

Finance and Resources Committee

3.00pm, Thursday, 4 December 2018

Retirement Policy

Item number	8.5
Report number	
Executive/routine	
Wards	
Council Commitments	

Executive summary

The new Local Government Pension Scheme (Scotland) Regulations 2018 came into force on 1 June 2018. The main change for Lothian Pension Fund members is that they can now retire voluntarily from age 55 without the Council's permission.

This has resulted in a need to update the existing Managing Retirement Policy, which has been in place since 2 September 2014. The opportunity has been taken to simplify the language and adjust the terms to fully comply with the change in regulations.

Retirement Policy

1. Recommendations

- 1.1 To agree the new policy.

2. Background

- 2.1 Prior to the Managing Retirement Policy being agreed at the Corporate Policy and Strategy Committee on 2 September 2014, the Council had various separate policies on retirement including policies on flexible retirement and early retirement. The Managing Retirement Policy brought all those policies together in one document that covered all aspects of retirement.
- 2.2 The Managing Retirement Policy required an update to reflect the change in regulations. At the same time, the opportunity was taken to review the language and to ensure that the policy was still fit for purpose, ensuring fairness, employee choice and best value, whilst remaining compliant with regulatory changes.
- 2.3 This includes the removal of 13 wind down days when an employee chooses retirement. However, should an employee wish to ease into retirement, they can still request flexible retirement allowing them to reduce their hours, receive benefit from the pension and still remain employed before opting for full retirement.

3. Main report

- 3.1 Lothian Pension Fund notified the Council in June 2018 that new regulations had come into force, consolidating the 2014 Regulations and subsequent amendments. The new regulations included some new provisions. The main change is that employees who are Lothian Pension Fund members can now retire from age 55 without the Council's consent. Previously, the earliest age members could retire was age 60. Employees choosing to leave at age 55 will have their benefits reduced for early payment and the reduction will depend on the member's age and the length of time left till their normal pension age. The Retirement Policy has been changed to reflect this change, along with the supporting approval documentation.
- 3.2 This change means that there is no longer a need for a policy around early retirement, as no pension fund member can retire with access to their pension

before age 55 anyway. Therefore, this is all viewed as normal retirement and the section on early retirement has been removed.

- 3.3 In the section on flexible retirement, there is still a need for cases involving Heads of Service, Executive Directors and the Chief Executive to be approved by a formal committee process. This means that any request by a Head of Service, an Executive Director or the Chief Executive would need to go to an appropriate Committee to be considered. As individuals could be identified, it should be considered that this be dealt with confidentiality.
- 3.4 The previous Retirement Policy allows employees to take up to 13 days (pro-rata for part-time employees) during the last three months of their employment, provided they have had their retirement date agreed. As employees can now choose to retire at age 55, the new Policy now allows this right for all employees who are retiring (pro-rated for the hours worked during their period of flexible retirement and taken once the employee has agreed a retirement date following their period of flexible retirement).
- 3.5 The Full Council, in its capacity as the employing authority, is likely to have to make changes to the Employers' Discretion Policy, which sets out how the Council deals with the various discretions allowed by the Pension Regulations. This cannot be done currently as some of the discretions rely on amendments being made to the Local Government Pension Scheme (Transitional Provisions and Savings) (Scotland) Regulations 2014. Lothian Pension Fund will advise us when these amendments have been made and the Employers' Discretion Policy will be amended, as appropriate, at that point.

4. Measures of success

- 4.1 The policy is clearly understood with all queries around retirement being handled correctly.
- 4.2 Increased discussion around planned retirement allowing managers to ensure operational efficiency and for choice for colleagues.

5. Financial impact

- 5.1 There are no material changes. The Council is not required to pay pension strain costs where employees retire at age 55. Rather, employees' pensions will be actuarially reduced to address this in line with the regulations.

6. Risk, policy, compliance and governance impact

- 6.1 The changes to the Retirement Policy are in accordance with changes to updated Pension Regulations.

7. Equalities impact

- 7.1 The policy applies to all colleagues in the pension fund requesting retirement from age 55.

8. Sustainability impact

- 8.1 None.

9. Consultation and engagement

- 9.1 The Trade Unions were advised of the need to update the Retirement Policy in light of the changes to the Pension Regulations. As there were no other major changes to the Policy, they gave their agreement.

10. Background reading/external references

- 10.1 Managing retirement policy and Death in Service Benefit Scheme – report to Corporate, Policy and Strategy Committee – 2 September 2014

Stephen S. Moir

Executive Director of Resources

Contact: Katy Miller, Head of Human Resources

E-mail: katy.miller@edinburgh.gov.uk | Tel: 0131 469 5522

11. Appendices

- 11.1 Retirement Policy

Retirement

The Council values a diverse workforce and we recognise the skills, knowledge and experience colleagues of all ages bring to our organisation. We do not have a fixed retirement date because we believe that all colleagues should be allowed to work for as long as they wish, provided they meet the requirements of their job.

This policy enables colleagues to voluntarily retire at a time of their choosing and sets out the options when considering retirement and the roles and responsibilities of all those involved to make this happen.

Author

Employee Relations, Human Resources,
Resources Directorate

Scope

This policy applies to all Council employees apart from teaching employees, who have separate pension arrangements. They should contact the Scottish Public Pensions Agency for more details.

Purpose

The aims of this policy are to:

- a) list the retirement options that are available to employees;
- b) set out what employees need to when they want to retire; and
- c) provide information about the pre-retirement courses available to staff when they have agreed a retirement date.

Review

The policy will be reviewed as and when a change to the existing policy deems this necessary, primarily as a result of: changes to legislation or statute; agreement of new national terms and conditions of service or Government Policy; organisational change; or resulting from changes agreed through Trade Union Consultation.

Retirement.....	1
1. Policy Aims.....	2
2. Retirement.....	2
3. Retirement: Employee Responsibilities	3
4. Retirement: Manager Responsibilities	3
5. Flexible Retirement	3
6. Flexible Retirement: Employee Responsibilities	4
7. Flexible Retirement: Manager Responsibilities.....	4

8	Flexible Retirement: Senior Management Team Responsibilities	5
9	Flexible Retirement: Finance Responsibilities	5
10	Preparing for retirement	5

1. Policy Aims

- To provide information to employees who are considering retirement, so that they understand the options available to them and the actions they need to take when choosing their preferred option;
- To provide managers with information about retirement, so that they know what they need to do when one of their employees discusses their retirement with them;
- To provide a general understanding of flexible retirement and what that means for employees and the Council;
- To encourage employees to consider their work/life balance when they are approaching a stage in their career when they might consider retirement;
- To promote a culture and environment where we recognise the skills, knowledge and experience employees of all ages bring to the Council

2. Retirement

- 2.1 The Council does not have a compulsory retirement age and this means that our employees can voluntarily retire at a time that best suits them. It is likely that that employees will base their retirement decisions on their eligibility for a pension. Our pension schemes have different rules and there is more information about them on the Orb. We advise all employees to get independent financial advice before making any decision in relation to retirement.
- 2.2 Employees who want to retire should have a conversation about that with their manager. Annual conversations or one to one check-ins are good times to bring this up, as it is expected that future plans and development needs will form part of these conversations. Managers should not assume that employees are considering retirement just because they think the employee is of retirement age.
- 2.3 Members of Lothian Pension Fund can retire voluntarily from age 55 onwards. They do not need the Council's permission but their pension will be significantly reduced. Members can find out what their pension will be by going to Lothian Pension Fund's My Pension Online service.
- 2.4 Members of Lothian Pension Fund need to give more notice of employees' retirement dates than the notice period in their contract of employment. 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.
- 2.5 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.
- 2.6 Once you retire, you will only be able to be re-employed by us if you apply for a post and are recruited through our normal recruitment process.

3. Retirement: Employee Responsibilities

- 3.1 Contact pension provider to find out what your pension will be at the time you want to retire;
- 3.2 Get independent financial advice before you make any decisions about your retirement;
- 3.3 Feel free to discuss your future plans about retirement with your manager as part of your normal performance discussions with them;
- 3.4 Give your manager as much notice as possible, confirmed in writing, that you want to retire: preferably at least three months but the notice period in your contract of employment as a minimum;
- 3.5 If you are a member of the Local Government Pension Scheme, you'll need to give more notice than that in your contract of employment, as they need at least 20 working days to process requests for retirement;
- 3.6 In your notice of retirement letter, say what you want your last working day to be;
- 3.7 Meet with your manager when they arrange your exit interview and be prepared to discuss: your handover; outstanding holidays; days; final payments; how you want to communicate your departure; and whether you want a leaving celebration;
- 3.8 If you haven't done so in any other way, raise any issues or concerns you have about work at your exit interview;
- 3.9 The date of retirement cannot be altered unless there are exceptional circumstances, which must be agreed by your line manager, e.g. a serious occurrence that has a significant impact on your future plans.

4. Retirement: Manager Responsibilities

- 4.1 Do not assume someone wants to retire just because you consider them to be of retirement age;
- 4.2 Ask all employees about future plans as part of one-to-one meetings;
- 4.3 When an employee is talking about their retirement, ask if they've contacted their pension provider to find out what their pension benefits will be. Advise them to get independent financial advice before they make any final decisions
- 4.4 When an employee gives notice to retire, make sure there is enough time before the date they want to leave for them to give their contractual notice;
- 4.5 After you get a notice to retire from an employee, set up a meeting with them to discuss: handover; outstanding holidays; final payments; how they want to communicate their departure; and whether they want a leaving celebration;
- 4.6 Process the employee's leaver form in the normal way, following the leaver process which is on the Orb.

5 Flexible Retirement

- 5.1 Members of the Local Government Pension Scheme aged 55 or over can apply for flexible retirement. This means that they get their pension while still working for the Council on reduced hours or at a lower grade – or both.

- 5.2 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.
- 5.3 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.
- 5.4 If you decide to ask for flexible retirement, you have to take it for at least 4 months before you retire. Reducing your hours, reducing your grade and getting your pension early are all permanent changes to your contract of employment and they cannot be reversed.
- 5.5 Once you start flexible retirement, you cannot increase your hours or move to a post at a higher grade at any point in the future. However, you can ask to reduce your hours again. If you want do that, you should discuss this with your manager and they will make a decision based on the needs of the service.
- 5.6 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 to achieve this.

6 Flexible Retirement: Employee Responsibilities

- 6.1 If you want to request flexible retirement, use the form that's available on the Orb;
- 6.2 You should contact Lothian Pension fund to find out what your estimated benefits will be before you make any decision on Flexible Retirement, as your pension may be reduced if you take it before your normal retirement age. You can get information about this on their website.
- 6.3 Make sure you meet the criteria for flexible retirement i.e. you are a member of Lothian Pension Fund with at least 2 years' membership; you are 55 or over; and you have your managers' approval;
- 6.4 When you apply, make sure that you're asking for at least a 20% reduction in your working hours;
- 6.5 If you're applying for a job at a lower grade, you'll have to make sure that the difference in salary is at least 20%.
- 6.6 If your application for flexible retirement is successful, you will be automatically enrolled as a new member of Lothian Pension Fund on your new hours or in your new role. You can opt out of the pension fund if you wish;
- 6.7 As taking flexible retirement is voluntary, your pension will not get a pension protection certificate if use a salary reduction to meet the criteria for flexible retirement;
- 6.8 Be aware that consent for flexible retirement can be withdrawn if you become the subject to disciplinary action; dismissed for misconduct; or your employment ends before flexible retirement starts.
- 6.9 If your application is not successful, there is no right of appeal.

7 Flexible Retirement: Manager Responsibilities

- 7.1 When an employee makes a request for flexible retirement, remind them to speak to Lothian Pension Fund, to make sure they understand the impact flexible retirement will have on their pension;
- 7.2 Make sure the employee has completed the flexible retirement form correctly and is eligible;

- 7.3 Provide a business case for the request, covering the business benefit to the service, the impact on the service, the savings to the Council and whether there are any costs to the Council. Pension strain costs, the cost of replacing the employee and the cost of re-grading the post and reallocating the work also needs to be included.
- 7.4 Bring the request to the attention of the senior management team in your area for consideration.
- 7.5 If the application is successful, make the changes to the employee's hours or grade.

8 Flexible Retirement: Senior Management Team Responsibilities

- 8.1 Consider the business case provided by the manager;
- 8.2 If there is agreement that the case should be considered, ask your Finance team to do an assessment.
- 8.3 Once the financial assessment has been done, consider that alongside: if there is a business benefit to the Council; how it supports workforce planning and succession planning; the operational impact on the service; the impact on the work of rest of the team; how the employee will manage reduced duties; how the duties that the employee will no longer be doing will be distributed; and the employee's final retirement date, if known.
- 8.4 If the case can be supported, write back to the employee, confirming approval;
- 8.5 If the case cannot be supported, write back to the employed, confirming the reasons for not approving.

9 Flexible Retirement: Finance Responsibilities

- 9.1 Provide a financial assessment of requests for flexible retirement by considering: the business benefit to the service; a reduction in salary costs of at least 20% of the basic annual salary; how much the change will cost the Council (e.g. pension strain costs, replacement cost); and whether the costs are affordable and can be paid back in 2 years or less.

10 Preparing for retirement

- 10.1 We run pre-retirement courses for employees and their partners with employees getting paid time off to attend. Details about pre-retirement courses, including eligibility, are on the Orb.
- 10.2 We may also provide other methods of support to employees who are retiring, including 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.
- 10.3 You can still attend the Council's pre-retirement courses when you are on flexible retirement, once you have agreed a final retirement date.