



## Flexible & Early Retirement Policy

(SJC staff)

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## **1.0 Policy Statement**

- 1.1 Retirement is a time of great significance in a persons' life, and Moray Council are committed to giving employees who have decided to retire, support to encourage a smooth transition from work to retirement. This includes a flexible approach to retirement.
- 1.2 The purpose of this policy and procedure is to outline the principles and practices that will govern the Council's approach to employee retirement. Moreover, it is intended to promote fairness and to give managers and staff the flexibility to plan retirements.
- 1.3 The policy offers flexibility and choice for employees of Moray Council in terms of working arrangements and job remit, in the latter periods of their working lives. In addition, it provides managers with the opportunity to retain key skills and knowledge whilst planning for the replacement of the employee.
- 1.4 The policy covers the options and processes for both flexible retirement and early retirement.
- 1.5 Where a pension is taken before the Normal Pension Age, the pension will be reduced for early payment. Refer to the Pension Section for further details: <https://www.nespf.org.uk/active-member/retirement/>

## **2.0 Flexible Retirement Overview**

- 2.1 Flexible retirement can be described as where employees reduce their working commitment while releasing a proportion of their pension benefits up to full retirement.
- 2.2 The Flexible Retirement Options available are:
  - [Reduction in hours](#)
  - [Wind down](#)
- 2.3 Benefits of adopting flexible retirement practices, include:-
  - ✓ Greater flexibility and choice for employees;
  - ✓ Retention of experienced staff with valuable skills;
  - ✓ Effective succession planning;
  - ✓ A strategic and effective response to demographic change.
- 2.4 Early retirement can be an alternative option to flexible retirement and is described as taking a pension before the Normal Pension Age. The pension will be reduced for early payment. Further details can be found at: [Early Retirement](#)

## **3.0 Flexible Retirement Options**

There are a number of flexible working options which can be considered to allow employees to prepare for retirement. In each case, an assessment will be made

based on the needs of the service. Where Flexible Retirement is taken before the normal pension age, benefits will normally be reduced for early payment

### 3.1 **Reduction in hours**

- **Description:** An employee can make a request to move to part time working (there must be at least a 20% reduction in your weekly working hours) during the period leading up to retirement. In these circumstances it may also be possible to give consideration to a Job Sharing arrangement.
- **Pension Implications:** A reduction in working hours may result in a reduction in salary and pension contributions to the Council's pension scheme. Pay which is continued to be received at the reduced hours can be paid in and build up further pension benefits

If an employee reduces their hours as part of a flexible retirement agreement they will access all or part of their retirement benefits.

If flexible retirement is approved, the following would need to be drawn:

- All of the benefits that relate to any pre 1 April 2009 membership, plus
- All, some or none of the benefits that relate to the employee's membership from 1 April 2009 to 31 March 2015, plus
- All, some or none of the benefits that relate to the employee's pension built up from 1 April 2015, and
- Any additional benefits (APCs, SCAPCs, AVCs, ARCs, Added Years)

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Employees can gain further information regarding their benefits before commitment from <http://www.nespf.org.uk/>

### 3.2 **Wind down**

- **Description:** The Wind down scheme is a phased retirement option which offers members approaching retirement age with the opportunity to continue in employment, although reducing their working time by one day at a time over an agreed period before they retire. The working pattern will be agreed in advance of the arrangement.

All employees who meet the eligibility for Flexible Retirement are included in the scheme, except where specifically excluded (any exclusions to be determined by the Head of HR, ICT & OD, in conjunction with the Head of Service concerned. Exclusion reasons can include service delivery impact, future need for skills and experience, and affordability).

Employees will be paid only for those hours worked. Employees working shifts will have special arrangements determined by the Head of HR, ICT & OD and the appropriate Head of Department. Part-time/job share staff will have time off calculated on a pro rata basis of the number of hours worked.

- **Pension Implications:** Where a member pays reduced pension contributions (due to receiving less pay) then a member will in turn accumulate less pension benefits.

#### **4.0 Pre-Retirement: Workplace Discussions**

The Council encourages managers and employees to meet for regular workplace discussions. During these discussions, employees may discuss their future plans or proposals for retirement. A discussion about possible retirement will not result in the Council making any assumptions about the employee's commitment to their role. The Council seeks to retain the best talent, regardless of their age, and workplace discussions provide an informal opportunity for both the Council and the employee to jointly plan for the future.

#### **5.0 Eligibility for Flexible Retirement**

- 5.1 Moray Council relies upon the knowledge and skills of its employees. A flexible approach to retirement will allow employees who would otherwise retire completely, to explore other potential avenues, enabling the Council to retain their skills, knowledge and experience and plan to pass them to other employees.
- 5.2 The option to apply for Flexible Retirement applies to all employees who:
- have at least 2 years' service with the Local Government Pension Scheme (LGPS)
  - are aged 55 years or over
  - agree to access some or all of their pension
- 5.3 The only exception to retiring before this age is ill health retirement which is dealt with under the [Health and Work Policy](#).
- 5.4 Where an employee is not a member of the LGPS and is consequently unable to draw pension benefits, or where they do not wish to access some or all of their pension, this policy will not apply. Employees in this position should refer to the [Flexible Working Policy](#).
- 5.5 Employees who apply for flexible retirement are required to give an indication at the outset of their intended retirement date.
- 5.6 Further criteria and guidelines are detailed within the [North East Scotland Pension Fund](#) (NESPF) publications, which we fully adhere to.

#### **6.0 Flexible Retirement Process**

Attempts will be made to accommodate requests where they are financially and operationally feasible with all cases requiring the approval of a Service Manager. Where there are multiple applications in the same service area, they should be ranked by order of submission and dealt with on a first come first served basis.

##### **6.1 Application**

The employee should put forward their proposal providing a business case for the request to move to flexible retirement. This should include an indication of how they believe the service will continue meeting service delivery obligations if agreed,

alongside their intended retirement date. The application should be submitted at least 12 weeks prior to the requested start date, to allow the process to be completed.

The application must then be submitted to the line manager for consideration.

## 6.2 **Making a decision**

The Council will determine each case on its own merit, taking into account the operational requirements and delivery of service as well as any costs to the Council.

Where flexible retirement is agreed, the Council as its standard policy position, does not exercise its discretion to waive any reduction in benefits for a member who is granted flexible retirement. However, where there is a clear economic or service efficiency advantage to be gained from the flexible retirement, the Council may elect to waive the reduction in benefits meaning that employees will receive their full benefits, with each case being considered on its own merits. Employees can still apply for flexible retirement however a reduced pension will be received to reflect the reduced service element.

In considering a request for flexible retirement the following factors should be considered:

- will there be any detrimental effect on service delivery
- benefits which may arise from the implementation of the request
- any cost implications i.e. will this result in savings or increased costs
- ensure that any flexible working arrangement is fair and equitable to all employees in the team
- the need to recruit to the reduced hours to cover the duties and functions carried out by the employee concerned
- the ability to reorganise or undertake the work which is required to be carried out by other staff or through other means
- the existence of any vacancy in the service area or across the Council
- the need or desire to reorganise the way in which the Council's services are delivered

Please refer to the [Flexible Retirement Toolkit](#) which outlines what key actions managers should take to allow a robust decision to be reached.

A decision should be reached within 28 days of receiving the request.

## 6.3 **Responding to an application**

### **Accepting an application**

In consultation with Human Resources and the Service Manager, where a decision is made to accept an application for flexible retirement, subsequent actions should be carried out as detailed in the [Flexible Retirement Toolkit](#). This includes meeting with the employee, formally outlining the decision in writing and notifying appropriate parties.

In addition to salary payment, employees who are flexibly retired will also receive all or part of their pension paid. Salary payments will continue to be paid through Moray Council's Payroll, and Pension payments will be paid through the LGPS.

Once flexible retirement is in place it cannot be revoked. Employees may apply to change their flexible retirement request but not within 12 months of their original change.

### **Rejecting an application**

An application for flexible retirement may be turned down for a number of reasons. Whilst this list is not exhaustive, the following reasons would be considered appropriate grounds to turn down a request:

- burden of additional costs
- detrimental impact on service delivery
- inability to re-organise work among staff
- inability to recruit staff

As mentioned above, the [Flexible Retirement Toolkit](#) outlines the actions which should be taken once a decision has been made to reject an application.

There is no right of appeal against decisions regarding flexible retirement.

## **6.4 Further applications**

There may be circumstances where an employee who has already flexibly retired may have a change in circumstances and wish to make a further flexible retirement application. If so, they must follow the process above and submit a further application. Unless there are exceptional circumstances, a further application cannot be made until they have been working under their agreed flexible retirement arrangement for at least 12 months.

## **7.0 Early Retirement Overview**

7.1 Early retirement can be described as where employees choose to take their pension before Normal Pension Age (NPA) and their pension will normally be reduced for early payment. As you are choosing to take your pension earlier than expected, your pension needs to stretch and be paid over a longer period of time. To ensure it can be paid over the entirety of your retirement, the amount you are paid each year is reduced to cover the additional years. This reduction rate is determined by the Government and affects both your annual pension and lump sum. Your own LGPS will provide you with details on how it would affect you.

7.2 Employees are free to choose when they wish to stop working. Where retirement takes place prior to the NPA, the pension will normally be reduced as it is being paid early. The only exception to this is retirement with Rule of 85 Protection from age 60. The Rule of 85 covers members whose age plus scheme membership (in whole years) equals 85 and who may be able to take their pension before their Normal Pension Age, without it being reduced for early payment.

The Rule of 85 was abolished in 2006 but protection was put in place which allows some members to qualify for Rule of 85 protection. More information including a Rule of 85 checker can be found at <https://www.nespf.org.uk/active-member/retirement/rule-of-85/>

- 7.3 The Government's State Pension Age calculator can be used to find out the State Pension Age at: [www.gov.uk/state-pension-age](http://www.gov.uk/state-pension-age). It's important to know that changes to State Pension Age are possible in the future, that means an employee's Normal Pension Age could change.
- 7.4 Flexible retirement can be an alternative option to early retirement and is described as where employees reduce their working commitment while releasing a proportion of their pension benefits up to full retirement. Further details can be found at: [Flexible Retirement](#)

## **8.0 Eligibility for Early Retirement**

- 8.1 The option to apply for Early Retirement applies to all employees who:
- have at least 2 years' service with the Local Government Pension Scheme (LGPS)
  - are aged 55 years or over
  - agree to access some or all of their pension
- 8.2 The only exception to retiring before this age is ill health retirement which is dealt with under the [Health and Work Policy](#).
- 8.3 Where an employee is not a member of the LGPS and is consequently unable to draw pension benefits, or where they do not wish to access some or all of their pension, this policy will not apply. Employees in this position should refer to the [Flexible Working Policy](#).
- 8.4 Employees who apply for early retirement are required to give an indication at the outset of their intended retirement date.
- 8.5 Further criteria and guidelines are detailed within the [North East Scotland Pension Fund](#) (NESPF) publications, which we fully adhere to.

## **9.0 Early Retirement Process**

- 9.1 Employees who wish to consider early retirement should put their request in writing, wherever possible at least six months in advance of the proposed date of retirement, to their Head of Service who will consider the request and discuss it with the Head of HR, ICT & OD.

Employees are recommended to discuss the position, informally, with their Line Manager or Head of Service before submitting a formal application.

- 9.2 The Council will determine each case on its own merit, taking into account the operational requirements and delivery of service as well as any costs to the Council.
- 9.3 Managers should avoid raising staff expectations when discussing the possibility of Early Retirement and all estimates of possible Early Retirement benefits will only be

provided on the clear understanding that it does not constitute a formal offer, nor give any indication as to the outcome of the application.

- 9.4 An estimate of the benefits which would be received and the cost to Council will be sought from the Pensions Section. The Head of Service will then put the case to the Corporate Committee for consideration if the application is supported and if approval is given, a date will be agreed with the employee as to when they would retire from the Council's service.
- 9.5 The decision of the Corporate Committee will be final, and will be confirmed by the Head of HR, ICT & OD in writing to the employee, with estimated details of the pension and lump sum approved by the Council. If the employee wishes to proceed with retirement from the agreed date, written confirmation should be sent to the Head of HR, ICT & OD as soon as possible to this effect. The agreed date will in all cases be fixed or adjusted to enable the employee to work the period of notice required from them under their contract of employment.

Please refer to the [Early Retirement Toolkit](#) which outlines what key actions managers should take to allow a decision to be reached.

- 9.6 If an application is refused, a subsequent application may be made, if desired, no less than eighteen months after the decision.
- 9.7 Employees granted early retirement will not be re-employed by Moray Council except in exceptional circumstances.

## **10.0 Pension Schemes**

### **10.1 Brief Outline of LGPS schemes**

The Local Government Pension Scheme (LGPS) changed from a final salary to a career average scheme on the 1 April 2015. If you were paying into the LGPS on this date, you will automatically have been moved into the new scheme. If you retired or left before the 1 April 2015, there is no change to your pension.

A pension is calculated according to when the scheme was paid into.

- **Final Salary for any membership up to 31 March 2009:** a pension will be received worth 1/80th of final pay at leaving plus an automatic lump sum of 3 times the pension.
- **Final Salary for membership up to 31 March 2015:** a pension of 1/60th of final pay will be received at leaving. There is no automatic lump sum but annual pension can be swapped for a tax free lump sum.
- **Career Average Revalued Earnings (CARE) for membership from 1 April 2015:** for every year in the new Scheme, a pension worth 1/49th of pensionable pay received in that scheme year is built up. The scheme year runs from 1 April to 31 March.

## 10.2 **Final Salary**

All membership built up in the scheme before 1 April 2015 will be used to calculate an employee's benefits in the final salary scheme. Only membership built up from April 2015 is calculated under the rules of the new career average scheme.

The definition of final pay is normally the pay on which an employee paid contributions in the final year of scheme membership, or one of the previous 2 years if this is higher.

Since 1 April 2015, if the LGPS is being paid into, career average pension scheme is automatically joined. The pension in which is built up in the LGPS before this date is fully protected. This means that an employee's pension, based on membership built up to 31 March 2015, will continue to be based on the employee's final pay when they leave.

## 10.3 **Career Average Revalued Earnings (CARE)**

For each year in the Scheme from 1 April 2015 a pension worth 1/49th of pensionable pay is built up. The pensionable pay is the amount of pay on which you pay contributions are paid. It includes the employee's normal salary plus contractual overtime, bonuses, shift allowances and child related leave pay. For part time members, the pensionable pay will be based on actual earnings (including any additional hours up to a post's full time hours), not the full time equivalent.

## 11.0 **Useful Documents**

As pension provisions can be complex employees should ensure they understand what retirement means for them financially, and it is recommended that they seek independent financial advice before making their final decision.

A range of additional information and training is available:

- Corporate Event: Planning for the Future  
[http://interchange.moray.gov.uk/int\\_standard/Page\\_116989.html](http://interchange.moray.gov.uk/int_standard/Page_116989.html)
- North East Scotland Pension Fund\_(NESPF)  
<http://www.nespf.org.uk/>  
Email: [pensions@nespf.org.uk](mailto:pensions@nespf.org.uk), Tel: (01224) 264264
- NESPF forms and guides –  
<http://www.nespf.org.uk/publications/Publications.aspx>
- NESPF Retirement Guide -  
<http://www.nespf.org.uk/nmsruntime/saveasdialog.aspx?IID=1236&SID=335>
- State Pension Age calculator - <https://www.gov.uk/state-pension-age>
- Pre-Retirement courses are organised by the Council and are open to anyone within a few years of retirement. Please contact [organisational.development@moray.gov.uk](mailto:organisational.development@moray.gov.uk) for further information and to book your place.

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