



Report of Don McLure, Corporate Director Resources

Councillor Jane Brown, Portfolio Holder, Corporate Resources

Purpose of the Report

- 1 To recommend to Full Council the proposed revised Early Retirement Policy as set out at Appendix 2 due to legislative changes.

Background

- 2 The current early retirement policy was approved by the Council on 22 December 2010.
- 3 Changes are required to the policy following the introduction of the revised Local Government Pension Scheme (LGPS) in April 2014 to update statutory references and remove references to now repealed discretionary powers.
- 4 A further amendment is proposed to the policy to reflect changes to the way costs and savings associated with early retirement are accounted for.

Changes to the Policy

- 5 References to the 2007 and 2008 regulations that governed the LGPS before April 2014 are to be replaced by references to the 2013 and 2014 regulations governing the LGPS from April 2014 onwards.
- 6 The section on applications initiated by employees has been changed to reflect the fact that LGPS scheme members who leave employment on or after 1 April 2014, can now voluntarily draw their pension benefits if they are leaving service between age 55 and 60. Previously on leaving employment, the employee needed their employer's permission to draw their pension benefits if they were aged between age 55 and 60 years.
- 7 The revised policy makes it clear that employees wishing to draw their pension benefits voluntarily in these circumstances should obtain an estimate from the Pensions Team first, as they will have their benefits reduced to take into account the fact they are being paid their pension entitlement early.
- 8 The revised policy also reflects the fact that the way the costs and savings associated with early retirement are accounted for will be simplified.

- 9 With regard to costs of early retirement, there are two costs incurred by the Council when an employee takes early retirement with voluntary redundancy:
- the cost of the redundancy lump sum;
 - the cost of the early release of unreduced pension benefits.
- 10 Previously the cost of early release of pension benefits was assumed to be spread over five annual instalments and these instalments reduced the size of the net saving made following the redundancy.
- 11 The revised policy adopts a simpler approach to the presentation of early retirement costs with voluntary redundancy costs where the total one-off cost (including the redundancy lump sum amount plus the one-off cost of early release of pension cost) is divided by the annual saving from deleting the post including oncosts, to give a payback period in years.
- 12 The revised policy recommends that the payback period should normally be less than two and a half years.
- 13 Under the new LGPS regulations, employers also now have the discretion to award additional pension to an active LGPS member or an LGPS member who has been dismissed “by reason of redundancy, or business efficiency, or whose employment was terminated by mutual consent on grounds of business efficiency”.
- 14 The revised policy clarifies the Council’s position on the award of extra pension, in that it will only be considered where it is in the Council’s financial interests to do this. In practical terms, the cost of awarding additional pension means it is very difficult to envisage a situation where additional pension would be awarded.
- 15 The updated policy at Appendix 2 includes the ‘tracked’ changes to make it easier for Members to see what has changed from the current policy.

Recommendations and Reasons

- 16 County Council adopt the revised Early Retirement Policy as set out at Appendix 2.

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Appendix 1: Implications

Finance – There will be no change to the existing cost of early retirement with voluntary redundancy calculations, just a change to the way those costs are presented.

The total one-off cost of redundancy will be shown as the redundancy lump sum plus the one-off cost of early release of pension benefits.

The payback period in years will be shown as this total one-off cost of redundancy divided by the annual saving from deleting the post.

Staffing – None – there will be no noticeable effect on the way the policy operates from an employee perspective

Risk – None

Equality and Diversity / Public Sector Equality Duty – None

Accommodation – None

Crime and Disorder – None

Human Rights – None

Consultation – None – changes to policy are minor and technical

Procurement - None

Disability Issues – None

Legal Implications – None