

Finance and Resources Committee

10.00am, Thursday, 23 May 2019

Retirement Policy

Item number	7.2
Executive/routine	
Wards	
Council Commitments	

1. Recommendations

- 1.1 To approve the removal of a 13-day winding-down provision which applies when an employee voluntarily retires from the organisation.

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Retirement Policy

2. Executive Summary

- 2.1 The purpose of this report is to provide further information to Committee in response to the motion posed by the Coalition at Finance and Resources committee on 7 March 2019, which requests that more information be provided in relation to the removal of the 13-day winding-down provision when an employee voluntarily retires.

3. Background

- 3.1 The Managing Retirement Policy required an update to reflect the change in pension 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.
- 3.2 The changes also included the recommendation to remove a 13-day winding-down provision currently available to employees when they voluntarily retire. In addition to this provision, colleagues can 'ease' into Retirement by requesting flexible retirement, a separate provision, which allows employees to reduce their hours whilst receiving benefits from the pension scheme before opting to fully retire.
- 3.3 The policy was approved at the Finance and Resources Committee on 7 March 2019, with the exception of the proposal to remove the winding-down provision. A motion was accepted to convene again at Committee on 23 May 2019 to consider further information pertaining to the removal of this provision.

4. Main report

- 4.1 Since the Committee in March, further analysis and consideration of the winding-down provision has been undertaken and it remains our recommendation that this provision be removed from the policy.
- 4.2 Colleagues who intend to retire normally will be able to do so from the age of 55 in line with pension regulations, where they have access to the pension. Colleagues who wish to access a more flexible retirement option by reducing their hours

gradually, over a longer period, whilst collecting pension benefits will still have the option to do so under the Council's Flexible Retirement option. While Flexible Retirement needs to be approved our records show that, of 152 applications between 2016 and 2019, only 3 had been declined, demonstrating our supportive approach to these requests as an organisation.

- 4.3 Whilst the policy is in place to ensure compliance with pension regulations, the 2014 policy lacks clarity as to who the provision of 13 winding-down days applies to.
- 4.4 Data indicates that on average 214 employees left the council by reason of retirement each year over the past 3 years, totalling 643 employees. Due to a lack of data recording, there is no way to establish how many of these employees accessed all 13 winding-down days, but it would be reasonable to assume that the majority, if not all, would have accessed this provision. This would equate to over 8,300 working days with a lost productivity cost of circa £0.36m per year.
- 4.5 214 retirements each year equates to 9.5% of those who were eligible to retire age 60 or above. As the regulation has changed and retirement can be taken from age 55, we have applied the 9.5% yearly trend to those now eligible to retire. This would increase the cost in lost productivity to circa £0.83m per year if we assumed that the 13 days are taken.
- 4.6 Any additional backfill costs are unquantifiable, but would be in addition to the aforementioned costs in lost productivity.
- 4.7 In addition to the cost implication for keeping this provision in place, on contacting 7 other local authorities, including our nearest comparators, they do not offer winding-down days. (This has either never been a provision or it has been subsequently removed).

5. Next Steps

- 5.1 If approved, the policy submitted in March 2019 would come into effect without the provision of 13 winding down days.

6. Financial impact

- 6.1 Productivity costs associated with removal of the winding-down days could be significant.

7. Stakeholder/Community Impact

- 7.1 Trade Unions have been consulted on this policy and no agreement could be reached on the removal of winding-down days.

8. Background reading/external references

- 8.1 None.

9. Appendices

- 9.1 Appendix 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.

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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.....	4
6 Flexible Retirement: Employee Responsibilities	4
7 Flexible Retirement: Manager Responsibilities	5
8 Flexible Retirement: Senior Management Team Responsibilities	5
9 Flexible Retirement: Finance Responsibilities.....	5
10 Preparing for retirement.....	6

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 may need to give more notice than is specified 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 to 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 employee, 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.