

**APPOINTMENTS AND CONDITIONS OF SERVICE COMMITTEE**

**3 December 2013**

<b>Title of paper:</b>	<b>EARLY RETIREMENT MONITORING REPORT 2012/2013</b>	
<b>Director(s)/ Corporate Director(s):</b>	Angela Probert Director of Human Resources and Transformation  Carole Mills Deputy Chief Executive & Corporate Director Resources	<b>Wards affected:</b> All
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<b>Portfolio Holder(s):</b>	Cllr Graham Chapman	<b>Date of consultation with Portfolio Holders(s):</b> 25 November 2013
<b>Other colleagues who have provided input:</b>	Jo Clifton – Operations Team Leader (Pensions) Louise Greig – Finance Business Partner John Bernard-Carlin – Team Leader, Legal Services Della Sewell – Employee Relations Specialist Jo Spilsbury – Head of HR Strategy and Employee Relations	
<b>Relevant Council Plan Strategic Priority:</b> (you must mark X in the relevant boxes below)		
World Class Nottingham		
Work in Nottingham		x
Safer Nottingham		
Neighbourhood Nottingham		
Family Nottingham		
Healthy Nottingham		
Leading Nottingham		
<b>Summary of issues (including benefits to citizens/service users):</b>		
This report details the number, type and pension strain cost of early retirements for the period 1 April 2012 to 31 March 2013.		
<b>Recommendation(s):</b>		
1	It is recommended that the committee notes the monitoring information contained within the report and the appendices.	

## 1. **BACKGROUND**

- 1.1 A breakdown of all retirements for 2012/13 is provided in Appendix 1 including comparator information with previous years. The number of retirement cases with a pension has decreased to 213 in 2012/13 from 308 in 2011/12. This is primarily due to a significant decrease in the number of colleagues leaving the Council because of redundancy with pension, which has reduced by 59%. 78% (167 cases) of all retirements were classed as early retirements, which is also a decrease from 2010/11 where the figure was 85% (262 cases).
- 1.2 Current or former employees aged 55-60 can request access to their pension benefits with the Council's consent of which there were no cases in this reporting period. Employees aged between 60 and 65 can access their pension at any time and can therefore choose their retirement date as they do not require consent. In both cases, if the employee does not meet the '85 year rule' (i.e. their combined age and length of service equating to at least 85 years), the benefits they receive on retirement are reduced on an actuarial basis to take into account the fact that their benefits are being drawn earlier and for longer. The actuarial reduction may be waived at the Council's discretion which was not applied to any case (normally exercised by the Chief Executive). The 85 year rule was amended from 1 April 2008 to be phased out until 2016 for existing members of the pension scheme.
- 1.3 Flexible retirement enables an employee who has reached the age of 55 to draw their pension benefits whilst remaining in employment on reduced hours or pay. Although there is no pension strain cost associated with flexible retirement for colleagues aged 60 or over, employer consent is required in all instances subject to a business case. Out of the 20 flexible retirements approved in this reporting period, there were no cases where pension strain costs were incurred.
- 1.4 Ill-health retirements accounted for 11% (23 cases) of all retirements which has decreased slightly from the previous year (26 cases). There is no pension strain for ill-health retirement where costs are taken into account when the actuarial calculation for employer contributions is made.
- 1.5 In this reporting period, there have been no retirements under the category of efficiency. 26% (56 cases) of all retirements were classed as redundancy where pension strain costs usually applied (dependent on the age of the employee when they retired). This is a significant decrease on the previous year where the figure was 45% (138 cases).
- 1.6 There have been 5 deaths affecting 6 posts in this reporting period (one employee was employed in two posts).
- 1.7 Appendix 2 shows the pension strain cost to the pension fund broken down by department for 2012/13 including comparator information with previous years. All pension strain costs in this reporting period were due to colleagues exiting the Council under redundancy. Both the overall average costs and the overall median cost has decreased from the previous year.
- 1.8 The Council has no control over the associated pension strain costs of redundancy as the pension scheme rules mean that an employee who is aged 55 or over automatically accesses their pension if they are dismissed by reason of redundancy. When dealing with voluntary redundancy requests, the Council takes account of all factors including cost implications such as pension strain costs when considering applications.

2. **REASONS FOR RECOMMENDATIONS (INCLUDING OUTCOMES OF CONSULTATION)**

The report is brought to this Committee for monitoring purposes.

3. **OTHER OPTIONS CONSIDERED IN MAKING RECOMMENDATIONS**

None

4. **FINANCIAL IMPLICATIONS (INCLUDING VALUE FOR MONEY/VAT)**

Options to pay Pension strain costs to the pension fund are as follows:

1. As a lump sum or
2. Equally over a three year period.

The lump sum option does not incur any interest and is the preferred option however; this is reviewed on an individual business case basis; the business case will include pensions strain costs and supports the decision to make the redundancies.

5. **RISK MANAGEMENT ISSUES (INCLUDING LEGAL IMPLICATIONS AND CRIME AND DISORDER ACT IMPLICATIONS)**

Legal Implications

The Background section of this report reflects the legal framework of the Local Government Pension Scheme ("LGPS") as amended in recent years and demonstrates how the authority has applied this framework via its policies on retirement. Any future changes to the LGPS and/or age discrimination legislation could have an impact on the authority's policies and future early retirements.

6. **EQUALITY IMPACT ASSESSMENT (EIA)**

This is a monitoring report and does not include proposals for new or changing policies, services or functions therefore an EIA is not necessary.

7. **LIST OF BACKGROUND PAPERS OTHER THAN PUBLISHED WORKS OR THOSE DISCLOSING CONFIDENTIAL OR EXEMPT INFORMATION**

None

8. **PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT**

None

**APPENDIX 1**

**Retirement cases by type 2010-2013**

	Retirement type	2010/11	%	2011/12	%	2012/13	%
<b>Normal Retirement</b>	<b>Age 65 or 65+</b>	41	17.5	46	15	46	22
		Flexible (5)		Flexible (1)		Flexible (0)	
	<b>Age 60-65</b>	77	33	89	29	82	38
		Flexible (12)		Flexible (21)		Flexible (20)	
	<b>Efficiency</b>	1	0.5	0	0	0	0
	<b>Redundancy</b>	60	26	138	45	56	26
	<b>Ill-Health</b>	40	17	26	8	23	11
	<b>Death</b>	11	5	4	1	6	3
	<b>Employer Consent (age 55-59)</b>	2	1	5	2	0	0
<b>Total Number of Flexible Retirements</b>		(17)	(7)	(22)	(7)	(20)	(9)
<b>Total</b>		<b>232</b>		<b>308</b>		<b>213</b>	

**APPENDIX 2**

**Pension Strain Costs 2010 - 2013**

<b>Departments</b>	<b>2010/11 No of Retirements</b>	<b>2010/11 Average Cost £</b>	<b>2011/12 No of Retirements</b>	<b>2011/12 Average Cost £</b>	<b>2012/13 No of Retirements</b>	<b>2012/13 Average Cost £</b>
<b>Resources</b>	15	£26,670	27	£15,414	15	£21,746
<b>Development</b>	7	£22,936	11	£29,614	6	£9,427
<b>Chief Executive's Group</b>	3	£29,577	0	-	1	£11,637
<b>Communities</b>	10	£15,540	32	£13,929	18	£15,346
<b>Children &amp; Families</b>	19	£21,013	33	£18,148	10	£15,146
<b>Total Average Costs</b>	N/A	£20,476	N/A	£17, 345	N/A	£16,441
<b>Total Median Cost</b>	N/A	£15,007	N/A	£14,250	N/A	£11,637