

How Phased Retirement works

April 2024

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 also have the chance to submit an application three months after starting a new role (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.

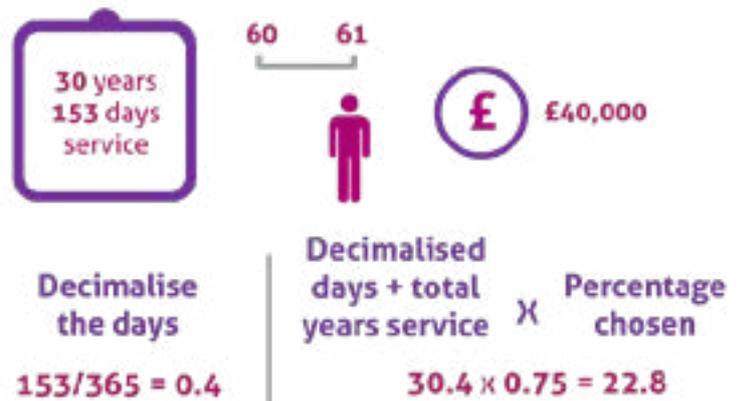
What is an example of Phased Retirement and how is it calculated?

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:
 $153 \text{ divided by } 365 = 0.4$
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, $30.4 \text{ multiplied by } 0.75 = 22.8$



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](#).