

1. PURPOSE OF REPORT

1.1 The purpose of the report is to ask the Board to approve the undernoted policy.

- Managing Retirement Policy

2. MAIN REPORT

2.1 The aims of this policy are to:-

- list the options for retirement that are available to staff; and
- set out what staff can do when they want to retire

2.2 The policy enables staff to consider what options they have as undernoted:-

- Normal retirement
- Flexible Retirement
- Early Retirement

3. CONSULTATION

3.1 Unison have been consulted and have given their approval to the policy as a Local Collective Agreement.

4. FINANCIAL IMPLICATIONS

4.1 There are no financial implications.

5. ENVIRONMENTAL IMPACT

5.1 There are no adverse environmental impacts arising from this report

6. EQUALITIES IMPACT

6.1 There are no adverse equality issues arising from this report which will impact on employee groups with protected characteristics as defined by the Equality Act 2010.

7. RECOMMENDATIONS

7.1 Lothian Valuation Joint Board is recommended to approve the:-

a) Managing Retirement Policy

Appendix: Managing Retirement Policy

Joan M Hewton
ASSESSOR AND ERO



Assessor & Electoral Registration Office

MANAGING RETIREMENT POLICY

CONTENTS

1	Policy Statement
2	Core Principles
3	Normal Retirement
4	What is Flexible Retirement?
5	Who Can Apply for Flexible Retirement?
6	How Does Flexible Retirement Work?
7	Flexible Retirement and Your Pension
8	What is Early Retirement?
9	Who Can Apply for Early Retirement?
10	How Does Early Retirement Work?
11	Financial Assessment
12	Raising a Concern
13	Preparing for Retirement
14	Local Agreement

Appendix A	Key Stakeholder Responsibilities
Appendix B	Reduction in Pension Benefits

MANAGING RETIREMENT POLICY

1. POLICY STATEMENT

- 1.1 LVJB values a diverse workforce and recognises the skills, knowledge and experience older employees bring to our organisation. LVJB 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, LVJB 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; and
 - b) set out what staff should do when they want to retire.
- 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 LVJB employees are automatically enrolled into the [Lothian Pension Fund](http://www.lpf.org.uk) and employees should contact them with any pensions enquiries or go on-line at www.lpf.org.uk
- 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 at the performance, review and development (PRD) meetings.
- 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 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 LVJB.
- 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.
- 2.5 Staff are encouraged to give their Head of Service and the HR Manager as much notice as possible of their wish or intention to retire. This is to allow time for the necessary decisions and operational arrangements to support requests to be made and will also help to make sure that the pension fund has plenty of time to process requests to start having pension's paid.
- 2.6 Staff who decide to retire will be expected to co-operate with handover arrangements and in the transfer of their knowledge and skills before they 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 LVJB may withdraw its consent for flexible retirement or the early payment of pension where an employee becomes the subject of disciplinary action, is dismissed for reasons of misconduct or the employment otherwise ends before the termination date.
- 2.9 There is **no** right of appeal if a request for early or flexible retirement is refused.

3 NORMAL RETIREMENT

- 3.1 An employee can retire voluntarily from age 60 onwards and does not require LVJB's permission – The employee should inform the HR Manager in writing of their intention to retire. When an employee decides they want to retire, they should try to give as much notice as possible: at least the period of notice in their contract of employment. In the letter, the employee should state that it is their intention to retire and give the date they anticipate to be their last day of work.
- 3.2 If the employee is in Lothian's Pension Scheme, they may have to give the HR Manager more notice of the decision to retire than the notice period in their contract. This is because the Local Government Pension Scheme needs at least 20 working days' notice to process the retirement to enable the employee to access all the benefits when they leave.
- 3.3 Once written notice of the employee's retirement is given they will be expected to retire on the date specified. In exceptional circumstances, an employee may be able to change the date after they have handed in their notice but only with the Assessor or designates agreement. Some examples of exceptional circumstances would be the death of a partner or some other serious occurrence that has a significant impact on the employee's future plans.
- 3.4 The Human Resource Manager will set up a meeting with you, after receipt of the notice of retirement, in order to conduct/arrange 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 for the employee to decide how they want to communicate their departure. It is also a chance for the employee to raise any issues they 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 LVJB 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 an employee is not a member of the Local Government Pension Scheme but would like to reduce their hours, they can make an application to do so by using the Flexible Work Options Policy.
- 4.2 The flexible retirement period must last for at least **4 months** before the employee retires. Reducing hours, reducing grade and getting pension early are all **permanent changes to your contract of employment. These changes cannot be reversed.** An employee cannot increase their hours or move to a post at a higher grade at any point in the future, if the employee has elected to take flexible retirement. An employee can choose to reduce their hours again and if they want to do this you should discuss this with their Head of Service who will make a decision based on the needs of the service.
- 4.3 The flexible retirement will have to result in reduction in the cost of an employee's annual basic salary of **at least 20%**.

4.4 In order to consider an employee's request and whether it can be supported a range of issues may require consideration and discussion. Some of these are noted below;

- will it provide a business benefit to LVJB;
- will it support workforce and/or succession planning;
- the operational impact on the service;
- the impact on the work of rest of the team;
- how the employee will manage their reduced duties;
- how the duties the employee will no longer be doing will be distributed; and
- the final retirement date.

The continued operation of the flexible retirement arrangement will depend on the need of the service as well as the employee needs.

4.5 An employee cannot combine a request for flexible retirement with a request for early retirement, 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 an employee takes flexible retirement Lothian Pension Fund rules mean they must take the entire pension you have accrued up to April 2009. However, an employee can choose to take only a percentage of the pension they have accrued after 2009. More details about this are available from [Lothian Pension Fund](#).

5. WHO CAN APPLY FOR FLEXIBLE RETIREMENT?

5.1 Employees can apply for flexible retirement if they:

- a) are members 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 approval from their Head of Service and the HR Manager

6. HOW DOES FLEXIBLE RETIREMENT WORK?

6.1 The purpose of flexible retirement is to deliver a business benefit to LVJB by improving efficiency, supporting workforce planning, or providing a saving to LVJB. This can be actioned by:

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

6.2 There will also be a financial assessment made before any decision to support an employee's request is made – see section 11.

6.3 If a request for flexible retirement is supported on the grounds that it will deliver savings to LVJB any reduction in hours and/or level of responsibility must provide a **minimum saving of 20%** of your basic annual salary.

6.4 **Reducing your hours of work**

There has to be a reduction in hours by a minimum of 20%. An employee may have to agree to reduce by more than this so that, where savings are required, the Assessor can show that the costs to LVJB can be paid within 1 year.

6.5 **Reducing the grade of current job**

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

6.6 **Reducing your hours and your grade**

A combination of a reduction in hours and grade may be necessary to achieve a 20% reduction in your salary costs.

6.7 **Applying for a vacancy at a lower grade**

An employee can also reduce grade by applying for a vacancy at a lower grade through LVJB's normal recruitment and selection process. In such cases the application for flexible retirement shall be considered in conjunction with the application for the vacant post.

7. **FLEXIBLE RETIREMENT AND YOUR PENSION**

7.1 When an employee starts flexible retirement, they can still remain a member of the LGPS and continue to make contributions to their pension. An employee can also choose to leave the pension scheme, if they want to.

7.2 An employee does not have to end their employment to get their pension if they opt for flexible retirement.

7.3 The decision to take flexible retirement and reduce either salary or grade is voluntary. This means that the reduction in salary will not be eligible to be covered by a pension protection certificate as these are only issued when salary is reduced 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 pension i.e. before they are old enough to get pension automatically.

8.2 If an employee is over 55 and **under 60** and they can decide to leave employment before their pension would normally be paid but would require LVJB's permission to do so as there shall be costs to LVJB. If they are **60 or over**, they do not require LVJB's permission to retire.

8.3 When making a decision on whether permission to retire early can be given LVJB will consider if:

- it is in LVJB's interests and achieves business efficiencies;
- the costs are affordable and can be met within 1 year; and
- the request is fully supported by a business case that shows the benefit to LVJB.

8.4 If pension is paid early under this policy, the amount of pension benefits shall be reduced. This is called an actuarial reduction. **LVJB will not take any action to waive this actuarial reduction.** Lothian Pension Fund will provide all the information required about how taking early payment will affect pension benefits. An employee should discuss this with them before they make their application (see Appendix B).

9. WHO CAN APPLY FOR EARLY RETIREMENT?

9.1 Employees can apply for early retirement if they meet the following conditions:

- a) They 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 they are under 60 LVJB must approve the early payment of their pension.

9.2 An employee cannot combine a request for early retirement with a request for, flexible retirement, 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.

10. HOW DOES EARLY RETIREMENT WORK?

10.1 An employee must submit a written request for early payment of pension to their Head of Service and Human Resource Manager in the first instance. The request will be kept confidential.

10.2 Where the appropriate Head of Service considers that operationally the service may be able to support the request, the Human Resource Manager shall obtain an estimate of pension benefits for the employee and an estimate of the costs to LVJB from the Lothian Pension Fund.

10.3 If all parties, on the basis of the estimates provided are in agreement the application will be submitted to the Depute Assessor for support in principle.

10.4 Requests for early payment of pension are approved at LVJB's discretion. When considering requests, LVJB will consider the personal circumstances of the applicant, the business case, the impact on the service and the affordability of any costs.

10.5 If an employee is under 60 they should wait until their request for early retirement has received final approval before they resign and give notice in writing. The length of notice you have to give is set out in the contract of employment.

10.6 If an employee has received early payment of pension they will not be eligible to be re-employed by LVJB within the 1 year cost savings period (see 11.1 below). Thereafter, an ex-employee can be re-employed if they apply for a post and are recruited through LVJB'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 Depute Assessor who will consider the business benefit to and/or impact on the service, the savings to LVJB and whether there are any costs to LVJB. 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 budget within 1 year of your leaving.
- 11.2 Each request for flexible/early retirement needs to have a financial assessment undertaken and final approval by the Assessor and Treasurer to the Board. The assessment will show:
- a) the business benefit to the service resulting from the flexible or early retirement;
 - b) any reduction in salary costs that will result from the retirement. In the case of flexible retirement requests the reduction must be a minimum of 20% of basic annual salary;
 - c) how much the change will cost LVJB (e.g. pension strain costs, replacement cost); and
 - d) whether the costs are affordable and can be paid back in 1 year or less.

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

- 11.3 Final approval of the request by LVJB must be obtained before any decision can be confirmed to the employee. Final approval involves:
- a) where your full-time equivalent salary and/or the costs to LVJB are each £50,000 or less, the case must be approved by the Assessor and the Treasurer to the Board;
 - b) where the full-time equivalent salary and/or the costs to the LVJB each exceed £50,000, the case must be approved by Assessor, Treasurer and Convener of the Board.
 - c) a request involving the Assessor or Depute Assessor must be submitted for consideration and approval by the Board.
- 11.4 Where a case is approved, the Human Resource Manager will notify the employee in writing of the decision who will also initiate the retirement arrangements.
- 11.5 Where a case is refused, the Human Resource Manager will notify the employee of the decision and the reasons in writing. There is no right of appeal against this decision.

12. RAISING A CONCERN

- 12.1 There is **no** right of appeal where a request is refused.
- 12.2 An employee who is concerned about the way the policy has been applied or the process followed should talk it over informally with the Human Resource Manager as early as possible. If the matter cannot be resolved informally, the employee can raise the concern formally through LVJB's Procedure for Hearing Employee Grievances.

13. LOCAL AGREEMENT

- 13.1 This is a local collective agreement between LVJB and Unison the recognised trade union. 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.

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 Head of Service and HR 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 Depute Assessor, appropriate Head of Service, and Human Resource Manager will consider a case in the first instance to decide if support in principle can be given. They are also responsible for managing any operational or financial impact arising from the application of any of the options it covers. They are also 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 early action must be taken.

The Assessor is responsible for making sure this policy is implemented and will consider whether a case can be supported on the basis that it is in LVJB's interests, business efficiencies will be achieved, the financial assessment provides a satisfactory outcome and the necessary approval has been obtained.

The Depute Assessor/Heads of Service/Human Resource Manager will consider and approve the financial assessment in support of a case.

The Assessor, Treasurer to the Board and the Convener of the Board (where appropriate) will consider supported cases, as required under LVJB's approval arrangements to decide if consent can be given.

The Human Resource Manager 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 HR Manager as required and facilitate the process.

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

Will an employee's pension and lump sum be reduced if they voluntarily retire early?

1. Pension benefits will be reduced to take account of being paid for longer if an employee retires before the expected date of retirement. How much benefits are reduced by depends on how early an employee draw's them. Benefits will be reduced if:
 - An employee has reached the age of 60 and decides they want to retire before they are 65; or
 - LVJB agrees to the application for early payment of benefits before age 60.
2. If an employee was a member of the LGPS on 30 November 2006, some or all of the benefits paid early could be protected from the reduction if the employee is a protected member. More about this can be obtained from the Lothian Pension Fund scheme guide.
3. The reduction applied to pension benefits is calculated in accordance with guidance issued by the Pension Scheme Actuary. The reduction is based on how early an employee decides to retire i.e. the period between the date they retire and start receiving their pension and age 65*. The length of time is calculated in years and days. The earlier an employee retires, the greater the reduction.

(*If an employee is a protected member, the period is calculated to the date you could have received unreduced benefits).
4. Information on how much the pension will be reduced if it is taken early can be found on [Lothian Pension Fund's website](#).
5. An employee can reduce or avoid the reductions by not taking immediate payment of their benefits on retirement i.e. by delaying payment until a later date. If they decide not to draw immediate benefits, the benefits would normally become payable at age 65 but an employee 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.