

Retirement Policy

Descriptor	Changes made	Date	Version
Policy first implemented		2012	0.1
Review no.1	Updates in line with LGPS 2015	October 2020	0.2
Review no.2	Updates for extension of transitional protection ('McCloud remedy')	March 2024	0.3
Review no.3			

Name of policy being superseded (if applicable)	Retirement Policy (V 2012)
Related policies	Flexible Working Guidance Sickness Absence Policy Performance Improvement Policy Redundancy Policy
Related SOPs	N/A
Related Guidance	Flexible Working Guidance
Equality Impact Assessment completed	Yes
Island Community Impact Assessment completed	No
Intended Audience	All Colleagues
Team responsible for policy	HR
Policy owner contact details (email)	Luke.hopkin@sds.co.uk
Policy due for review (date)	March 2027

Policies should have a clear purpose and perform at least one of the following functions. Please identify all the functions this policy performs.	If statement applies, please mark with an X below
Outline how we allocate limited resources to deliver services or outcomes	
Outline how SDS adheres to legislation, statutory duty etc.	x
Ensure fair and consistent allocation of benefits	
Protect organisational assets, including data	
Define expectations around the employee/employer relationship	x
Other (please specify)	

Retirement Policy & Procedure - Contents

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Part 1: Retirement Policy

1. Purpose of Policy

1.1 The purpose of this policy is to set out the general principles by which Retirement will be managed within Skills Development Scotland (SDS). This policy supports equality of opportunity and valuing diversity within our workforce by providing the opportunity of flexible options for employees who may wish to improve their work/life balance as they approach retirement age or who may no longer be able to cope with the demands of a full-time position. In turn, our flexible approach to retirement in support of business needs will promote a positive image of SDS as an employer of choice and improve recruitment and retention.

1.2 Guidance on arrangements for accessing different retirement arrangements, and some of their implications is provided in this part of the document.

2. Scope of Policy

This policy applies to all permanent and fixed term employees of SDS who are members of the Local Government Pension Scheme (LGPS).

3. Aims of Policy

The aims of this policy are to:

- Provide clarity on processes to be followed by all parties with regards to Retirement
- Ensure all employees are aware of the options available to them
- Provide details of where and how to seek the appropriate advice to assist with any queries or support required

4. Background

From 1 May 2010, employees of SDS accrued their pension benefits through the Local Government Pension Scheme (Scotland) 2009 (LGPS 2009). From 1 April 2015, accrual of benefits has taken place through the Local Government Pension Scheme (Scotland) 2015 (LGPS 2015).

The regulations which govern the Local Government Pension Scheme were changed in 2015 to meet the requirements of the Public Service Pensions Act 2013, a piece of UK government legislation which applied to all public sector pension schemes. The key changes required were:

- A move to benefits based on career average earnings (CARE) rather than final salary
- Pension benefits to be built up at a rate of 1/49th of annual pensionable pay
- Member's Normal Pension age (NPA) is linked to their own State Pension Age (SPA). Members can retire earlier, but a reduction for early payment may apply

- Protection for active members within ten years of their NPA under the LGPS 2009 at 1 April 2012, intended to ensure that the pension the member receives (in respect of LGPS 2015 membership) is no less than the pension they would have received had the LGPS 2009 continued up to their NPA (known as Transitional Protection). In October 2023 this was extended to cover qualifying younger members.

Most members of the LGPS 2009 had an NPA of 65. However, in SDS a number of employees had an NPA of 60 under the LGPS 2009, reflecting provisions within predecessor SDS schemes. SDS previously secured specific amendments to the LGPS 2009 governing regulations such that SDS employees who had an NPA of 60 under a predecessor SDS scheme and who became members of the LGPS on 1 May 2010 retained an NPA of 60 under the LGPS 2009. In addition, the regulations which govern Transitional Protection make specific provision for SDS members whose NPA under the LGPS 2009 was age 60, to the effect that their NPA for the purposes of the statutory underpin (see 'Transitional Protection') is also age 60.

LGPS benefits for SDS employees are administered primarily by Strathclyde Pension Fund (SPF) with a small group of employees having their benefits administered by Highland Pension Fund (HPF) for historic reasons. The calculation of pension benefits under the LGPS is governed by statutory regulations approved by the Scottish Parliament and is out with the scope of this policy.

5. Definitions

The following definitions and abbreviations are used in this policy:

SPF	Strathclyde Pension Fund, the Local Government Pension Scheme fund maintained and administered by Glasgow City Council
HPF	Highland Pension Fund, the Local Government Pension Scheme fund maintained and administered by The Highland Council
LGPS 2009	The Local Government Pension Scheme (Scotland), as constituted by regulations in force from 1 April 2009, providing benefits in respect of membership up to 31 March 2015 on a Final Salary basis
LGPS 2015	The Local Government Pension Scheme (Scotland), as amended to reflect the requirements of the PSPA, providing benefits in respect of membership on/from 1 April 2015 on a CARE basis
NPA	Normal Pension Age, as specified in scheme rules - generally the age at which a member may receive their pension without actuarial reduction. This is also sometimes referred to as the Normal Retirement Age (NRA)

SPA	State Pension Age. The age at which a member may receive their state pension.
CARE	Career average revalued earnings (pension earned for each year of membership is based on the pensionable earnings for that year, revalued in line with the Consumer Price Index)
Final Salary	Final pensionable earnings (pension is based on the member's average earnings in their final 365 days of employment, determined in accordance with pre April 2015 scheme rules)
Active member	A member who is paying contributions and earning future pension (in respect of current service) under a pension scheme
Actuarial reduction	A reduction applied to a member's benefits (when paid before NRA) to offset the additional cost of paying the benefits early
PSPA	Public Service Pensions Act 2013, a piece of UK government legislation which applied to all public sector pension schemes and required specific changes to schemes from 1 April 2015
SPPA	The Scottish Public Pensions Agency, an agency of the Scottish Government responsible for advising Scottish Ministers on public sector pension issues, including maintaining and developing the regulations for the Local Government Pension Scheme (Scotland)
Statutory Underpin	A benefit calculation for members with Transitional Protection intended to ensure that the pension the member receives (in respect of LGPS 2015 membership) is no less than the pension they would have received had the LGPS 2009 continued up to their NPA
Transitional Protection	Initially, this was protection for members of the LGPS 2009 who were contributing to the LGPS 2009 on 31 March 2012 and within 10 years of NPA on 1 April 2012. In October 2023 this was extended to cover qualifying younger members.
Rule of 85	Allows members of the LGPS who are eligible due to legacy schemes to access pension benefits after the age of 60 when age plus service equate to 85 years.
SEPLAS	Scottish Enterprise Pension and Life Assurance Scheme. A predecessor pension scheme for previous Scottish Enterprise employees who transferred employment to SDS in 2008
SDSRBS	A predecessor pension scheme for previous Scottish University for Industry (SUfi) employees who transferred employment to SDS in 2008.

6. Forms of Retirement

The forms of Retirement available within Skills Development Scotland reflect those available through the LGPS 2015. Retirement is a personal decision and one for the individual to consider. The options are listed below:

- Retirement at normal pension age/state pension age ¹
- Retirement on another date chosen by the individual
 - Early Retirement
 - Retirement after Normal Pension Age
- Flexible Retirement
- Ill Health Retirement
- Voluntary Early Retirement on Grounds of Severance
- Compulsory Early Retirement on Grounds of Redundancy

7. Transitional Protection Arrangements

Employees with service in predecessor schemes may have protections which allow them to retire at an earlier age without actuarial reduction to some or all of their pension. Details of these entitlements are listed below:

- Transitional Protection: NPA 60
- Transitional Protection: NPA 65
- The Rule of 85

Further information on the above is available in the procedure section of this document.

8. Advice and Guidance

Given the complexities surrounding Pensions, employees are strongly advised to ensure they fully understand the implications for them, prior to embarking on a particular course of action.

If after reading this document you are unsure of the best source of advice available to you, contact the HR team via email at hrassist@sds.co.uk in the first instance. For further details on the LGPS please refer to:

- | | |
|-----------------------------------|---|
| • LGPS (Strathclyde Pension Fund) | 0345 890 8999
www.spfo.org.uk |
| • LGPS (Highland Council) | 01463 702 441
www.highlandpensionfund.org |

You may also wish to contact an Independent Financial Adviser before embarking on any major Pension decisions.

¹ You can find out your State Pension Age by using the Government's state pension age calculator available www.gov.uk

9. Review of Policy

SDS will review the policy and procedure at least at times of significant legislative or organisational changes. Regular monitoring will be carried out by HR to ensure fairness and consistency of application and for equalities impact.

Part 2: Retirement Procedure

10. Retirement Procedure

10.1 Employees who are planning to retire should contact HR for a pension quote in advance to confirm eligibility for retirement. Pension quotes can take up to 3 months to be provided and up to 3 months for the pension provider to process so it is recommended that a quote is requested 6 months in advance of your intended retirement date. Standard contractual notice periods also apply. Conversations should be held with the employee's manager as early as possible to assist with future planning.

10.2 To facilitate the change from working life to retirement, SDS will provide access to pre-retirement education programmes, based on individual needs.

11. Forms of Retirement

- Retirement at normal pension age/state pension age
- Retirement on another date chosen by the individual
 - Early Retirement
 - Retirement after normal pension age
- Flexible Retirement
- Ill Health Retirement
- Voluntary Early Retirement on Grounds of Severance
- Compulsory Early Retirement on Grounds of Redundancy

If you believe that due to previous service, you may be covered by transitional protection/rule of 85, we would encourage you to discuss with pension provider before commencing the retirement procedure.

11.1 Retirement at Normal Pension Age

11.1.1 Following the abolition of the default retirement age of 65 from 1st October 2011, employees are able to remain in employment until such time as they choose to retire.

11.1.2 Unless notified of an intention to retire in line with the above procedure SDS will assume that employees wish to continue in employment beyond their normal pension age.

11.1.3 Any employee who wishes to retire at their normal pension age must still provide notice of their intention to retire and follow section 10.1 of the Retirement Procedure.

11.2 Early Retirement

11.2.1 Employees may retire early from aged 55 onwards with an actuarial reduction in their pension which takes account of the fact that they will be receiving their pension before their Normal Pension Age and are therefore not making the contributions they would otherwise have been making.

11.2.2 It may be beneficial for employees to discuss with SPF and/or a financial adviser when considering early retirement to best understand the financial impact of early retirement. Please be aware that SDS do not normally pay any strain costs associated with an employee accessing their pension early.

11.2.3 Any employee wishing to access early retirement should follow section 10.1 of the Retirement Procedure.

11.3 Retirement after Normal Pension Age

11.3.1 Following the abolition of the default retirement age of 65 from 1st October 2011, employees are able to remain in employment until such time as they choose to retire.

11.3.2 If an employee continues to work beyond their normal pension age, they can stay in the pension scheme, but they must draw their benefits by age 75.

11.3.3 Any employee wishing to retire after normal pension age should follow section 10.1 of the Retirement Procedure.

11.4 Flexible Retirement

11.4.1 An employee who is a member of LGPS may request to receive their retirement benefits, and to continue working under provisions known as Flexible Retirement, if the following conditions are met:

- The employee must be aged 55 or over
- The employee must take a reduction in hours or grade
- SDS agrees to the revised working arrangement
- SDS agrees to the release of pension benefits for employees under 60

11.4.2 Flexible Retirement may be attractive to employees who are approaching retirement and wish to either reduce their hours of work or step down to a less demanding role. This option may be a useful transition from work to retirement and enable employees to continue to make a valuable contribution to SDS and the services it delivers. For SDS, it provides a way of retaining skills, abilities and experiences it may otherwise lose. It creates options to utilise such expertise, in nurturing and developing other employees who are at earlier stages in their careers; or to take forward special projects.

11.4.3 A request for Flexible Retirement must be for a permanent change to the employee's contract of employment. The options available are:

- **Reduction in Hours of Work**

The employee may request to reduce working hours in their current job. If agreed, pay will be reduced pro rata for hours worked and the employee will receive pension benefits accrued for previous service.

- **Reduced Grade**

The employee may request to move to a lower graded post. In the event that a suitable post can be identified and agreed, pay will reduce to the rate of pay for the new post and the employee will receive pension benefits accrued for previous service. Options include redesigning or downgrading the employee's current post, or providing support to the employee to secure an alternative post within SDS, through the normal recruitment and selection process.

11.4.4 In all types of flexible retirement, the reduction should be sufficient to be regarded as creating a genuine retirement situation.

11.4.5 Employees should contact HR to confirm their eligibility, and the impact on their benefits of pursuing this option, in advance of making any requests.

11.4.6 Employees must complete a flexible working application in order to access flexible retirement. Further information can be found in the Hours of Work and Flexible working Policy and associated guidance which is available on Connect.

11.5 Ill Health Retirement

11.5.1 If an employee has at least 2 years' membership with the LGPS or has a transfer credited value and SDS determines that:

- There is a need to terminate the member's employment on the grounds that the member's ill-health or infirmity of mind or body renders the member **permanently** incapable of discharging efficiently their duties under their current employment. One of the options below would apply.

Tier 1: This applies where there is no reasonable prospect of paid employment before normal pension age, i.e. the employee will never work again. Ill health benefits will be paid immediately, based on the employee's membership increased by the service they could have accrued if they had remained in employment to normal pension age/state pension age.

Tier 2: This applies where there is a reasonable prospect of paid employment within a reasonable time of leaving, i.e. the employee may be able to work again in a different job. The employee will receive pension benefits paid to the employee immediately based on their membership enhanced by 25% of membership to normal pension age/state pension age.

11.5.2 Where an employee becomes incapable of doing their job, or where a continuation in their existing job will exacerbate their medical condition, SDS has a duty to consider alternative employment. This will be managed via the Sickness Absence Management Policy or (where relevant) Performance Improvement Policy.

11.5.3 The definitions of ill health retiral outlined above are in accordance with regulations governing the LGPS 2009 and the LGPS 2015 as appropriate.

11.5.4 Employees who were members of the LGPS on 31 March 2009 are protected to ensure that the extra membership they receive is no less than they would have received before April 2009.

11.5.5 Ill health retiral will only be considered in line with the Sickness Absence Management Policy or Performance Improvement Policy. Ill-health retiral will require confirmation from the organisation's occupational health provider, as to whether the employee is suitable for ill-health retiral under the terms of Tiers 1 and 2 noted above. Discussions between the manager, the employee and HR will take place prior to ill-health retiral being sought.

11.6 Voluntary Early Retirement on Grounds of Severance

In such circumstances, referral should be made to the Voluntary Service/Early Retirement Programme in place at the time.

11.7 Compulsory Early Retirement on Grounds of Redundancy

In such circumstances, referral should be made to the Redundancy Policy available on Connect and associated LGPS pension scheme regulations.

12. Transitional Protection Arrangements

Transitional protection initially applied to those employees who were members of the LGPS who were within 10 years of their NPA on 1 April 2012. This was extended in October 2023 to include qualifying younger members and avoid age discrimination.

Transitional Protection is applied through a mechanism called the statutory underpin. This means that when an individual retires (or at NPA, if earlier) the pension administrator runs two benefit calculations for pensionable service after 1 April 2015, one under the LGPS 2009 terms and one under the LGPS 2015 terms. The individual then receives the higher of the two benefit calculations, which is intended to ensure that the benefits they receive are no less than they would have been if the LGPS 2015 had never been introduced.

Underpin protection only applies to pension built up in the remedy period, between 1 April 2015 and 31 March 2022. The underpin will have stopped earlier if an individual left the scheme or reached their final salary normal pension age before 31 March 2022. From 1 April 2022, there is no underpin protection. Pension built up after this date is based on the career average scheme only. From 31 August 2025 annual benefit statements issued by SPF and HPF will include information about underpin protection for all qualifying members.

12.1 Transitional Protection

Transitional protection against NPA 60

Employees who retained the right to retire at age 60 in the LGPS 2009 are as follows:

- Previous members of the **Scottish Enterprise Pension scheme (SEPLAS)**, with continuous pensionable service since before 1 December 2006, and who transferred their past pensionable service benefits to SPF during the Bulk Transfer completed in March 2011.
- Previous members of the **HIE Superannuation scheme**, with continuous pensionable service, and who transferred their past pensionable service benefits to SPF during the Bulk Transfer completed in March 2011.
- Previous members of **SDSRBS**, with continuous pensionable service, and who transferred their past pensionable service to SPF during the Bulk Transfer completed in March 2011.

These employees may be eligible for transitional protection where the other transitional protection criteria are met.

Transitional Protection against NPA 65

Employees who were members of LGPS 2009 or previous LGPS schemes are likely to have a NPA of 65.

12.1.2 The Rule of 85

The rule of 85 gives protection to members who joined the Scottish Local Government Pension Scheme (LGPS) before 1st December 2006 and have membership which, when added to their age, equals or exceeds 85 in whole years. It therefore can allow members to access their pension earlier than their normal pension age.

The LGPS places specific eligibility criteria around accessing the rule of 85. Some of the main eligibility criteria are:

- Need to have joined the LGPS prior to 1st December 2006
- Age plus pensionable service to equal 85 or over
- The rule of 85 protections apply when benefits are accessed from age 60 onwards
- Members born before 1st April 1960 have full protection
- Members born on or after that date have partial protection
- SDS colleagues who moved into the LGPS in May 2010 as part of the harmonisation of pension arrangements are not eligible, even if they had service prior to 1st December 2006 in a predecessor scheme.

Further details on the rule of 85 and an eligibility checker are available at

www.spfo.org.uk

13. Re-employment after Early Retirement

13.1 If an employee is re-employed in local government or by an employer who offers membership of the LGPS, they must tell the LGPS fund, who pays the pension, about the new position, regardless of whether they re-join the scheme or not. The LGPS fund will then determine whether the pension payment currently received is affected in any way.

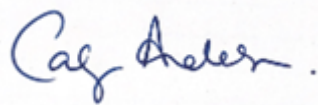
Retirement Policy jointly agreed:

SDS Management

Print Name:

Carolyn Anderson

Signature:



Date:

22 March 2024

Unison

Print Name:

Derek Cheyne

Signature:



Date:

11/3/24

PCS

Print Name:

Tinja Hakkila

Signature:



Date:

11/03/24