

# **Retirement and Severance Policy**

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# 1. Introduction

## Purpose

We are committed to supporting work life balance and to equal opportunities for all our employees. We do not have a compulsory retirement age for our employees and recognise the contributions of a diverse workforce, including the skills and experience of older employees. We believe that employees should, wherever possible, be able to continue working for as long as they wish to do so. We appreciate that some of our employees might want to change the way they work to get a better work life balance and may be interested in flexible retirement.

We realise that employees' circumstances may change for a variety of reasons and, when the time is right, they may wish to retire and will need guidance and support to make the transition from employment to retirement. There are also occasions where it may be in our organisational interests to allow employees to retire.

## Scope

This policy is linked to the provisions applicable to members of the Local Government Pension Scheme (LGPS). Our scheme administrator is Tayside Pension Fund which operates from within Dundee City Council.

All eligible employees under the age of 75 are contractually enrolled into the LGPS on appointment (apart from those employees who have a contract for less than three months duration, but they can opt into the LGPS if they wish to do so). Employees can choose to opt out of the LGPS after they start employment with us. To opt out employees need to request a S1 form available from Tayside Pension Fund, which they must complete and return to Human Resources.

This policy specifically relates to members of the LGPS.

Any future changes to the LGPS scheme or associated regulations may affect the operation of this policy.

## Legislation

### **Primary legislation**

The Local Government Pension Scheme (Scotland) Regulations 2018

### **Secondary legislation**

Equality Act 2010

The Employment Rights Act (ERA) 1996 Part-time Workers (Prevention of Less Favourable Treatment) Regulations 2000 (SI 2000/1551)

The Part-time Workers (Prevention of Less Favourable Treatment) Regulations 2000

Pensions Act 2008 and the Pensions Act 2011

# Data protection

When dealing with retirement and severance, we will process any personal data collected in accordance with our [data protection policy](#). We will record only the personal information required and keep the information only for as long as necessary.

## Monitoring and review

Human Resources and the Partnership Forum are responsible for monitoring and implementing this policy to make sure that we apply it fairly and consistently and that we are meeting the stated principles and values. We will review this policy every three years (or earlier should legislation change) and make amendments as appropriate in consultation with the Partnership Forum. We will outline minor amendments in the change log and update the version control. Major changes will follow the consultation cycle – Equality Impact Assessment, Operational Management Team, Partnership Forum, Executive Management Team and Council.

## 2. Principles

### **Policy specific**

In operating this policy, the following principles will apply:

- We plan so that we can minimise the need for redundancies and/or early retirement wherever possible. We do this through workforce and succession planning so that we have the right number of employees in the right place with the right skills and experience at the right time.
- Early retirement and/or voluntary redundancy must be in the best interests of the organisation as well as appropriate for employees.
- We have a no compulsory redundancy policy and will always try to agree changes in a consensual and voluntary manner. We will consider alternatives to voluntary redundancy or early retirement including retraining, job matching or secondment opportunities.
- In line with our statutory equality duties, we monitor all equality groups as defined by the Equality Act 2010 for all employees who apply for voluntary redundancy.
- We balance our needs, the needs of our employees and the long term financial strength of the pension fund.
- Where there is a potential cost to the organisation, only Council can approve a request for retirement; the line manager can approve where there is no cost to the organisation.

We expect our employees and our managers to treat each other with dignity and respect by acting in accordance with our organisational values when applying this policy and procedure.

### **Recognition and respect for others**

- We treat each other with kindness and respect and value the contribution every employee makes.
- At every stage of the process there is no discrimination on the grounds of protected characteristics as listed in the Equality Act 2010.
- We will treat all employees fairly and consistently under this process and if any employee requires specific support and assistance due to them having a protected characteristic under the Equality Act 2010, we will accommodate them appropriately.

### **Working together**

- We recognise the value of positive and constructive involvement and participation from the recognised trade union. The commitment to partnership working is confirmed in the Partnership Agreement and is integral to the development and maintenance of harmonious employee relations.

### **Accept responsibility and accountability**

- We will respect confidentiality and only share information, as appropriate, with relevant postholders.
- We will deal with issues kindly and sensitively and show compassion.

## **3. Roles and responsibilities**

### **3.1 Council**

People management policies which include any of the following are reserved for Council:

- associated additional costs that are not contained within the current budget
- any proposed fundamental change to terms and conditions of employment
- where Council has a clearly defined role to play.

Council is responsible for:

- approving this policy and procedure
- considering the business case and approving or refusing as appropriate
- making sure the structure of the organisation is fit for purpose to deliver objectives
- making sure that the application of this policy does not breach any statutory requirement placed upon the SSSC
- making sure that the Chief Executive and EMT have in place appropriate and up to date policies and procedures for the effective management of employees
- making sure those policies and procedures are applied fairly and in accordance with the law.

### **3.2 Executive Management Team**

The EMT is responsible for:

- overall responsibility for the implementation of the policy and creating a culture in which employees can flourish through interesting and rewarding work
- budget holders will consider an employee's request where there is a cost to the organisation and make the case for presenting to Council
- delegating responsibilities related to the policy to Operational Management Team (OMT) and line managers
- making sure that managers and employees receive appropriate development, support and training to implement the policy appropriately
- making sure that the application of this policy and procedure does not breach any statutory requirement placed upon the SSSC
- making sure that changes to people management policies not retained for the specific approval of Council are reported to Council on a quarterly basis for endorsement.

### 3.3 Operational Management Team

The Manager is responsible for:

- making sure budget holders consider an employee's request where there is a cost to the organisation before it goes to Council
- making sure their managers and employees are aware of the process to be followed regarding the arrangements for retirement, early retirement, flexible retirement
- making sure that any requests are considered appropriately
- making sure that employees are treated consistently and fairly, with no prejudging of any request, being mindful of the needs of the organisation as well as that of the employee.

### 3.4 Line manager

The line manager is responsible for:

- signposting employees to relevant information and telling their budget holder if an employee mentions that they are interested in flexible retirement or early retirement
- involvement in the approval process but do not have responsibility for agreeing any decisions
- acting in a fair and consistent way, being open and honest
- dealing with issues kindly, sensitively and showing compassion
- respecting confidentiality and only sharing information, as appropriate, with relevant postholders
- considering our responsibilities under the Equality Act (2010) and, where appropriate, make reasonable adjustments for any employees who may have a disability or other protected characteristic
- considering any health impact and considering supports such as occupational health
- making sure employees follow the procedure for requesting and approving retirement
- considering and responding to all requests in a sensitive, supportive, confidential and timely manner
- recording any retirement accurately.

## 3.5 Employees

We expect the highest standards of integrity and conduct from all employees. Employees must comply with the SSSC Code of Conduct for Employees.

Employees are responsible for:

- obtaining independent financial advice to inform their own decision making
- fully considering the implications and potential loss of any contractual or pension rights before committing to retirement, early retirement or flexible retirement
- discussing their retirement request with their line manager and completing the retirement application form accurately as part of the approval process.

## 3.6 Human resources

Human Resources is responsible for:

- updating this policy and procedure in line with the agreed schedule, or as changes occur, to comply with employment and other pertinent legislation, best practice and the SSSC people strategy
- developing this policy and procedure collaboratively to meet legal and business requirements
- developing template letters, forms and guidance if required
- liaising with Tayside Pension Fund to organise any pension quotes if required
- offering advice on how to apply the retirement and severance policy and procedure
- making sure the process is followed in line with the policy and procedure
- reminding employees and managers of their responsibilities under the policy, if required
- monitoring use of the policy and processes and reporting any non-compliance to heads of department/directors.

# 4. Policy

Employees should use this policy/procedure to:

- request flexible retirement if they are age 55 (or over) and have at least two years' membership with the LGPS. For additional information please refer to section 5.2, Flexible Retirement Procedure
- retire early if they are aged 55 or over and have at least two years membership with the LGPS. If employees choose to retire early they need to submit their resignation, providing their appropriate notice period. For additional information please refer to section 5.3 Early retirement procedure-employee initiated
- consider their options during a period of workforce change (eg Voluntary Redundancy or Voluntary Early Retirement). For additional information please refer to section 5.4, Early retirement procedure-employer initiated
- get more information on ill health retirement. For additional information please refer to section 5.5 Ill health retirement



- know what happens if they choose to work beyond the normal retirement age. For additional information please refer to section 5.6 Retirement after age 65 procedure.

## 5. Procedure

### 5.1 Preparing for retirement

Employees who are members of the Local Government Pension Scheme can request details of their pension entitlement by making a request via Human Resources or directly from Dundee City Council's Pension section. Contact details are:

Website: [Dundee City Council Pensions](#)

Address: Tayside Pension Section, Finance Department, Floor 4, Dundee House, 50 North Lindsay Street, Dundee, DD1 1NZ

Telephone number: 01382 307913

Email: [pensions@dundeecity.gov.uk](mailto:pensions@dundeecity.gov.uk).

It can take approximately 12 weeks to receive a pension estimate.

#### **Preretirement support**

We want to provide, amongst other things, an age inclusive environment, where employees feel valued, respected and able to contribute to their full potential at all ages and stages. We have partnered with Age Scotland and taken advice on what we can do to foster a positive working culture in which staff of all ages feel supported. One key aspect of an age inclusive environment is to help staff plan for their futures, into retirement, so that they can be positive and confident about what lies ahead and know how much we value their contribution whilst they are working with us.

We will support our employees to attend a workshop to help with retirement which includes information areas such as: Money Matters & Tax, Legal issues, Health & Wellbeing and Time & Activities in retirement. Further information is available from our Organisational Development (OD) Team.

The following websites are also helpful sources of external support:

- [LGPS Regulation and Guidance](#)
- [Age UK](#)
- [Citizens Advice](#)
- [Money Advice Service](#)
- [Unbiased](#) (provide a choice of regulated financial advisers, mortgage brokers and accountants).

There is a lot of information in this policy, some of which employees will find relevant to their situation and some which will be relevant later. Employees do not need to read the whole policy. To help employees access the information they need we have divided the policy into five separate procedures within section 5 as follows:

- 5.2 Flexible retirement procedure
- 5.3 Early retirement procedure – employee initiated
- 5.4 Voluntary redundancy/voluntary early retirement procedure – employer initiated
- 5.5 Ill health retirement procedure
- 5.6 Retirement after age 65 procedure.

## 5.2 Flexible retirement procedure

### **What is flexible retirement?**

If employees are age 55 (or over) and have at least two years membership with the LGPS they can request flexible retirement. Employees can apply for flexible retirement whether they work full or part time. This is an option where they can access all, or a proportion of, pension earned to date but at the same time as receiving their pension they can continue working with us. We will automatically bring members back into the pension scheme following flexible retirement but they have the right to opt out if they choose.

Flexible retirement is an attractive option for some as it can help with both their work life balance and the transition into full retirement.

Flexible retirement can also help us as an organisation to retain key skills, abilities, knowledge and expertise for an extended period of time, which we may otherwise lose.

Flexible retirement can also help us with succession and workforce planning. We know from our employee age profile that we need to plan ahead so that when our older employees decide to leave we have a robust process in place to retain key skills, knowledge and experience within our organisation.

Employees must reduce working hours and/or grade to the extent that revised salary is no more than 80% of current salary to qualify for flexible retirement. Employees reduce salary by at least 20% by reducing working hours, changing to a job with a lower grade or a combination of these two options and this is a permanent contractual change

### **Flexible working and LGPS pension implications**

Retirement benefits from the LGPS are generally paid out when an employee reaches the normal retirement age or state pension age if later. But if they take flexible retirement:

- we will release all of the benefits from any pre 1 April 2009 membership. This means employees can decide to take all, none or some of the benefits from their membership before 1 April 2009
- we may reduce benefits before normal pension age to take account of being paid for longer. How much benefits are reduced depends on how early employees take their benefits and if they have an earlier protected retirement age
- employees can choose to give up some of their pension as an additional tax-free lump sum. This is called commutation of pension
- employees will be taxed on their salary and annual pension
- membership from 1 April 2015 is now a Career Average Revalued Earnings scheme (CARE). This means it is the amount of pay received in the year paid at 1/49ths, or 1/98<sup>th</sup> if the member opts for 50:50 Scheme
- employees will build up a new set of rights in respect of their ongoing employment or continue making contributions if they take part of their pension. Eligibility for discretionary compensation payment will be based on continuous service, including service before flexible retirement. The amount of Compensatory Added Years may differ depending on the amount of service in the continuing post (see section 5.4 for further information).

Any continuing service will now be payable under the 2014 Regulations as CARE. Final pay is only used for the calculation for the service up to 31 March 2015 and career average earnings are used for service from 1 April 2015.

### **Eligibility for flexible retirement- the legal requirements**

To apply, employees must:

- be age 55 years or older and have 26 weeks service at date of request
- have at least two years membership of the Local Government Pension Scheme (LGPS)
- either make a change to reduce hours or change duties or responsibilities
- not have made a flexible retirement request in the previous 12 months.

### **How to request flexible retirement**

Human Resources will support managers and employees to understand the process and will liaise with Tayside Pension Fund to organise any pension quotes on employees' behalf.

It is important employees take the time to consider how flexible retirement will affect their personal situation before they submit their Flexible Retirement Request Form.

### **Reduction in hours of work**

Employees may request to reduce their contractual hours in their existing role. Salary will reduce pro rata against the full time equivalent salary. We will also calculate annual leave and other entitlements on a pro rata basis.

### **Change job**

Employees may decide that they would prefer to move to a lower graded role. We must have a suitable, alternative job available before we can approve a job change request. Employees will receive their pension benefits that they have accrued for their previous role and service.

Employees should seek independent financial advice before they submit their request to make sure that they are aware of any financial changes which will occur. The following website might be helpful: [Unbiased](#)

Employees must have an informal discussion with their line manager to discuss any queries before they submit their request.

Once employees are certain that they wish to apply for flexible retirement, they need to complete the Flexible Retirement Request Form (appendix 1). This outlines their proposal as to why they would like to work under the grounds of flexible retirement and how this may impact their team. All flexible retirement requests must be made at least six months before the arrangement takes effect. This timeframe allows us to consult with other employees affected or to recruit a replacement. After completion, the employee should pass this on to their line manager for their input.

### **Considering flexible retirement requests**

Employees must send their request to their line manager. The line manager will then speak to a member of the Executive Management Team to get their early thoughts on how the arrangement may work in practice and budget implications. The line manager will state whether they support the application in principle, which forms part of the decision making process. Only Council can approve any request where there is a cost to the organisation.

Managers must always assess how agreeing a request can result in benefits to the service when considering flexible retirement proposals. For example, if an employee is asking to reduce hours the manager could decide not to replace the hours or reallocate the hours to another post, resulting in a budget saving. Managers and relevant EMT members should also consider whether agreeing to a request could cause any detriment by making sure they do the following:

- collect evidence of costs of allowing the flexible retirement
- collect evidence of savings and benefits of allowing the flexible retirement
- consult with anyone else affected by the proposal
- decide whether to approve the application or not considering the criteria for granting flexible retirement and the costs to the organisation
- keep records of their decision making process and send copies of these to HR.

Where the EMT member supports an application, HR will arrange a calculation of estimated benefits payable from Tayside Pension Fund at Dundee City Council and forward this to the employee. The EMT member should, at the same time, discuss the application with Finance and HR and, together with the line manager, complete the manager section of the flexible working application form which details the costs associated with the request and how these will be justified by the benefits to the Service.

We can refuse a flexible retirement request for one or more of the following reasons:

- burden of additional costs
- detrimental impact on service delivery to meet customer needs
- inability to re-organise work among existing staff
- inability to recruit staff
- detrimental impact on quality of service.

The EMT member must write to the employee explaining why the proposal cannot be taken forward if they are refusing the request.

If an employee is under 60 there will be a strain on the fund cost to release their pension early. However, under the 2018 pension regulations employees can elect to have their retirement benefits paid to them with reductions applied to take account of the early payment. This means there would be no financial cost to the organisation and so there is no requirement for the request to be considered/approved by Council. However, the employee's director would need to approve their request.

Council review all requests that have a financial cost to make sure the request is supported from both a financial and organisational perspective. The information provided on the flexible working application form by the EMT member will outline if the request would place any strain on the pension fund. If Council approve an employee's request for flexible retirement they will receive their salary on the reduced hours or grade. The decision from Council is final. An employee can consider a request for early retirement if they are under 60 or they can choose to retire if they are over 60.

### **Starting flexible retirement**

HR will write to the employee with details of the aspects that have changed. This letter will include:

- start date of flexible retirement (it must start on the first day of the pay period)
- new or changed place, hours or days of work
- new or changed job title or role
- new or changed duties or responsibilities

- confirmation that in accepting flexible retirement the employee may not later apply for a job that would result in them earning more than 80% of the pre flexible retirement salary (as adjusted for nationally agreed pay increases).

If an employee reduces their hours then we will calculate their salary and leave entitlements on a pro rata basis. Tayside Pension Fund at Dundee City Council will pay their pension directly in monthly arrears. This is subject to the public service pensions increase review order which provides increases currently in line with the consumer price index. It can take up to three months from the date employees requested flexible retirement for them to start receiving their pension from Dundee City Council. Employees can contact Tayside Pension Fund direct for more detailed information on their pension.

If an employee does not opt out of the pension scheme we will automatically deduct their contributions from their salary.

### **Changing a flexible retirement arrangement**

It is unusual to change a flexible retirement arrangement once we have agreed it. However, if an employee wanted to change the arrangement later, eg reduce their hours further, they must submit a flexible working request. A member of EMT must consider and approve the request.

### **Ending a flexible retirement arrangement**

An employee with a flexible retirement arrangement who wishes to leave needs to write a resignation letter, providing the appropriate notice period. An employee choosing to retire fully will have their new retirement benefits recalculated to include all post 31 March 2009 benefits they had not previously drawn and the further benefits they had accrued in respect of their continued employment (at reduced hours and/or lower grade). New retirement benefits are based on membership period and pensionable pay at retirement.

If a flexibly retired employee wanted to consider retirement in the interests of business efficiency, then eligibility for any discretionary compensation payment is based on continuous service, including service before flexible retirement.

## **5.3 Early retirement procedure – employee initiated**

Any employee considering early retirement must contact Human Resources who will contact Tayside Pension Fund to obtain the relevant information to assist them with their decision.

If an employee is age 55 or over and chooses to take their pension before their normal pension age it will normally be (actuarially) reduced, as it is being paid earlier. How much the benefits are reduced depends on how early they draw their benefits compared to their normal retirement age. Tayside Pension Fund can advise on these details.

If an employee takes pension benefits after their normal retirement age their benefits may be increased to reflect the shortened payment period.

Employees have the choice to take all, part or none of the pension benefits they have accrued after 31 March 2009 and before 1 April 2015 and a further choice to take all, part or none of the pension benefits they have accrued after 31 March 2015.

Employees can choose to defer taking their benefits but they must take them before age 75. Deferring taking benefits will reduce any reduction applied due to retiring before normal pension age.

If an employee defers taking their pension until after their normal pension age, their benefits will be paid at an increased rate to reflect late payment.

Employees 55 years old or over can voluntarily retire early without approval providing that they elect to absorb the strain on the fund costs by taking a reduced pension. In this situation they would set out their intention to retire early/resign in writing to their manager and Human Resources by providing their normal notice period. The line manager would then manage this through our leavers process and Human Resources will notify Tayside Pension Fund of an employee's retirement and forward on the necessary paperwork.

## **Key points**

### **Before normal retirement age**

Can retire without the approval of the SSSC. The employee just needs to provide their appropriate notice in line with their contract. If an employee chooses to retire in this way, their pension may be reduced to take account of it being paid earlier and for longer.

### **Early retirement and the rule of 85**

Employees born before 01/04/1960 and who joined the pension scheme before 01/12/2006 may be impacted by a provision called 'The Rule of 85'. This is where their age in full years and total amount of membership of the LGPS scheme in full years add up to 85, at date of retirement.

Employees who think this may affect them should contact Human Resources who will contact Tayside Pension Fund for an estimate for the employee.

The responsible EMT member should then discuss any financial impact with Finance as outlined in section 5.2.

### **SSSC approval not required**

Employees can choose to retire and draw their pension from the LGPS at any time from age 55 to 75, provided they have two years scheme membership and have worked for the SSSC for at least 26 weeks. However, there might be an impact if they do not meet the rule of 85 as outlined in the section above. Employees should contact Human Resources who will contact Tayside Pension Fund for an estimate for the employee.

Employees do not need the approval of the SSSC and need only provide notice of terminating their employment in line with their contractual notice period.

If an employee chooses to take their pension before their normal pension age it will normally be reduced, as it's being paid earlier. If an employee takes their pension later than their normal pension age it is increased because it is being paid later. All employees must draw their benefits in the LGPS before their 75<sup>th</sup> birthday.

### **Leaving the SSSC through early retirement**

We expect employees to work their notice period. If an employee has an outstanding debt to the SSSC for example, an overpayment of salary, we expect them to repay the outstanding amount in full. Normally employees should use any balance of annual leave before leaving. Where employees are unable to use accrued untaken annual leave prior

to their termination, they are entitled to a payment in lieu in respect of this annual leave.

## 5.4 Voluntary redundancy or early retirement - employer initiated

The organisation may consider offering voluntary redundancy or early retirement to specific groups of employees to deliver business efficiency changes. For example:

- if we need to restructure in a way that results in posts being deleted from our establishment
- if we need to achieve business efficiency improvements and reduce our overall operating costs.

We may offer a voluntary early retiral/redundancy scheme to facilitate any necessary reductions in staffing levels based on the budget position and business needs of the SSSC.

We will only agree to employees leaving under this scheme where changes to the permanent establishment of the SSSC result in a sustainable budget saving.

There is no guarantee that we will approve an application by an employee for release under this scheme. The Executive Management Team reserve the right to decide whether to progress and recommend any individual application under this scheme. Following an EMT member decision to progress an application, the application is submitted to Council for approval if there is a financial cost.

### **Volunteering for Early Retirement/Redundancy (VER/R)**

We will ask volunteers to submit a note of interest for voluntary redundancy or early retirement once we have publicised the scheme. HR will contact Tayside Pension Fund to get an estimate for early retirement or voluntary redundancy payment when they receive an employee's note of interest. At this stage there is still no legal obligation for either the SSSC or employee to proceed.

### **Eligibility**

We will offer eligible employees the opportunity to submit an initial expression of interest (without commitment at this stage) for VER/R. Eligibility is summarised below:

- employees who are aged 50 and over and in the pension scheme
- employees aged 50 or under or who are not in the pension scheme
- employees who have a substantive role in an affected staff group
- an employee who has been displaced from their substantive post due to an organisational change process and the organisation is looking to match them into a suitable alternative post
- volunteers who are not designated for a future transfer to another organisation
- employees from a staff group where there is no known shortage of their specialism.

Employees are not entitled to the scheme when we have already served them with notice of termination of employment for any reason and/or they have already tendered their resignation, or they have formally advised or begun the process of their retirement.



## Key points for eligibility

### Ages 50/55 to normal pension age

- The SSSC certifies that we are terminating an employee's employment due to redundancy or in the interests of the efficiency of the service.
- The minimum age for employees who were members of the scheme on 5 April 2006 is 50. For other scheme members the minimum age is 55.
- Employees who are permanently employed or on a fixed term contract (where redundancy rights apply).
- Employees with at least two years' continuous service.
- Employees with at least two years membership with LGPS.
- In cases where employees (over 50 and less than 55) were in the LGPS on 5 April 2006 and become eligible for retirement on grounds of efficiency of service, regardless of their continuous service at that date they are entitled to pension benefits on an unreduced basis. Any financial liability (strain on the fund) would therefore be rechargeable to the employer.

We will use a fair and transparent selection process to determine an offer of voluntary redundancy. The selection form will contain the following criteria:

- skills, knowledge, experience, competencies (relevant for the role) and qualifications
- performance records
- absence and attendance records (absences relating to a disability, pregnancy, maternity or paternity will be discounted)
- disciplinary records (excluding expired warnings)
- the potential costs involved (this is important especially where outcomes are very similar)
- potential costs and employer discretions.

We can award additional membership compensatory added years (CAY) or discretionary compensation payment (DCP) in cases of retirement but only in exceptional circumstances for business efficiency.

We have chosen to have the flexibility to offer this where appropriate although there is no legal requirement to do this. We will assess the offer of additional compensation by considering the costs and saving associated with the retirement. We will record the decision on whether to award any added years, and if so, how many, to demonstrate that we have carried out this analysis.

### Key points

Age	LGPS status	Discretionary payment
Under 50	Non scheme member (two years+ service)	Employees may be entitled to a Discretionary Compensatory Payment (DCP) but not to compensatory added years (CAY).



<b>50/55 -normal pension age.</b>	<p>Scheme member (five years +LGPS membership).</p> <p>Note: the minimum age we allow retirement on these grounds is 55 for employees who joined the scheme after 5 April 2006.</p>	<p>Employees may be entitled to added years (CAY) or DCP.</p> <p>We will ask employees to indicate their preferred option prior to submitting any application to Council for approval.</p> <p>For employees under 55 who wish to seek voluntary redundancy we will not offer added years and there is only the option of a lump sum compensation payment (up to a maximum 104 weeks).</p>
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### **Compensatory added years (CAY)**

The award of added years is not automatic and is subject to scheme rules. These take into account the Local Government Pension Scheme (LGPS) membership.

- Added years are calculated as 1/80th pension per year and 3/80th lump sum per year.
- We will consider the number of years added (if any) on the individual merits of each case and the circumstances at the time.
- Employees will not receive an enhancement that will take their service beyond that which they would earn up to normal retirement age, nor would take them beyond 40 years' service.
- We will base eligibility on all previous service with the SSSC or an associated employer considered under the Redundancy Payments (Continuity of Employment in Local Government, etc.) (Modification) Order 1999 (as amended).
- The minimum age employees are allowed to retire on these grounds is 55 for those who joined the scheme after 5 April 2006. If an employee was a member of the LGPS on 5 April 2006 and they retire on redundancy grounds the earliest age immediate benefits are paid is 50.
- Any such case would require full support of Council prior to submission to Scottish Government.

Applications must detail the costs of awarding added years which we will measure against any savings identified from the retirement/redundancy of the employee. The key underlying concept is that of a payback period for the additional expenditure incurred. The SSSC's approved payback period for such cases is two years. The payback period must incorporate the whole cost of the retiral. We may be able to present a business case to Scottish Government to determine whether the payback period can be adjusted.

## Key points

Rules on compensatory added years	
Employees who work part time	We will reduce additional membership for part-time employees pro rata to their hours of work.
Employees who have flexibly retired	Employees who have flexibly retired and who have rejoined the pension scheme will have eligibility for added years based on service and membership after flexible retirement only.
Actuarial reduction	In addition to the compensation in this policy, employees who meet eligibility requirements, are made redundant or retiring early in the interests of business efficiency will not have an actuarial reduction under LGPS rules.
Re-employment	<p>If an employee who is under notice of redundancy receives an offer of a job from another body listed in the redundancy modification order before the termination of his or her employment and takes it up within four weeks of the end of the old employment, there is no dismissal for redundancy payment purposes. The employee retains continuity of service and is not entitled to any redundancy compensation.</p> <p>If an employee takes a new job with a modification order body in these circumstances, the provisions relating to a trial period in the Employment Rights Act 1996 will apply. Therefore, if the employee decides not to continue with the job during the first four weeks, they will be able to terminate the contract (whether with or without notice) and receive a redundancy payment from the old employer.</p> <p>Abatement may also apply – this is where an LGPS pension can be reduced or suspended if a pension recipient entered local government or other relevant employment.</p> <p>The SSSC will not reemploy anyone who has left under the VER/R scheme within 12 months of their leaving date. These restrictions should, where possible, apply to consultancy work, and casual work, although we recognise that we may not be able to enforce it for practical reasons.</p>

### Discretionary compensatory payments (DCP)

We can award additional compensatory payments on early retirement at our discretion exceptionally in cases of business efficiency. However, if we grant an award, it will not be higher than the maximum permitted under the guidelines given by Local Government (Discretionary Payments and Injury Benefits) (Scotland) Regulations 1998 (as amended).

Discretionary compensatory payment (DCP) is available to all members aged 18 -normal pension age who have more than two years' service within the Local Government

Pension Scheme (or have transferred in other pension rights). We don't provide for early payment of pension under this discretion.

SSSC will pay costs in respect of the compensation payment of up to 104 weeks (inclusive of statutory redundancy payments) in accordance with age and service.

Payment may be made as a single instalment or in equal annual instalments over a period not exceeding five years between the actual date of retirement and the employee's normal retirement date. The service will be charged interest for payments made over more than one year.

When the employee knows the payments involved they will be asked whether or not they want to make a formal application.

Finance must verify that the costs associated with each request are recoverable within two years before any selection decision is confirmed. The report will go to the Executive Management Team and then to Council for a decision.

Council will determine one of the following three outcomes:

- we cannot offer retirement as the costs exceed the savings. If the retirement does not appear affordable, or the employee is not interested in the compensation offered, and the budget holder decides that it is still in the interests of business efficiency to investigate the retirement option further, they must contact the Head of Human Resources for additional advice to consider alternative options
- we can offer retirement, but only with access to pension without reduction (if eligible) and without additional discretionary compensatory benefits
- we can offer retirement with additional compensation. We should offer this where we can afford maximum added years, and/or, maximum DCP. If we can afford one of the forms of compensation but not the other, we must offer only the affordable compensation. If we can afford both then we can offer both.

The EMT budget holder will advise employees of the outcome at an individual meeting. They will also confirm this in writing.

### **Application not approved**

We make decisions based on expressions of interest. We reserve the right not to accept all expressions of interest if there are more than anticipated and/or we consider it is in the interests of the organisation to retain certain employees. We will give priority to those applications demonstrating the greatest benefits to the organisation where there are more applications than the required reductions in posts. Clear criteria will be established for selection in this situation. We will monitor all VER/R exercises to make sure they comply with our statutory equality duties under the Equality Act 2010.

There is no right of appeal.

### **Application approved**

The employee has 14 calendar days to either formally accept or decline the offer of voluntary redundancy in writing before receiving a formal offer.

HR will arrange a meeting with the individual offered to discuss the detail of the potential termination of their contract of employment on the grounds of voluntary redundancy/early retirement following formal acceptance of the offer by the employee.

Employees can be accompanied at this meeting by a colleague or a recognised trade union representative.

We require all employees who formally accept voluntary redundancy/early retirement to sign an agreement before leaving the organisation. This document is a confidential written agreement by both the SSSC and the employee, which in exchange for an agreed sum of money, acts to bar the employee from taking any part of the settlement agreement to any court or employment tribunal. However, for the avoidance of doubt, the employee is not prevented from making a "protected disclosure", as defined in the Employment Rights Act 1996. The employee should take professional legal advice from an independent source before consenting to any agreement in relation to their employment rights.

### **Payment to employee**

If an employee is made redundant or retired in the interests of business efficiency, they will receive immediate payment of the main benefits they have built up. Employees may wish to consider early retirement without reduction in the value of pension benefits, based on service to date as an alternative to receiving a redundancy lump sum.

Employees who are dismissed on the grounds of redundancy are entitled to receive the appropriate period of notice, based on statutory notice periods if this exceeds contractual notice. We normally expect all employees to work their notice period. However, we may agree an earlier or later termination in certain circumstances.

For any redundancy payments the value of a weeks' pay will be based on average earnings over a 12 week period based on actual pay during that period rather than statutory maximum. All employees, regardless of whether they are a pension scheme member or not, are entitled to a statutory provision of a lump sum redundancy payment of up to 30 weeks dependent on age and length of service included in the compensatory payment.

Employees are expected to work their notice period. If an employee has an outstanding debt to the SSSC eg an overpayment of salary, we expect them to repay the outstanding amount in full. Normally the employee must use any balance of annual leave before leaving. Where employees are unable to use accrued untaken annual leave prior to their termination, they will be entitled to a payment in lieu in respect of this annual leave.

## **5.5 Ill health retirement**

If an employee has to leave work due to illness they can receive immediate payment of their LGPS benefits. To qualify for ill health benefits, they must have at least two years' membership with the LGPS or have transferred in other pension rights and must leave work at any age due to permanent ill health; the LGPS provides a tiered ill-health retirement package. If an employee has less than two years' service we will refund their contributions.

The SSSC will provide all reasonable support to assist an employee with a return to work. However, if it appears that an employee cannot return to work within a reasonable period, we will refer the employee to an occupational health specialist. An occupational physician will assess entitlement to ill health early retirement and determine significant and/or permanent incapacity for an employee to be considered for early retirement on grounds of ill health. An employee can also ask to be referred to this specialist.

We can pay ill health benefits at any age and these are not reduced on account of early payment. There are graded levels of benefit based on how likely an employee is to be capable of obtaining gainful employment after they leave our employment. The different levels of permanent ill health/tiers are explained below:

<b>Tiers</b>	
<b>Tier 1</b>	<p>Where an employee has no reasonable prospect of being capable of gainful employment before normal pension age.</p> <p>Benefits are based on the employee's membership built up to leaving plus all their prospective membership from leaving to normal pension age ie their pension will be based on the membership they would have had if they had stayed in the scheme until normal pension age.</p>
<b>Tier 2</b>	<p>Where an employee has a reasonable prospect of being capable of gainful employment before age 65.</p> <p>Benefits are based on their membership built up to leaving plus 25% of their prospective membership from leaving to normal pensionage.</p>
<b>Tier 3</b>	<p>Where an employee is not considered permanently unfit but is dismissed on the grounds of capability, the SSSC has discretion to give the employee an ill health gratuity of 1 week's pay for each year of service in line with their continuous service date on their employment contract, up to a maximum of 30 weeks. The SSSC may award ill health compensation to a member who is not entitled to an ill-health pension, for example, if they are not in the pension scheme or do not have two years membership. We consider this award on the individual merits of each case and the circumstances at the time. The line manager, with HR, must also prepare a business case as there is a cost involved.</p> <p>The Chief Executive and Council will be provided with details of the case, benefits/disadvantages to the organisation and full financial costings for final decision/endorsement. The Council's decision at this stage is final.</p>

The definitions of ill health retiral outlined above are in accordance with the Local Government Pension Scheme (Benefits, Membership and Contributions) (Scotland) Regulations 2008. Employees who were members of the LGPS on 31 March 2009 are protected to make sure that the extra membership they receive is no less than they would have received before April 2009.

If an employee has an outstanding debt to the SSSC eg an overpayment of salary, they must repay the outstanding amount in full. Where employees are unable to use accrued untaken annual leave prior to their termination, they will be entitled to a payment in lieu in respect of this annual leave.

## 5.6 Retirement after age 65

If an employee carries on working beyond age 65, they can continue to pay into the LGPS building up further benefits.

Employees can receive their pension when they retire although their pension must be paid by their 75th birthday.

If an employee retires at or after age 65 they can defer taking their pension if a reduction is applied to their benefits, but must take it by age 75. Depending on their age it may or not be paid at an increased rate.

Employees are expected to work their notice period. If an employee has an outstanding debt to the SSSC eg an overpayment of salary, they are expected to repay the outstanding amount in full. Normally any balance of annual leave must be used before leaving. Where employees are unable to use accrued untaken annual leave prior to their termination, they will be entitled to a payment in lieu in respect of this annual leave.

## **6. Further information**

### **6.1 Learning and development**

We will support the fair and consistent application of this policy by making sure managers have full awareness and understanding of the processes relating to retirement. We will include training on this policy in line management development programmes and make sure that all managers participate.

### **6.2 Sources of support**

If you require more information or want to discuss the implications of retirement further, the support below is available.

- line manager
- the Employee Assistance Programme
- Unison representative
- ACAS
- Human Resources.

### **6.3 Related documents**

In addition to the Retirement and Severance Policy, other related policies include:

- Flexible Working Policy
- LGPS Employer Discretions Policy Statement
- Compensatory payments ready reckoner
- Statutory redundancy payments ready reckoner
- Workforce Change Policy.

# Appendix 1 – Flexible Retirement Request Form



## Application form – Request for flexible retirement

Before completing this form please make sure you have read and are familiar with the Retirement and Severance Policy, fully considered the implications and potential loss of any contractual or pension rights and have discussed your request informally with your line manager.

Please be aware that it can take up to 12 weeks for Tayside Pension Fund to prepare the estimate.

Once you have received your estimate, you can complete and submit this form via your line manager, giving at least six months' notice of the preferred commencement date of the arrangement.

On receipt of your application, your line manager will progress the request together with Human Resources and will discuss the application with the relevant Head of and Director for agreement.

You will receive a decision on your application within one calendar month of your line manager receiving your request. If a decision cannot be made within one calendar month, your line manager will advise you of this.

If your request is not approved, we will advise you in writing of the reasons.

If approved, we will issue all the relevant paperwork.

1. Personal Details	
Name	
Role	
Work location	
Contact no.	
Date of birth	
NI no.	

I wish to formally request flexible retirement and can confirm that I meet the following eligibility conditions:

- I am aged 55 or over
- I am willing to take a reduction in hours and/or grade.

**2. Please specify why you wish to flexibly retire.**

**3. Please describe your current working pattern.**

**4. Please let us know your ideal working pattern.**



**5. Please let us know if you wish to move to a lower graded post.**

**6. When would you like the arrangement to commence?**

**7. Please describe how you think your new working arrangement will impact on your team/colleagues and how you consider the organisation can manage this.**

**Declaration**

I confirm that I have read and fully understand the organisation's Retirement and Severance Policy and that I wish to proceed with this application.

Employee signature: .....

Print name: .....

Date: .....

**7. Line Manager's comments**

Please describe how you can or cannot support this application and the impact this change will have on the productivity/performance of your team.

**Authorisation:****Head of department**

Name: .....

Role: .....

Signed: .....

Date: .....

**Approved: YES / NO**

**If not approving, please give full details for feedback to individual.**

**EMT Member approval**

Date approved:



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If you would like this document in a different format, for example, in larger print or audio-format, or in another language please contact the SSSC on 0345 60 30 891.

We promote equality by removing unlawful and unfair treatment on the grounds of any protected characteristic wherever possible.

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