

Purpose

Fife Council recognises that, in some circumstances, it may be in the interests of the Council for employees to be allowed either to retire earlier than the normal retirement age or initiate a phased retirement option, where they wish to do so.

These early retirement options will assist the Council to continue to meet its aims and values, for example, in the need to provide services which are responsive, efficient, reliable and effective or to open up new employment opportunities within the Council.

The retirement process may be employer initiated (Section 1) or employee initiated (Section 2).

This scheme may allow early retirement in cases that would meet any of the following criteria:

1. Ensure the most efficient use of human resources within Fife Council.
2. Assist in the regulation of numbers employed by Fife Council.
3. Assist the retention of employees and the maintenance of a balanced workforce.
4. Assist in the provision of improved services to the community of Fife.

Types of Early Retirement

The types of early retirement covered by this policy are:

Section One

- (a) Redundancy – where the number of people required is reduced because of changes to workload, organisation, service provision or new technology or other reasons.
- (b) In the interests of efficiency of the service where retirement results in savings and/or improved service.

Section Two

- (a) Normal requests from employees include 'winding down'¹, 'phased retirement', 'actuarially reduced' or 'early retirement'.

¹ Please note The winding down scheme closed on 31 March 2022 so no new applications can be made by teachers.

The policy applied under this section is required to be reviewed regularly.

Section One

Retirement on Grounds of Redundancy or Interests of the Efficiency of the Service

The Council has an obligation to treat employees with respect and care. This principle is especially important where the employee's circumstances are difficult, through no fault of their own or as a result of the Council's actions as employer.

The Council has a duty to avoid damaging current or future ability to deliver efficient services. The loss of skills and experience as well as short and long term financial liabilities must be assessed. A balanced and effective workforce should be the priority. Actions should result in improved and cost effective services to the community.

Guiding Principles

The decision whether or not to agree such an application will be made in accordance with the guidelines outlined in 'Early Retirement Approval and Delegated Authority to Agree' (Appendix 5), having considered the criteria for granting early retirement outlined in the relevant policy and considering the savings and costs to the Council.

- Only permanent employees, full-time or part-time, who are members of the Scottish Teacher's Superannuation Scheme, aged 55 to 64 with a minimum of 5 years total scheme membership, may be considered for early retirement under this policy. Employees who are not members of the Teachers' Superannuation Scheme may be considered for a compensatory lump sum under this policy.
- Employees granted early retirement will normally be treated as terminating by mutual agreement rather than by service of notice by the Council and they should normally use any balance of annual leave due to them before leaving. The exception to this is where an employee volunteers for redundancy, in which case they would be dismissed on the grounds of redundancy and receive the appropriate period of notice. Pay in lieu of notice will not normally be paid.
- The cost to the Education & Children's Service of someone retiring early will be critically evaluated against the financial savings and/or other benefits accruing to the Service from the retirement. The decision to award any compensatory benefits should be recorded and should demonstrate that this analysis has been undertaken.
- There are two types of compensation payable by the employer:-

- Mandatory – pension and lump sum benefits split between the scheme and employer. This payment is compulsory in all cases where an employee is granted early retirement under this policy.
- Discretionary - benefits may be increased by the employer and paid as Compensatory Benefits

Discretionary Compensatory Benefits

In cases of redundancy, and exceptionally in cases of interests of efficiency, the Council may, at its discretion, award additional compensatory benefits subject to eligibility criteria listed below.

The individual may be offered **either**:

- (a) Compensatory added membership (“added years”) up to a maximum of six and two thirds (additional membership for part-time employees will be reduced pro rata to their hours of work),
- (b) Additional Pension Benefits (APB) **or**
- (c) The option of a lump sum compensation payment, up to a maximum 75 weeks’ pay.

Due to restrictions laid down in pension regulations, employees who have not reached their normal pension age cannot be offered a discretionary compensation payment if they will receive mandatory pension benefits.

The cost to the Education & Children’s Service of someone retiring early should be critically evaluated against the financial savings and/or other benefits accruing to the Service from the retirement. The decision to award any added years should be recorded and should demonstrate that this analysis has been undertaken.

- (a) Additional Membership

Award of Added Years

Employees with a minimum of 5 years qualifying service may, in exceptional circumstances and at the discretion of the Executive Director Education & Children’s Services or a Head of Education, be offered additional membership subject to the shortest of the following criteria:

- The additional membership awarded will be no greater than the period between the date of retirement and age 65.
- The additional membership awarded does not exceed total scheme membership at date of retirement.
- The additional membership awarded, when added to total scheme membership, does not exceed 40 years.
- A period of 10 years

Exceptionally added years may be awarded in cases of retirement in the interests of efficiency of the Service, including maximum added years if justified by the needs of the Council. The award of maximum added years should not be seen as automatic. The number of years added should be

considered on the individual merits of each case with no presumption of entitlement to **any** added years.

In cases of efficiency of the service, a standardised level of award will be determined annually, by the Directorate Management Group, by reference to the costs and savings to the Service.

In cases of redundancy the Managing Workforce Change policy and guidelines will be followed. Compensation awarded in cases of redundancy is detailed in Table 1 of Appendix 4.

Award of Added Years in Excess of Six and Two Thirds

Approval is required from the Chief Executive and the Executive Director Finance and Corporate Services following consultation with the Leader of the Administration and the Leader of the Opposition for added years awarded in excess of six and two thirds.

b) Additional Pension Benefit

In accordance with Schedule 2A of The Teachers' Superannuation (Scotland) Amendment Regulations 2007 the employer of a teacher in pensionable employment may elect to pay additional contributions in the form of a lump sum payment to secure additional pension benefits (APB) for the member on their retirement.

The amount of APB specified in the election must be a multiple of such amount as may be specified from time to time by the Scottish Ministers. Any APB will be subject to actuarial reduction using factors related to the member's age. This actuarial reduction may be paid by Fife Council. When in payment, APB attracts pension increase the same as basic pension payments.

APB provides additional pension only and is payable by Scottish Public Pensions Agency.

c) Compensation Lump Sum

In line with the current Statutory Regulations Fife Council may pay a teacher to whom this part applies Compensation.

Where the Executive Director Education & Children's Services or a Head of Education, in conjunction with the Executive Director Finance & Corporate Services determines that a discretionary payment is to be made the compensation lump sum will be based on a maximum of 75 weeks' pay.

To be eligible an employee must have at least two years' service and does not have to be a member of the pension scheme. Compensation lump sum cannot be awarded where total scheme membership exceeds 40 years.

In cases of efficiency of the service, a standardised level of award will be determined annually, by the Directorate Management Group, by reference to

the costs and savings to the Service. The maximum discretionary lump sum payments are detailed in Table 2 of Appendix 4.

In cases of redundancy, the Managing Workforce Change policy and guidelines will be followed. Compensation awarded in cases of redundancy is detailed in Table 3 of Appendix 4.

Summary of Eligibility Criteria for Additional Membership or Discretionary Compensation Payment

This table is for employees eligible to compensation because of early retirement in potential redundancy situations or in the interests of efficiency of the Service.

Scheme member or non-scheme member age under 65 (less than 2 years)	No Compensation payable
Scheme member or non-scheme member age under 65 (2 years + service)	Provision for compensation lump sum at the discretion of the Council, subject to pension regulations
Scheme member, age 55 – 64 inclusive (5 years + service)	Provision for added years/APB or compensation lump sum at the discretion of the Council, subject to pension regulations.

The guidelines for implementation of the Early Retirement Scheme, for grounds of redundancy or interests of efficiency of the service, can be found in Appendix 4.

_____ End of Section One _____

Section Two

Early Retirement with the Employers Consent

The Council has an obligation to treat employees with respect and care. This principle is especially important where the employee's circumstances are difficult. The Council also has a duty to avoid damaging its current or future ability to deliver efficient services. The loss of skills and experience should be balanced against the needs of the employee.

Guiding Principles

Approval of an application is at the discretion of the Executive Director Education & Children's Services or a Head of Education and will be informed by the needs of the service.

The Winding Down Scheme

The winding down scheme closed on 31 March 2022 so no new applications can be made.

The winding down scheme is a phased retirement option which offers individuals, who are members of the Teachers' Superannuation Scheme, the opportunity to continue in employment on a part-time basis while protecting their overall final retirement pension entitlement.

- The entry age for the scheme has been set at age 56 or over if Normal Retirement Date is 60 or 61 or over if Normal Retirement Date is 65.
- The member may remain in Winding Down employment for a maximum of 4 years prior.
- Have been in full-time employment for a period of 10 years immediately prior to commencing winding down employment
- Have accrued a minimum of 25 years' teaching service prior to commencing winding down. The period may include for qualifying purposes, a maximum of 5 years during any break or breaks in teaching service which will count towards the requirement of having 25 years teaching service
- The part-time winding down contract is set at a minimum of 50% of existing hours, but could be for longer hours. The maximum service credit in one calendar year will be restricted to 365 days.
- Each year served under the part-time contract will count as one full year for pension benefit calculation purposes.
- The final pensionable salary, for benefit calculation purposes, will be the salary received in the 365 days prior to entering winding down employment re-valued, using the Retail Price Index, to the actual point of retirement.
- Teacher and employer contributions will continue at the same percentage and based on actual salary received.

The winding down scheme is available to all scheme members who meet the eligibility criteria; provided that the Education & Children's Service has determined that they wish to offer special part-time contracts to fit within the scheme.

The guidelines for implementation of the Winding Down Scheme can be found in Appendix 1.

The Phased Retirement Scheme

The phased retirement scheme offers individuals, who are members of the Teachers' Superannuation Scheme, the opportunity to continue in employment on a lower salary whilst drawing part of their retirement benefits.

- The member must be aged 55 or over and have at least two years membership of the pension scheme
- The member's contributable salary must be reduced by at least 20% for a minimum of 12 months. The reduction may be due to a reduction in the hours they work and/or in the member's responsibilities
- Members can take up to 75% of their total benefits accrued. These benefits will be reduced if they are taken before Normal Pension Age (NPA)
- Members must retain at least 25% of their benefits in the scheme
- The remaining service of at least 25% will be aggregated with any subsequent service accrued and will be used in any future benefit calculations
- Members can take 2 phased retirements before final retirement but in each case their salary must be reduced by at least 20% and they must retain at least 25% of their benefits in the scheme

The phased retirement scheme is available to all scheme members who meet the eligibility criteria provided that the Education & Children's Service has determined that there is a lower paid post available which will meet with the member's phased retirement choices.

The guidelines for implementation of the Phased Retirement Scheme can be found in Appendix 2.

Actuarially Reduced Pension

The actuarially reduced pension (ARP) is an early retirement facility whereby teachers, who are members of the Scottish Teachers' Superannuation Scheme, can retire with actuarially reduced benefits. Members considering ARP as an option should be aware that, although the pension will attract index linking, the effect of the actuarial reduction is permanent and it would be prudent to seek independent financial advice before making any decision.

This is a voluntary form of retirement and the decision to take actuarially reduced benefits is a matter, principally, for the individual concerned.

- The entry age for the scheme has been set at age 55 to 59.
- Employees granted early retirement will normally be treated as terminating by mutual agreement.
- Added years and compensation payments cannot be awarded.

- The member who wishes to leave and apply for immediate payment of actuarially reduced benefits will require the consent of the Executive Director Education & Children's Services or a Head of Education.
- The Education & Children's Service reserves the right to delay consent where it is in the interests of the efficiency of the Service to do so. Consent will not be unduly delayed and in any event will be granted no later than 6 months from the date of application. Consent is not required where the teacher is already in receipt of a pension. (Consent must not be confused with the discretion which the Executive Director Education & Children's Service or a Head of Education has to award unreduced retirement benefits in circumstances of redundancy etc.)
- The ARP is available to scheme members who cease to be in pensionable or excluded employment, provided the value of the reduced pension is not less than the guaranteed minimum pension (see *) to which the member would become entitled at state retirement age.
- Both the pension and the lump sum will be subject to actuarial reduction using factors related to the member's age.

The guidelines for implementation of the Actuarially Reduced Pension Scheme can be found in Appendix 3.

** The Guaranteed Minimum Pension (GMP): The Scottish Teachers' Superannuation Scheme (STSS), in common with all public service pension schemes, is 'contracted-out' of the Second State Pension (formally the State Earnings-Related Pension Scheme (SERPS)). As a condition of contracting-out the STSS is required to provide a pension at least equivalent to your GMP. The GMP is the minimum amount of pension that a contracted-out scheme must guarantee to pay (for the years 1978/79 to 1996/97) to ensure that it is at least equal to the amount the member would have received had he or she been participating in the State Earnings-Related Pension Scheme.*

Normal Retirement between the Ages of 60 and 65

Members who joined the scheme on or before 1 April 2007 can retire at any time after age 60 by giving appropriate notice. The employee does not need permission. Members who joined the scheme after 1 April 2007 must work to their Normal Retirement Date of 65.

_____ End of Section Two _____

Debts

If an employee, who is allowed to retire early, has an outstanding debt to the Council (e.g. a balance owed on a car loan) that employee will be expected to repay the outstanding amount in full.

Re-employment

Employees who leave through early retirement will not normally be re-employed by Fife Council in any position. Where another Council re-employs

an employee (as a teacher), the pension payable may be reduced or suspended. Employees wishing to take up other teaching employment after retirement should discuss the effects on their pension with the SPPA.

Appeal

An employee may appeal on the following grounds:

- i If an employee is refused access to the scheme they have the right to appeal against the decision on the grounds that the refusal is not in the interests of the Service.
- ii About the award of additional membership

Reporting and Policy Review

A summary will be submitted annually to the Superannuation Fund and Pensions Sub Committee by Fife Council Pension Section indicating the number of employees within each category permitted to retire, the total cost within each category to the Council and the number of cases treated as exceptional in regard to the award of additional service.

The Council, as an employing authority must formulate and keep under review the policy to be applied in the exercise of these discretionary powers. This policy shall be reviewed when affected by new or amended regulations.

Cross References

Managing Workforce Change Policy.

Scope

The scheme applies to employees who are Teachers.

Status

Agreed at JNCF 28th April 2015.

Version: 4.2

16/06/2023