

|                       |                                              |
|-----------------------|----------------------------------------------|
| <b>COMMITTEE:</b>     | Cabinet                                      |
| <b>MEETING DATE:</b>  | 11 November 2025                             |
| <b>BY:</b>            | Depute Chief Executive Resources and Economy |
| <b>REPORT TITLE:</b>  | Annual Pension Report – 2024/25              |
| <b>REPORT STATUS:</b> | Public                                       |

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## **1 PURPOSE OF REPORT**

- 1.1 To summarise the early retirement activity within the financial year 2024/25, in accordance with External Audit requirements and Council Policy.

## **2 RECOMMENDATIONS**

Members are recommended to:

- 2.1 Note the content of the report with regard to the pension activity in respect of early retirements in the financial year 2024/25.
- 2.2 Agree that future reports are lodged in the Members' Library.

## **3 BACKGROUND**

### **3.1 Council's Retirement Activity in Financial Year 2024/25**

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 2024/25 is as follows:

| <b>Department</b>                                | <b>Health &amp; Social Care</b> | <b>Education &amp; Children's Services</b> | <b>Place</b> | <b>Council Resources</b> | <b>Totals</b> |
|--------------------------------------------------|---------------------------------|--------------------------------------------|--------------|--------------------------|---------------|
| <b>Compulsory Severance (pensionable)</b>        | 7                               | 2                                          | 5            | -                        | 14            |
| <b>Voluntary Severance (pensionable)</b>         | -                               | -                                          | -            | -                        | -             |
|                                                  |                                 |                                            |              |                          |               |
| <b>Medical Retirement (Lothian Pension Fund)</b> | 4                               | 1                                          | 5            | 1                        | 11            |
| <b>Medical Retirement (Teachers Scheme)</b>      |                                 | 1                                          |              |                          | 1             |
|                                                  |                                 |                                            |              |                          |               |

|                             |   |   |   |   |    |
|-----------------------------|---|---|---|---|----|
| <b>Flexible Retirements</b> | 2 | 4 | 9 | 4 | 19 |
|-----------------------------|---|---|---|---|----|

- 3.3 Details of the Council's financial commitments relating to pensions are included in the unaudited 2024/25 Financial Statements. The unaudited 2024/25 Financial Statements were reported to Members' Library on 30 June 2025. 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 2024/25 the Council spent £0.764 million (£0.741 million in 2023/24) on early retirements for Local Government Workers and £0.485 million (£0.470 million in 2023/24) for teachers.
- 3.4 The Council continues to have an obligation to pay pension costs in the future. At 31 March 2025 the pension fund was reported to have a pension surplus through the annual actuarial assessment. This means that as at 31 March 2025 the value of the pension assets exceeded the value of the pension liability. The value of the pension surplus has been actuarially assessed as £270.984 million (and as at 31 March 2024 a pension surplus of £172.411 million). As noted in the unaudited 2024/25 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 was paused for the 2023 valuation, but the principle remains in place with the Lothian Pension Fund and will be reviewed aligned to the 2026 valuation. 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 77 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 2024/25 was £53,157 (and in 2023/24 it was £51,249). 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 £0.199m 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. It is

recommended that in future years this report is lodged in members Library rather than being reported to Cabinet, which allows for wider member scrutiny.

## 5 RESOURCE AND OTHER IMPLICATIONS

- 5.1 Finance: There are no immediate budgetary implications associated with this report
- 5.2 Human Resources: Finance and Human Resources continue to ensure that any retirals 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 retiral must meet the strict efficiency or redundancy requirements and will generate the necessary savings.
- 5.3 Other (e.g. Legal/IT): None
- 5.4 Risk: None

## 6 INTEGRATED IMPACT ASSESSMENT

- 6.1 ***Select the statement that is appropriate to your report by placing an 'X' in the relevant box.***

An Integrated Impact Assessment screening process has been undertaken and the subject of this report does not affect the wellbeing of the community or have a significant impact on: equality and human rights; tackling socio-economic disadvantages and poverty; climate change, the environment and sustainability; the Council's role as a corporate parent; or the storage/collection of personal data.

X

**or**

The subject of this report has been through the Integrated Impact Assessment process and impacts have been identified as follows:

| Subject                                               | Impacts identified (Yes, No or N/A) |
|-------------------------------------------------------|-------------------------------------|
| Equality and human rights                             |                                     |
| Socio-economic disadvantage/poverty                   |                                     |
| Climate change, the environment and sustainability    |                                     |
| Corporate parenting and care-experienced young people |                                     |

| Subject                             | Impacts identified (Yes, No or N/A) |
|-------------------------------------|-------------------------------------|
| Storage/collection of personal data |                                     |
| Other                               |                                     |

The Integrated Impact Assessment relating to this report has been published and can be accessed via the Council's website:

[https://www.eastlothian.gov.uk/info/210602/equality\\_and\\_diversity/12014/integrated\\_impact\\_assessments](https://www.eastlothian.gov.uk/info/210602/equality_and_diversity/12014/integrated_impact_assessments)

## **7 APPENDICES**

7.1 None

## **8 BACKGROUND PAPERS**

8.1 Policy on Enhanced Compensation for early Retirement on Grounds of Redundancy and Efficiency– December 2010

8.2 Lothian Pension Fund Website: [www.lpf.org.uk](http://www.lpf.org.uk)

8.3 Local Government Pensions Scheme (Scotland) Regulations 2014

8.4 Flexible Retirement Policy – December 2013

8.5 Members' Library Report 30 June 2025, item 67/25

[https://www.eastlothian.gov.uk/meetings/meeting/17445/members\\_library\\_service](https://www.eastlothian.gov.uk/meetings/meeting/17445/members_library_service)

## **9 AUTHOR AND APPROVAL DETAILS**

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**Head of Service Approval**

|                                                                                                 |                           |
|-------------------------------------------------------------------------------------------------|---------------------------|
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| <b>Designation</b>                                                                              | Head of Corporate Support |
| <b>Confirmation that IIA and other relevant checks (e.g. finance/legal) have been completed</b> | Confirmed                 |
| <b>Approval Date</b>                                                                            | 30 October 2025           |