



ESSENTIAL REFERENCE PAPER B

AGENDA ITEM 6(B)

# **East Herts Council**

## **Retirement Policy**

### **Policy Statement**

**Policy Statement No 37 (Issue No 1)**

**October 2009**

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## **1.0 Introduction**

- 1.1 This policy sets out the Council's approach to retirement.
- 1.2 The Council recognises that changes in statutory requirements, best value in service delivery and technological developments may affect its staff needs. It is committed to the establishment of effective organisational structures that are flexible and responsive to changing service requirements.
- 1.3 Retirement is one way that changes to organisational structures can be achieved with regard to individual staff circumstances.
- 1.4 The Council has adopted this policy and procedures with the aim of dealing with every individual member of staff in a caring, sensitive manner and in the best interests of the Council.
- 1.5 The Council further recognises that changes in operational requirements will mean that some jobs become redundant or alter substantially to improve service efficiency. In either situation the Council will strive to avoid dismissals. Therefore, prior to early retirement being agreed for either of these reasons, all other alternatives such as redeployment and retraining must have been explored. It would normally be expected that members of staff would be placed in the Redeployment Register to seek alternative employment within the Council unless it is agreed that this is not required.
- 1.6 The Local Government Pension Scheme (LGPS) summary guide should be referred to when considering retirement. This is available on request from Serco Pensions or LGPS website [www.lgps.org.uk](http://www.lgps.org.uk)
- 1.7 All Councils are required to have a formal statement of their policy on their discretions under the Pension Regulations and keep this under review. Appendix A sets out those discretions. Any amendment to this policy must be published at least one month before it takes effect.
- 1.8 The LGPS also contains procedures for complaints or appeals from staff within an Internal Disputes Procedure who think there has been a mistake or that their entitlement has been incorrectly assessed. Details can be obtained from Serco Pensions.

## **2.0 Scope of the Policy**

- 2.1 Employees who are members of the Local Government Pension Scheme may be able to obtain early release of their pension benefits in certain circumstances. These are:-
- a) Early termination of employment for Redundancy (see Redundancy policy)
  - b) Early termination of employment in the interests of the efficiency of the service
  - c) Early retirement (voluntary requests)
  - d) Retirement on ill health grounds
  - e) Flexible retirement (part pension/part employment)
- 2.2 The policy covers all employees of East Herts Council who are members of the Local Government Pension Scheme (LGPS). Note that some of the benefits apply also to employees who are eligible to be members.
- 2.3 This policy and procedure should be considered alongside the following:-
- Provisions of the New LGPS Scheme
  - The Council's Absence Management Policy
  - The Council's Redundancy Policy

## **3.0 Discretions taken by the Council**

- 3.1 In taking the decisions relating to discretions the Council is required to be mindful of the extent to which the exercise of these discretionary powers (in accordance with the policy), unless properly limited, could lead to a serious loss of confidence in the public service; and be satisfied that the policy is workable, affordable and reasonable having regard to the foreseeable costs.
- 3.2 The aims in formulating the policy are:
- to maintain as far as possible levels of compensation consistent with what had been provided under previous regulations and discretions;
  - to make the policy simple and easy to understand.
- 3.3 East Herts Council retains the discretion to decide whether or not to grant retirement and will take into account, among others, the following factors:-

- The need to retain an appropriate balance of skills and experience in the service concerned;
- The business need to ensure services are maintained and delivered effectively; and
- The cost of the retirement to the Council and pension scheme compared to the potential savings accruing from the proposal.
- Potential savings identified by the retirement to the Council.

The above list is not exhaustive and there may be other relevant factors that may be taken into account in individual cases.

3.4 The Council has taken the decision not to award additional membership of the LGPS under the Augmentation provisions Regulation 12 (added years service). See Appendix A.

3.5 To determine the appropriate route for retirement the criteria set out in this policy should be used. However, while these provisions contain general policy guidance, each individual case must be considered on its merits and special reasons taken into account. The final decision on all cases will be made by Corporate Management Team (CMT) on the basis of a report by the individual's Head of Service. In addition, as appropriate the provisions of the Council's current policies on redundancy and absence management will guide the process.

#### **4.0 Removal of the 85 year rule**

4.1 The normal LGPS retirement age is 65. The 85 year rule allowed early retirements on redundancy or efficiency to take place from age 50 and voluntary early retirement from age 60 with 25 years scheme membership. The earliest retirement age with effect from April 2010 will be 55, except for permanent ill health. Apart from protections allowed for people approaching 60, there is no longer provision for unreduced voluntary early retirement below 65. For more information on the 85 year rule visit the LGPS website [www.lgps.org.uk](http://www.lgps.org.uk)

#### **5.0 Early Retirement for the Efficiency of Service**

##### **5.1 Criteria**

- Initiated by management in accordance with the Council's Redundancy Policy
- To facilitate organisational change short of redundancy
- Other options such as redeployment or retraining have been considered and discussed with HR
- Case is justified by at least one of these four factors – effectiveness, economy, health and compassion
- Significant improvement in organisational efficiency e.g. needs of job have changed, new skills required, need to work in a different way
- Post will be replaced
- Demonstrate savings e.g. replacement at lower grade or point on salary scale or greater productivity
- The employee has at least three months total membership or has brought a transfer value into the LGPS
- The Head of Service will submit a report for approval to CMT.

## 5.2 Circumstances in which Early Retirement for the Efficiency of Service may be appropriate

- 5.2.1 Where, due to no fault of an individual member of staff, the work method or job content have altered to the extent that they affect fundamentally the competence of the member of staff (e.g. technology, changes in legislation or organisation, development of professional standards). Note: If the job content changes greatly, redundancy maybe more appropriate. Consult HR.
- 5.2.2 Where a member of staff has a particular medical condition which, whilst not considered by the Council's Occupational Health Adviser to justify retirement on the grounds of ill health does significantly impede the proper performance of the job.
- 5.2.3 Where a member of staff has particular personal or domestic circumstances, which are overwhelming to the extent that the interests of the service suffer.
- 5.2.4 Where, through a reorganisation or other reasons, the scope and content of the duties and responsibilities have diminished to the extent that, whilst not justifying redundancy, they nevertheless adversely affect the efficiency of the organisation.
- 5.2.5 Where a combination of circumstances, both in the job and the individual are adversely affecting efficiency, but where these

circumstances do not involve wilful inadequate performance, which should be more appropriately the subject of disciplinary or capability action.

### 5.3 Circumstances in which Early Retirement for the Efficiency of Service is not appropriate

5.3.1 If the member of staff has a medical condition ill health retirement should be explored first, and efficiency retirement should be used only if 5.2.2 above applied.

5.3.2 Efficiency retirement is not to be used as an alternative to or substitute for disciplinary action or positive managing capability.

5.3.3 The member of staff should not normally be aged 64 or over, or retiring within the next twelve months.

5.3.4 In cases involving staff with disabilities, efficiency retirement should not be used until every effort has been made to make reasonable adjustments to the job, in accordance with the Disability Discrimination Act.

### 5.4 Benefits

*Under 55 (or 50 if the employee was a member on 31<sup>st</sup> March 2008 and retires before 1<sup>st</sup> April 2010 when it becomes 55 for all employees):*

- Efficiency payment based on age and length of service in accordance with the government's redundancy pay tables (see <http://www.berr.gov.uk/whatwedo/employment/employment-legislation/employment-guidance/page33157.html>) using a multiplier of 2.6 to provide a maximum of 78 weeks' actual pay at age 61 with 20 years service.
- No access to pension benefits

*Over 55 (or 50 if the employee was a member on 31<sup>st</sup> March 2008 and retires before 1<sup>st</sup> April 2010 when it becomes 55 for all employees):*

- Efficiency payment based on age and length of service in accordance with the government's redundancy pay tables using a multiplier of 2.6 to provide a maximum of 78 weeks' actual pay at age 61 with 20 years service.
- Immediate payment of accrued pension

## 6.0 Early Retirement (Voluntary Request) (Regulation 30)

### 6.1 Criteria

- Initiated by employee by means of written request to their Head of Service stating grounds and case for consideration
- Improvement in organisational efficiency e.g. needs of job, new skills required, need to work in different ways, improved productivity.
- Strain on the pension fund in relation to the benefit obtained by the Council
- Post will be replaced
- Length of service with East Herts Council.
- The employee has at least three months total membership or has brought a transfer value into the LGPS
- The Head of Service will submit a report for approval to CMT.

### 6.2 Benefits

*Under 55 (or 50 if the employee was a member on 31<sup>st</sup> March 2008 and retires before 1<sup>st</sup> April 2010 when it becomes 55 for all employees):*

- Not available

*Over 55 (or 50 if the employee was a member on 31<sup>st</sup> March 2008 and retires before 1<sup>st</sup> April 2010 when it becomes 55 for all employees):*

- Actuarially reduced accrued pension benefits (See Table 2 below)
- No added years

**Table 2: Reduction, based on the length of time (in years and days) that an employee retires early, from the date benefits are paid to the age that they meet the 85 year rule if they have transitional protection, or, otherwise, age 65.**

<b>No. of years paid early</b>	<b>Pensions reduction men</b>	<b>Pensions reduction women</b>	<b>Lump sum reduction</b>
0	0%	0%	0%



<b>No. of years paid early</b>	<b>Pensions reduction men</b>	<b>Pensions reduction women</b>	<b>Lump sum reduction</b>
1	6%	5%	2%
2	11%	10%	5%
3	16%	15%	7%
4	20%	19%	9%
5	24%	23%	12%
6	28%	27%	14%
7	32%	30%	16%
8	35%	33%	18%
9	38%	36%	20%
10	41%	39%	22%
11	44%	42%	24%
12	47%	45%	26%
13	50%	47%	27%
14	52%	49%	29%
15	54%	51%	31%

## **7.0 Retirement on Ill Health Grounds**

### **7.1 Criteria:**

#### ***At any age***

- Initiated by employee by means of written request to their Head of Service stating grounds and case for consideration; or Initiated by management as an outcome of a Capability Hearing under the Absence Management Policy.
- To qualify for ill-health retirement, the employee must have at least 3 months membership of the scheme or have transferred other pension rights into the LGPS and the Council's Medical Adviser must provide a certificate confirming that the employee is 'permanently incapable of discharging efficiently the duties of his/her employment because of ill-health or infirmity of mind or body and the employee has a reduced likelihood of obtaining gainful employment (whether in local government or elsewhere) before age 65. There are 3 tiers for the Council's Medical Adviser to consider.
- Absence Management Policy has been followed.

- Eligible membership under LGPS provisions (See Pension Guide Book)
- The Head of Service will submit a report for approval to CMT.

## 7.2 Benefits:

Benefits from 1 April 2008 depend on the tier the Council's Medical Adviser judges the employee falls into.

- Tier 1; if the employee is judged to have no reasonable prospect of being capable of obtaining gainful employment before age 65, pension benefits are payable based on accrued membership plus 100% of prospective membership between leaving and age 65.
- Tier 2; if the employee is judged to be incapable of obtaining gainful employment within 3 years of leaving but is likely to be capable of obtaining gainful employment before age 65, pension benefits are payable based on accrued membership plus 25% of prospective membership between leaving and age 65.
- Tier 3; if the employee is judged to be capable of obtaining gainful employment within 3 years of leaving, short-term reviewable pension benefits are payable based on accrued membership only.

Note: gainful employment means paid employment for not less than 30 hours in each week for a period of not less than 12 months.

## 8.0 **Flexible Retirement (Regulation 18)**

### 8.1 What is flexible retirement?

Rather than continuing in your job to 65 you can, on or after age 50 (age 55 from 1 April 2010) and with your employer's consent, reduce your hours or grade (which will require new job description and person specification) and draw your accrued Local Government pension scheme benefits whilst continuing in employment and building up further benefits in the Scheme – enabling you to ease into retirement.

### 8.2 The benefits to the Council of flexible retirement are:

- Retention of key skills and knowledge
- Ability to encourage knowledge and skills transfer

- Added flexibility around where the employee works and the filling of their post

The benefits to the employee of flexible retirement are:

- Gradual move into retirement – key lifestyle change
- Opportunity to continue contributing to the organisation while pursuing other interests
- Ability to work while accessing Local Government pension (for those in the scheme)

### 8.3 Can I have a gradual move into retirement?

8.3.1 You can request flexible retirement whether or not you are in the Local Government pension scheme, and this will be considered by your Line manager, using the criteria detailed below.

8.3.2 You can continue paying into the LGPS to build up further benefits in the Scheme.

### 8.4 Criteria:

The Council policy is that this pension scheme provision may be used in cases where:

- The permanent reduction in hours is greater than 25% of their current working hours and/or
- There is a reduction in grade
- An application for flexible retirement is received within 3 months of a change in reduction of 25% of hours and/or grade
- The employee has at least three months total membership or has brought a transfer value into the LGPS
- Initiated by employee by means of an application form (see Appendix B) submitted to their Head of Service.
- The Head of Service will submit a report for approval to CMT.

### 8.5 Benefits:

*Under 55 (or 50 if the employee was a member on 31<sup>st</sup> March 2008 and flexibly retires before 1<sup>st</sup> April 2010 when it becomes 55 for all employees):*

- Not available

*Over 55 (or 50 if the employee was a member on 31<sup>st</sup> March 2008 and flexibly retires before 1<sup>st</sup> April 2010 when it becomes 55 for all employees):*

- Early payment of accrued benefits
- Continue to work, receive pay in new job, on new hours, or reduced grade without break in service
- No abatement of earnings if new earnings plus pension are more than old earnings
- Continue paying into the LGPS, building up further benefits in the Scheme.

## **9.0 Authorisation Procedure for Retirement**

9.1 On re-structuring, potential redundancy situation, or formal request by employee, the Head of Service (or individual) must seek advice/guidance from their HR Officer who will calculate preliminary estimates of costs/benefits.

9.2 The Head of Service (with HR Officer) will undertake preliminary consultation with the employee ensuring that discussions are clearly stated to be subject to available discretions, that costs and savings quoted are estimates only and that the final decision is subject to CMT approval. This consultation may be in the course of following processes under other Council policies, such as absence management and consultation on restructuring proposals.

9.3 The Head of Service will request details of costs/savings from HR/Payroll and investigate the impact of the request on the service.

9.4 The Head of Service (with HR Officer) will undertake formal consultation with employee. Employee will be notified that recommendation is still subject to CMT approval at this stage.

9.5 The Head of Service will submit a report for approval to CMT.

9.6 Following CMT, the decision will be confirmed to the employee in a meeting and followed up in writing within 3 working days.

## **10.0 Re-employment and Abatement**

### **10.1 Re-Employment of Individuals Granted Early Retirement**

10.1.1 The re-employment of employees who have been granted retirement with severance payments is discouraged.

10.1.2 When considering whether to re-employ, the following factors must be taken into account:

- The nature of the work to be undertaken
- How similar is this work to that formally undertaken by the individual?
- Is it work that the individual could have been re-deployed into?
- The work to be undertaken should be a specific task or project where skills and knowledge are unique to that individual.
- The project or task cannot be undertaken by anyone currently employed by East Herts Council.

## 10.2 Abatement of Local Government Pension

10.2.1 Except in the case of Flexible Retirement, where a pensioner obtains further employment with a Local Government Pension Scheme employer, abatement of pension will apply if the pensioner's pay for the new post plus the LGPS pension exceeds the pay in the post from which the pensioner retired.

10.2.2 Abatement rules are set out in the LGPS Regulations 1995 and, if applicable, the LG (Discretionary Payments) Regulations 1996.

## 11.0 Policy review and amendment

11.1 This Policy shall be reviewed after two years or sooner in line with legislation and best practice to reflect the best possible level of support and management.

## THE LOCAL GOVERNMENT PENSION SCHEME (LGPS)

## EMPLOYERS' DISCRETIONS

DISCRETION AVAILABLE	POLICY DECISION
<p><b>Regulation 30 Early Retirement</b></p> <p>To allow retirement at the request of the scheme member between the ages of *55 and 59. (aged 60 to 64 you do not need your employer's consent to receive payment of your benefit)</p> <p><b>Regulation 18 Flexible Retirement</b></p> <p>An employee may reduce their hours, or take a lower graded post and receive their benefits with employer's consent.</p>	<p>Yes, as detailed in the policy 6.0</p> <p>Yes, as detailed in the policy 8.0. reduction of hours must be 25% or more or a lower grade.</p>
<p><b>Regulation 30(5) Waiving of Benefit Reduction</b></p> <p>If a member is allowed to draw benefits after age *55 and before the normal retirement age of 65 benefits will be reduced if the total in complete years of age and scheme service does not equal or exceed 85. The employer has an option to waive this reduction on compassionate grounds.</p>	<p>East Herts Council does not waive a reduction.</p>
<p><b>Regulation 12 Power to increase membership</b></p> <p>To award up to 10 added years to active members under the</p>	<p>East Herts Council does not exercise the powers to award added years of service.</p>

<b>LGPS to increase benefits.</b>	
<b>Regulation 13 Power to award additional pension</b>  <b>To award up to £5000.00 per annum</b>	Recommendation  East Herts does not exercise the powers to award additional pension.
<b>Regulation 15(3) and 25(3) Shared Cost AVC Scheme</b>  <b>To contribute to a shared cost additional voluntary contribution (AVC) scheme.</b>	East Herts Council does not contribute to a shared cost of AVC.

**\* The early retirement age increases to 55 with effect from 1<sup>st</sup> April 2008, however, pre-2008 members who leave before 1<sup>st</sup> April 2010 have a protected retirement age of 50.**

## **Flexible Retirement Application Form**

### *Note to the employee*

It will help the Council to consider your request if you provide as much information as you can about your desired working pattern. It is important that you complete all the application form. When completing sections 3 and 4, think about what effect your change in working pattern will have both on the work that you do, your service and on your colleagues. Once you have completed the form, you should immediately forward it to your Head of Service (you might want to keep a copy for your own records). If the request is granted, this will be a **permanent change** to your terms and conditions and you will not be able to make any further requests for any new flexible retirement arrangements.

**It is important to consider your application very carefully if you have more than one job, internal or external of the Council, as this may have serious tax implications. Please contact Serco for more information regarding this.**

### **Note to Head of Service:**

Please can you confirm receipt of this application form. Please consult with Human Resources before advising the employee of any decision that has been reached.

### **1. Personal Details:**

Name:

Payroll number:

Manager:

National Insurance No:



I would like to apply to amend my working arrangements under the flexible retirement procedure.

**Criteria to request flexible retirement -**

- I am over the age of 55 years old (or 50 if the employee was a member on 31<sup>st</sup> March 2008 and flexibly retires before 1<sup>st</sup> April 2010 when it becomes 55 for all employees)
- This is my only application to request flexible retirement.
- My request complies with the flexible retirement procedure, in that I am proposing my hours are reduced by at least 25% or my grade is reduced.
- I have considered my own personal tax implications in accepting flexible retirement.

2a. Describe your current working pattern (days/hours/times worked):

2b. Describe the working pattern you would like to work under flexible retirement (days/hours/times worked):

2c. I would like my flexible retirement to commence from:

Date:

3. Impact of the new working pattern

I think this change in my working pattern will affect the Service and my colleagues as follows:

4. Accommodating the new working pattern

I think the effect on the Service and colleagues can be resolved as follows:

Signed .....

Dated.....

Please return your application for to your Head of Service for their consideration.