

REPORT TO: Cabinet

MEETING DATE: 10 September 2024

BY: Executive Director for Council Resources

SUBJECT: Annual Pensions Report 2023/24

1 PURPOSE

- 1.1 To summarise the early retirement activity within the financial year 2023/24, in accordance with External Audit requirements and Council Policy.

2 RECOMMENDATIONS

- 2.1 That Cabinet note the content of the report with regard to the pension activity in respect of early retirements in the financial year 2023/24.

3 BACKGROUND

Council's Retirement Activity in Financial Year 2023/24

- 3.1 There are currently three types of pensionable early retirements available to the Council, for all employees other than teaching employees (see paragraph 3.2). These are:

- **Due to Efficiency or Redundancy, at the discretion of the Council.**

This allows the individual, aged over 55 years (50 if in the Scheme before 5 April 2006), at the discretion of the Council, to retire early, drawing their pension without any actuarial reduction being applied. In this case the strain costs relating to the early release of the pension are borne by the Council.

- **Ill-Health retirement**

This occurs where an employee is confirmed by Occupational Health as being permanently incapable of efficiently discharging their duties because of ill-health or infirmity of mind or body. The employee is permitted early access to an enhanced pension in accordance with the superannuation regulations and requires no exercise of Council discretion. The costs are fully borne by the pension fund.

- **Flexible Retirement**

This is a discretionary element of the pension regulations which allows employees who meet certain criteria to draw their pension and continue working on the basis of reduced hours. To qualify, the employee must be over 55 years old, have a minimum of 2 years pensionable service and must reduce their working hours by a minimum of 40%. Generally there are no costs to the Council as the employee would have their pension actuarially reduced. However, in some circumstances, as a result of historical pension protections, there can be costs. The Council's agreement must be obtained for the early release of the individual's pension. If agreed, the employee then continues working on reduced hours and will automatically be re-enrolled into the pension fund while drawing the pension benefits they have already accrued (if they did not wish to join the scheme then they would need to opt out).

3.2 A summary of the pension activity in the financial year 2023/24 is as follows:

Department	Health & Social Care	Education & Children's Services	Place	Council Resources	Totals
Compulsory Severance (pensionable)	-	-	2	-	2
Voluntary Severance (pensionable)	-	-	-	-	-
Medical Retirement (Lothian Pension Fund)	1	4	6	1	12
Medical Retirement (Teachers Scheme)		-			
Flexible Retirements	4	5	8	1	19

3.3 Details of the Council's financial commitments relating to pensions are included in the unaudited 2023/24 Financial Statements. The unaudited 2023/24 Financial Statements were reported to Members' Library on 30 June 2024. As a result of ongoing pension costs arising from decisions taken in earlier years, in addition to the up-front strain costs now due in the year they accrue, during

2023/24 the Council spent £0.741 million (£0.704 million in 2022/23) on early retirements for Local Government Workers and £0.470 million (£0.454 million in 2022/23) for teachers.

- 3.4 The Council continues to have an obligation to pay pension costs in the future. At 31 March 2024 the pension fund was reported to have a pension surplus through the annual actuarial assessment. This means that at 31 March 2024 the value of the pension assets exceeded the value of the pension liability. The value of the pension surplus has been actuarially assessed as £172.411 million (and at 31 March 2023 a pension surplus of £185.633 million). As noted in the unaudited 2023/24 Financial Statements the pension surplus has not been recognised as an asset as the Council does not control the setting of future employer contribution rates. An asset ceiling has been applied so that no net pension liability or asset is recognised for the funded liabilities.
- 3.5 Future employer contribution rates will continue to be reviewed through an actuarial valuation of the pension fund which takes place every three years. The most recent valuation date was 31 March 2023 and resulted in a reduction in the contribution rate from 22.6% to 17.6% from 1 April 2024. The contribution stability mechanism remains in place with the Lothian Pension Fund. Based on the valuation results at 31 March 2023 the contribution rate will remain at 17.6% until 31 March 2027 and will then increase or decrease by a maximum of 0.5% per annum.
- 3.6 In addition to the above figures, the Council also makes 'ex gratia' pension payments to 78 former employees who worked less than 16 hours per week, were aged under 50 at 31 December 1993 and were unable to join the LGSS pension scheme under the statutory rules at the time. The value of these payments during 2023/2024 was £51,249 (and in 2022/23 it was £48,383). The Council took the decision to remove this discretion at Cabinet on 9 June 2009. No new ex gratia pension payments will arise, and the existing estimated value of future liabilities based on the actuarial mortality estimate is £0.196m and will therefore reduce over time.

4 POLICY IMPLICATIONS

- 4.1 The Council is required to report its pension activity annually to elected members in accordance with the Audit Scotland requirements.

5 INTEGRATED IMPACT ASSESSMENT

- 5.1 The subject of this report does not affect the wellbeing of the community or have a significant impact on equality, the environment or economy.

6 RESOURCE IMPLICATIONS

- 6.1 Financial – Many of the decisions relating to early retirement result in a financial liability for the Council, and therefore remain under close review. There are no immediate budgetary implications associated with this report.
- 6.1 Human Resources - Finance and Human Resources continue to ensure that any retirements are in accordance with Council Policy and within the Standing Orders and the supporting Scheme of Delegation and also that managers are aware that any pensionable retirement must meet the strict efficiency or redundancy requirements and will generate the necessary savings.
- 6.2 Other - none

7 BACKGROUND PAPERS

- 7.1 Policy on Enhanced Compensation for early Retirement on Grounds of Redundancy and Efficiency– December 2010
- 7.2 Lothian Pension Fund Website: www.lpf.org.uk
- 7.3 Local Government Pensions Scheme (Scotland) Regulations 2014
- 7.4 Flexible Retirement Policy – December 2013
- 7.5 Members' Library Report 30 June 2023, item 66/23 [Agendas, reports and minutes | East Lothian Council](#)

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