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|-------------------------|---|--------------------|---------------------|
| <b>Report To:</b>       | <b>Policy &amp; Resources Committee</b>                   | <b>Date:</b>       | <b>3 June 2025</b>  |
| <b>Report By:</b>       | <b>Morna Rae, Head of OD, Policy &amp; Communications</b> | <b>Report No:</b>  | <b>HR/10/25</b>     |
| <b>Contact Officer:</b> | <b>Barbara McQuarrie</b>                                  | <b>Contact No:</b> | <b>01475 712845</b> |
| <b>Subject:</b>         | <b>Amended Flexible Retirement Scheme</b>                 |                    |                     |

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## 1.0 PURPOSE AND SUMMARY

- 1.1 ☒ For Decision ☐ For Information/Noting
- 1.2 Inverclyde Council has a Flexible Retirement Scheme which allows employees aged 55 or over to make a request to reduce the number of hours they work or to reduce their grade and partially/fully withdraw their pension benefits.
- 1.3 Due to a change implemented by Strathclyde Pension Fund (SPF) an increased number of employees are incurring strain on the fund costs when applying for flexible retirement. This report proposes amendments to the existing scheme to allow these costs to be borne by the employee and a streamlined approval process put in place.
- 1.4 Flexible Retirement is an attractive employee benefit as well as a useful tool for employee retention and succession planning. We would therefore propose a change in Inverclyde Council's arrangements for flexible retirement to avoid a blanket refusal of requests due to relatively minor costs.

## 2.0 RECOMMENDATIONS

- 2.1 It is proposed that:

Where there is a strain on the fund of up to £2000 this will be paid by the Council and thereafter recovered from the employee through payroll (subject to the employee's agreement). This will be over a maximum period of 24 months. An agreement will be made with the employee to this effect. Costs in excess of £2000 cannot be met via this arrangement.

**Morna Rae**  
**Head of OD, Policy & Communications**

### **3.0 BACKGROUND AND CONTEXT**

- 3.1 The Pension Fund describes flexible retirement as involving a reduction in employees' hours/grade and partial/full withdrawal of pension benefits while still being able to continue in employment. Only Local Government employees, aged 55 and over with at least two years pension membership can apply for flexible retirement. For flexible retirement to be considered the reduction in hours/salary should normally be at least 20% but no more than 50% of the current hours/salary. Approval from the employer is required.
- 3.2 Inverclyde Council has a related Flexible Retirement Scheme as approved by the Policy and Resources Committee which describes how this operates locally. Approval of flexible retirement where there is no strain cost is required from the relevant Head of Service and then by the Head of OD, HR & Communications.
- 3.3 There may be a strain on fund cost when an employee leaves the fund early, as the pension fund will be in receipt of less contributions than expected because contributions are not being made to the normal retirement age and it is potentially paying out a pension for a longer period. Various criteria are used to calculate strain on fund such as age, length of service, gender, normal retiral age, and actual retiral age. The full cost of early retirement is fully or partially offset by any reductions due on the member benefits. Where those reductions don't fully offset the early retirement cost the balance is invoiced to the scheme employer. There is no other option for how this cost is paid.
- 3.4 Following the SPF 2023 triennial valuation, where their actuaries reviewed the existing factors used to calculate the employer strain cost, they advised that the expectation was it would give rise to an increased strain cost. They anticipated these factors will be implemented for any retirements with a retirement date from 1st October 2024. Since October 2024 we have received a number of flexible working applications with a strain on fund cost (currently amounts of approximately £500-£1600). Those applications were initially refused as value for money could not be shown. Several employees, supported by their union, have recently requested to pay the SPF the cost of strain on fund. There is no mechanism for them to do this directly. In agreement with trade unions these applications are on hold pending approval of the proposed changes. The SPF are currently looking at creating a calculator to assist planning, where it would show future dates relating to flexible retirement a point where cost is £0.

This is a national issue. The issue of flexible retirement was discussed at 28 January 2025 Heads of HR meeting with many Councils providing feedback that they are seeing increased numbers of employees whose flexible retirement would attract a strain on the fund cost.

- 3.5 Flexible Retirement is an attractive employee benefit as well as a useful tool for employee retention and succession planning. We would therefore propose a change in Inverclyde Council's arrangements for flexible retirement to avoid a blanket refusal of requests due to relatively minor costs.

### **4.0 PROPOSALS**

- 4.1 It is proposed that

Where there is a strain on the fund of up to £2000 this will be paid by the Council and thereafter recovered from the employee through payroll (subject to the employee's agreement). This will be over a maximum period of 24 months. An agreement will be made with the employee to this effect. Costs in excess of £2000 cannot be met via this arrangement.

## 5.0 IMPLICATIONS

- 5.1 The table below shows whether risks and implications apply if the recommendation(s) is(are) agreed:

| SUBJECT   | YES | NO |
|---|-----|----|
| Financial   | x   |    |
| Legal/Risk  |     | x  |
| Human Resources   | x   |    |
| Strategic (Partnership Plan/Council Plan)                                     | x   |    |
| Equalities, Fairer Scotland Duty & Children/Young People's Rights & Wellbeing | x   |    |
| Environmental & Sustainability  |     | x  |
| Data Protection   |     | x  |

## 5.2 Finance

These proposals would mean that strain on the fund costs will be paid initially by the Council. They will subsequently be recovered from employees through payroll.

One off Costs

| Cost Centre | Budget Heading | Budget Years | Proposed Spend this Report | Virement From | Other Comments |
|-------------|----------------|--------------|----------------------------|---------------|----------------|
|             |                |              |                            |               |                |

Annually Recurring Costs/ (Savings)

| Cost Centre | Budget Heading | With Effect from | Annual Net Impact | Virement From (If Applicable) | Other Comments |
|-------------|----------------|------------------|-------------------|-------------------------------|----------------|
|             |                |                  |                   |                               |                |

## 5.3 Legal/Risk

If the employee leaves before they have repaid the full amount, then the remaining amount would be recoup from the final salary. If this was insufficient to cover the costs, then we would seek to recover this. This risk is anticipated to be low due to 1. capping the amount at £2000 and 2. the small number of applications that we anticipate this will affect.

## 5.4 Human Resources

Trade Unions have been consulted and are supportive of the proposed change .

## 5.5 Strategic

This report supports delivery of the Council Plan outcome *Our employees are supported and developed,*

## 5.6 Equalities, Fairer Scotland Duty & Children/Young People

### (a) Equalities

This report has been considered under the Corporate Equalities Impact Assessment (EqIA) process with the following outcome:

|   |   |
|---|---|
| x | YES – Assessed as relevant and an EqIA is required.   |
|   | NO – This report does not introduce a new policy, function or strategy or recommend a substantive change to an existing policy, function or strategy. Therefore, assessed as not relevant and no EqIA is required. Provide any other relevant reasons why an EqIA is not necessary/screening statement. |

### (b) Fairer Scotland Duty

If this report affects or proposes any major strategic decision:-

Has there been active consideration of how this report's recommendations reduce inequalities of outcome?

|   |  |
|---|--|
|   | YES – A written statement showing how this report's recommendations reduce inequalities of outcome caused by socio-economic disadvantage has been completed. |
| x | NO – Assessed as not relevant under the Fairer Scotland Duty for the following reasons: Provide reasons why the report has been assessed as not relevant.    |

### (c) Children and Young People

Has a Children's Rights and Wellbeing Impact Assessment been carried out?

|   |   |
|---|---|
|   | YES – Assessed as relevant and a CRWIA is required.   |
| x | NO – Assessed as not relevant as this report does not involve a new policy, function or strategy or recommends a substantive change to an existing policy, function or strategy which will have an impact on children's rights. |

## 6.0 CONSULTATION

6.1 The Trade Unions have been consulted and are supported

## 7.0 BACKGROUND PAPERS

7.1 None.