

Perth & Kinross Local Agreements : **Premature Retirement** [January1998]

PERTH AND KINROSS COUNCIL

EDUCATION COMMITTEE - 11 FEBRUARY 1998

PREMATURE RETIREMENT - TEACHERS

JOINT REPORT BY THE DIRECTOR OF EDUCATION AND DIRECTOR OF FINANCE

ABSTRACT

The purpose of this report is to seek the Committee's approval for a summary policy on premature retirement of teachers.

1 RECOMMENDATIONS

It is recommended that the Committee:

- (i) approves the policy statement appended to this report, and
- (ii) authorises the Director of Education to monitor the application of this policy, and to maintain a dialogue with teachers' representatives on it's effects
- (iii) instructs the Director of Education to pass recommended requests for early retirement, along with the financial assessment and a report on the organisational impact to the Review Sub-Committee established to decide these cases
- (iv) authorises the Director of Education, in consultation with the Director of Finance, to monitor the ongoing financial position.

2 BACKGROUND

2.1 The Scottish Office Pensions Agency (SOPA) undertook a consultative exercise between October 1996 and February 1997. SOPA then wrote again to education authorities on 19 February 1997 confirming the decisions of Ministers in the light of responses made to this

consultation exercise. As a result of this exercise, the principal changes to the Scottish Teachers' Superannuation Scheme (STSS) and Early Retirement/Early Severance arrangements, now confirmed by SOPA, are:

- (i) with effect from 1 September 1997 the full additional cost of a teacher's premature retirement will be payable by the employer who grants the teacher's request for early retirement.
- (ii) with effect from 1 September 1997, the employer's contribution rate will reduce from 8% of pensionable pay to 6.9% of pensionable pay.
- (iii) teachers will have to be regarded as permanently unfit to teach in order to qualify for ill-health retirement.
- (iv) teachers removed for misconduct will not be eligible for ill-health retirement.

Report 96/638 by the Director of Finance refers.

2.2 Subsequently, SOPA have embarked on a further consultation exercise on the desirability of introducing the option of actuarially reduced pensions into the STSS. The Government has decided not to introduce actuarially reduced pensions at this stage. The question has been remitted to the long Term Examining Working Group which is looking into a wide range of matters relating to teachers' pensions.

3 FINANCIAL IMPLICATIONS

3.1 The reduction in the employer's contribution to 6.9% of pensionable salary is estimated to result in a saving to the Council of £332,000 in a full financial year, and £194,000 in 1997/98. Of this total, £194,000 has been agreed by the Council as part of the Education Department's savings required to ensure that the Council's expenditure in 1997/98 remains within the capping limit imposed by the government. The remainder - £138,000 is the sum likely to be available to enable the Council to support the premature retirement of teachers under the new arrangements with effect from 1 April 1998.

3.2 Since the additional cost of premature retirement for a teacher continues to be borne by the Council for the lifetime of that teacher, and since the cost in the first full year of the early retirement of an individual teacher can be as much as £20,000 (including the cost of providing an enhanced pension and an enhanced lump sum), it is clear that it will be difficult for the Council to afford to release large numbers of teachers on early retirement, and that there is a case for reviewing the level of contribution payable by the Council to any individual teacher who is allowed to retire prematurely.

3.3 Approval of the appended policy statement would not of itself result in the Council incurring any unbudgeted expenditure.

4 OTHER CONSIDERATIONS

4.1 The government has introduced changes to the STSS because of the increased incidence of premature retirement among teachers, and the associated costs of that increase. It seems likely that the underlying reasons for significant numbers of teachers seeking early retirement will remain, and that many teachers will in future wish to be allowed to retire before they have an absolute entitlement to do so (on their 60th birthdays).

4.2 It is in the interests of neither the education service nor of the individual teacher to insist on every teacher remaining in post until at least the age of 60 years, and it will be important for the Council - for the sake of pupils as well as for their teachers - to take some steps to ensure that this situation does not prevail.

4.3 Already individual teachers have been expressing some concern about this matter, and some expressions of concern have come from teachers anxious to make future plans with a reasonable degree of confidence. Teachers' representatives have also been voicing their concerns on behalf of their members.

4.4 Since September 1997 the Authority has received correspondence from staff expressing an interest in retiring from the service before the age of 60 years.

4.5 It is important that the Council makes clear its support in principle for premature retirement for teachers under appropriate circumstances and it is hoped that the appended policy statement will help to affirm this position.

5 CURRENT POSITION

5.1 Until now, any teacher who has attained the age of 50 years and has sought premature retirement without enhancement has had that request granted. (1977 Regulations as amended).

5.2 Premature retirement with enhancement of service has only been granted in the past to teachers who have attained 50 years of age and for whom there are sufficient off-setting financial savings to cover the additional costs to the Council of paying an enhanced pension and an enhanced lump sum. In practice, only a small number of teachers have been eligible for premature retirement with enhancement. The maximum enhancement, expressed in terms of an added number of years of service. is:

- the number of years which are required to give the teacher a total of 40 years of service, or
- the number of years required to take the teacher's service up to her/his 65 birthday, or
- the number of years of service accrued by the teacher to date, or
- 10 years

whichever of these is the least. (1980 Regulations as amended).

5.3 At present, some 24% of the permanent teaching force in Perth and Kinross are in the age range 50-59 years, and a further 20% are in the age range 45-49 years.

6 PROPOSALS

6.1 It is desirable that maximum flexibility is retained, and it is important therefore to stress that each individual request for early retirement should be considered on its own merits. The exigencies of the service are, however, an important factor. The Council should, therefore, carefully assess the organisational and service impact of each request prior to decision-making.

6.2 These considerations are in terms of the current Scottish Teachers Superannuation Scheme which brings financial responsibilities which were previously administered centrally to authorities. However, it is also important to stress that the Council has no choice but to consider requests principally on the basis of their financial implications.

6.3 In order to assist teaching staff who wish to plan for the future, it is desirable to give a broad indication about the age at which premature retirement (without enhancement) would normally be granted. A judgement is required about what this age should be, but it is believed that a facility to grant premature retirement to teachers in their late fifties would be sustainable. Accordingly, it is proposed to indicate to teaching staff - as a rough guide - that the Council may consider that any teacher who has reached her/his late fifties could be granted premature retirement without enhancement should she/he seek it. However, it will also be important to indicate to teaching staff that no guarantees can be given on this point and that each case would require to be considered on its own merits.

6.4 Teachers in their early to mid fifties may also be allowed to retire prematurely without enhancement but only if sufficient savings can be identified to off-set fully the additional costs to the Council. Again, each case would require to be considered on its own merits.

6.5 As at present, request for premature retirement with enhancement will only be considered if financial savings can be identified which off-set the costs to the Council of agreeing to these requests. These savings and costs will be calculated on the basis of a cost benefit analysis.

6.6 In the interests of fairness, it is not desirable that a very small number of teachers retire early with significant enhancements to their pension whilst many others are not allowed to retire prematurely. To address this matter it may be desirable that further limits should be placed on the amount of enhancement which the Council offers to teachers, thereby it is hoped allowing the Council to grant requests for premature retirement from a greater number of teachers. It is proposed therefore that the maximum enhancement of service for the purposes of pension and lump sum payable to any teacher granted premature retirement prior to her/his 58th birthday should normally be restricted to the maximum enhanced service which would have been payable to that teacher had she/he continued in service until her/his 58th birthday.

6.7 The above proposals, summarised in the Appendix, should be publicised to teaching staff.

7 CONSULTATION

This report will be considered at the JCC (Teachers) at the next meeting. The Directors of Law and Admin, Human Resources and Finance were consulted in the preparation of this report.

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DIRECTOR OF EDUCATION

For further information, contact Charles Kiddie ext. 6209.

BACKGROUND PAPERS

No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to any material extent in preparing the above report.

APPENDIX 1

PERTH AND KINROSS COUNCIL - EDUCATION DEPARTMENT

PREMATURE RETIREMENT OF TEACHERS - POLICY STATEMENT (Effective from 1 January 1996)

General

- Each individual request for premature retirement will be considered on its merits.
- The Council is required to consider each request principally on the basis of its financial implications.
- The Council will carefully assess the organisational impact of a request prior to decision-making.
- Employees who wish to receive an estimate of pension benefits should contact the Education Department (Human Resources Section). This estimate is provided without obligation on the part of the employee or the Council.

Early Retirement Without Enhancement

- Any teacher who has reached the age of 50 years may request premature retirement without enhancement, but it is unlikely that such requests from teachers in their early to mid fifties will normally be granted.
- The Council will endeavour to exercise its discretion to grant requests for premature retirement without enhancement from teachers in their late fifties whenever possible.

Early Retirement With Enhancement

- Any request for premature retirement with enhancement of pension and lump sum will only be granted if financial savings can be identified which off-set fully the costs to the Council of agreeing to the request (these savings and costs to be calculated on the basis of financial projections after ten years).
- The enhancement of pension and lump sum payable to any teacher granted early retirement with enhancement before her/his 58th birthday will normally be restricted to the maximum enhanced service which would have been payable to that teacher had she/he continued in service until her/his 58th birthday.

Ill Health Retirement

- Any teacher who is regarded as being permanently unfit to teach due to ill-health will have their case considered by the Scottish Office Pension Agency.

CK/MPB
January 1998