



# Flexible retirement options

## A quick guide for employers

This factsheet has been produced by the NHSScotland Working Longer Group. It is based on a factsheet originally produced by the UK Working Longer Group. These groups were established to address the impact of a raised retirement age on NHS staff, employers and the provision of health services.

This factsheet walks you through the range of retirement flexibilities available to staff in the NHSScotland Pension Scheme (1995 and 2008 sections and the new 2015 scheme) and how you can apply these in your organisation. This factsheet accompanies an employee factsheet, designed for individuals.

### What does 'raised retirement age' mean?

Changes from April 2015 mean that the age that members can receive their pension under the 2015 NHS Pension Scheme arrangements (without reduction for early payment) will be set equal to their State Pension Age (SPA). For 70 per cent of NHS staff this will mean their pension age increases to between 65 and 68 years old. For example, if a member was born in 1971 their state pension age is 67, but if they were born in 1983 it is 68.

### How does this impact employers?

The current average age of staff in NHSScotland is 44 and this is projected to increase in the future. With over half of the NHS population now over 40 years old and a third over 50, the age profile of the NHS workforce is changing and will continue to increase as we move forward. It is therefore important that you consider the impact of an ageing workforce in business and workforce planning and consider how these flexibilities can support your organisation.

The Flexible Retirement Hub on the Working Longer section of the **Scottish Terms and Conditions Committee website** ([www.stac.scot.nhs.uk](http://www.stac.scot.nhs.uk)) includes information for employers and employees on the flexibilities available within the NHS Pension Scheme, how they can be implemented and how they can benefit organisations.

### How can retirement be approached flexibly?

Flexible retirement is defined as flexibility regarding the age at which an employee retires, the length of time an employee takes to retire or the nature and intensity of work in the lead-up to retirement. The NHSScotland Pension Scheme offers a range of flexibilities to support both staff and employers. This guide is designed to support you in discussions regarding flexible working with your staff. The available options must be discussed and agreed between the employer and employee.

The following flexible retirement options are available to your staff depending on which part of the scheme they are in:

	1995 section	2008 section	2015 scheme
Step down	✓	✓	✓
Wind down	✓	✓	✓
Retire and return*	✓	✓	✓
Draw down	✗	✓	✓
Late retirement enhancement	✗	✓	✓
Early retirement reduction buy out	✗	✗	✓

Members can find out which section or scheme they are in from the 'My Pension – Online Member Services' section of the **Scottish Public Pensions Agency (SPPA) website** ([www.sppa.gov.uk](http://www.sppa.gov.uk)) or by contacting SPPA. More detailed information on locating this information is given in the equivalent 'employee' guide

## Employer benefits

- Retain experienced staff with valuable skills.
- Enable and support your ageing workforce to continue in employment in a way that meets the needs of both the individual and the organisation.
- Provide the potential to secure the required skill mix for your organisation from within your current staff population.
- A strategic and effective response to demographic change.
- Provide a range of choice for employees about their approach to retirement or working longer.

## Step down

Employees can 'step down' to a different role, for example to reduce their level of responsibility whilst remaining in NHS employment. This supports the organisation to retain the individual's skills and experience whilst also supporting the employee on their approach to retirement.

Some members opting to step down may be eligible to have their higher level of pensionable pay protected, which might mean that the member's benefits are not affected. More information about this can be found on the **SPPA website** ([www.sppa.gov.uk](http://www.sppa.gov.uk)).

## Wind down

Staff can 'wind down' to retirement by remaining in their current post, but reducing the number of hours or days they work. As pensions for part-time staff are calculated on the whole-time equivalent salary and not the actual salary, the pension should not be reduced. However, staff will need to consider the impact this may have on the length of their membership, as this option reduces the speed at which members build up pensionable years.

This option may be used where the organisation wishes to retain the particular experience and skills within the team, but the individual wishes to reduce their hours as they approach retirement. This may support the member of staff to remain in work for a longer period of time before retirement.

\*Members of the 1995 section will not be eligible to rejoin the NHS Pension Scheme on their return to employment.

## Retire and return to NHS employment

Staff who have reached the minimum pension age can choose to retire, claim their pension benefits and then return to NHS employment.

Staff who retire from the 1995 section may return to NHS employment but they cannot continue to contribute to the NHS Pension Scheme. However, these staff may be eligible to contribute to an alternative scheme under automatic enrolment. For further information on automatic enrolment visit the [SPPA website](http://www.sppa.gov.uk) ([www.sppa.gov.uk](http://www.sppa.gov.uk)).

Staff who retire from the 2008 section or 2015 scheme may return to NHS employment and they will be able to continue contributing to the NHS Pension Scheme.

This means that individuals can retire and claim their benefits but return to NHS employment and continue working past their retirement age.

## Draw down

Members can take part of their pension benefits and continue in NHS employment. Members can take between 20 per cent and 80 per cent of their pension benefits and continue to build up future membership in the scheme. Members can draw down on up to two occasions before retiring completely. However, if the benefits are paid before age 65, the benefits would be reduced as they are being paid early.

In addition, if members are over age 55 and their pay is reduced by at least 10 per cent, they can also partially retire and take some pension benefits. The member's pensionable pay must be reduced for at least a year or the member will cease to be eligible for the pension they have drawn down.

Draw down can support staff to continue working whilst benefitting from being able to partially draw down their pension benefits and supplement their income ahead of retirement.

## Late retirement enhancement

If a member chooses to retire later than their NPA, their pension benefits will be increased by the application of late retirement factors.

The member can benefit from working longer to achieve an increase in pension benefits when they come to draw their pension.

## Early retirement reduction buy out (ERRBO)

Members or employers can pay additional contributions to buy out, or reduce, the actuarial reduction that would be applied to their pension were they to retire before their NPA. After joining the 2015 scheme, there will be a three month window to take out an agreement with a buy-out period beginning with the member's first day of pensionable service.

Alternatively, a member will have three months after the beginning of each subsequent scheme year to take out an agreement, with the buy-out period and contributions backdated to the beginning of that scheme year. You can find out more about ERRBO at the **SPPA website** ([www.sppa.gov.uk](http://www.sppa.gov.uk)).

Please note that ERRBO is different to the existing provision for early retirement in 'the interests of efficiency for the service'.

## Looking to the future

With a greater number of staff working into their later 60s, employers need to consider what steps can be taken to ensure motivation, engagement and productivity of the whole workforce. It is also important that consideration is given to the impact of an ageing workforce in business and workforce planning. These flexibilities can support your organisation in that process.

## Helpful references

Scottish Public Pensions Agency (SPPA) ([www.sppa.gov.uk](http://www.sppa.gov.uk))

Scottish Terms and Conditions Committee ([www.stac.scot.nhs.uk](http://www.stac.scot.nhs.uk))

