

APPOINTMENTS AND CONDITIONS OF SERVICE COMMITTEE – 6 DECEMBER 2016

Title of paper:	EARLY RETIREMENT MONITORING REPORT 2015/16	
Director(s)/ Corporate Director(s):	Richard Henderson Director of HR and Transformation	Wards affected: ALL
Report author(s) and contact details:	Sheena Yadav-Staples, HR Consultant Telephone Number: 0115 8762951 Email: sheena.yadav-staples@nottinghamcity.gov.uk	
Other colleagues who have provided input:	Andy Cross – Pensions Consultant Joanne Worster – Finance Team Leader Jon Ludford-Thomas – Senior Solicitor, Legal Services Della Sewell – Employee Relations Manager	
Date of consultation with Portfolio Holder(s) (if relevant)	24 October 2016 – Cllr Heaton	
Relevant Council Plan Key Theme:		
Strategic Regeneration and Development		<input type="checkbox"/>
Schools		<input type="checkbox"/>
Planning and Housing		<input type="checkbox"/>
Community Services		<input type="checkbox"/>
Energy, Sustainability and Customer		<input type="checkbox"/>
Jobs, Growth and Transport		<input type="checkbox"/>
Adults, Health and Community Sector		<input type="checkbox"/>
Children, Early Intervention and Early Years		<input type="checkbox"/>
Leisure and Culture		<input type="checkbox"/>
Resources and Neighbourhood Regeneration		<input checked="" type="checkbox"/>
Summary of issues (including benefits to citizens/service users):		
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 2015 to 31 March 2016.		
Recommendation(s):		
1	It is recommended that the committee notes 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 2015/16 is provided in Appendix 1 including comparator information with previous years. The total number of retirement cases with a pension has reduced to 168 in 2015/16 from 182 in 2014/15. There has been a decrease in the number of colleagues taking early retirement (from 127 cases in 2014/15 to 114 cases in 2015/16) and ill health retirement (from 14 in 2014/15 to 13 in 2015/16). However numbers have increased in the categories of normal retirement (increased fractionally from 38 cases in 2014/15 to 39 cases in 2015/16) and redundancy with pension (18 cases in 2014/15 to 24 cases in 2015/16).

- 2.2 From 1 April 2014, changes to the Local Government Pension Scheme (LGPS) were implemented, one of which was 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 were no early retirements requiring employer consent in this reporting period.
- 2.4 The number of colleagues choosing to retire between the ages of 55 and 64 (one of the categories of early retirement) decreased in this reporting period. In 2014/15 127 colleagues took early retirement compared to 114 in 2015/16. 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. Potentially there was a decrease in numbers due to the creation of Nottingham Revs and Benefits and the continuation of schools converting to academies not reported on within this report.
- 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 31 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% (13 cases out of 168) of all retirements which is the same as the previous year, when they also accounted for 7.7% (14 cases out of 182). 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 13.1% (22 cases) of all retirements classed as redundancy had a pension strain cost applied (dependent on the age of the employee when they retired - 2 cases did not carry a pension strain due to their age when they retired). In these circumstances the pension strain is paid by the employer. The numbers in this category have increased but not significantly since last year from 18 in 2014/15 to 22 in 2015/16.
- 2.9 There have been 2 deaths in service 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 2015/16 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.
- 2.12 All retirement figures exclude those employees based in schools, Nottingham Revenues and Benefits and Nottingham City Homes.
- 2.13 The Government intend to make changes to the Local Government Pension Scheme in 2017 one of which is to increase the age at which pension can be accessed which will have the effect of curtailing pension strain costs. Further details of any changes to the LGPS will be brought to this Committee.

3 OTHER OPTIONS CONSIDERED IN MAKING RECOMMENDATIONS

- 3.1 None. The report is for noting only.

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.
- 4.2 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 EIA is not required because 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.