

**APPOINTMENTS AND CONDITIONS OF SERVICE COMMITTEE**

**4 November 2014**

<b>Title of paper:</b>	<b>EARLY RETIREMENT MONITORING REPORT 2013/2014</b>	
<b>Director(s)/ Corporate Director(s):</b>	Angela Probert Strategic Director of Organisational Transformation	<b>Wards affected: ALL</b>
<b>Report author(s) and contact details:</b>	Nicola Gibson, HR Consultant Telephone Number: ext 0115 8763618 Email: nicola.gibson@nottinghamcity.gov.uk	
<b>Other colleagues who have provided input:</b>	Andy Cross – Pensions Consultant Beverley Bull – Finance Analyst John Bernard-Carlin – Team Leader, Legal Services Della Sewell – Employee Relations Manager Jo Smart – Head of HR	
<b>Date of consultation with Portfolio Holder(s) (if relevant)</b>	<b>9 October 2014</b>	
<b>Relevant Council Plan Strategic Priority:</b>		
Cutting unemployment by a quarter		<input type="checkbox"/>
Cut crime and anti-social behaviour		<input type="checkbox"/>
Ensure more school leavers get a job, training or further education than any other City		<input type="checkbox"/>
Your neighbourhood as clean as the City Centre		<input type="checkbox"/>
Help keep your energy bills down		<input type="checkbox"/>
Good access to public transport		<input type="checkbox"/>
Nottingham has a good mix of housing		<input type="checkbox"/>
Nottingham is a good place to do business, invest and create jobs		<input type="checkbox"/>
Nottingham offers a wide range of leisure activities, parks and sporting events		<input type="checkbox"/>
Support early intervention activities		<input type="checkbox"/>
Deliver effective, value for money services to our citizens		<input checked="" type="checkbox"/>
<b>Summary of issues (including benefits to citizens/service users):</b>		
This report which is for annual reporting purposes is for noting only. It details the number, type and pension strain cost of early retirements for the period 1 April 2013 to 31 March 2014.		
<b>Recommendation(s):</b>		
<b>1</b>	It is recommended that the committee notes the monitoring information contained within the report and the appendices.	

**1. REASONS FOR RECOMMENDATIONS**

The report is brought to this Committee for noting purposes

**2. BACKGROUND (INCLUDING OUTCOMES OF CONSULTATION)**

- 1.1 A breakdown of all retirements for 2013/14 is provided in Appendix 1 including comparator information with previous years. The number of retirement cases with a pension has decreased to 176 in 2013/14 from 213 in 2012/13. There has been a decrease in the number of colleagues taking early retirement in several of the categories, including normal retirement (46 cases in 2012/13 to 22 cases in 2013/14), redundancy (56 cases in 2012/13 to 34 cases in 2013/14), and ill health (23 cases in 2012/13 to 15 in 2013/14). With specific reference to normal retirement, the decrease may be linked to the removal of what was the 'default' retirement age leading to more colleagues opting to work longer.
- 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 The number of colleagues choosing to retire between the ages of 60 and 65 (one of the categories of early retirement) increased in this reporting period. In 2012/13 82 colleagues took early retirement compared to 98 in 2013/14. However as detailed above in 1.3, unless the employee meets the '85 year rule' there will be an actuarial reduction in the benefits they receive.
- 1.4 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 26 flexible retirements approved in this reporting period, there were no cases where pension strain costs were incurred.
- 1.5 Ill-health retirements accounted for 8.5% (15 cases) of all retirements which has decreased from the previous year (23 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.
- 1.6 In this reporting period, there have been no retirements under the category of efficiency. 18% (32 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 continued downward trend on previous years, which has seen the number of cases fall from 138 in 2011/12 to 56 in 2012/13 to 34 for this reporting period.
- 1.7 There have been 7 deaths affecting 8 posts in this reporting period (one employee was employed in two posts).
- 1.8 Appendix 2 shows the pension strain cost to the pension fund broken down by

department for 2013/14 including comparator information with previous years. The majority of pension strain costs in this reporting period were due to colleagues exiting the Council under redundancy, however there was also a pension strain attributed to one schools-based colleague who took early retirement (60-65years), the school's Governing Body agreed to meet the strain costs in this case. The overall average costs have continued to fall for the 4<sup>th</sup> year running.

- 1.9 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.

### **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 pension strain costs and supports the decision to make an early retirement.

### **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**

Has the equality impact been assessed?

Not needed (report does not contain proposals or financial decisions)

**X**

No

Yes – Equality Impact Assessment attached

Due regard should be given to the equality implications identified in the EIA.

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

Retirement cases by type 2011-2014

	Retirement type	2011/12	%	2012/13	%	2013/14	%
<b>Normal Retirement</b>	<b>Age 65 or 65+</b>	46	15	46	22	22	12.5
		Flexible (1)		Flexible (0)		Flexible (0)	
<b>Early Retirement</b>	<b>Age 60-65</b>	89	29	82	38	98	56
		Flexible (21)		Flexible (20)		Flexible (26)	
	<b>Efficiency</b>	0	0	0	0	0	0
	<b>Redundancy</b>	138	45	56	26	34	19
	<b>Ill-Health</b>	26	8	23	11	15	8.5
	<b>Death</b>	4	1	6	3	7	4
	<b>Employer Consent (age 55-59)</b>	5	2	0	0	0	0
<b>Total Number of Flexible Retirements</b>		(22)	(7)	(20)	(9)	(26)	(15)
<b>Total</b>		<b>308</b>		<b>213</b>		<b>176</b>	

## Pension Strain Costs 2011 - 2014

<b>Departments</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>2013/14 No of Retirements</b>	<b>2013/14 Average Cost £</b>
<b>Resources</b>	27	£15,414	15	£21,746	6	£14,904
<b>Development</b>	11	£29,614	6	£9,427	1	£17,007
<b>Chief Executive's Group</b>	0	-	1	£11,637	0	-
<b>Communities</b>	32	£13,929	18	£15,346	17	£11,509
<b>Children &amp; Families</b>	33	£18,148	10	£15,146	6	£21,126
<b>Total Average Costs</b>	N/A	£17, 345	N/A	£16,441	NA	£14,295
<b>Total Median Costs</b>	N/A	£15, 007	N/A	£14 250	N/A	£11,720