



PHASED RETIREMENT



For teachers whose normal pensionable age is 60 (NPA 60 members)

The regulations relating to phased retirement were introduced in 2007 as part of the major review of the Scottish Teachers' Superannuation Scheme (STSS). Although the provision allows teachers to access part of their retiral benefits before the normal pensionable age of 60, this does not mean that such an arrangement is always in the best interests of the teacher. The Association cannot give financial advice. Members in need of such advice should approach an Independent Financial Adviser. The purpose of this leaflet is solely to explain the arrangement.

The mechanism is often termed "draw down".

Q.1 What is "phased retirement"?

It is a mechanism whereby teachers can access **part** of their pension while still in teaching service and before normal retirement age (currently 60).

Q.2 What are the essential features of the arrangement?

The teacher must

- (a) Be aged 55 or over
- (b) Suffer a reduction in salary of at least 25% at the time of the phased retirement
- (c) Work at this level for at least 12 months

Q.3 How can the reduced earnings level be achieved?

The two most obvious mechanisms are by moving to a post of lesser responsibility or by working reduced hours.

Q.4 Do I need my employer's permission?

Yes. A suitable new post must be identified or you must be permitted to remain in your former post for fewer hours.

Q.5 How much of my retiring benefits can I receive at the time of phased retirement?

You may receive up to 75% of your **current** pension entitlement. The remainder must be left in the Scheme and will be added to future service to provide further pension and lump sum.

Q.6 Can I take phased retirement benefits only once?

No. You can apply twice, as long as the second application does not cause the 75% limit to be breached.

Q.7 Do I receive the full value of the pension?

No. This is most important. Most pensions paid before the age of 60 (for current Scheme members) are subject to an actuarial reduction which is dependent on the age at which the pension is taken. The main exceptions are medical retirements and retirements under the premature retirement regulations. Benefits received under the phased retirement mechanism are subject to this deduction.

Q.8 How much is the deduction?

It is on a decreasing scale from 23% of the pension and lump sum (approx) at age 55 to 5.2% at age 59.

Q.9 How much of my benefits can I take as a lump sum?

From April 2007, any teacher may take up to 25% of the value of the “fund value” (a nominal concept) as lump sum. This also applies to benefits taken under the phased retirement mechanism. The method of calculating the maximum lump sum is somewhat complex but will be explained by the Scottish Public Pensions Agency in advance of the phased retirement. The General Secretary can also advise further on this.

Q.10 Can I do as I please with the lump sum?

No. This is again important. It is not possible to put more than 30% of the lump sum into any pension vehicle to provide greater future retiring benefits without suffering very significant penalties as determined by Her Majesty’s Revenue and Customs. This happens because the lump sum is tax free. The process of re-investing the lump sum in this way is known as “recycling”. Members must seek independent advice if they intend to use the lump sum to provide for any form of subsequent pension.

Q.11 Can I invest my annual pension in such a way as to provide increased future benefits?

Yes. The pension is taxed and hence this is possible.

Q.12 Can I teach again after accepting a phased retirement?

Yes. Phased retirement has the advantage that you are not limited in the usual way in the amount you can earn from teaching after taking phased retirement.

Further advice relating to this matter is available from the General Secretary. The SPPA website (www.sppa.gov.uk) is useful in this and other pension matters.

**Produced by the
Scottish Secondary Teachers' Association
West End House
14 West End Place
Edinburgh
EH11 2ED**

Tel: 0131 313 7300

e-mail: info@ssta.org.uk