

**APPOINTMENTS AND CONDITIONS OF SERVICE COMMITTEE**  
**3 NOVEMBER 2015**

<b>Title of paper:</b>	<b>EARLY RETIREMENT MONITORING REPORT 2014/2015</b>	
<b>Director(s)/ Corporate Director(s):</b>	Angela Probert Strategic Director of Organisational Transformation	<b>Wards affected: ALL</b>
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<b>Date of consultation with Portfolio Holder(s) (if relevant)</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. It details the number, type and pension strain cost of early retirements for the period 1 April 2014 to 31 March 2015.		
<b>Recommendation(s):</b>		
<b>1</b>	To note the monitoring information contained within the report and the appendices.	

**1. REASONS FOR RECOMMENDATIONS**

1.1 The report is brought to this Committee for noting purposes.

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

2.1 A breakdown of all retirements for 2014/15 is provided in Appendix 1 including comparator information with previous years. The total number of retirement cases with a pension has increased to 182 in 2014/15 from 176 in 2013/14. There has been an increase in the number of colleagues taking early retirement (from 98 cases in 2013/14 to 127 cases in 2014/15) and normal retirement (from 22 cases in 2013/14 to 38 cases in 2014/15). However, numbers have decreased in the categories of

redundancy (34 cases in 2013/14 to 18 cases in 2014/15), and ill health (15 cases in 2013/14 to 14 in 2014/15).

- 2.2 From 1 April 2014, changes to the Local Government Pension Scheme were implemented, one of which is that current or former employees aged 55-60 wishing to access their pension benefits early no longer need the Council's consent in order to do this. However, the decision to take this route into early retirement will now result in the benefits the employee receives on retirement being reduced on an actuarial basis to take into account the fact that their benefits are being drawn earlier and for longer.
- 2.3 In order for benefits to remain unreduced, the actuarial reduction may be waived at the Council's discretion (normally exercised by the Chief Executive); therefore in such cases consent must still be sought. There was one early retirement requiring employer consent in this reporting period, which was an approved early release of deferred pension, with no pension strain, as a result of a previous redundancy where the employee was aged below 55 at the time.
- 2.4 The number of colleagues choosing to retire between the ages of 55 and 64 (one of the categories of early retirement) increased in this reporting period. In 2013/14 98 colleagues took early retirement compared to 127 in 2014/15. However unless the employee meets the '85 year rule' and they are aged 60+ there will be an actuarial reduction in the benefits they receive.
- 2.5 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 36 flexible retirements approved in this reporting period, there were no cases where pension strain costs were incurred.
- 2.6 Ill-health retirements accounted for 7.7% (14 cases out of 182) of all retirements which has only decreased slightly from the previous year, when they accounted for 8.5% (15 cases out of 176). There is no pension strain for ill-health retirement where costs are taken into account when the 3 yearly actuarial valuation calculations for employer contributions is made.
- 2.7 In this reporting period, there have been no retirements under the category of efficiency.
- 2.8 9.9% (18 cases) of all retirements were classed as redundancy where pension strain costs 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 56 in 2012/13 to 34 in 2013/14 and 18 for the current reporting period.
- 2.9 There have been 2 deaths in this reporting period where a pension entitlement arose.
- 2.10 Appendix 2 shows the pension strain cost to the pension fund broken down by department for 2014/15 including comparator information with previous years. All pension strain costs in this reporting period were due to colleagues exiting the Council under redundancy.

- 2.11 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**

- 3.1 None

### **4. FINANCE COMMENTS (INCLUDING IMPLICATIONS AND VALUE FOR MONEY/VAT)**

- 4.1 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. LEGAL AND PROCUREMENT COMMENTS (INCLUDING RISK MANAGEMENT ISSUES, AND LEGAL, CRIME AND DISORDER ACT AND PROCUREMENT IMPLICATIONS)**

- 5.1 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**

- 6.1 An equality impact assessment is not needed, as the report does not contain proposals or financial decisions.

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

- 7.1 None

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

- 8.1 None.