

FLEXIBLE RETIREMENT

Flexible retirement is a scheme which allows employees, with university approval, to achieve a mix of retirement and continuity at work. The employee reduces their work and gives up part of their salary in exchange for part payment of their pension.

For the employee, the benefits can include an improved work-life balance or freeing up time for caring or other responsibilities without taking the full financial penalty that can come with going part-time or leaving work altogether. It is also a way of tapering towards eventual full retirement rather than facing the 'cliff edge' of going straight from full-time work to full-time retirement.

For the department, flexible retirement offers a means of retaining key staff who might otherwise be lost to full retirement and of smoothing transitions and succession planning. It may also be a feature of managing EJRA requests where a department and the employee would like the employee to continue beyond the EJRA in part, but not all, of their previous role.

Flexible retirement is available to members of USS and OSPS. These guidelines are based on the detailed rules applicable to those schemes. Note: if the staff member holds a **work visa**, a change in hours or role may well require a fresh application for a work visa to be made. Tier 2 work visa holders who are considering flexible retirement must consult the Work Permits desk at the earliest opportunity.

Schemes

Members of staff can request flexible retirement in accordance with the Rules of the pension scheme to which they belong.

USS. The option of taking flexible retirement was made available to USS members as part of the changes introduced on 1 October 2011.

- an outline of the USS rules on flexible retirement is at www.uss.co.uk/Factsheet List/Flexible Retirement FS.pdf

OSPS. Flexible retirement became available to OSPS members as part of the changes introduced on 1 January 2013.

- The formal OSPS Rules permit flexible retirement in accordance with this policy.

Other pension schemes. Other pension schemes, including the NHSPS, offer flexible retirement. Members should seek information from the scheme administrator or the Pensions Office.

- an outline of the NHSPS rules on flexible retirement is shown on page 23 of the scheme booklet which can be found at [www.nhsbsa.nhs.uk/Documents/Pensions/SD_Guide - Online \(V7\) 09.2011.pdf](http://www.nhsbsa.nhs.uk/Documents/Pensions/SD_Guide_-_Online_(V7)_09.2011.pdf)

Eligibility

Active members of USS or OSPS aged 55 or over with at least two years of qualifying service in the scheme may apply for flexible retirement

- it is expected that from later this year (2013) flexible retirement will be available to USS members with joint appointments, who are currently excluded from flexible retirement by USS rules
- employees on variable hours contracts are excluded from flexible retirement
- there is no upper age limit to eligibility – an employee who has passed the normal pension age may still apply for flexible retirement.

Criteria

Any request for flexible retirement should include:

How much pension the employee wishes to take

- The employee can ask to take between 20% and 80% of total standard pension benefits, in increments of 5%.
- The employee may request two flexes before taking full retirement.
- If the employee takes 80% of pension at the first flex, a second flex is automatically precluded – the next step is full retirement.
- If the employee wishes to keep open the option of a later, second flex before full retirement, he or she may only take a maximum of 75% of pension at the first flex .
- A second flex can request taking another portion of pension, provided that, when added to the amount taken at the first flex, the total does not exceed 80%.
- If the employee takes any pension before his or her Normal Pension Age (currently the 65th birthday), the amount of benefit will be reduced for early payment. If the employee is a member of USS who joined USS before 1st October 2011, or is a member of OSPS who joined OSPS before 1st August 2004, the reduction will apply only if the employee takes pension before age 60. Employees should be encouraged to get pension forecasts from Pensions Office.

By how much the employee wishes to reduce salary

- The employee must reduce salary by at least 20%.
- This may be achieved by the employee asking to work fewer hours, in steps equivalent to a half-day (i.e. 10% or 0.1 FTE for a full-time worker).
- For a full-time worker a reduction in salary of 20% would be the equivalent of moving to a four-day week.
- The necessary change in working pattern may also entail a change of role or grade (see Considerations, below).
- The reduced salary (plus any general pay award) has to apply for at least 12 months.
- A subsequent flex must include a minimum further 20% salary reduction.

There is not a fixed ratio between the amount of pension taken and the amount of salary reduction.

Date when the employee wishes to start flexible retirement

- USS and OSPS require formal notification at least two months before the intended starting date of the flexible retirement arrangement, so it is imperative that the Pensions Office receives formal notification in good time to meet this pension scheme requirement.
- A request for flexible retirement should therefore be agreed at least three months before the intended starting date.

Informal discussion

Best practice is for the employee and department or division to have informal discussion of the employee's wish for flexible retirement.

- This allows both parties scope to explore options and to negotiate and agree an acceptable arrangement.
- This suggests that the process of applying for flexible retirement should start several months before the desired start date.
- Consultation with the Pensions Office can help inform these discussions .

Discussion of final retirement

A flexible retirement request could be agreed as part of a package which includes voluntary agreement on a subsequent, second flex (if requested) and on the employee's final retirement at a specified date in the future.

- In such cases approval of the package would entail department and employee each making a binding commitment to vary the contract on at least one occasion (i.e. implement the 'flex') and to final retirement on an agreed date. The agreed package would include notice of retirement by the employee i.e. a resignation letter.
- The agreed final retirement date could be at any future date, provided that it was at least 12 months after the first flexible retirement 'flex'.
- Any subsequent change to the agreed package, including to the final retirement date, would have to be agreed by both employee and the department.
- Such a package could introduce a welcome degree of certainty into retirement and succession planning in the case of those staff who no longer have a fixed retirement age (as and when flexible retirement becomes available to them).
- Clarity from the employee about how long a period of flexible retirement is intended to last could make it easier for a department to assess and mitigate the impact that approval of a flexible retirement request would have on its business going forward.
- Agreement on such a package is voluntary. Departments should not use a flexible retirement request as a means of compelling staff to agree to a fixed retirement date.

Application

After informal discussions, the employee makes a formal request for flexible retirement in writing

- for academic staff, the request should go to the divisional secretary for consideration by the head of division

- for other staff, the request should go to the departmental administrator for consideration by the head of department
- where the request is for a first or second flex, without reference to final retirement the employee should use [model letter FR1](#)
- where the request is part of a package which includes agreement on a date for final retirement, the employee should use [model letter FR2](#)
- where flexible retirement forms part of a request to continue working beyond the EJRA, it should be requested as part of the EJRA application and not separately.

Decision

Flexible retirement may only be granted with the consent of the University.

Requests linked to the EJRA Where a flexible retirement application forms part of a request to continue working beyond the EJRA, the decision will be taken by the EJRA Committee as part of the [EJRA Procedure](#).

Other requests In all other cases, it is for the head of division (for academics) or head of department (for other staff), in consultation with others as appropriate, to decide whether or not flexible retirement would serve the best interests of the University.

All requests should be given timely and careful consideration and should not be rejected unreasonably, but:

- the division or department may reject an application outright; or
- the division or department may require a change in the nature of the request as a condition for acceptance; or
- the division or department may wish to link approval of a flexible retirement request to an agreement on the applicant's eventual full retirement date.

Considerations

In deciding on a request the division or department should take into consideration its business needs and the potential impact on the applicant's work colleagues as well as on the employee making the request.

- **Delivery.** Can the department cover the employee's reduced workload through recruitment, a re-organisation of work or the cutting of some tasks? Or would accepting the employee's request have an unacceptable impact on the quality or delivery of the department's work? Does the department need to ask for a modification in the request, e.g. the department might want the employee to reduce hours to three days rather than four to allow the increased possibility of a job share.
- **Cost.** Does employee's request simply entail a saving in salary, or are there factors which mean that the costs of filling the resulting gap are higher than the savings?
- **Impact on colleagues.** Can the employee's request be accommodated without detrimental impact on the employee's work colleagues?
- **Quality of work.** Can the employee's request be met by simply reducing his/her working hours in the same role, or does it entail a change in the nature of the work he or she does, or even a move to a different post? If it is only possible to achieve the

reduction by taking a discrete element out of the employee's duties, does this leave sufficient work of the right quality? Are there any implications for grading?

- **Personal circumstances.** Are there exceptional personal circumstances relevant to the request which need to be taken into account?
- **Timing.** Are there any factors such as major events or key dates in the business cycle which might influence when the department would want the flexible retirement to start? How does the application fit with any plans the department has for re-organisation?
- **Planning.** Would it be helpful to the department, for succession planning reasons, or to the employee, for retirement planning purposes, to link discussion of flexible retirement to decisions about eventual full retirement?

Communication

The decision should be communicated in writing to the employee by the appropriate divisional secretary or departmental administrator

- approved requests must also be communicated in writing to the Pensions Office at the earliest opportunity
- departments should issue new contracts or contract variations, as appropriate, and ensure that personnel (HRIS) records are updated.

The following model letters are available:

- Request approved, change in working pattern requires a contract variation – use [FR3](#)
- Request approved, change in working pattern requires a new contract – use [FR4](#)
- Request rejected –use [FR5](#).

Appeal

There is no appeal against a divisional or departmental decision on a flexible retirement request

- but an employee who believes that his or her request was not handled reasonably may raise a grievance in the usual way.

Further information

The [Pensions Office](#) can provide flexible retirement pension forecasts and information on the application of USS, OSPS and other Rules.

The Pensions Office can provide an illustration which shows how flexible retirement would apply in a [hypothetical example](#).

Financial advice on pensions and other matters must be obtained from an Independent Financial Adviser.

Model letter FR1

Flexible retirement request

From employee to divisional secretary/departmental administrator

PERSONNEL/CONFIDENTIAL

Ref./

Name

Address

DD/MM/YYYY

Dear [Divisional Secretary/Departmental Administrator],

Flexible retirement

I wish to request flexible retirement, in accordance with the Rules of the pension scheme of which I am a member.

The details of the request are:

Pension scheme	
First or second request ('flex')	
Requested start date	
End date?	
Requested salary decrease (at least 20%)	
Requested working pattern (hours and days of the week)	
Requested change in duties or role	
Requested percentage of pension benefit (multiples of 5%)	

I confirm that I have read the University's policy on flexible retirement and the Rules of the pension scheme to which I belong and that I have discussed this request with the [division/department] and with the Pensions Office, from whom I have received a provisional pension quotation.

Yours sincerely,

Name

Model letter FR2

Flexible retirement request, including notice of final retirement

From employee to divisional secretary /departmental administrator

PERSONNEL/CONFIDENTIAL

Ref./

Name
Address

DD/MM/YYYY

Dear [Divisional Secretary/Departmental Administrator],

Flexible retirement

I wish to request flexible retirement, in accordance with the Rules of the pension scheme of which I am a member. I also wish to give you notice that, if my application is approved, I shall fully retire from employment by the University on [date].

I wish to take [one flex/two flexes] in my working pattern between now and my final retirement. The details of the request are:

Pension scheme	
First flex	
Requested start date	
Requested salary decrease (at least 20%)	
Requested working pattern (hours and days of the week)	
Requested change in duties or role	
Requested percentage of pension benefit (multiples of 5%)	
Second flex (if applicable)	
Requested start date	
Requested salary decrease (at least 20%)	
Requested working pattern (hours and days of the week)	
Requested change in duties or role	
Requested percentage of pension benefit (multiples of 5%)	

I confirm that I have read the University's policy on flexible retirement and the Rules of the pension scheme to which I belong and that I have discussed this request with the [division/department] and with the Pensions Office, from whom I have received a provisional pension quotation.

Yours sincerely,

Name

Model letter FR3

Approval of flexible retirement request

For use where flexible retirement involves ONLY a reduction in working hours

From divisional secretary /departmental administrator to employee

PERSONNEL/CONFIDENTIAL

Ref./

Name

Address

DD/MM/YYYY

Dear [Name],

Flexible retirement - Contract amendment

I am writing to confirm that the head of [division/department] has considered the request for flexible retirement contained in your letter of [date].

I am pleased to say that your request has been approved and that your flexible retirement will start on [date]. As a consequence, there will be the following changes to your contract:

With effect from DD/MM/YYYY your hours of work will [describe the change, for example "decrease to 20 hours per week"].

These new hours of work are X% of full-time hours for your grade, and your salary and annual leave entitlement will therefore be adjusted accordingly from the same date.

[for ALL SUPPORT STAFF include the following]

For all University support staff in grades 1 - 5, there is no normal or fixed retirement age. It is for individual members of staff to decide when they wish to retire. Further details are available at www.admin.ox.ac.uk/personnel/end/retirement/ssretire/.

[for ALL ACADEMIC-RELATED STAFF AT GRADES 6 & 7 include the following]

With effect from 1 October 2017, there is no normal or fixed retirement age for academic-related staff in grades 6 and 7. It is for individual members of staff to decide when they wish to retire. Further details are available at www.admin.ox.ac.uk/personnel/end/retirement/acrelretire6&7/.

[for ALL ACADEMIC AND RELATED STAFF AT GRADE 8 OR ABOVE include the following]

Normal retirement date: the University has adopted a retirement age of 30 September before the 69th birthday for all academic and academic-related staff at grade 8 or above. There is a

procedure for requesting an extension of employment beyond that date. Further details are available at www.admin.ox.ac.uk/personnel/end/retirement/acrelretire8+/ejra/.

[in all cases include the following]

All other terms and conditions included in your contract of employment dated **DD/MM/YYYY** and any subsequent contractual change letters remain unchanged.

At all times your employment is subject to the provision of original documentation to establish your right to work and remain in the UK, which the University requires in order to comply with its duties under the Immigration, Asylum and Nationality Act 2006. It will remain your responsibility to ensure that you are able to produce such documentation as and when requested from you.

To confirm your acceptance of this amendment to your contract, please sign and date the enclosed copy of this letter and return it to me as soon as possible.

[Where the employee has given notice of final retirement as part of the flexible retirement package:

I also confirm that the department has received and recorded the notice you have given that you will fully retire from employment by the University on **[date]**.

A copy of this letter goes to the Pension Office and to Personnel Services.

Yours sincerely,

Name
Departmental administrator/Head of Department

Enclosure: copy of this letter

I accept the changes to my contract as stated above.

Signed

Date

Model letter FR4

Approval of flexible retirement request

For use where flexible retirement involves a change in role or grade

From divisional secretary /departmental administrator to employee

PERSONNEL/CONFIDENTIAL

Ref./

Name

Address

DD/MM/YYYY

Dear [Name],

Flexible retirement

I am writing to confirm that the head of [division/department] has considered the request for flexible retirement contained in your letter of [date].

I am pleased to say that your request has been approved and that your flexible retirement, will start on [date]. Your new working pattern will be [details of changed role and/or grade and any changes in working hours].

In due course you will be issued with a new contract.

[Where the employee has given notice of final retirement as part of the flexible retirement package:

I also confirm that the department has received and recorded the notice you have given that you will fully retire from employment by the University on [date].

A copy of this letter goes to the Pension Office and to Personnel Services.

Yours sincerely,

Name

Divisional secretary/Departmental administrator

Model letter FR5

Rejection of flexible retirement request

From divisional secretary /departmental administrator to employee

PERSONNEL/CONFIDENTIAL

Ref./

Name

Address

DD/MM/YYYY

Dear [Name],

Flexible retirement

I am writing to confirm that the head of [division/department] has considered the request for flexible retirement contained in your letter of [date].

I am sorry to say that, after careful consideration, the department is unable to approve your request. [Give brief reasons – see the 'considerations']

A copy of this letter goes to the Pension Office and to Personnel Services.

Yours sincerely,

Name

Divisional secretary/Departmental administrator

Example of flexible retirement

Scenario

Employee is a member of USS. The calculation method outlined applies equally to members of OSPS.

Employee elects, and department agrees, to:

- step down to 80% working at age 59 for two years,
- then to step down to 50% from age 61 for one year,
- retiring fully at age 62.

Employee's FTE salary is £40,000 pa.

- For ease of calculation inflation, and hence any general pay award, is ignored.

Employee has 30 years pensionable service with USS to the first flex

- 25 years prior to 1st October 2011; 5 years after 30th September 2011
- No AVCs, and
- No transfer-in

Employee elects to take:

- 50% benefits at first step
- An additional 30% benefits at second step

Results: (detailed calculations overleaf)

Age	58	59	60	61	62
Salary £pa	40,000.00	32,000.00	32,000.00	20,000.00	Nil
Pension £pa	0.00	6,900.00	6,900.00	11,470.71	15,106.48
Total income	40,000.00	38,900.00	38,900.00	31,470.71	15,106.48
Tax free cash	0.00	20,700.00	0.00	13,712.13	10,907.31

Total income over 25 years from age 59:

- On the above flexible example:
total income = £444,613.27
Total tax free cash = £45,319.44
- If retired fully at age 59:
total income = £345,000.00
Total tax free cash = £41,400.00

- If no flex, retired fully at 62:

total income = £471,296.00

Total tax free cash = £47,904.00

Detailed Calculations

- Flexible Retirement Benefits payable from age 59 are:
 - Pre-2011 accrued pension at age 59 = $\text{£}40,000 \times 25 / 80 = \text{£}12,500$ pa
Post-2011 accrued pension at age 59 = $\text{£}40,000 \times 5 / 80 = \text{£}2,500$ pa
 - First step selected % = 50%
 - Pre-2011 EPRF at age 59 = 0.952
Post-2011 EPRF at age 59 = 0.76
 - Pension payable = $\text{£}12,500 \times 50\% \times 0.952 + \text{£}2,500 \times 50\% \times 0.76 = \text{£}6,900$ pa
 - Retirement tax free cash = $\text{£}6,900 \times 3 = \text{£}20,700$.
 - Salary paid = $\text{£}40,000 \times 80\% = \text{£}32,000$ pa
 - Salary + pension = $\text{£}38,900$ pa (97.3% of FTE salary)
- Flexible Retirement Benefits payable from age 61 are:
 - Salary reduces to $\text{£}20,000$ pa
 - Pension in payment = $\text{£}6,900$ pa
 - Second step selected % = 30% (i.e. 80% - 50%)
 - Pre-2011 EPRF at age 61 = 1.000
Post-2011 EPRF at age 61 = 0.829
 - Addition from Pre-2011 accrued pension is:
 $\text{£}12,500 \times 30\% \times 1.000 = \text{£}3,750$ pa.
 - Addition from Post-2011 accrued pension is:
 $\text{£}2,500 \times 30\% \times 0.829 = \text{£}621.75$ pa.
 - Addition from service from age 59 to age 61 at 80% is:
 $\text{£}40,000 \times 80\% \times 2 \text{ years} / 80 \times 30\% \times 0.829 = \text{£}198.96$ pa
 - Total additional pension = $\text{£}3,750 + \text{£}621.75 + \text{£}198.96 = \text{£}4,570.71$ pa
Total pension payable from 61 = $\text{£}6,900 + \text{£}4,570.71 = \text{£}11,470.71$ pa
Total additional cash payable = $\text{£}4,570.71 \times 3 = \text{£}13,712.13$
 - Salary + pension = $\text{£}31,470.71$ pa (78.7% of FTE salary)
- Full Retirement Benefits payable from age 62 are:
 - Salary reduces to $\text{£}nil$ pa
 - Pension in payment = $\text{£}11,470.71$ pa
 - Unflexed share:
to age 59 – 20%
to age 61 – 70%
to age 62 – 100%
 - Pre-2011 EPRF at age 62 = 1.000
Post-2011 EPRF at age 62 = 0.867
 - Addition from Pre-2011 accrued pension is:
 $\text{£}12,500 \times 20\% \times 1.000 = \text{£}2,500$ pa.

- Addition from Post-2011 accrued pension is:
 $\text{£}2,500 \times 20\% \times 0.867 = \text{£}433.50 \text{ pa.}$
- Addition from service from age 59 to age 61 is:
 $\text{£}40,000 \times 80\% \times 2 \text{ years} / 80 \times 70\% \times 0.867 = \text{£}485.52 \text{ pa.}$
- Addition from service from age 61 to age 62 at 50% is:
 $\text{£}40,000 \times 50\% \times 1 \text{ year} / 80 \times 0.867 = \text{£}216.75 \text{ pa}$
- Total additional pension = $\text{£}2,500 + \text{£}433.50 + \text{£}485.52 + \text{£}216.75 = \text{£}3,635.77 \text{ pa}$
 Total pension from 62 = $\text{£}11,470.71 + \text{£}3,635.77 = \underline{\text{£}15,106.48 \text{ pa}}$
 Total additional cash payable = $\text{£}3,635.77 \times 3 = \underline{\text{£}10,907.31}$
- Salary + pension = $\text{£}15,106.48 \text{ pa}$ (37.77% of FTE salary)