



Renfrewshire
Council

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Dear Colleague

JNC/4 (Revised) - ACTUARIALLY REDUCED PENSIONS/WINDING DOWN SCHEME/PHASED RETIREMENT

Following the recommendations made in 'A Teaching Profession for the 21st Century' Renfrewshire Council Joint Negotiating Committee for Teaching Staff (JNC) has approved the agreement attached as Appendix 1 : Actuarially Reduced Pensions/Winding Down Scheme.

Changes to the Scheme from 1 April 2007 amended arrangements for winding down and introduced phased retirement for teachers.

This circular which now also includes information on phased retirement replaces the versions dated 2 September 2002 and April 2005.

Yours faithfully

David Marshall (Corporate Services)
Ian McCrone (Teachers' Panel)
Joint Secretaries

Appendix 1

ACTUARIALLY REDUCED PENSIONS/WINDING DOWN SCHEME

BACKGROUND

1.1 The agreement reached following recommendations made in the McCrone report, "A Teaching Profession for the 21st Century", proposed the introduction of actuarially reduced pensions (ARP) and a "winding down" scheme for teachers. The publication of the "Teachers Superannuation (Scotland) Amendment Regulations 2002 (SSI 2002/288) enables authorities to implement this part of the agreement.

1.2 The following paragraphs outline the criteria which will be applied within Renfrewshire where a teacher makes application to either "wind down" or access ARP.

2. ACTUARIALLY REDUCED PENSION

2.1 This is a voluntary form of retiral. The decision to take ARP is a matter for the individual teacher.

2.1.1 Eligibility

The teacher must be a member of the teachers' superannuation scheme and be between 55 and 59 years of age.

2.2 Administration

2.2.1 Applications to access ARP will be treated in the same way as applications for age retiral with staff being encouraged to give as much notice as possible. It is the authority's wish to enable teachers to retire at their preferred date but applicants should note that the Scottish Public Pensions Agency (SSPA) operates on a three month administration basis.

2.2.2 Permission to take early retiral with actuarially reduced benefits will not normally be withheld. The authority, however, reserves the right to withhold consent for a period of up to a maximum of six months in certain cases (e.g. where it may prove necessary to make appropriate arrangements to ensure adequate account is taken of learning and teaching needs). In circumstances where permission is withheld for a period, no appeal will be considered but the reasons for the decision will be given to the teacher.

2.2.3 The Factors shown overleaf are used in the calculation of an Actuarially Reduced Pension and Lump sum. These factors came into effect from 1 October 2007. The new factors provide a single (age-related) reduction factor which is applied to both the pension and lump sum.

Pension Factors for a Teacher with a Normal Pension Age of 60

Complete	Complete Months											
Age	0	1	2	3	4	5	6	7	8	9	10	11
55	0.773	0.776	0.780	0.783	0.786	0.790	0.793	0.796	0.800	0.803	0.806	0.810
56	0.813	0.817	0.820	0.824	0.827	0.831	0.834	0.838	0.841	0.845	0.848	0.852
57	0.855	0.859	0.863	0.866	0.870	0.874	0.878	0.881	0.885	0.889	0.893	0.896
58	0.900	0.904	0.908	0.912	0.916	0.920	0.924	0.928	0.932	0.936	0.940	0.944
59	0.948	0.952	0.957	0.961	0.965	0.970	0.974	0.978	0.983	0.987	0.991	0.996

2.2.4 The authority retains the discretion to permit early retiral under the teachers (Compensation for Premature Retirement and Redundancy) (Scotland) Regulations 1996 (as amended)

3. WINDING DOWN SCHEME

3.1 Eligibility

3.1.1 The teacher must be a member of the teachers superannuation scheme and in terms of that scheme meet the following criteria:

- Must be aged 56 years
- Have a minimum of 25 years of teaching service (i.e. a teaching contract for 25 years) of which the last 10 years must have been full-time reckonable service.

The regulations have been amended to remove the requirement that the '25 years teaching service' must be immediately prior to entering winding down employment. Consequently, teachers who have had a break in service of more than 5 years may qualify for winding down employment, although only 5 years will count towards the qualifying service of 25 years

3.1.2 In addition to meeting the criteria specified at 3.1.1, a teacher requesting access to the winding down scheme must:

- Occupy a permanent or temporary teaching post with the authority
- Work a teaching week of at least 0.5 FTE and a maximum of 0.8 FTE in a job share or permanent part time capacity. For the reasons indicated below there can be no guarantee that the teacher's preferred pattern of work and hours will be granted. The authority will however, seek to arrange as close a match as possible.
- Agree a timetable, and acceptable start date (normally the beginning of session, exceptionally the beginning of term), with the appropriate head teacher or line manager with the ability to maintain educational provision being the prime determining factor in relation to granting the request, eventual pattern of work and start date. Any review of working patterns will be subject to the provisions applicable to the relevant contract of employment (either job share or permanent part-time).
- Continue to occupy the post held immediately prior to winding down, subject to standing staffing arrangements
- Each application to wind down will be considered on its own merits but will normally only be considered where the teacher is surplus to establishment (or there is a surplus in the teacher's secondary subject or for other teachers, surplus in sector) or in receipt of personal conservation of salary or allowances.
- Teachers in the winding down scheme will be able to work additional hours beyond their contracted hours on a daily supply basis but the maximum service credited in any one calendar will not exceed 365 days.
- See paragraphs 3.2.4 - 3.2.6.

3.2 Administration

3.2.1 Teachers must make a written request using the application form attached (Appendix 1) to access winding down arrangements giving at least three months notice, in writing, to the personnel services manager.

Application through Appendix 1

- The teacher should complete form "STSS: (WD)12 Winding Down Application form" parts A and C
- The application form should be accompanied by a covering letter from the relevant head teacher (or a memo from the director or his/her nominee in the case of a head teacher) indicating knowledge of the application and giving information about the staffing in that particular school, and if there is no implication beyond the school, that agreement on a working pattern and start date has been reached. Requests made without reference to the head of establishment (or in the case of head teachers, the director or nominee) will be referred back to the appropriate head teacher or manager.
- Part B of the application form will be completed by Renfrewshire Council, and the completed form forwarded to the SPPA who will determine eligibility (NB paragraph 3.2.4)

3.2.2 The maximum permissible period in winding down employment is four years.

3.2.3 Where a teacher has been granted permission to wind down and subsequently returns to full-time teaching, further requests to access the winding down scheme will not normally be considered.

NB: A teacher granted permission to wind down but who subsequently returns to full-time teaching, cannot retain the full service credit awarded whilst in winding down employment.

3.2.4 Access to the winding down scheme is not automatic. The authority, in terms of the regulations, can refuse to grant a teacher's request to wind down and reserves the right to do so. Winding down contracts will only be granted where suitable alternative arrangements can be put in place to cover the vacant part of the teaching post (where necessary). Winding down will not commence until such time as suitable arrangements are in place to cover any remaining portion of the teacher's post. Where a recruitment process is necessary but unsuccessful the teacher will be required to continue working on a full time basis until such time as the service of an appropriately qualified teacher is secured.

3.2.5 Where permission is refused reasons for this will be given to the teacher. Where permission is granted the authority will submit the appropriate certification to the Scottish Public Pensions Agency.

3.2.6 The winding down contract may be for a post in a school other than the one in which the teacher is currently employed if this best suits the need of the service. The teacher will be made aware of this prior to arrangements being put in place.

4. PHASED RETIREMENT

4.1 All scheme members with reckonable service on or after 1 April 2007 will have the option of drawing down part of their main scheme benefits from age 55 onwards whilst continuing in pensionable employment, provided certain conditions are met.

4.1.1 Salary must be reduced by at least 25% for a minimum of 12 months. The reduction may be due to either a reduction in the hours worked or responsibility. Benefits are payable from the day after the reduction in salary.

4.2 A teacher may choose how much of their benefits they wish to take, calculated up to the date of the reduction in salary but at least 25% of the benefits must be retained in the scheme. Future service will be added to the residual service in future retirement calculations.

4.3 Two phased retirements can be taken before final retirement but in each case the salary must be reduced by at least 25% and at least 25% of the benefits retained in the scheme.

4.4 To qualify for retirement benefits under the STSS Regulations a teacher will need 2 years pensionable employment completed after 6 April 1988, 2 years pensionable service at any time if the teacher was in pensionable employment on 6 April 1988 or after, or 5 years of pensionable employment at any time.

4.5 A teaching accessing phased retirement between age 55 and 60 will have the part of their benefit they access actuarially reduced in line with the factors shown on page 2 of this Circular.

4.6 Application for phased retirement should be made using Form STSS: (PHA) 1 which is attached as appendix 2 to this circular along with the SPPA guidance notes.

4.7 Applications for phased retirement will be treated in the same way as applications for age retiral with staff being encouraged to give as much notice as possible. It is the Authority's wish to enable teachers to retire at their preferred date but applicants should note that the Scottish Public Pensions Agency (SSPA) operates on a three month administration basis.

TEACHERS' SUPERANNUATION (SCOTLAND) REGULATIONS
2005 (as amended)

GUIDANCE NOTES FOR WINDING DOWN (w.e.f. 1 April 2007)

Winding Down is a phased retirement option which offers those members approaching their retirement age, the opportunity to continue in employment on a part-time basis whilst protecting their overall final retirement pension entitlement.

The Regulations for eligibility to Wind Down were amended w.e.f. 1 April 2007 and allow members who have a Normal Pension Age of 65 to be included.

Therefore, to participate in Winding Down employment a teacher must-

- (a) have attained the age of
 - 56 if NPA is 60 or
 - 61 if NPA is 65
- (b) have been in full-time employment for a period of 10 years immediately prior to commencing winding down employment
- (c) have accrued a minimum of 25 years teaching service prior to commencing Winding Down (i.e. you must have had a contract to teach for at least 25 years). The period may include for qualifying purposes, a maximum of 5 years during any break or breaks in teaching service which will count towards the requirement of having 25 years teaching service
- (d) have the consent of their employer
- (e) go part-time and their employment must be equal to or more than 0.5 full-time equivalent
- (f) remain in Winding Down employment for a **maximum of 4 years prior to NPA**. Where a teacher ceases to be in Winding Down employment (leaving during or at the end of the 4 years permissible) and returns to teaching service, the service credit during the period of winding down employment shall be removed.

The benefits of being in Winding Down employment include are:-

- Each year of service under the part-time contract will count as one full year for pension benefit calculation purposes and
- The final pensionable salary, for benefit calculation purposes, will be the salary that you received in the 365 days prior to entering Winding Down employment, revalued using the Retail Price Index, to the actual point of retirement and
- The contributions both you and your employer pay are based on the actual salary you receive for the part-time post.

The following **do not count** as teaching service

- Previously purchased Past Added Years or Current Added Years (unless employed in a school or in an educational role supervising teachers outside the UK)
- Transfers In, unless from another Teachers' Superannuation Scheme (i.e. England and Wales, Northern Ireland, Guernsey, Jersey, Isle of Man or elsewhere outside the UK).
- The purchase of Additional Pension.

It must be noted that the Agency only holds records relating to service which is pensionable in the Scottish Teachers' Superannuation Scheme (STSS). If you have had periods of teaching employment where you were not contributing to the STSS, you will be required to provide evidence to support this. We will require you to submit details from your past employer(s) confirming dates and duration of employment. Payslips or other forms of supporting evidence may be suitable.

The SPPA will determine eligibility to Wind Down in all cases and advise the employer and employee accordingly.

Scottish Teachers' Superannuation Scheme

WINDING DOWN APPLICATION FORM
Please complete Parts A, B & C in block capitals and in black ink

A. Member Details

Superannuation No		Contact Address	
Surname			
First Name			
Title			
Date of Birth		Telephone Number	
NI Number		E-Mail address	

B. Employer Declaration

Proposed commencement date of Winding Down employment

- Winding down employment is part time service which is equal to or more than 0.5 FTE
- Winding Down full time equivalent contributable salary rate is not less than the salary rate prior to commencing winding down
- I have consented to the Winding Down employment

*Details of the Salary Rate being paid in the 365 days prior to entering winding down employment.
Please show separately any additional superannuable allowances paid during the period.*

Period of Payment	Number of Days	Annual Rate of Salary

Signature		<div style="border: 1px solid black; width: 150px; height: 70px; margin: 0 auto;"></div> <p>Official Stamp</p>
Name (Capitals)		
Position		
Date		

C. Member Declaration

I apply to commence Winding Down employment. I have enclosed all necessary evidence relating to past periods of teaching employment that were not pensionable under the Scottish Teachers' Superannuation Scheme.

Name		
Signature		Date

Please return completed form, via your employer, to:
SPPA, 7 Tweedside Park, Galashiels TD1 3TE
Telephone: 01896 89 3000
www.SPPA.gov.uk

NOTES FOR GUIDANCE FOR COMPLETING FORM STSS: (PHA)1

1. To apply for phased retirement you must be aged 55 or over and your salary must be reduced by at least 25% for a minimum of 12 months. The reduction may be due to either a reduction in the hours you work or in your responsibilities. Benefits are payable from the day after the reduction in your salary.
2. For members who are in multiple employment the reduction may be achieved by giving up one of your employments or reducing them all. Each employer is required to complete the employer application form.
3. You may choose how much of your benefits you wish to take, calculated up to the date of the reduction in your salary. You must retain at least 25% of your benefits in the scheme. Your future service will be added to your residual service in future retirement calculations. You can take 2 phased retirements before final retirement but in each case your salary must be reduced by at least 25% and you must retain at least 25% of your benefits in the scheme.
4. As part of the application process, SPPA must verify that a member's age is correct as given on the application form. If verification of date of birth is required we will contact you immediately upon receipt of your application requesting your birth certificate. Please be aware that your application will not be processed until your date of birth has been verified. You may wish to provide this documentation to your employer before submitting the application form.
5. To qualify for retirement benefits under the STSS Regulations you will need 2 years pensionable employment completed after 6 April 1988, 2 years pensionable service at any time if you were in pensionable employment on 6 April 1988 or after or 5 years of pensionable employment at any time.
6. If you were a member of the scheme before 1 April 2007 the method of calculating benefits, which will consist of an annual pension and a lump sum based on reckonable service and pensionable salary, is as follows:

$$\text{Pension} = \frac{\text{Service} \times \text{Pensionable Salary}}{80}$$

The lump sum is three times the pension.

If you became a member of the scheme on or after 1 April 2007 your benefits will consist of an annual pension based on reckonable service and pensionable salary. It will be:

$$\text{Pension} = \frac{\text{Service} \times \text{Pensionable Salary}}{60}$$

Under the Pensions (Increase) Acts pensions are increased automatically in April each year, to maintain the link with movements in the cost of living.

7. If you were a member of the scheme before 1 April 2007 and were in pensionable employment on or after 1 April 2007 you can convert, 'commute', part of your pension to receive a lump sum up to 25% of your fund value. The formula for calculating the maximum amount of lump sum that can be paid is as follows:

$$\frac{(\text{Pension} \times 20) + (\text{Lump Sum} \times 20/12)}{4.6667}$$

If you joined the scheme on or after 1 April 2007 the formula for calculating the maximum amount of lump sum benefits that can be paid is as follows:

$$\frac{\text{Pension} \times 20}{4.6667}$$

The resulting figure represents 25% of the fund value and is the maximum lump sum you may take. To determine the additional lump sum you may have you must deduct your actual lump sum from this figure. For each £1 of pension commuted there will be £12 of lump sum paid. Calculations can be undertaken on the website www.sppa.co.uk.

8. If you are intending to use 30% or more of your lump sum to increase your pension benefits, this could result in HMRC subjecting the whole of your lump sum to an unauthorised payment tax charge of 40% and a further 15% surcharge if the value of unauthorised payments exceeds 25% of your rights in the scheme. This recycling rule will not affect you if your lump sum does not exceed 1% of the Lifetime Allowance which is explained in note 17.

9. **The pensionable salary** is the salary used to calculate your benefits when you retire. The way it is calculated depends on when you retire. If you left service before 1 April 2007 it is the highest amount of full salary for any consecutive 365 days of reckonable service, whether continuous or not, during the last three years of reckonable service. If you were in service before 1 April 2007 and retire before 31 March 2009 the best of the following calculations will be used:

- the highest amount of full salary for any consecutive 365 days of reckonable service, whether continuous or not, during the last three years of reckonable service, or
- the salaries for the last ten calendar years are increased using the Retail Prices Index (RPI). The average of the best consecutive three years' re-valued salaries in those ten calendar years is used, or
- the pensionable salary received in the last 12 months before the date of retirement.

If you retire after 31 March 2009 the better of the following calculations will be used:

- the salaries for the last ten calendar years are increased to current day value using the RPI. The average of the best consecutive three years re-valued salaries in those ten calendar years is used;
- the pensionable salary received in the last 12 months before the date of retirement.

10. Salary restriction - The salary used to calculate your retirement benefits may be restricted if your salary is increased more than 10% plus the standard increase during any financial year in your last 3 years of pensionable employment before retirement and your last year's salary is used as the pensionable salary. If your employer is not prepared to meet the cost of the difference your benefits will be restricted. If your employer pays the additional contributions, you will receive benefits calculated on the unrestricted salary.

11. A maximum of 45 years of reckonable service is allowed in the calculation of pension and lump sum. Reckonable service includes all full-time pensionable service, any part time service that has been covered by an election, any additional service bought under the PAY or CAY arrangements and any transferred-in service.

12. If you have teaching service in England, Wales or Northern Ireland it may be possible to transfer this into the STSS, to be included in the calculation of your pension benefits.

13. If you are already paying for past added years or additional family benefits (and payments will not be completed by retirement) you will be given the option of accepting the service credit based on the payments made or paying the remaining contributions. Tax relief will only be granted on any payment received while you are in pensionable employment. Payment made by you retrospectively will not attract tax relief.

14. If you have purchased additional pension it will be actuarially reduced if this is before your normal pension age.

15. Modification is a reduction of £1.70 for each year of service prior to 31 March 1980 because of National Insurance provisions. This modified pension rate comes into effect when the state pension becomes payable.

16. If you have an earmarking or pension sharing order or agreement, made by a court, against part of your pension entitlement, your retirement benefits will be reduced accordingly.

17. Lifetime Allowance. The Finance Act 2004 introduced a single tax regime that applies to all UK tax privileged pensions from 6 April 2006. This new regime introduced a "Lifetime Allowance", which is the total allowable value of benefits (both pension and lump sum) from



SCOTTISH PUBLIC PENSIONS AGENCY

all registered pension schemes. This excludes pensions payable from the state. The Lifetime Allowance (LTA) will be set at the following levels for the coming tax years:

2006/2007 £1,500,000
2007/2008 £1,600,000
2008/2009 £1,650,000
2009/2010 £1,750,000
2010/2011 £1,800,000

To assess whether you are affected the following formula should be applied to your benefits:

$$\frac{(\text{Annual Pension} \times 20) + \text{Lump Sum}}{\text{Lifetime Allowance}} \times 100 = \text{LTA}\%$$

If the percentage exceeds 100% you will be liable for the LTA charge unless you have a transitional protection certificate.

18. For further information about the STSS you can visit our website www.sppa.co.uk

19. Please ensure that you have completed all relevant parts of the form before signing the declaration. Without your signature and the date, the application is invalid and we cannot proceed with your claim. This form should be completed and submitted to the SPPA three months before your retirement date. Delay in submission of the form may prevent you receiving payment of the retiring allowance timeously.

20. Benefits will be paid into your bank or building society account. It is extremely important that you ensure that the details are correct. For building society accounts you should quote the sort code (6 digits); account number (maximum of 8 digits) and roll number where applicable. If you are in any doubt, contact your branch for clarification. Please be advised that notifying us of changes to your banking details may result in late payment of benefits. If your bank is outside the UK please ensure the IBAN and BIC are provided. SPPA Payroll may require a further mandate to be completed in certain circumstances.

21. Data Protection Act 1998

The SPPA will use any information you provide in connection with the STSS for the purpose of administering and operating the scheme and paying benefits under it. This may include passing details to third parties that are involved in the administration and operation of the scheme. The SPPA may also use your data for administrative purposes in line with its data protection notification. In order to fulfil its duty to protect public funds, the SPPA may use information it holds to prevent and detect fraud. The SPPA may also share such information, for the same purpose, with other organisations that handle public funds.

Where there is any difference between the legislation governing the STSS and the information in these notes, the legislation will apply.

Full Time P/T Regular P/T Irregular

Section 2 – Details of Pensionable Salary

Full (F) or Part-time (P)	Start Date			End Date			Number of days/hours	Annual rate of Salary	Total Superannuable pay for period
	Day	Month	Year	Day	Month	Year			
Total pensionable salary									

Please confirm payment structure 261 days 365 days Months/days

Section 3 – Details of Non Superannuable service over the last 2 years

Full (F) or Part-time (P)	Start Date			End Date			Number of days/hours	Further Details
	Day	Month	Year	Day	Month	Year		

Section 4 – Certificate by Employer

- 1 The particulars given under Sections 1 to 3 are correct.
- 2 All contributions properly payable under the regulations governing the Scottish Teachers' Superannuation Scheme have been or will be deducted from salary.
- 3 Form STSS:(PHA)1 along with the guidance notes have been sent to the teacher for completion as appropriate.

Name of Employer	
Signature	
Name (capitals)	
Date	
Telephone No.	

Please return form to SPPA, 7 Tweedside Park, Galashiels, TD1 3TE

Employer's Stamp