



Community Services: Education

Argyll House
Alexandra Parade
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To: Heads of all Educational Establishments

Dear Colleague

Premature retirement scheme (teachers)

- 1 Argyll and Bute Council may, under the Teachers' (Compensation for Premature Retirement) (Scotland) Regulations 1980, as amended in 2000 and 2002, grant early retirement to teachers. The regulations provide (subject to certain qualifications) for compensation to be paid to teachers who are members of the Teachers' Superannuation Scheme and who are prematurely retired under the terms of this scheme.
- 2 In addition, teachers are able to access premature retirement through application to the Winding down scheme (a phased retirement option) or through application to the Actuarially reduced pension scheme. These schemes are managed by the Scottish Public Pensions Agency (SPPA).
- 3 Eligibility to participate in the premature retirement scheme is limited to those employees of Argyll and Bute Council who:
 - (a) are members of the teachers' superannuation scheme;
 - (b) have reached a particular age, specified within the current scheme;
 - (c) have completed at least five years' service which is reckonable for pension purposes.
- 4 Teachers who qualify under the regulations referred to above may be awarded, at the Council's discretion, an additional period of service in respect of which compensation similar to superannuation benefits is payable. The additional period of service must not exceed the shortest of the following periods:
 - i the number of years required to make up service reckonable for pension purposes to 40 years;

- ii the period between loss of employment and the 65th birthday (less any overlapping service because of previous compensation, where this is applicable);
 - iii a period equal to actual reckonable service;
 - iv ten years.
- 5 Pension benefits, lump sum and annual pension, arising from reckonable service to the date of cessation of employment will be paid centrally by the SPPA subject to an actuarial calculation which will be paid by Argyll and Bute Council and which is determined by the age of the teacher at retiral. Additional compensatory payments in respect of the additional period of service awarded will be paid by the authority and these will take the form of a lump sum and annual compensation both of which will be based on the service credited by Argyll and Bute Council. Pension payable to widows, adult nominated beneficiaries or children will be based on a teacher's total reckonable service including any additional period of service.
- 6 Teachers who are eligible and who wish to be considered for inclusion in the Council's premature retirement scheme should submit their request to the Executive Director of Community Services in writing, giving full name, address, date of birth, superannuation number, national insurance number, place of employment in which they are serving, post held and the date after which they would wish to be retired. It should be noted that a request to be included in the scheme does not necessarily mean that the request will be granted. Teachers are also advised to consult their professional association on this matter.
- 7 It is necessary for the authority, when it is considering exercising its discretion to pay compensation, to ascertain in each case from the SPPA relevant details of reckonable service and pension entitlement; this could give rise to a lengthy delay, probably up to three months, in dealing with requests and this delay could be longer depending on the number of requests to be considered. Every effort will be made however to ensure that requests from teachers are dealt with promptly.
- 8 Teachers aged 50 to 55 should note that the pension increases based on the periodic pensions review (index linking) only begin to be payable from age 55.
- 9 Where the authority is prepared to permit premature retirement the teacher will be informed of this fact, of the amount of compensation to be paid and of what further action requires to be taken. Thereafter the effective date of retirement will be arranged between the teacher and the authority.
- 10 The above regulations do not affect the present entitlement of any teacher within the superannuation scheme to retire at any time, nor do they affect the provisions for disability allowance in appropriate cases.

Winding down scheme

- 11 As part of the teachers' agreement *A Teaching Profession for the 21st Century* the Scottish Government introduced a phased retirement option which offers teachers who are members of the Teachers' Superannuation (Scotland) Scheme, the opportunity in employment on a part-time basis, whilst protecting their overall final retirement pension entitlement.
- 12 The conditions which apply to the winding down scheme are determined by the Scottish Public Pensions Agency.
- 13 In terms of qualifying criteria, a teacher must:
 - (a) have attained the age of 56;
 - (b) have been in full-time service for a period of 10 years immediately prior to commencing winding-down employment;
 - (c) subject to sub paragraph (b) above, have a minimum of 25 years' teaching service immediately prior to commencing winding down employment, which period may include a break or breaks in service not exceeding five years in total; and
 - (d) have the consent of the employer.

The leaflet on winding down produced by the SPPA and more information can be downloaded from their website.

- 14 Any teacher who is a member of the Teachers' Superannuation (Scotland) Scheme and meets the qualifying criteria, and who wishes to be considered for winding down employment should contact HR, Argyll House. Argyll and Bute Council will consider the application, and take account of any financial implications for continuity of provision. Should consent be given the form will be sent to SPPA to determine eligibility. When teaching service has been accrued outwith Scotland the applicant may need to provide evidence of teaching employment in support of their application.
- 15 The SPPA has recommended that applications should be made 3 months prior to the proposed winding down date to ensure that sufficient time is available to process the request. The SPPA will determine whether the applicant is eligible and advise Argyll and Bute Council and employee accordingly.

Actuarially reduced pension (ARP)

- 16 Actuarially reduced benefits are available to members of the Scottish Teachers' Superannuation Scheme aged 55 to 59 provided the value of the reduced pension is not less than the guaranteed minimum pension to which the members would become entitled at state retirement age. Both the pension and lump sum will be subject to actuarial reduction using factors related to the member's age. The reduction is

approximately 5% for each year the pension is taken early, a little less for the lump sum.

- 17 This is a voluntary form of retirement and the decision to take actuarially reduced benefits is a matter principally for the individual concerned. Members in pensionable employment who wish to leave and apply for immediate payment of actuarially reduced benefits will require their employer's consent. Such consent cannot be withheld for more than six months and is not required where the teacher is already in receipt of a pension. Employer consent must not be confused with the discretion which employers have (and will continue to have) to award unreduced retirement benefits in circumstances of redundancy etc. Members considering actuarially reduced pension as an option should be aware that, although the pension will attract index-linking, the effect of the actuarial reduction is permanent. It would therefore be prudent for a member of staff to seek independent financial advice before making any decision.
- 18 I should be grateful if you would bring the contents of this circular to the attention of all members of your staff who are members of the Teachers' Superannuation Scheme.

Yours sincerely

Executive Director of Community Services

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