



Phased Retirement

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What is phased retirement?

- + Phased retirement is a flexible provision in the TPS that offers members greater choice about the way they manage the transition from work to retirement. For many, the cliff edge approach to retirement (where someone moves from full-time employment to full-time retirement over the space of a weekend) no longer meets their needs or expectations. Phased retirement provides for a more managed transition from work to retirement by enabling TPS members to continue in work in a reduced capacity whilst at the same time accessing some of their pension benefits.

Who can take a phased retirement?

- + Phased retirement is available to those aged 55 and over who, with the agreement of their employer, change the capacity in which they are working so that their pensionable salary is reduced by at least 20% compared to the average of the salary they have received during the preceding six months. The reduction in salary, which must last for at least 12 months, could be as a result of moving to part time work or taking up a post with less responsibility.

If you wish to take a phased retirement, you must apply to Teachers' Pensions within three months of taking up your new employment.

How much of my pension benefits can I take?

- + You can take up to a total of 75% of the pension benefits that you have in the TPS at the date your phased retirement begins. If you take them before your normal pension age, your benefits will be actuarially reduced to take account of the fact that they have been put into payment early and they will be in payment for longer.

Do I have to take 75% of my benefits?

- + No. You can take any proportion up to a total of 75%. There has to be a 20% reduction in your pensionable salary at phased retirement and the benefits you take cannot exceed 75% of the benefits that are available to you at phased retirement.



The salary reduction must be for 12 months

Can I take more than one phased retirement?

- + Yes you can take up to two phased retirements before final retirement. When you take your second phased retirement the amount you may receive is a maximum of 75% of your remaining service, which includes the service accrued following your first phased retirement.

Does my employer need to be involved?

- + Yes, you can only access phased retirement benefits if you are reducing the capacity in which you are working and that can only be done with the agreement of your employer. Your employer will need to certify that you have taken up, or will be taking up, a lower paid post which meets the criteria for phased retirement. The new appointment may be with a different employer. The application form must be signed by the employer responsible for your new working arrangement.

What happens if my salary goes above the 20% reduction in the first 12 months after my phased retirement?

- + Your application will be void and future pension payments will be suspended. There may also be an unauthorised payment charge from HM Revenue and Customs of 40% of the lump sum you have received.

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What happens to the service that is not used in the phased retirement calculations?

- + Remaining service, which must be at least 25%, will be aggregated together with any subsequent service you accrue to be used in any future benefit calculations.

What happens if I become ill after taking phased retirement?

- + If you have taken phased retirement then you may apply to receive ill-health benefits based upon your remaining service in the TPS.



You must apply within 3 months of taking up your new employment.

How will taking phased retirement benefits affect payment of the death grant should I die in service?

- + If you die whilst in pensionable employment, the death grant will be 3 times your average salary less any lump sums already paid.
- + The supplementary death grant.

Case Study

Mark is a 59 year old Advanced Skills Teacher who can draw his unreduced pension at age 60. His annual salary is £44,000 and he has 36 years' service. He was considering retirement, but wanted to carry on teaching in some capacity. With the support of his employer he has decided on a phased retirement. Mark has decided to give up some of his duties and reduce his salary by £15,000. He will also draw 50% of his pension benefits immediately.

This means that Mark will receive an immediate lump sum payment of £28,155*. He will then receive an annual pension of £9,385* plus his reduced salary of £29,000. The pension in payment will be subject to annual inflation increases.

* An actuarial reduction has been applied because Mark is taking some of his pension benefits before his normal pension age of 60.

This arrangement encourages Mark to carry on teaching. It also helps his school to retain an experienced member of staff.

If Mark continues to work for another three years before deciding to retire completely at age 62, he will receive a further pension and lump sum. These further pension benefits will be based on 18 years remaining service **plus** 3 years of new service and will use the average of the best consecutive three years' salaries in the last 10 years (reviewed to take account of inflation) as that would provide a higher benefit than using Mark's actual salary at retirement.

Where there is any difference between the legislation governing the Teachers' Pension Scheme and the information in this fact sheet the legislation will apply.

Need more information? You'll find all you need to know at www.teacherspensions.co.uk