

Personnel Advisory Bulletin No 7

Retirement, Early Retirement and Voluntary Severance for LG Employees**1. Introduction**

The aim of this Advisory Bulletin is to provide options, information and guidance for employees who are considering retirement, early retirement including flexible retirement, or applying for voluntary severance (i.e. early retirement on grounds of efficiency, early retirement on grounds of redundancy or voluntary redundancy). This guidance also supports the council's business change, organisational transformation and workforce planning objectives.

Employees are encouraged to obtain independent financial advice to inform their decision making

The term **LGPS qualifying service** means either a transfer into and/or membership built up in the Tayside Pension Fund of at least 2 years in length.

2. Scope

This guidance applies to all local government employees with a minimum of two years' service.

3. Retirement Options and Qualifying Criteria**3.1 Retirement at Normal Pension Age (NPA) – no employer consent required**

- NPA under Local Government Pension Scheme (LGPS) Regulations is the greater of State Pension Age and age 65. The State Pension Age may change in the future and if so this will also change the NPA in the LGPS for benefits built up after April 2015.
- Employees may retire and receive immediate access to unreduced benefits at their NPA, provided they have at least 2 years' total qualifying service.
- Members with a NPA over 65 who were members of the scheme prior to 1 April 2015 will be able to access benefits accrued before this date, unreduced, if retiring between age 65 and NPA. However benefits accrued from 1 April 2015 onwards may be reduced if accessed before NPA.
- Employees who work on beyond their NPA will continue to accrue pension benefits. Benefits drawn after NPA are increased as they will be paid for a shorter time. However benefits must be taken before age 75.
- There is no cost to the council and employer consent is not required for this type of retirement.
- Employees should follow the usual resignation process, giving their manager the appropriate contractual notice in writing of their intended retirement date.
- Employees who wish to obtain an estimate of benefits should request this directly from the Pension Section at pensions@dundee.gov.uk and not through Human Resources.
- Estimates of benefits may be requested up to 12 months in advance.

3.2 Early Retirement with Actuarial Reduction – no employer consent required

- An employee may choose to retire age 55 or over with immediate access to pension benefits, providing that they have at least two years total qualifying

service. Benefits will be reduced (an actuarial reduction) to take account of the fact that they will be receiving their pension before their Normal Pension Age and not making the contributions they would otherwise have been making.

- Some employees who choose to retire from age 60 or over with immediate access to pension benefits and who meet the terms of the 'Rule of 85' at the date of retirement, may have some, or all, of their benefits protected. Information regarding protection is available [here](#)

<https://www.taysidepensionfund.org/media/4532/rule-of-85-slides.pdf>

This protection will **not** apply to those who meet the 'Rule of 85' but choose to retire before aged 60 and as such an actuarial reduction will apply in these circumstances.

- There is no cost to the council and employer consent is not required for this type of retirement. Employees should follow the usual resignation process, giving their manager the appropriate contractual notice, in writing, of their intended retirement date.
- Employees who wish to obtain an estimate of benefits should request this directly from the Pension Section at pensions@dundeecity.gov.uk and not through Human Resources.
- Estimates of benefits may be requested up to 12 months in advance.

3.3 Flexible Retirement – employer consent required

- From age 55 or over, employees may be able to reduce their hours and / or their grade and start receiving the pension benefits they have built up while remaining in employment with the council.
- They can still build up further benefits by rejoining the Tayside Pension Fund.
- Employer's consent is required for flexible retirement as a cost may apply.
- If employees take flexible retirement before NPA, benefits may be reduced just as if they were retiring early and ending their employment.
- Only requests to receive all pension benefits which have been built up will be considered
- More information is available [here](#) (link to flexible retirement policy)

4. Voluntary Severance

4.1 Early Retirement on Grounds of Efficiency – employer consent required

- Eligible employees who are age 55* or over on the proposed leaving date may apply at any time to retire on grounds of business efficiency and if approved they will have, and must take, immediate access to unreduced pension benefits, provided they have at least 2 years' total qualifying service. (*Age 50 or over for employees who were active scheme members on 5th April 2006 and have remained so.) In these circumstances, benefits cannot be deferred or transferred to another pension provider.
- This option must be approved by the council as a cost may apply
- Business efficiency applies where there will be a benefit to the Council in releasing an employee from their post. Benefits can include salary or other cost savings, changes or improvements in service delivery and so on.
- Examples of when business efficiency may apply include; where the needs of the post have changed and the employee does not have, or will be unable to achieve, the necessary skills, knowledge or qualification(s) to fulfil the changed requirements of the post within a reasonable timescale; where the merger of

sections/services requires a balanced mix of employees from those sections/services across all grades in the new structure; where the release of a particular employee may allow reorganisation of employees or work arrangements not previously identified or considered practical to implement.

- Early retirement on grounds of business efficiency should not be used to deal with conduct or capability issues.
- Agreement will normally only be given to an employee applying for release on grounds of efficiency if there is a saving, over 2.5 years, after taking account of the cost of early payment of the accrued pension and accrued lump sum.
- Additional years of pensionable service (added years) will not normally be granted unless there are exceptional circumstances agreed by the Director of HR, Digital Enablement, IT & Business Support in consultation with the Director of Finance.
- In general terms if the costs to the Council are higher than the savings the Council will achieve by granting the early retirement request the employee cannot be released; if there are savings the employee may be released.
- Only those retiring from active scheme membership would qualify to have benefits paid as above. If for example the employee had opted out, they would not be entitled to payment of benefits as described above.

4.2 Early Retirement on Grounds of Redundancy (ER/VR) – employer consent required

- In line with the council's Managing Workforce Change policies, volunteers for redundancy may be sought. In these circumstances, and subject to the necessary approvals, some volunteers may be entitled to a redundancy payment **and** to access their accrued pension benefits (ER/VR). Others may be entitled to a redundancy payment only (VR only).
- Eligible employees may only apply for release on this basis when volunteers are being sought and may not apply on an ad hoc basis.
- A redundancy situation must exist before the Council can make a redundancy payment. This means there is no longer an identified need for the post in question and it will therefore be deleted from the council's establishment and the associated budget will be removed.
- Employees must be age 55* or over on the proposed leaving date to volunteer for early retirement on grounds of redundancy and if approved they will have, and must take, immediate access to unreduced pension benefits, provided they have at least 2 years' total LGPS qualifying service. (*Age 50 or over for employees who were active scheme members on 5th April 2006 and have remained so.) In these circumstances, benefits cannot be deferred or transferred to another pension provider.
- This option must be approved by the council as a cost may apply.
- Early retirement on grounds of redundancy should not be used to deal with conduct or capability issues (health or work performance).
- Agreement will normally only be given to an employee applying for release on grounds of redundancy if there is a saving, over 2.5 years, after taking account of the cost of early payment of the accrued pension and accrued lump sum and any redundancy payment.
- Additional years of pensionable service (added years) will not normally be granted unless there are exceptional circumstances agreed by the Director of HR, Digital Enablement, IT & Business Support in consultation with the Director of Finance.

- In general terms if the costs to the Council are higher than the savings the Council will achieve by granting the request the employee cannot be released; if there are savings the employee may be released.
- Only those retiring from active scheme membership would qualify to have benefits paid as above. If for example the employee had opted out, they would not be entitled to payment of benefits as described above.

4.3 Voluntary Redundancy (VR only) – employer consent required

- In line with the council's Managing Workforce Change policies, volunteers for redundancy may be sought. In these circumstances, and subject to the necessary approvals, some volunteers may be entitled to a redundancy payment **and** to access their accrued pension benefits (ER/VR). Others may be entitled to a redundancy payment only (VR only).
- Eligible employees may only apply for release on this basis when volunteers are being sought and may not apply on an ad hoc basis.
- Employees who are under age 55* or who do not have at least 2 years' total LGPS qualifying service (*under age 50 for employees who were active scheme members on 5th April 2006 and have remained so) cannot be considered for early retirement on grounds of redundancy but may be entitled to a redundancy payment.
- A redundancy situation must exist before the Council can make a redundancy payment. This means there is no longer an identified need for the post in question and it will therefore be deleted from the council's establishment and the associated budget will be removed.
- Agreement will normally only be given to an employee applying for release on grounds of redundancy if there is a saving, over 2.5 years, after taking account of the cost of any redundancy payment.
- In general terms if the costs to the Council are higher than the savings the Council will achieve by granting the request the employee cannot be released; if there are savings the employee may be released.

4.4 Voluntary Redundancy Payments

- The amount of any redundancy payment will vary according to a number of factors including age, service and pension scheme membership.
- Human Resources will calculate an estimate of the redundancy payment where applicable.
- Employees who are not in the Tayside Pension Fund will receive a statutory redundancy payment calculated in accordance with Table SR30. ([link](#))
- Employees age 55* or over who have at least 2 years' total LGPS qualifying service. (*Age 50 or over for employees who were active scheme members on 5th April 2006, and have remained so, will receive, and must take, immediate access to pension on an unreduced basis and a statutory redundancy payment calculated in accordance with Table SR30. ([link](#)))
- Employees aged 54 and under (including employees between aged 50 and 54 and who were not in the LGPS on 5th April 2006, but are currently in the Tayside Pension Fund are not entitled to access their pension but will receive an enhanced redundancy payment calculated in accordance Table CR66. ([link](#)))

5. Who approves voluntary severance?

- Subject to the relevant Service Director supporting the release of an employee, the Service Director - HR, Digital Enablement, IT & Business Support has delegated authority to approve the release (with the exception of JNC – Chief Officials) in

consultation with the Service Director - Finance.

- The release of JNC – Chief Officials is considered by the Executive Sub Committee of the Policy and Resources Committee.

5.1 On what grounds will approval be given?

- Approval will normally only be given if there is a saving, over 2.5 years, after taking account of the cost of any early payment of the accrued pension and accrued lump sum and any redundancy payment.
- The employing directorate must be able to meet the associated costs unless an alternative method of funding severance costs has been agreed with the Director of Finance in advance
- Generally, if costs are higher than savings the employee cannot be released
- In exceptional circumstances an employee may be allowed to pay the strain on the fund pension costs to enable him/her to be released early. If such a payment would result in an overall saving to the council, then subject to the employee signing a legally binding agreement to reimburse the council upon receipt of their lump sum payment, it is feasible that the employee would be released. Any such request will be submitted to the Executive Sub Committee for consideration and the employee advised to take independent financial advice.

5.2 Contractual notice

An employee released on the basis of voluntary severance will be required to work their notice.

If an employee wants to leave earlier than the end of their contractual notice period, and their employing directorate is in agreement, the employee can request to waive their right to notice and to pay in lieu of notice. This must however be done in writing.

5.3 How to apply

An employee who wishes to be considered for early retirement on grounds of efficiency should, following consultation with their manager, submit a request. (link to form) Employees may only apply for release on grounds of Early Retirement and Voluntary Redundancy (ER/VR) and Voluntary Redundancy (VR only) when volunteers are being sought.

Thereafter Human Resources will obtain an estimate of benefits and costs from the Pension Scheme administrator if applicable and / or calculate any associated redundancy payment. This may take up to 4 months.

When available, the employee will be notified of the estimated benefits they would receive and asked if they wish to proceed with their request. If they wish to proceed, the employee will be asked to confirm this in writing (link).

If the employee wishes to proceed with their application, the employing service must advise Human Resources of any savings resulting from the proposed release of the employee e.g. deletion of post, replacement with lower graded post, reduction in hours of post etc.

The application along with details of associated costs and / or savings will be submitted for consideration by the relevant Service Director, the Service Director – HR, Digital Enablement, IT & Business Support, the Service Director – Finance and the Chief Finance Officer AHSCP (if applicable) or the Executive Sub Committee of the Policy

and Resources Committee, as appropriate.

6. Ill health retirement

If employment is terminated by the council on grounds of ill health before NPA and if the Council's medical adviser certifies that the employee's ill health renders them incapable of efficiently discharging the duties of their post until at least their NPA, eligible employees will receive immediate access to enhanced pension benefits.

Benefits are paid at one of two levels, depending on the employee's prospect of gaining further employment as indicated on the Ill Health Retirement Certificate provided by the council's medical adviser.

In the circumstances detailed above, employees who have reached their NPA may immediately access unreduced pension benefits if their employment is terminated on health grounds. Certification by the council's medical adviser is not required in these circumstances.

7. Deferring pension

- Employees retiring at or after NPA may choose to defer their benefits.
- Benefits deferred until after NPA are increased as they will be paid for a shorter time. However, benefits must be taken before age 75.
- Employees who are age 55 or over (Age 50 or over for employees who were active scheme members on 5th April 2006, and have remained so) and are dismissed from employment by reason of redundancy or whose employment is terminated by mutual consent on grounds of business efficiency are entitled to, and must take, immediate payment of benefits.

7.1 Deferred members

- Deferred members of the LGPS who were in pensionable employment after 31 May 2018 can access their deferred benefits from age 55 or over with an actuarial reduction without employers' consent.
- Deferred members who were not in pensionable employment after 31 May 2018 require employer's consent if they wish to access their pension from age 55 or over and before aged 60.

8. Supporting employees approaching retirement

Employees who are aged 55 or over and are members of the Local Government Pension Scheme may obtain pensions information for voluntary retirement directly from pensions@dundee.gov.uk. However, any estimate for early retirement on grounds of efficiency or redundancy or for flexible retirement should be requested through Human Resources by e-mailing the appropriate form (link) to AskHR@angus.gov.uk. Planning a Positive Retirement courses are available to help employees prepare for retirement. Please refer to Always Learning or contact Organisational Development for further details.

9. Monitoring of Voluntary Severance

Voluntary Severance is continually monitored and reviewed as necessary to ensure compliance with relevant legislation, regulations and business requirements.

At the end of each financial year a report is prepared indicating the number of employees released on the basis of redundancy, flexible retirement and early retirement on grounds of efficiency during that financial year along with the associated costs and savings.

10. Data Protection

When managing an employee's request for early retiral and/or redundancy the council processes personal data collected in accordance with its data protection policy, human resources data protection policy and employee privacy notice. Data, collected from the point at which the council receives a request for retiral and/or is processing a redundancy, is held securely and is accessed by, processed by and disclosed to, individuals only for the purposes of managing the request for early retiral and/or redundancy, including relevant pension agencies through the Scottish Public Pensions Agency administrators and if necessary for the completion of audits. Further information can be found at Employee Matters - [Human Resources – Data Protection](#) or contact [Human Resources](#).

May 2021