

# Corporate Policy and Strategy Committee

10.00am, Tuesday 4 November 2014

## Managing Retirement Policy – Additional Report

**Item number** 7.6  
**Report number**  
**Executive/routine**  
**Wards**

### Executive summary

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The Council's various policies on retirement have been brought together in one document called Managing Retirement. This was considered by the Corporate Policy and Strategy Committee on 2 September 2014. Elected Members raised a number of queries about the report and asked that it be remitted to the Committee on 4 November 2014 for further consideration.

At the same time, the Corporate Policy and Strategy Committee agreed to refer the Death in Service Benefit Scheme, with the recommendation of raising the payment made from £3,000 to £4,000 per case, to the Finance and Resources Committee for approval. The Finance and Resources Committee approved that change on 30 September 2014.

The purpose of this report is to provide responses to the queries raised by the Corporate Policy and Strategy Committee about the report on the Managing Retirement Policy, in order that it can be considered further on 4 November 2014.

### Links

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**Coalition pledges** [P27](#)  
**Council outcomes** [CO24](#); [CO26](#); [CO27](#)  
**Single Outcome Agreement**

## Managing Retirement Policy

### Recommendations

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- 1.1 Approve the Managing Retirement policy; and
- 1.2 Approve standing down of the Interim Policy on Preparation for Normal Retirement.

### Background

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- 2.1 The Council has various policies on retirement including policies on flexible retirement and early retirement. The Managing Retirement Policy brings all these policies together into one document that covers all aspects of retirement. This will be easier for staff and managers to understand and access.
- 2.2 The Interim Policy on Preparation for Normal retirement provides a specific benefit for staff between the ages of 64 and 65 based on the Council's former fixed retirement age of 65. This fixed retirement is no longer in operation, because of changes to the equalities legislation in 2011. The policy was intended to be interim, pending the abolition of the fixed retirement age
- 2.3 At the Corporate Policy and Strategy Committee on 2 September 2014, elected members asked for the following:
  - clarification on the figures given at 3.10 of the report, as these were different to those advised verbally at Committee;
  - confirmation of the length of the consultation period with the Trades Unions on the changes effected by the Managing Retirement Policy;
  - an attempt to assess the likely take-up of the Interim Policy on the Preparation for Normal Retirement and therefore the potential cost to the Council;
  - information on life expectancy of employees at the time they might be considering retirement; and
  - confirmation on whether the Trade Unions had agreed the Interim Policy on Preparation for Normal Retirement and, if so, on what basis.
- 2.4 The purpose of this report is to answer these queries.

### **Clarification of Potential Costs**

- 3.1 The correct figures in relation to the potential cost to Council of maintaining the Interim Policy on Preparation for Normal Retirement were those contained in the report at paragraph 3.10. For ease of reference, the report noted that if the 1,658 staff currently aged 60 or over opted to reduce their hours in line with the terms of the policy, the cost to the Council in lost days/work capacity/productivity would be approximately £9.8m. This does not include the cost of any potential cover arrangements that may have to be put in place. This represents an additional cost of approximately £9 million to that outlined at paragraph 3.9 of the report of £730,000 in lost time/capacity/productivity if the policy is retained for those aged between 64 and 65.

### **Length of Consultation Period**

- 3.2 Consultation with the Trades Unions on Managing Retirement and the proposed changes to the associated existing policies began on 26 March 2014. The proposed changes were discussed and queries answered over the course of 10 meetings with consultation ending on 6 August 2014.

### **Take-Up and Potential Cost of the Interim Policy on Preparation for Normal Retirement**

- 3.3 Currently, the option to reduce their hours of work during their last year at work is taken up by most staff when they reach 64, unless they plan to work beyond age 65. On that basis, it can be predicted that if the option to reduce hours during the last year of work before retirement is open to everyone over 60, it is likely that a significant number of those eligible would choose to do so. The cost of this, based on current figures, would be approximately £9.8million in lost days/work capacity/productivity, if all employees aged 60 chose to do this now. The actual cost would vary depending on personal life choices. However, it is difficult to predict take-up albeit that it can be predicted that the costs will increase significantly, as the numbers who could benefit has increased significantly. If the current policy is stood down for those employees aged between 64 and 65 then the saving to the council would be £730,000 in lost days/work capacity/productivity and also a further cash saving if cover is being provided for the lost days.

## Life Expectancy

- 3.4 The life expectancy for males and females has been increasing over the past few decades. In Scotland, while women still have a greater life expectancy than men, the gender gap is narrowing. This may be to do with lifestyle changes.

Age	Expected remaining life expectancy (in years)	Expected remaining life expectancy (in years)
	All Men	All Women
64	17.91	20.33
65	17.14	19.51
66	16.40	18.70
67	15.67	17.92
68	14.96	17.14
69	14.26	16.37
70	13.58	15.61

National Life Tables, Scotland (Office for National Statistics) based on data for the years 2011-2013

- 3.5 While manual workers continue to have a lower life-expectancy, this gap is also narrowing. Comparing the years 1997-2001 with 2002-2005, male 65-year-old non-manual workers saw their life expectancy rise by 0.8 years. By contrast, male manual workers saw their life expectancy go up even faster, by 1.2 years.
- 3.6 Figures suggest that in the past few years, the only group where life expectancy at 65 has not improved at all is for men in the highest social group doing professional jobs.

### Trade Union Agreement on the Interim Policy on Preparation for Normal Retiral

- 3.7 The Interim Policy on Preparation for Normal Retiral is a collective agreement. The following is included in the policy at Section 6:

#### **6. INTERIM LOCAL AGREEMENT**

- 6.1 *This document is an interim local collective agreement between the Council and the recognised Trade Unions and replaces all pre-existing arrangements. These arrangements will be reviewed in the event of any of the changes outlined in paragraph 1.1 above being implemented. At that time, the support arrangements available to employees preparing for retiral will be modified or replaced. Any employee who has already commenced pre-retirement leave will be allowed to continue on a reduced working week basis for the remainder of his/her final year of employment.*

*Otherwise, both parties reserve the right to terminate this local agreement by giving four months notice in writing. In such circumstances, the terms of the interim local agreement will cease to apply to existing and future employees.*

3.8 For completeness, paragraph 1.1. referred to reads as follows:

1.1 *It is anticipated that UK legislation on age discrimination (including retiral age) will be introduced for implementation by 2006. It is also possible, given the Government's current proposals on Pensions and Retirement, that changes will be made to the Local Government Pension Scheme and the Council's retiral arrangements which are aimed at encouraging those who can work longer to do so. This policy will therefore apply on an interim basis until modified or replaced.*

3.9 The policy was therefore agreed by all parties as an interim measure, pending changes to changes in UK legislation on retiral age. All parties involved accepted that this policy would change in due course, when those legislative changes were made. This is made clear in the wording of the policy, which was implemented on 2 December 2003.

## Measures of success

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- 4.1 Increased discussion around planned retirement allowing managers to ensure operational efficiency.
- 4.2 Increased uptake of Flexible Retirement will support both the reduction in staff costs and the retention of key skills and experience.

## Financial impact

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- 5.1 Savings from increased uptake of flexible retirement.
- 5.2 Productivity improvements from removal of the Interim Policy on Preparation for Normal Retirement.

## Risk, policy, compliance and governance impact

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- 6.1 The changes bring the Council's policies on retirement up-to-date with legislative and statutory requirements.
- 6.2 There is some evidence that staff continue to benefit from a reduced hours and full pay, in accordance with the Preparation for Normal Retirement Policy, but do not retire at the end of the period. By deleting the policy this risk is removed.
- 6.3 There is an industrial relations risk around the removal of the Preparation for Normal Retirement Policy. However, flexible retirement is also available, and of greater benefit to employees, as they get access to their pensions. All staff are also entitled to apply to work more flexibly at any time in their careers, under the terms of the Flexible Work Options Policy.

## Equalities impact

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- 7.1 The policy makes clear that there is no longer a default retirement age. This positively impacts on older employees by making it clear they can continue to work until they choose to retire.
- 7.2 The changes to the minimum savings required for flexible retirement make that choice a more attractive option for older employees.

## **Sustainability impact**

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- 8.1 None.

## **Consultation and engagement**

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- 9.1 The Trades Unions were consulted on the recommendations that were contained in the report that went to the Corporate Policy & Strategy Committee on 2 September 2014. They are aware that elected members raised queries.
- 9.2 The Trades Unions support the Managing Retirement Policy and welcome the changes to Flexible Retirement.
- 9.3 They are opposed to the deletion of the Interim Policy on Preparation for Normal Retirement.

## **Background reading/external references**

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None.

### **Alastair Maclean**

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## Links

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<b>Coalition pledges</b>	P27 - Seek to work in full partnership with Council staff and their representatives
<b>Council outcomes</b>	CO24 - The Council communicates effectively and internally and externally and has an excellent reputation for customer care CO26 - The Council engages with stakeholders and works in partnership to improve services and deliver on agreed objectives. CO27 - The Council supports, invests in and develops our people
<b>Single Outcome Agreement</b>	
<b>Appendices</b>	Appendix 1 – Report to the Corporate Policy & Strategy Committee – Managing Retirement and Death in Service Benefit Scheme – 2 September 2014.

# Corporate Policy and Strategy Committee

10.00am, Tuesday 2 September 2014

## Managing Retirement Policy and Death in Service Benefit Scheme

Item number 7.1  
Report number  
Executive/routine  
Wards

### Executive summary

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The Council has several policies covering various options available to employees on retirement. These have been reviewed and brought together in one document called Managing Retirement. This covers retirement, flexible retirement and early payment of pension.

The main changes being proposed are:

- a clear statement that the Council does not operate a fixed retirement age, which complies with equalities legislation;
- a reduction in the minimum saving required in employee costs to the Council for applications for Flexible Retirement to 20% (previously 40%) to increase the attractiveness of the scheme to employees;
- the standing down of the “Interim Policy on Preparation for Normal Retirement” policy which allowed employees aged 64 - 65 to reduce their working week to 4 days then 3 days during their final year of their employment, with no reduction in pay as CEC no longer has fixed retirement at age 65; and
- an increase in the Death in Service Benefit from £3,000 to £4,000 in line with an increase in funeral costs.

### Links

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Coalition pledges [P27](#)  
Council outcomes [CO24](#); [CO26](#); [CO27](#)  
Single Outcome Agreement

## Managing Retirement Policy and Death in Service Benefit Scheme

### Recommendations

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- 1.1 Approve the Managing Retirement policy;
- 1.2 Approve standing down the Interim Policy on Preparation for Normal Retirement; and
- 1.3 Recommend that the Finance and Resources Committee approves the proposal to increase the Death in Service payment to £4,000.

### Background

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- 2.1 The Council has various policies on retirement including policies on flexible retirement and early retirement. The Managing Retirement Policy brings all these policies together into one document that covers all aspects of retirement. This will be easier for staff and managers to understand and access.
- 2.2 The Interim Policy on Preparation for Normal retirement provides a specific benefit for staff between the ages of 64 and 65 based on the Council's former fixed retirement age of 65. This fixed retirement is no longer in operation because of changes to equalities legislation in 2011. The Policy was intended to be interim pending the abolition of the fixed retirement age.
- 2.3 The Death Benefit Scheme has not been reviewed since 2003 and funeral costs have increased significantly since then. Currently, the Scheme results in an annual average cost to the Council of £75,000. The proposed increase would result in an annual average cost of £100,000.

### Main report

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- 3.1 The Employment Equality (Repeal of Retirement Age Provisions) Regulations 2011 came into effect on 6 April 2011. This meant that UK organisations could no longer enforce a fixed retirement age for their staff from October 2011.
- 3.2 The suite of retirement policies has been amalgamated into a single policy making it easier for managers and staff to see the options that are available. This new policy is called Managing Retirement. There are no changes to the

arrangements for normal or early retirement. The policy states clearly that the Council no longer has a fixed retirement age. A copy of the policy is attached as Appendix 1.

- 3.3 Pre-retirement courses for employees who have agreed a retirement date will continue to run and this is included in the Managing Retirement Policy.

### **Flexible Retirement**

- 3.4 The Flexible Retirement Policy allows employees who are members of the Lothian Pension Fund to reduce their hours or their grade (or both) and access their pension at the same time. Currently, staff must reduce their salary and/or hours to achieve a minimum saving to the Council of 40% of their salary. This is the equivalent of 2 days for full-time staff and, so far, uptake by staff and approval by managers has been low.
- 3.5 Other Councils have adopted similar schemes and have had a greater level of uptake. This could be partly because the minimum savings we require is higher than other Scottish councils. The following table compares the Council's current policy with those of other Scottish Councils:

<b>Council</b>	<b>Minimum Savings Required</b>
Fife	20%
Dundee	No minimum
East Lothian	40%
West Lothian	20%
Perth & Kinross	20%
Highland	40%
Aberdeen	25%

- 3.6 It is therefore recommended that the Council reduce the minimum saving required to 20% to increase the attractiveness of the scheme and encourage uptake and flexibility for employees. This could also generate savings for the Council.
- 3.7 The revised policy incorporates this change. It has also been updated to reflect changes in the Lothian Pension Scheme Regulations, which now allow staff to take a proportion of any pension accrued after 2009 rather than the full amount when they take flexible retirement.

### **Preparation for Retirement**

- 3.8 The Interim Policy on Preparation for Normal Retirement allows staff to prepare for retirement by reducing their hours during their final year of employment, ending with their 65<sup>th</sup> birthday. Their working hours would reduce - by 20% for the first 6 months and a further 20% for the last 6 months - with no reduction in pay. This policy was put in place when Council employees were required to retire at 65.
- 3.9 The current policy is seen as a benefit to staff by the trade union side and they do not support it being stood down. The cost of the policy as it currently applies – i.e. only for those aged between 64 and 65 – is significant as all staff that are eligible take it up. For example, if all staff who reach their 64th birthday between

1 June 2014 and 31 December 2014 opted to reduce their hours in accordance with the policy, the financial cost to the Council of the hours lost would be approximately £730k - see table below:

Department	Gender		Total	Cost (£)
	Male	Female		
Economic Development	1	0	1	10,217.10
Corporate Governance	3	1	4	24,108.30
Children & Families	12	38	50	335,496.81
Health & Social Care	8	20	28	134,739.91
Services for Communities	27	13	40	223,143.86
<b>Total</b>	<b>51</b>	<b>72</b>	<b>123</b>	<b>727,705.98</b>

- 3.10 In order to retain the policy, arguably, it would also have to be extended to all staff aged 60 and above who intended to retire within the next 12 months, to conform to age discrimination legislation. Age 60 is the earliest employees can retire of their own volition. Further, when the Council approves early retirement for employees aged 55 and over, arguably they should also have access to the policy to conform to equalities legislation. Currently there are 1,658 staff who are aged 60 or over – see table below. Based on the average cost per head in the table above (£5,916.31), if all staff over 60 opted to reduce their hours in line with the policy, the cost to the Council would be approximately £9.8million.

Department	Age Range in Years (as at 30 June 2014)						Total
	45-49	50-54	55-59	60-64	65-69	70+	
Economic Development	14	16	5	4	3	0	42
Corporate Governance	226	199	150	62	12	2	651
Children & Families	1,121	1,246	1,138	482	74	12	4,073
Health and Social Care	524	646	542	332	48	3	2,095
Services for Communities	889	928	821	457	111	56	3,262
<b>Grand Total</b>	<b>2,774</b>	<b>3,035</b>	<b>2,656</b>	<b>1,337</b>	<b>248</b>	<b>73</b>	<b>10,123</b>

- 3.11 There are currently other options available to staff to assist in their preparation for retirement. The Council has a Flexible Work Options Policy which allows staff to request a reduction in their hours and the changes to Flexible Retirement which are recommended and outlined above will make this more attractive to staff.
- 3.12 For the reasons outlined above it is therefore recommended that the Interim Policy on Preparation for Normal Retirement be stood down. As the trade unions are opposed to this recommendation, we would have to give 4 months notice to bring the agreement to an end. Subject to approval from this Committee, notice would be given on 3 September and would end on 2 January 2014.

## Death in Service Benefit

- 3.13 The Council's Death in Service Benefit Scheme has also been reviewed. Under this scheme, the Council pays £3,000 to the estate of any employee who dies in service. Over the last 8 years, on average 25 staff died in service each year, resulting in an annual average cost of £75,000.
- 3.14 The trade unions have asked that the payment be raised to £5,000. They argue that bereavement costs have increased significantly since the scheme was introduced in 1998. Managers in Services for Communities, who run the Council's bereavement service, have confirmed that the average costs for a basic funeral are now between £4,000 and £6,000. Had it risen in line with inflation, the £3,000 payment in 1998 is estimated to be approximately £4,500 today.
- 3.15 Any increase of the payment will be a direct cost to the Council. If the payment were increased, the additional cost would be as follows:

Payment	Average Annual Cost (£)	Additional Cost
£3,000 (current)	£75,000	n/a
£4,000 (recommended)	£100,000	£25,000
£5,000 (TU request)	£125,000	£50,000

- 3.16 It is recommended that the Finance and Resources Committee approves the proposal to increase payment to £4,000 to reflect the increase in funeral costs. A copy of the revised policy is at Appendix 2.

## Measures of success

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- 4.1 Increased discussion around planned retirement allowing managers to ensure operational efficiency.
- 4.2 Increased uptake of Flexible Retirement will support both the reduction in staff costs and the retention of key skills and experience.

## Financial impact

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- 5.1 Savings from increased uptake of Flexible Retirement.
- 5.2 Productivity improvements from removal of the Interim Policy on Preparation for Normal Retirement.

## Risk, policy, compliance and governance impact

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- 6.1 The changes bring the Council's policies on retirement up-to-date with legislative and statutory requirements.
- 6.2 There is some evidence that staff continue to benefit from a reduced hours and full pay, in accordance with the Preparation for Normal Age Retirement Policy, but do not retire at the end of the period. By deleting the policy this risk is removed.
- 6.3 There is an industrial relations risk around the removal of the Preparation for Normal Retirement Policy as the trade unions would like to retain the Policy. However, flexible retirement is also available, and of greater benefit to employees, as they get access to their pensions. All staff are also entitled to apply to work more flexibly at any time in their careers, under the terms of the Flexible Work Options Policy.

### **Equalities impact**

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- 7.1 The policy makes clear that there is no longer a fixed retirement age. This positively impacts on older employees by making it clear they can continue to work until they choose to retire.
- 7.2 The changes to the minimum savings required for Flexible Retirement make that choice a more attractive option for older employees.

### **Sustainability impact**

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- 8.1 None.

### **Consultation and engagement**

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- 9.1 The Trades Unions have been consulted on these recommendations. They support the Managing Retirement Policy and welcome the changes to Flexible Retirement.
- 9.2 They are seeking an increase in the Death In Service Benefit Scheme to be to £5,000.
- 9.3 They are opposed to standing down the Interim Policy on Preparation for Normal Retirement.

### **Background reading / external references**

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None.

### **Alastair Maclean**

Director of Corporate Governance

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## Links

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<b>Single Outcome Agreement</b>	
<b>Appendices</b>	Appendix 1 – Managing Retirement Policy Appendix 2 – Death in Service Benefit Scheme

## MANAGING RETIREMENT

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Appendix B     Reduction In Pension Benefits

**NOTE:** This policy does not apply to teaching staff. The [Scottish Teachers' Superannuation Scheme](#) has separate arrangements and provisions. If you are a member of the Scottish Teachers' Superannuation Scheme, you should contact them for more information.

## 1. POLICY STATEMENT

- 1.1 The Council values a diverse workforce and recognises the skills, knowledge and experience older employees bring to our organisation. The Council believes that all employees should be allowed to work for as long as they wish, provided they meet the performance standards required of their job. Therefore, the Council does not operate a fixed retirement age.
- 1.2 The aims of this policy are to:
  - a) list the options for retirement that are available to staff;
  - b) set out what staff should do when they want to retire; and
  - c) provide information about the pre-retirement courses available for staff once they have an agreed retirement date.
- 1.3 Retirement is a stage in life where an individual member of staff decides to stop working. For many people, the decision to retire is influenced by issues around their pension.
- 1.4 Council employees are automatically enrolled into the [Lothian Pension Fund](#). If you are a member of the Lothian Pension Fund, you can [contact them](#) to find out how much your pension will be.
- 1.5 The key stakeholders and their responsibilities are set out in [Appendix A](#).

## 2. CORE PRINCIPLES

- 2.1 Discussions with all employees on their future career plans and development needs will normally take place annually at the [performance, review and development \(PRD\) meeting](#) or the [professional review and development meeting](#) for teachers.
- 2.2 Where appropriate, this can include discussions about retirement plans, though managers should not assume that employees are considering retirement just because they consider the employee to be of retirement age. However, a manager may prompt an employee to consider retirement as an option at other times where this might be appropriate, e.g. during reviews where posts may be surplus.
- 2.3 Any discussions between an employee and their manager about retirement will not result in any assumptions being made about an employee's commitment to the Council.
- 2.4 Retirement is normally voluntary and we would usually expect the process to be led by the employee. This also applies to requests for flexible or early retirement.

## EMPLOYEES – YOUR OPTIONS

- 2.5 You are encouraged to give your manager as much notice as possible of your wish or intention to retire. This is to allow your manager to make the necessary decisions and operational arrangements to support your request. It will also make sure that your pension fund has plenty of time to process your request to start paying your pension.
- 2.6 If you decide to retire, you will be expected to co-operate with handover arrangements and in the transfer of your knowledge and skills before you leave.
- 2.7 Pensions paid early under Early Retirement or Flexible Retirement may be reduced **unless the rule of 85 applies** (see [Appendix B](#)).
- 2.8 There is **no** right of appeal if a request for early or flexible retirement is refused.

## 3 NORMAL RETIREMENT

- 3.1 You can retire voluntarily from age 60 onwards. You do not need the Council's permission – you simply have to let your manager know in writing. When you decide you want to retire, you should try to give as much notice as possible: at least the period of notice in your contract of employment. In your letter, you should say that you intend to retire and give the date that you would like to be your last day of work.
- 3.2 If you are in the Council's Pension Scheme, you may have to give your manager more notice of your decision to retire than the notice period in your contract. This is because the Local Government Pension Scheme needs at least 20 working days' notice to process your retirement so that you'll get all the benefits when you leave.
- 3.3 Once you have given written notice of your retirement you will be expected to retire on the date you have specified. In exceptional circumstances, you may be able to change the date after you have handed in your notice but only with your manager's agreement. Some examples of exceptional circumstances would be the death of a partner or some other serious occurrence that has a significant impact on your future plans.
- 3.4 Your manager will set up a meeting with you, after you hand in your notice of retirement, in order to conduct an exit interview. This is a good opportunity to discuss issues like handover, succession plans, outstanding holidays and final payments. It is also an opportunity to decide how you want to communicate your departure and whether you want to have a leaving celebration. It is also a chance for you to raise any issues you may have.

## 4 WHAT IS FLEXIBLE RETIREMENT?

- 4.1 Flexible retirement allows members of the Local Government Pension Scheme, who are aged 55 or over, access to their pension while continuing to work on reduced hours and/or at a lower grade. It also allows the Council to benefit from retaining the skills, knowledge and experience of older staff. Flexible Retirement can also be considered in cases where a reduction in hours would be beneficial to an employee with medical issues and medical retirement is not an option.
- 4.2 If you are not a member of the Local Government Pension Scheme but you would like to reduce your hours, you can make an application to do so by using the Flexible Work Options Policy.
- 4.2 Your flexible retirement period must last for at least **6 months** before you retire. Reducing your hours, reducing your grade and getting your pension early are all **permanent changes to your contract of employment. These changes cannot be reversed.** You cannot increase your hours or move to a post at a higher grade at any point in the future, if you have elected to take flexible retirement. You can choose to reduce your hours again and if you want do this you should discuss this with your line manager. They will then make a decision based on the on the needs of the service.
- 4.3 Your flexible retirement will have to result in reduction in the cost of your annual basic salary of **at least 20%**. You might have to reduce your hours or your grade by more than you thought, so that the change makes enough saving to cover any costs within 2 years.
- 4.4 In order to consider your request and whether it can be supported, your manager may want to discuss a number of things with you such as:
- the operational impact on the service;
  - the impact on the work of rest of the team;
  - how you will manage your reduced duties;
  - how the duties you will no longer be doing will be distributed; and
  - your final retirement date.
- The continued operation of the flexible retirement arrangement will depend on the need of the service as well as your needs.
- 4.5 You cannot combine a request for flexible retirement with a request for voluntary early release or voluntary redundancy. Any requests to do so will **not** be considered or approved. There is **no** right of appeal if a request is refused.
- 4.6 When you take flexible retirement Lothian Pension Fund rules mean you must take the entire pension you have accrued up to April 2009. However, you can choose to take only a percentage of the pension you

have accrued after 2009. You can get more details about this from [Lothian Pension Fund](#).

## 5. WHO CAN APPLY FOR FLEXIBLE RETIREMENT?

5.1 You can apply for flexible retirement if you:

- a) are a member of the LGPS;
- b) are 55 or over and have at least 2 years' LGPS membership (including membership transferred in from another scheme); and
- c) have your manager's approval.

5.2 Teachers have a separate pension scheme which has its own arrangements for flexible retirement. There are more details on this on [their website](#). The terms contained in this policy do not therefore apply to teachers.

## 6. HOW DOES FLEXIBLE RETIREMENT WORK?

6.1 The purpose of flexible retirement is to reduce your hours and/or level of responsibility and provide a **minimum saving of 20%** of your basic annual salary to the Council. You can do this by:

- a) reducing your contractual working hours; or
- b) reducing the grade of your current job; or
- c) reducing your hours **and** your grade; or
- d) including a flexible retirement request as part of an application for a Council vacancy at a lower grade. Your request for flexible retirement will be considered as part of the application;

### 6.2 Reducing your hours of work

You will have to reduce your hours by a minimum of 20%. You might have to agree to reduce by more than this so that your manager can show that the costs to the department can be paid within 2 years.

### 6.3 Reducing the grade of your current job

You may want to stay in your current job but work at a lower grade with less responsibility. This would require that the higher graded work in your job is re-allocated to other staff. Your manager might be able to support this. This could be done by moving to a lower grade post in your team or losing some of your current duties. In the latter case, your new duties would need to be evaluated, so that your new job could be graded.

#### 6.4 Reducing your hours and your grade

A combination of a reduction in hours and grade may be necessary to meet the savings test.

#### 6.5 Applying for a vacancy at a lower grade

You can also reduce your grade by applying for a vacancy at a lower grade through the Council's normal recruitment and selection process. The service area that is advertising the vacancy will consider your flexible retirement request alongside your job application.

### 7. FLEXIBLE RETIREMENT AND YOUR PENSION

- 7.1 When you start flexible retirement, you can still remain a member of the LGPS and continue to make contributions to your pension. You can also choose to leave the pension scheme, if you want to.
- 7.2 You do not have to end your employment to get your pension if you opt for flexible retirement.
- 7.3 The decision to take flexible retirement and reduce either your salary or your grade is voluntary. This means that the reduction in your salary will not be eligible to be covered by a pension protection certificate as these are only issued when your salary reduces involuntarily e.g. as the result of an organisational review or redeployment.

### 8 WHAT IS EARLY RETIREMENT?

- 8.1 Early retirement allows staff who are members of the Local Government Pension Scheme (LGPS), and aged 55 or over, to request early payment of their pension i.e. before they are old enough to get your pension automatically.
- 8.2 If you are over 55 and **under 60** and you decide you want to leave employment before your pension would normally be paid to you, you will need the Council's permission to do so as there may be costs to the Council. If you are **60 or over**, you do not need the Council's permission to retire.
- 8.3 When making a decision on whether permission to retire early can be given the Council will consider if:
  - it is in the Council's interests and achieves business efficiencies;
  - the costs are affordable and can be met within 2 years; and
  - your request is fully supported by a business case that shows the benefit to the Council.

- 8.4 If you get your pension paid to you early under this policy, the amount of your pension benefits may be reduced. This is called an actuarial reduction. The Council will not take any action to waive this actuarial reduction. Lothian Pension Fund will provide you with all the information you need about how taking early payment will affect your pension. You should discuss this with them before you make your application (see Appendix B).

## **9. WHO CAN APPLY FOR EARLY RETIREMENT?**

- 9.1 You can apply for early retirement if you meet the following conditions:
- a) you must be aged 55 or over and have 2 years' LGPS membership (or have transferred at least 2 years' membership of another pension scheme to LGPS); and
  - b) if you are under 60 the Council must approve the early payment of your pension.
- 9.2 Ex-employees, who are deferred members of the LGPS, can also ask to get their pension paid early. The Council has a procedure for dealing with these requests, which is set out in the Council's [Policy on Employer Discretions](#).

## **10. HOW DOES EARLY RETIREMENT WORK?**

- 10.1 You must submit a written request for the early payment of pension to your line manager in the first instance. Your request will be kept confidential.
- 10.2 Where your line manager thinks that operationally the service may be able to support your request, s/he will ask People & Organisation to obtain an estimate of your pension benefits for you and an estimate of the costs to the Council from the Lothian Pension Fund.
- 10.3 If, on the basis of the estimates provided to you both, you and your line manager decide to go ahead with an application, it will be submitted to the Service Director for support in principle.
- 10.4 Requests for early payment of pension are approved at the Council's discretion. When considering requests, the Council will consider your personal circumstances, the business case, the impact on the service and the affordability of any costs.
- 10.5 If you are under 60, you should wait until your request for early retirement has received final approval before you resign and give notice in writing. The length of notice you have to give is set out in your contract of employment.

10.6 The Council may withdraw its consent for the early payment of pension if you become the subject of disciplinary action, are dismissed for reasons of misconduct or your employment otherwise ends before the termination date.

10.7 If you have received early payment of pension you will not be eligible to be re-employed by the Council within the 2 year cost savings period (see 11.1 below). Thereafter, you can only be re-employed if you apply for a post and are recruited through the Council's normal recruitment procedures.

## 11. FINANCIAL ASSESSMENT

11.1 Initial approval of a request for flexible or early retirement is at the discretion of the management team in your service area. They will consider the operational impact on the service, the savings to the Council and whether there are any costs to the Council. These could be pension strain costs, the cost of replacing you or the cost of re-grading the post and reallocating the work. Any costs must be met by savings in the Service budget within 2 years of your leaving.

11.2 Each request for flexible/early retirement needs to have a financial assessment done and approved by Finance. The assessment will show:

- a) any proposed savings that will result from your retirement. In the case of flexible retirement requests the savings must be a minimum of 20% of your basic annual salary;
- b) how much the change will cost the Council (e.g. pension strain costs, replacement cost); and
- c) whether the costs are affordable and can be paid back in 2 years or less.

If the assessment does not meet all of these criteria, **your request will not be approved.**

11.3 Final approval of your request by the Council must be obtained before any decision can be sent to you. Final approval involves:

- a) where your full-time equivalent salary and/or the costs to the Council are each £50,000 or less, the case must be approved by the Director of Corporate Governance and the Head of Finance on the Council's behalf;
- b) where your full-time equivalent salary and/or the costs to the Council each exceed £50,000, the case must be approved by the Directors of Corporate Governance and the Head of Finance, in

consultation with the Convener of the Finance and Resources Committee; and

- c) a request involving the Chief Executive or a Director must be submitted for consideration and approval through a formal committee process.

11.4 If your case is approved, the Service Director (or nominee) will notify you in writing of the decision. Organisational Development will then initiate the retirement arrangements.

11.5 If your case is refused, the Service Director (or nominee) will notify you of the decision and the reasons in writing. There is no right of appeal against this decision.

11.6 All approved cases will be reported to the Council Management Team as part of the regular monitoring reports on Workforce Management and included in an annual report to the Finance and Resources Committee.

## **12. RAISING A CONCERN**

12.1 There is **no** right of appeal if your request is refused.

12.2 If you are concerned about the way the policy has been applied or the process followed, you should talk it over informally with your line manager, or another manager, as early as possible, in line with the grievance procedure. If the matter cannot be resolved informally, you can raise the concern formally through the Council's Procedure for Hearing Employee Grievances.

## **13 PREPARING FOR RETIREMENT**

13.1 The Council offers pre-retirement courses for all staff and their partners. Council staff will get paid time off to attend the course. [Details about pre-retirement courses](#), including eligibility, are on the Orb.

13.2 The Council may also provide other relevant supporting information to employees who are retiring. These include money management seminars and pensions events. Details about this will be posted on the Orb and sent to all managers, so they can bring it to the attention of all their staff.

13.3 You can still attend the Council's pre-retirement courses when you are on flexible retirement, once you have agreed a final retirement date.

## **14. LOCAL AGREEMENT**

14.1 This is a local collective agreement between the Council and the recognised trade unions. Every effort will be made by both parties to make sure that this policy is reviewed regularly and amended by agreement, if required, to meet future needs. In the event of a failure to reach agreement both parties reserve the right to end this local agreement by giving four months notice in writing. In such circumstances the terms of the local agreement will no longer apply to existing and future employees.

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## Appendix A

### KEY STAKEHOLDER RESPONSIBILITIES

**Employees** who are retiring should advise their manager as soon as possible. Employees who are seeking flexible or early retirement should be aware of the process involved and discuss this with their manager as soon as possible. They should give serious consideration to the estimate of benefits that is provided by the Lothian Pension Fund and seek independent advice on the implications of leaving employment early before making a final decision. They must then follow the process set out in this policy.

The **Service Manager** will consider a case in the first instance to decide if support in principle can be given on the basis. They are also responsible for managing any operational or financial impact arising from the application of any of the options it covers. Managers are responsible for making decisions about applications for early or flexible retirement and for completing the process for normal retirement. When an employee indicates that they want to retire or applies for any retirement option under this policy managers must action that as quickly as possible.

**Service Directors** are responsible for making sure this policy is implemented. They will consider whether a case can be supported on the basis that it is in the Council's interests, business efficiencies will be achieved, the financial assessment provides a satisfactory outcome and the necessary approval has been obtained from the Department of Finance.

The **Finance team** will consider and approve the financial assessment in support of a case.

The **Director of Corporate Governance** and the **Head of Finance** (and the Convener of the Finance and Resources Committee, where appropriate) will consider supported cases, as required under the Council's approval arrangements to decide if consent can be given.

**People & Organisation staff and the Human Resources and Payroll Service Centre (HRPSC)** will liaise with all parties involved and facilitate the process.

**Lothian Pension Fund** will provide an estimate of pension benefits to the member of staff considering/requesting early payment of pension, liaise with staff, the manager and the HRPSC as required and facilitate the process.

**REDUCTION IN PENSION BENEFITS  
(based on extract from the LGPS Guide)**

**Will my pension and lump sum be reduced if I voluntarily retire early?**

1. Your pension benefits will be reduced to take account of being paid for longer if you retire before the expected date of retirement. How much your benefits are reduced by depends on how early you draw them. Your benefits will be reduced if:
  - you have reached the age of 60 and decide you want to retire before you are 65; or
  - the council agrees to your application for early payment of benefits before age 60.
2. If you were a member of the LGPS on 30 November 2006, some or all of your benefits paid early could be protected from the reduction if you are a protected member. You can find out more about this from the Lothian Pension Fund scheme guide.
3. The reduction applied to your pension benefits is calculated in accordance with guidance issued by the Pension Scheme Actuary. The reduction is based on how early you decide to retire i.e. the period between the date you retire and start receiving your pension and age 65\*. The length of time is calculated in years and days. The earlier you retire, the greater the reduction.

(\*If you are a protected member, the period is calculated to the date you could have received unreduced benefits).
4. Information on how much your pension will be reduced if you take it early can be found on [Lothian Pension Fund's website](#).
5. You can reduce or avoid the reductions by not taking immediate payment of your benefits on retirement i.e. by delaying payment until a later date. If you decide not to draw immediate benefits, the benefits would normally become payable at age 65 but you can defer payment beyond that age, although benefits must be paid by age 75. If benefits are deferred beyond age 65 they will be increased accordingly to reflect late payment.

Note: [LGPS scheme guide](#) is available from the [Lothian Pension Fund website](#).