Guidelines for Staff on Voluntary Severance/Early Retirement

The University Court authorised the introduction of a Voluntary Severance/Early Retirement (VSER) scheme at its meeting on 15th December 2010. At its meeting on 12th October 2011 it agreed that the scheme should continue with its current terms, until the closure of the scheme on 16th December 2011.

This document is intended to supplement the information contained in the Voluntary Severance Scheme document, and to provide staff with more guidance on the procedures etc.

Background

The higher education sector currently faces unprecedented financial pressures. You will be aware our approach has been two-fold: to generate more income, and to pursue cost-savings. As staff costs account for over 55% of the University's annual costs, Court agreed on 15th December 2010 to initiate a voluntary severance/early retirement scheme so that some of these costs could be reduced. This scheme, which opened on 10th January 2011, will now end on 16th December 2011.

On 12th October 2011, Court noted that the VSER scheme was currently due to deliver in excess of £10 million in savings and that the University was now in a better position to meet the financial challenges it will face over the next few years. It was decided, therefore, that the current VSER scheme had fulfilled its original purpose and would end on **16 December 2011**, giving staff who might still be contemplating applying for VSER time to research their options.

The Scheme

This document is an outline guide only: for definitive information, please refer to the Voluntary Severance Scheme Details document.

The scheme is service based – based on number of years of continuous service at the date a member of staff leaves the University. Staff whose applications are approved will be eligible for the following arrangements:

Less than one complete year of continuous service at date of leaving - one month's pay

Completed 1 year or more, but less than 3 full years of continuous service at date of leaving - three months pay

Completed 3 years or more, but less than 6 full years of continuous service at date of leaving - six months pay

Completed 6 years or more, but less than and 9 full years of continuous service at date of leaving - 9 months pay

Completed 9 or more full years of continuous service at date of leaving - 12 months pay.

(For the avoidance of doubt, *1 year or more, but less than 3 full years of continuous service* means eligibility for this compensation band begins when the person has completed one full year's continuous service and has begun their second year of service. The person remains in this band until they have completed 3 full years' service. This is repeated for the other bands, and the maximum compensation under VS cannot be obtained until the person has begun their 10th year of continuous service.)

These payments will normally be based on the annual salary as at the date of acceptance and will not be modified in accordance with any back-dated pay increase or pay increase agreed after the offer is made. For part-time staff the relevant salary will normally be their pro-rata basic salary. The payment may be taken in one of two ways, or exceptionally, a combination of both:

Either

(a) It may be taken as a lump sum voluntary severance payment. It is expected that, in accordance with Current HMRC regulations, the first £30,000 of any severance payment will not be subject to deductions for tax and National Insurance.

Or

(b) If a person would be entitled to early access to their pension (i.e. take early retirement), subject to the relevant pension scheme's rules, the early retirement funding charge (ERFC, also called "strain") costs would normally be sourced from the payments due under this VS scheme, which the person had accrued according to their continuous service with Glasgow University. If these ERFC costs would exceed the payments due for service under this scheme, the University would not normally accept the request for Early Retirement.

If only part of the payment available under the Voluntary Severance scheme is used to fund any pension benefits, the remainder will be paid to the member of staff as a lump sum voluntary severance payment. It is expected that, in accordance with current HMRC regulations, any part of the payment used to purchase additional pension benefits will not be subject to deductions for tax and National Insurance (subject to HMRC limits for high earners).

Staff are strongly encouraged to seek independent financial advice before accepting an offer made by the University, which could impact on their pension provision.

In exceptional circumstances where the Remuneration Committee believes it is in the best interests of the University, it may exceed the 52 weeks' overall limit on the payments: this decision will be at the sole discretion of that committee, which will require to receive a sound business case setting out the particular circumstances which might justify special consideration.

The expectation is that staff leaving through the scheme would normally work their contractual notice, with severance payments made at the end of the notice period, shortly after their last day of service.

The scheme opened on 10th January 2011 and Court reviewed its position on 12th October 2011 and decided to close the scheme on 16th December 2011.

The practicalities are that staff need time to consider their position, and some time will be required to consider and process applications, source pension information etc. To help this, we would encourage staff to apply as early as possible to allow information on their potential severance package to be prepared and for their application to be given consideration by their managers. For guidance, staff who apply before the end of November should receive an initial response by the end of 22nd December 2011. If an application were accepted, the person would normally be expected to leave the University's employment or retire following their contractual notice period, unless there is a strong case for a later leaving date.

What is the process?

- Staff may apply for their VS/pension estimate at any time during the scheme. Requests for information should be directed through your Head of School/Research Institute/University Services section. Form "Version 5 -VS Application Form" is available for this.

- Staff may request information on their severance package from their HR Manager in advance of applying via their Line Manager, but no decision can be made without the input of the Line Manager.

- It may take some time to progress the calculations, particularly for pensions purposes.

- At this stage, any member of staff will be deemed ***only to be expressing an interest and seeking further information***: there will be no commitment on your part to leave under the scheme at this stage, and any expression of interest at this stage will have no effect on any future decision by the University regarding any form of downsizing.

- The scheme is voluntary and opportunistic: however the University may decline any application at an early stage after it has been considered at Head of College/Secretary of Court level.

- Once a VS/pension estimate has been provided, you may decide to withdraw from the scheme, or continue with your application for a final decision by the University. If you wish to withdraw, you must write to the College/US HR manager.

- However, once a VS/pension estimate has been provided, **and** a formal offer has been made to you in writing, you will have 10 working days to decide whether to withdraw from the scheme, or accept the offer.

If the University finally accepts the application, the normal expectation is that you will leave the employment of the University following your contractual notice period, unless there is a strong case for a later leaving date.

Staff who are leaving will normally be expected to work their notice: pay in lieu of notice will only be considered in exceptional circumstances where all parties agree.

Staff will also be expected to take their annual leave before leaving.

It is important to remember that the scheme is ***discretionary***, based on the managerial interest of the University. Decisions for agreeing severance will be made entirely at the University's discretion, in the best interests of the University.

The scheme is intended to take advantage of opportunities in areas where costs are met through core funding and not through projects specifically funded on a time limited basis, usually as result of a successful bid to a project funder. Thus, the existing arrangements will continue to apply for projects primarily funded through Fixed Term Funds, mainly delivered through grants from a variety of sources including the Research Councils.

No member of staff has a right to severance or early retirement under this scheme. There will be no right of appeal against a decision at any stage of the process.

Financial advice

It is vital that staff carefully consider their own circumstances when their details are made available to them.

Staff are strongly encouraged to seek independent financial advice before accepting an offer made by the University, particularly one which could impact on their pension provision.

For some staff, tax changes in the pipeline, particularly involving pension matters need to be considered carefully.

There are many sources of independent financial advice – some Trade Unions have links to advisers, many banks and insurance companies also have such facilities, as well as a number of specialist suppliers.

The University cannot provide such financial advice: it can only provide information about the pension scheme rules, and use the pension information about an individual which is available to the University; this will often exclude information about AVCs, etc.

Early Retirement

Depending on the rules of the relevant pension scheme, some staff may be eligible to take Early Retirement rather than Voluntary Severance. The Pensions Section will be able to advise you of the details of the scheme you are a member of.

In essence, some pension schemes allow early retirement with an unreduced pension if the employer agrees to pay the Early Retirement Funding Charge (ERFC, also called “strain” costs).

Under this discretionary, voluntary scheme, the funds from the payments due to you under this VS scheme, will be based on your period of continuous service with the University of Glasgow, and would be used to pay any ERFC costs. If the potential ERFC costs exceed the payment due for service under this scheme, the University will ***not*** normally accept the request for Early Retirement.

If only part of the payment available under the Voluntary Severance scheme is used to fund any pension benefits, the remainder will be paid to you as a lump sum voluntary severance payment. It is expected that, in accordance with current HMRC regulations, any part of the payment used to purchase additional pension benefits will not be subject to deductions for tax and National Insurance contribution rates (subject to HMRC limits for high earners).

Some staff may be able to use some of their VS payments to provide additional pension benefits: this should be discussed with the Pensions Office for eligibility, and with an independent financial adviser for tax and other issues.

Please note that pension rules (particularly for high earners) changed in April, and you should consult an Independent Financial Advisor.

Working for the University at some future date

The main purpose of this VSER scheme is to reduce core costs for the University.

It is therefore unlikely that any employee accepting VS will normally be re-engaged in any capacity by the University, and, subject to the 2 situations outlined below, certainly not for a period of at least 24 months after leaving under this scheme.

In some very specific cases, provided that a costed business plan is available to the relevant decision makers at the time of consideration, a case may be made for some limited, time restricted re-engagement e.g. to complete a specific teaching programme, paid at the appropriate level for that work. Alternatively, a delayed departure may be agreed to complete such work, but this will be for a specific, limited duration. In many cases, the employment may well be on a part-time basis.

Similar restrictions apply to the potential use of a person leaving voluntarily and returning to the University as a consultant/special adviser. Any such proposal must be submitted to the relevant decision makers at the time of consideration, including justification and costs. Alternatively, a delayed departure may be agreed to complete this work, but this will be for a specific, limited duration, and may well be on a part-time basis.

In cases of early retirement, any such work or consultancy, if agreed, must be within the rules of the relevant pension scheme.

Some staff might wish to retain an honorary connection with the University to see through the supervision of students. This would be subject to local agreement and Graduate School approval. Such requests will have to be addressed on a case by case basis; with the best interest of the student the most important criterion.

Other frequent questions

Leave

For academic and non-academic colleagues, it is assumed that any outstanding (pro-rata) holidays are taken prior to the date of leaving. However, in some circumstances this may not be possible. In such exceptional situations, where there is a clear business requirement dictating that leave cannot be taken, the University is likely to pay outstanding leave.

Pensions

*I want to take VS but I'm in my early fifties and do not want to take my pension***.**

When an active scheme member leaves the University under VS, on meeting certain criteria, they may be able to access their pension (unreduced) though this can trigger an ERFC charge funded from the VS payment. If you were to leave without collecting your pension you may still at any point in the future be able to approach your pension company to ask for payment of your benefits (unreduced) and at that point trigger an ERFC charge.

When a non-active scheme member (i.e. someone who has opted out of the scheme) leaves the University under VS, they do not have a right to an unreduced pension and therefore there is no ERFC triggered. They can at a later date approach the pension company to ask for payment of their benefits, however, these will be reduced to take into account early payment of the pension.

Therefore, the University understands that if you are currently an active member of the scheme but do not wish to take your benefits early on voluntary severance (VS) then opting out of the scheme may allow you to access a full VS amount without an ERFC arising. Before making any decision to opt out of the pension scheme you should ensure that the advice of an Independent Financial Advisor is taken.

If you would like more information on this option please contact the Pension Office on ext 2832.

What is the position if I want to take a reduced pension?
If it is your intention to take early retirement and scheme rules entitle you to a reduced pension then participating in this scheme will not affect that entitlement. You will be able to access your reduced pension and retain the full voluntary severance payment.

Different schemes have different rules regarding early retirement so for further information on this option you should contact the Pensions Office on ext 2832.

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