

GUIDE TO PARTIAL RETIREMENT PENSION & LIFE ASSURANCE SCHEME

July 2012

Inside this guide:

Many people look forward to the time when they can stop work and retire but if you are interested in winding down by working part time in the final years of your career, this guide will show you how the Scheme can help.



Scottish Enterprise

The Scottish Enterprise Pension & Life Assurance Scheme (the Scheme) is a valuable part of your overall employee benefits and, as you approach retirement, it is important to take time to ensure you are making the most of the opportunities the Scheme offers.

Full details about the Scheme benefits, how they are calculated and when you can take them are given in the Scheme booklet. In this guide, we deal specifically with the option to take your benefits in stages, known as partial retirement. You can download a copy of the Scheme booklet from the Scottish Enterprise intranet.

What are the benefits?

Would you like to gradually wind down by reducing your weekly hours of work as you approach retirement? Or have you reached the Scheme's Normal Retirement Date but would prefer to continue working on a part time basis?

The option to take partial retirement allows you to draw part of your pension and take a lump sum while still working for Scottish Enterprise (SE) and continuing to build up benefits in the Scheme.

Partial retirement can help SE too by allowing us to ease you into retirement while retaining your skills and experience.

Next steps

If after reading this guide you are interested in taking partial retirement you should:

- 1 Speak to your line manager informally to discuss a possible reduction in your weekly hours. You should do this before you formally apply for partial retirement.
- 2 Subject to SE's agreement in principle, contact the SE Pensions Administration Team at Hymans Robertson (call [0141 566 7655](tel:01415667655) or email scenadmin@hymans.co.uk) to ask for a personal quotation and the necessary forms.
- 3 If you then decide to go ahead, make a formal application to your manager for partial retirement. Please note you can only partially retire with SE's full consent.
- 4 Contact Hymans Robertson to confirm SE's decision.

“If you need advice, an Independent Financial Adviser specialising in pensions can help.”

Is partial retirement right for you?

This is a one-off decision – you cannot change your mind once you have taken partial retirement or reduce your pension after you have started to receive it (although you may be able to increase it). You need to carefully consider all your options before deciding if partial retirement is right for you. There are a number of factors you should consider:

- You must be at least 55.
- You must reduce your weekly hours by at least 20%.
- SE must agree to you reducing your weekly hours and taking partial retirement.
- At the date you partially retire, your pension plus your reduced salary must not be more than your salary prior to your partial retirement.
- Your pension is subject to income tax, so you will need to consider the impact on your personal tax liability.
- Any benefits you take before you reach your Normal Retirement Date will be reduced because you will be receiving them early.
- The length of time that you are in partial retirement – as this may impact on the benefits that you build up after taking partial retirement.

The best way to understand how partial retirement works in practice is to look at some case studies. The following section looks at the options available to 2 fictitious SE employees – Mark and Sandra.

If you joined the Scheme before 1 December 2006, you should read Mark's case study. If you joined on or after 1 December 2006, then take a look at Sandra's. For simplicity each of them is partially retiring at 60 but you can request partial retirement at any time from age 55.

Bear in mind that these case studies are only a guide as we can't cover all the options here. For information and figures based on your own personal circumstances, please contact either your HR BP or the [SE Administration Team](#). Contact details are given on page 8 of this guide.

Your Normal Retirement Date is your 60th birthday if you joined the Scheme before 1 December 2006 or your 65th birthday if you joined on or after 1 December 2006.

It is important to note that the case studies are only illustrations. Please ask for a quotation based on your individual circumstances.

If you work part time we will use your full time equivalent salary to work out your Final Pensionable Salary.

Case studies

Member who joined prior to 1 December 2006

Mark is 60 and as he joined the Scheme before 1 December 2006 he has reached his Normal Retirement Date. He works full time and receives a full time equivalent salary of £26,000 which results in a Final Pensionable Salary (FPS) of £26,000. He has 20 years' Pensionable Service.

If Mark fully retires he would receive:

Annual pension	Plus	Lump sum
£6,500 a year		£19,500

See page 8 of the Scheme booklet for more information on how we calculated Mark's benefits.

SE has agreed to reduce Mark's hours to 4 days a week reducing his salary to £20,800 a year and for him to partially retire.

Mark's reduced salary plus his pension must not be more than £26,000 (his salary prior to partial retirement). This means the maximum pension he can take is £5,200 a year. Mark decides to take the following benefits:

Annual pension	Plus	Lump sum
£3,250 a year		£9,750

This is half his overall benefits which means he has used up 10 years' Pensionable Service. This leaves Mark with 10 years of Pensionable Service he has not taken as pension.

Three years later Mark's part time salary has increased to £21,000 a year, increasing his FPS to £26,250. He has continued to work 4 days a week but is now ready to fully retire. As Mark's Normal Retirement Date was his 60th birthday he is taking the remainder of his benefits 3 years late at age 63.

When Mark took half his benefits 3 years ago, this left him with 10 years' Pensionable Service to use up. As Mark has worked 4 days a week out of 5 for a further 3 years since taking partial retirement he can add another 2 years and 4 months to the 10 he has left. This 12 years and 4 months of Pensionable Service will give him:

Annual pension	Plus	Lump sum
£4,071 a year		£12,141

This pension and lump sum will be added to the benefits Mark took 3 years ago. This means Mark's total benefits would now be a minimum of:

Annual pension	Plus	Lump sums
£7,321 a year		£21,891

Remember, the pension in payment is subject to annual reviews and may increase.

The figures above are for illustration purposes only.

Final Pensionable Salary means the greater of:

- your highest Pensionable Salary in any 1 of the 5 years before you retire (or leave); and
- the highest 3 consecutive years' average Pensionable Salaries ending in the last 10 before you retire (or leave).

Benefits taken before the Scheme's Normal Retirement Age are reduced because they are being paid early.

Member who joined the Scheme on or after 1 December 2006

By the time Sandra is 60 she has 15 years' Pensionable Service and receives a full time equivalent salary of £26,000 which results in a Final Pensionable Salary (FPS) of £26,000. As she joined the Scheme on or after 1 December 2006 her Normal Retirement Date is her 65th birthday. SE has agreed to her reducing her hours from 5 to 3 days a week and taking partial retirement. Her pay reduces to £15,600 a year.

As Sandra's Normal Retirement Date is her 65th birthday any pension she receives at age 60 will be reduced because it is being paid 5 years early.

If Sandra fully retires when she is 60 she would receive:

Annual pension	Plus	Lump sum
£3,661 a year		£12,073

Instead, Sandra takes:

Annual pension	Plus	Lump sum
£1,220 a year		£4,024

This is a third of her overall benefits which means she has used up 5 years' Pensionable Service. This leaves Sandra with 10 years of Pensionable Service she has not taken as pension.

See the Scheme booklet for more information on how we calculated Sandra's early retirement benefits.

Five years later at age 65, Sandra's pay has increased from £15,600 to £16,000 a year, increasing her FPS to £26,667 and she has continued to work 3 days a week. She is now ready to fully retire.

As Sandra has now reached her Normal Retirement Date she can take the remainder of her benefits without any further reduction for early payment. When Sandra took a third of her benefits 5 years ago this left her with 10 years of Pensionable Service to use up. As Sandra has worked 3 days out of 5 for a further 5 years since taking partial retirement, she can add another 3 years to the 10 years she had left. This 13 years' Pensionable Service will give her:

Annual pension	Plus	Lump sum
£4,333 a year		£13,000

These benefits will be added to the pension and lump sum Sandra took 5 years ago. This means Sandra's total benefits would now be a minimum of:

Annual pension	Plus	Lump sums
£5,553 a year		£17,024

Remember, the pension in payment is subject to annual reviews and may increase.

The figures above are for illustration purposes only.

Final Pensionable Salary means the greater of:

- your highest Pensionable Salary in any 1 of the 5 years before you retire (or leave); and
- the highest 3 consecutive years' average Pensionable Salaries ending in the last 10 before you retire (or leave).

Your questions answered

Your membership of the Scheme

If you take partial retirement, your membership will be divided into different parts:

- you will be a pensioner member because you are now receiving a pension; and
- you will be an employee member for the benefits not taken and the extra Pensionable Service you continue to build up while working for SE; or
- if you leave the Scheme the benefits you have not taken will be treated as being preserved benefits until you fully retire.

It is important to understand this because the benefits your Beneficiaries will receive if you die before them will be treated differently. Details are available in the Scheme booklet.

What happens if I leave SE after taking partial retirement but before I fully retire?

You will be treated as a deferred member for the benefits you have not yet taken and the extra benefits you may have earned since taking partial retirement. See the Scheme booklet for information about how these benefits will be treated.

The pension you have already taken will continue to be paid and be unaffected by your decision to leave SE.

What happens if I die before fully retiring and still working for SE?

Your Beneficiaries will receive:

- a lump sum of 3 x your Pensionable Salary (the actual amount you are being paid) at the time of your death; plus
- if you die within 5 years of taking partial retirement, a lump sum equal to 5 x your annual pension, less any pension payments already paid.

In addition, assuming you have no dependent children, your spouse or civil partner will be paid a pension for life calculated in 3 parts:

1. Half the pension in payment; plus
2. Half the pension you did not take on partial retirement; plus
3. Half the additional pension built up since taking partial retirement.

Parts 2 and 3 will be increased if they are paid after your Normal Retirement Date.

Any pension you did not take on partial retirement will be calculated using your Final Pensionable Salary calculated at the time of your death.

The Scheme booklet explains the benefits payable to your dependants in more detail.

“The benefits your Beneficiaries will receive if you die before them will be treated differently.”

“Taking partial retirement could have tax implications for you”

Is there a limit on the total amount of salary and pension I can receive?

Yes. At the date you take partial retirement your total income (i.e. ongoing salary plus pension from the Scheme) must not exceed your salary prior to your partial retirement. Also, taking partial retirement could have tax implications for you. It could also affect means tested State benefits. It will be your responsibility to check the impact on your personal taxation and other liabilities each year.

Can I increase my pension after I have partially retired?

Yes so long as SE agrees to you further reducing your weekly hours and that your new pension plus your reduced salary is not greater than your salary before you took partial retirement.

Please note it is not possible to reduce your pension once you have partially retired so you need to consider all your options before making a decision.

Can I partially retire and take part of my pension but no lump sum until I fully retire? Or can I take just the lump sum and no pension?

No, you must take both at the same time, although your personal quotation will give you a number of options.

Why is my pension reduced if I take it before my Normal Retirement Date?

If you take part, or all, of your pension early you will be receiving those payments for longer than had you waited until your Normal Retirement Date. Similarly if you delay all, or part, of your retirement, the Scheme will pay you a higher pension. The factors which will be applied to your pension are subject to change from time to time.

The [SE Administration Team](#) can provide figures on request.

I pay Additional Voluntary Contributions (AVCs), can I continue with these after partially retiring?

Yes you can. Contact the [SE Administration Team](#) if you wish to continue paying AVCs after taking partial retirement and they will provide you with further information based on your personal circumstances. If you are buying extra years' service with your AVCs, the extra years granted after partial retirement will reflect the fact that you are now working part time. For example, if you were buying 2 extra years but then decided to partially retire and reduce your hours by half, you would buy 1 extra year.

Sources of information

“To find out how much State pension you might receive and how to claim it, visit www.direct.gov.uk and click on pensions and retirement planning.”

To find out how much State pension you might receive and how to claim it, visit www.direct.gov.uk and click on 'pensions and retirement planning'.

You may have other benefits from previous employers. If you have lost touch with a company you have worked for in the past, you can trace any pension entitlements by contacting the Pension Service at:

**Tyneview Park
Whitley Road
Newcastle upon Tyne
NE98 1BA**

Tel: 0845 6002 537

www.direct.gov.uk/pensiontracing

Age UK can offer general information about life in retirement plus support and advice about benefits you may be entitled to receive.

Tel: 0800 169 6565

www.ageuk.org.uk

For further information about partial retirement, or any other aspect of your Scheme benefits, please contact the SE Administration Team at Hymans Robertson:

**SE Administration Team
Hymans Robertson LLP
20 Waterloo Street
Glasgow
G2 6DB**

Tel: 0141 566 7655

Email: scenadmin@hymans.co.uk

Full details of all benefits and the rules governing the Scheme are contained in the Trust Deed and Rules. In the event of any discrepancy between this booklet and the Trust Deed and Rules, the terms of the Trust Deed and Rules shall override.