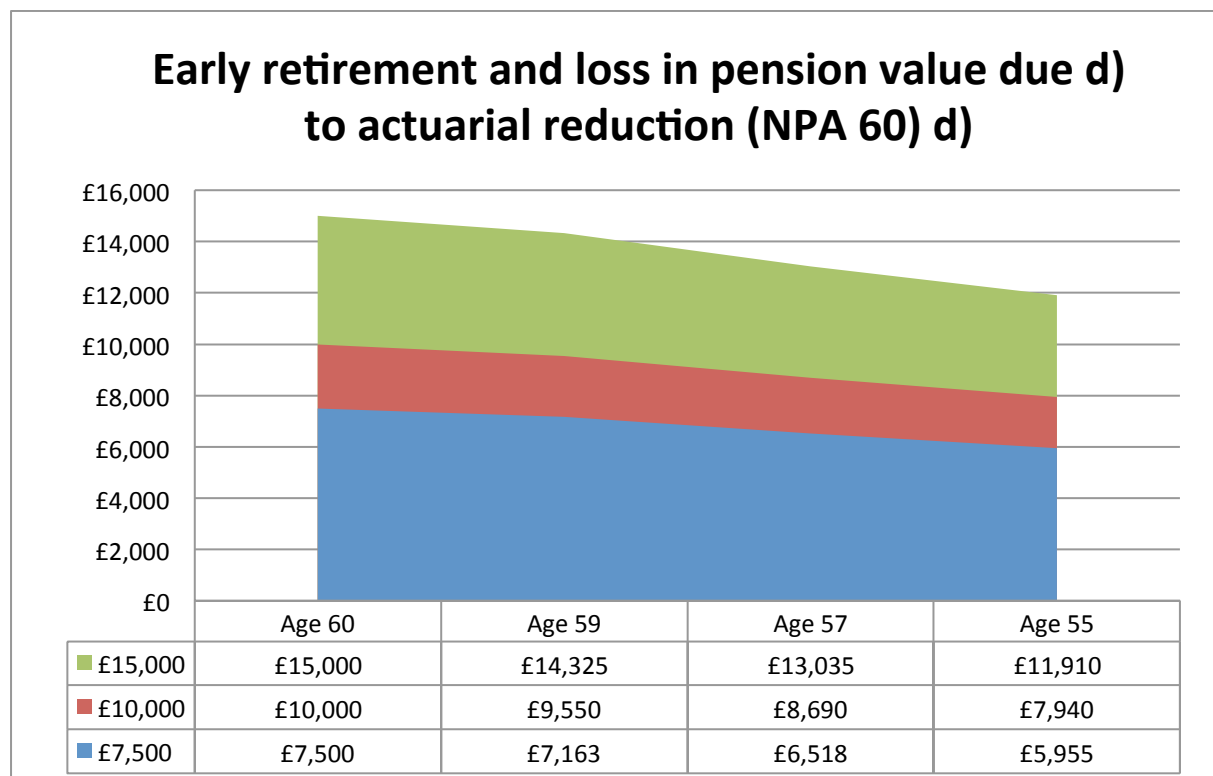
Age	0	1	2	3	4	5	6	7	8	9	10	11
55	0.613	0.616	0.618	0.62	0.623	0.625	0.627	0.63	0.632	0.635	0.637	0.639
56	0.642	0.644	0.647	0.649	0.652	0.654	0.657	0.66	0.662	0.665	0.667	0.67
57	0.672	0.675	0.678	0.68	0.683	0.686	0.688	0.691	0.694	0.696	0.699	0.702
58	0.705	0.707	0.71	0.713	0.716	0.719	0.722	0.725	0.728	0.73	0.733	0.736
59	0.739	0.742	0.745	0.748	0.751	0.754	0.757	0.76	0.764	0.767	0.77	0.773
60	0.776	0.779	0.782	0.786	0.789	0.792	0.795	0.799	0.802	0.805	0.809	0.812
61	0.815	0.819	0.822	0.826	0.829	0.833	0.836	0.84	0.843	0.847	0.85	0.854
62	0.857	0.861	0.865	0.868	0.872	0.876	0.88	0.883	0.887	0.891	0.895	0.898
63	0.902	0.906	0.91	0.914	0.918	0.922	0.926	0.93	0.934	0.938	0.942	0.946
64	0.95	0.955	0.959	0.963	0.968	0.972	0.976	0.981	0.985	0.989	0.994	0.998

## Appendix 2

Early retirement and loss in pension value (due to actuarial reduction )  
for final salary scheme members )

NPA 60	£7,500 )	Loss p.a. )	£10,000 )	Loss p.a. )	£15,000 )	Loss p.a. )
Age 60	£7,500	£0	£10,000	£0	£15,000	£0
Age 59	£7,163	£338	£9,550	£450	£14,325	£675
Age 57	£6,518	£983	£8,690	£1,310	£13,035	£1,965
Age 55	£5,955	£1,545	£7,940	£2,060	£11,910	£3,090

NPA 65	£7,500 )	Loss p.a. )	£10,000 )	Loss p.a. )	£15,000 )	Loss p.a. )
Age 65	£7,500	£0	£10,000	£0	£15,000	£0
Age 63	£6,765	£735	£9,020	£980	£13,530	£1,470
Age 60	£5,820	£1,680	£7,760	£2,240	£11,640	£3,360
Age 55	£4,598	£2,903	£6,130	£3,870	£9,195	£5,805



## Early retirement and loss in pension value due i to actuarial reduction (NPA 65) i

