

## **FLEXIBLE RETIREMENT POLICY**

### **1. Introduction**

1.1 Following the removal of the Default Retirement Age, with effect from 1 October 2011, the University will not assume that employees will retire at any specific age.

1.2 This policy applies to all employees and will be of particular relevance to employees who are considering their working options as they approach pensionable retirement age.

1.3 The university recognises that employing and retaining an age diverse workforce has real business benefits but also that it is equally important to have a procedure in place for applying for flexible retirement.

1.4 The University is committed to providing opportunities which enable employees to make the best possible contribution to meeting organisational goals. We recognise the need to provide employees with options and flexibility and to value their contribution. In line with the university's other policies regarding flexible working, the Flexible Retirement Policy aims to provide employees with options that enable them to achieve a better work-life balance.

1.5 The university aspires to the highest international standards for its teaching and research. The maintenance of a balanced workforce is important to its long term sustainability in the retention of knowledge and excellence, and the development of skills and experience. To foster a truly diverse community in which for example, gender and age are properly represented, succession planning and a flexible approach to retirement in line with the strategic plans for the institution are essential.

1.6 It is helpful to understand the intention of employees with regards to their future career and retirement plans, as far as is possible, to enable the University to undertake succession planning and to assist employees in their career planning process. The university will continue to discuss with all employees irrespective of age their short, medium and longer term career aspirations.

1.7 We would encourage employees to engage in open and transparent discussions with their appropriate line manager, specifically in relation to retirement, as early as possible in their career planning process. Such conversations should take place regularly and form part of the annual staff development and performance review process.

1.8 This policy includes guidelines for retirement, retirement and further employment, and flexible retirement.

### **2. Definitions**

2.1 Retirement - This is what many would see as the traditional meaning of retirement and involves the employee resigning fully from their employed work at the same time as accessing their pension benefits.

2.2 Retirement and further employment – This is where an employee retires in full, accessing their pension, and then seeks re-employment with the University in another role or with another employer.

2.3 Flexible retirement – This is the opportunity for eligible employees to continue in their employment with the University, earning a reduced salary as a result of a reduction in working hours and/or grade while also receiving any pension benefits which have been accrued.

### **3. Retirement Options**

#### **3.1 Retirement**

3.1.1 The university no longer operates a contractual retirement age and therefore the employee is able to choose when to retire. As the university will no longer be determining when an employee retires the process of retirement will therefore be voluntary.

3.1.2 It should be noted that 'retirement age' is when an employee chooses to retire whereas 'pension age' is when an employee's benefits under that scheme become accessible. The main university pension providers are the Universities' Superannuation Scheme (USS) and the Aberystwyth University Pension Plan (AUPP), although the individual may also be a deferred member of AUPAS (Aberystwyth University Pension and Assurance Scheme).

3.1.3 The age at which an employee can access their occupational pension benefits will depend on the individual scheme rules; for state benefits the age at which benefits can be taken will depend on date of birth and gender.

3.1.4 If an employee wishes to retire when they reach their pension scheme age they are required to resign from their post. This should be submitted in writing to their Head of Department, Head of Professional Services Department, Faculty PVC, Faculty Manager or nominee and meet the appropriate notice provisions.

3.1.5 It is acknowledged that individual intentions to retire can change due to a variety of personal circumstances and any informal discussions will only be progressed formally once notice to resign has been given.

#### **3.2 Retirement and further employment**

3.2.1 Accessing all the accrued pension benefits does not preclude a member of staff applying for another post with the University, or with another employer, at any point in the future. However it is likely that if a member of staff wishes to access their full pension benefits they would have to resign and then seek re-engagement.

3.2.3 Employees who retire can seek re-employment via the university's normal recruitment procedures.

3.2.4 Employees should note that the value of any earnings received after taking full retirement benefits may impact on the value of the annual pension received. Annual pension and salary earnings may be liable to tax payments. More details are available from HM Revenue and Customs, the Finance Department and the relevant pension scheme web pages.

#### **3.3 Flexible Retirement**

3.3.1 Flexible Retirement is the opportunity for eligible employees to continue in their employment with the University, earning a reduced salary as a result of a reduction in working hours and/or grade while also receiving any pension benefits which have been accrued at that point.

3.3.2 With the abolition of the default retirement age, the university is mindful of the opportunities such a significant shift in legislation and culture affords to both organisations and employees.

3.3.4 Flexible retirement allows employees a period of transition between full employment and full retirement. Where an employee's pension scheme allows for flexible retirement this will entail the employee taking a reduction in either working hours or salary.

3.3.5 Flexible retirement allows the university to retain valuable skills and knowledge which can effectively be transferred prior to an employee's full retirement.

3.3.6 In particular, flexible retirement can benefit the University by:

- Retaining experienced staff by providing a mechanism whereby they can continue employment;
- Enabling succession planning to fill the vacated hours;
- Supporting our aim to be an employer of choice;
- Supporting our flexible working policies and arrangements;
- Saving on recruitment costs.

3.3.7 The university will, however, take the full cost and service implications into account when considering any application for Flexible Retirement. Flexible Retirement requests will only be agreed where there is a clear benefit for the University.

#### **4. Effect of Flexible Retirement on their Aberystwyth University Pension and Assurance Scheme (AUPAS)**

4.1 Employees over the age of 55 can take their AUPAS pension and lump sum at any time and continue to work for the University.

4.2 **Early payment** – employees who retire early must take all their benefits at the same time and their AUPAS pension will be based on the higher of their index salary from scheme closure date or the final salary. Their benefits may be subject to a reduction to reflect the early payment. Employees will earn no further benefits in the scheme once they have taken their benefits in this manner.

4.3 If an employee dies after their benefits come into payment they will be treated as if they died after retiring and their benefits will be worked out on that basis.

4.4 **Late payment** – when an employee reaches Normal Pension Date they may continue working for the university and defer taking their benefits up to age 75. Their pension will be based on the higher of their index salary from scheme closure date or the final salary at their Normal Pension Date. They will earn no further pension but the pension they defer will be increased to reflect its late payment.

#### **5. Effect of Flexible Retirement on their Aberystwyth University Pension Plan (AUPP).**

5.1 As AUPP is a defined contribution scheme, the date of retirement has no bearing on when funds are drawn out of the scheme.

#### **6. Flexible Retirement under the Universities' Superannuation Scheme (USS).**

6.1 Scheme changes within USS implemented with effect from 1 October 2011 allow active members of the scheme to remain in the employment of the University and continue to build up pension benefits in the scheme, whilst drawing some of their accrued pension benefits.

6.2 Eligibility under the scheme:

- Active members of the scheme, in either the final salary or the career revalued benefits section will be able to apply to their employer to flexibly retire under these provisions. This will include members who are exempt or are excluded from paying contributions having completed 40 years' pensionable service or having reached the age of 65 (employees who do not have 40 years' service having reached age 65 may still accrue benefits).
- Flexible retirement will not be available to deferred members or in respect of any variable time employment (contracts where there are variable hours of work). Also, at the current

time, multiple appointment (members who hold two or more contracts of employment which are pensionable within USS) are not eligible for flexible retirement.

6.3 In order to apply for flexible retirement under the scheme, the following requirements must be met:

- The member must be aged 55 or above;
- He/she must have 'qualifying service' (this is a period of service or other qualification that would otherwise entitle a member to preserved benefits if he/she ceased to be an active member and is normally a period of at least two years' pensionable service);
- The proportion of benefits drawn is a minimum of 20% and a maximum of 80% of the member's total pension and lump sum at the date of flexible retirement (note that benefits will be actuarially reduced to the extent that they are payable before the member's normal pension age);
- A member must reduce their working hours by a minimum of 20% and also reduce their salary by a minimum of 20% on a long term basis (and in any event for no less than 12 months);
- A member may elect to flexibly retire on a maximum of two occasions, following which the member must draw further benefits only by retiring in full. When a member takes a second flexible retirement, the maximum proportion of benefits he/she may receive on the second flex is 80% of the then accrued benefits less the percentage of benefits drawn on the first flex.

6.4 If a member wishes to explore the possibility of flexible retirement he/she may firstly chose to visit the USS website to use the benefit modeller (inputting information from their last service statement) to find out in broad terms the amount of benefits to which he/she is entitled.

6.5 If a member requires a more formal, provisional quotation of benefits on flexible retirement, a 'request for a flexible retirement quotation' form should be completed by the employer. At this stage it is anticipated that the employer and member will have started to discuss the issue of flexible retirement, however, no final decision on the application to flexibly retire will have been made by the employer. A quotation prepared by the trustee company will be provided to the employer along with a copy for the employer to provide to the member.

6.6 Should a member decide to proceed to flexibly retire, and his/her employer's consent is obtained, a 'notification of a member's flexible retirement' form will need to be submitted to the trustee company at least two months ahead of the intended date of flexible retirement. This form will confirm the intended flexible retirement date and percentage of benefits to be drawn. As part of this form, the employer will be required to complete a declaration regarding the reduction in working hours and salary. The trustee company will then arrange for payment of benefits to the member.

## **7. AU Procedure for applying for flexible retirement**

7.1 An employee who is considering the option of flexible retirement should have an early discussion with their Head of Department, Head of Professional Services Department, Faculty PVC, Faculty Manager or nominee.

7.2 The employee should then obtain an estimate of their pension benefits either directly from USS, AUPP or for their AUPAS scheme. USS members should, in the first instance, use the benefit modeller available on the USS website. If the employee requires a more formal, provisional quotation, they should inform the Director of HR or nominee as the University will be required to submit a 'request for a flexible retirement quotation' form to the USS trustee company, AUPAS or AUPP.

7.3 Once the employee has been provided with a copy of their estimate they should decide whether or not to proceed with an application for flexible retirement.

7.4 Employees who decide to pursue an application should complete AU's 'Flexible Retirement Request Form'. The form must be signed, dated and (unless otherwise stated below) sent to the relevant Head of Department, Head of Professional Services Department, Faculty Director, Faculty Manager or nominee with a copy to the Human Resources. This will then be uploaded to the Post Approval Group for consideration. The AU Flexible Retirement Request Form has been provided to aid the request process.

7.5 Requests for flexible retirement from certain individuals may be required to follow a modified procedure. Examples of such posts are:

- Heads of Academic Departments, Pro Vice-Chancellors and other members of the Executive Team, may be required to apply to the Vice-Chancellor.
- Heads of Professional Services Departments and staff employed in Human Resources may be required to send requests to the Director of Finance and Corporate Services

In all cases a copy of the request form should be sent to the Director of Human Resources who can advise on the appropriate procedure to be followed.

7.6 The Head of Department, Head of Professional Services Departments, Faculty PVC, Faculty Manager or nominee, on receiving the completed form, should acknowledge receipt, in writing, to the employee within 10 working days. The Head of Department, Head of Professional Services Department, Faculty Director or nominee must then prepare a business case in relation to the request. The business case should take into account the following:

- Implications for the team / service;
- Needs of the service;
- Whether the request will enable the retention of valuable skills / experience / knowledge;
- Whether the request will enable a potential successor to be identified and developed;
- Consideration of the impact of the request, taking into account pension benefits and reduction in earnings;
- All cost implications.

7.7 The business case must also specify which of the following three options will be used to address a reduction in hours:

- Delete the residual hours to achieve a saving, this may entail a change to working practice and/or service provided;
- Cover the hours, with a lower graded post, as part of a succession plan;
- Make an appointment to the remaining hours.

7.8 The Head of Department, Head of Professional Services Department, Faculty PVC, Faculty Manager or nominee should then submit the business plan to the Director of Human Resources. This will then be consideration by the Executive. Upon making a final decision, Executive will take into consideration the employee's application and the business case.

7.9 The employee will be notified of the outcome in writing within 10 working days of the decision being made by Executive. Where a request is approved, in the case of applications from USS members, the University will submit a 'notification of a member's flexible retirement' form to the trustee company. The employee will also be issued with a contractual letter setting out the revised terms and conditions of employment.

7.10 Where the request is declined the employee will receive written notification giving details of the reasons why the application was unsuccessful in this instance. Details of the employee's right to appeal (see section 9 of this policy) must also be provided.

7.11 In the case of declined applications, employees may reapply for flexible retirement after a period of 12 months from the date that their application was declined.

7.12 An employee who has previously been granted flexible retirement can apply for a further reduction in hours and / or grade. Where an application for Flexible Retirement is subsequently approved, a letter will be issued setting out the revised terms and conditions of employment. Unless otherwise stated, the change will be permanent and the employee will not have the right to revert to their previous working arrangement.

## **8. Appeal Procedure**

8.1 If an employee's request for flexible retirement is declined they have the right to appeal. Notice of the appeal should be made in writing and (unless otherwise stated below) addressed to the Director of Human Resources.

8.2 For Heads of Academic Departments, Heads of Professional Service Departments, Pro Vice-Chancellors and other members of the Executive Team (the appeal must be made to the Vice-Chancellor).

8.3 Heads of Professional Services Departments should address any appeal to the relevant Exec member, as should staff in Human Resources.

8.4 In all cases a copy of the appeal should be sent to the Director of Human Resources.

8.5 An appeal can only be made on the grounds of defect in procedure.

8.6 Notice of the appeal must be made by the employee in writing, within 14 days of receiving the decision, setting out the grounds of appeal.

8.7 A member of Council will review the case to consider whether a defect in procedure has occurred. Where no defect in procedure is identified the employee will be notified in writing within 10 working days. There is no further right of appeal. Where a defect in procedure is identified, the member of Council will notify the Director of Human Resources and Organisational Development in writing. The Director of Human Resources and Organisational Development will then re-consider the application. The employee will be notified of the outcome of the appeal in writing within 10 working days of the decision being made by the Executive.

## **9. Addendum**

9.1 All retirements and applications for payment of pension benefits are subject to the regulations of the relevant pension scheme. In dealing with any retirements the University is bound by statutory regulations and the provisions of the schemes currently being administered within the university. If there is any difference between the legislation governing the relevant pension schemes and the information in this policy, the legislation will apply.

## **10. Policy Review**

10.1 Human Resources will co-ordinate a review of this policy in order to maintain compliance with legislation and good practice. The review will be undertaken in liaison with the recognised trade unions and any proposed amendments will be submitted to the appropriate relevant committee, University Executive and Council if required.

## **11. Equality Impact Assessment.**

11.1 The university is committed to embedding the Equality Scheme into its policies, procedures and practices. This policy has been equality impact assessed in accordance with this scheme.

### **12. Welsh Language – Employee Rights**

In accordance with the Welsh Language Standards that came into effect on 1 April 2018 employees have the right to use the Welsh language to

- (a) make a complaint
- (b) respond to a complaint or allegation

and employees also have the right to use the Welsh language in meetings where they are the subject of

- (c) complaints and allegations (or have made the complaint)
- (d) disciplinary proceedings
- (e) effective contribution scheme discussions
- (f) individual consultation meetings

A simultaneous translation service from Welsh to English will be provided at the meeting when the meeting cannot be conducted solely in Welsh.

The university has, in conjunction with its recognised trade unions, incorporated the above requirements into all relevant HR policy and procedural documents.