

## Appointments and Conditions of Service Committee - 19 February 2021

<b>Title of paper:</b>	Early Retirement Monitoring Report 2019/20		
<b>Director:</b>	Richard Henderson Director of HR and Customer	<b>Wards affected:</b> All	
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<b>Other colleagues who have provided input:</b>	Andy Cross – Pensions Consultant Joanne Worster – Finance Team Leader, Strategic Finance Aman Patel – Solicitor, Housing Employment Jo Hill – Employee Relations Specialist		
<b>Date of consultation with Portfolio Holder</b>	19 January 2021		
<b>Relevant Council Plan Key Theme:</b>			
Nottingham People			<input type="checkbox"/>
Living in Nottingham			<input type="checkbox"/>
Growing Nottingham			<input type="checkbox"/>
Respect for Nottingham			<input type="checkbox"/>
Serving Nottingham Better			<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 2019 to 31 March 2020.			
<b>Recommendation:</b>			
<b>1</b>	It is recommended that the committee notes the monitoring information contained within the report and appendices.		

### 1 Reasons for recommendations

1.1 The report is brought to this Committee for noting.

### 2 Background (including outcomes of consultation)

2.1 A breakdown of all retirements for 2019/20 is provided in Appendix 1 including comparator information with previous years. The total number of retirement cases with a pension, decreased to 125 cases in 2019/20 from 200 in 2018/19. There has been a decrease in the number of colleagues taking voluntary early retirement (to 49 cases in 2019/20 from 53 in 2018/19) and a decrease in the number of ill health retirements (8 cases in 2019/20 from 15 in 2018/19). The number of normal retirements decreased to 32 cases in 2019/20 from 49 cases in 2018/19. There was a decrease in redundancy with pension across both groups (52 cases in 2018/19 to 12 in 2019/20).

2.2 Since 1 April 2014, the Local Government Pension Scheme (LGPS) has allowed for current or former employees aged 55-60 to access their pension benefits early without requiring the Council's consent. However, the decision to take this route into early

retirement does mean that the benefits the employee receives on retirement are 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 2019/20, 49 colleagues took early retirement compared to 53 in 2018/19.
- 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 grade. As there can be pension strain costs up to Normal Pension Age, employer consent is required in all instances subject to a business case. Out of the 23 flexible retirements approved in this reporting period, there were no cases where pension strain costs were incurred.
- 2.6 Ill-health retirements accounted for 6.4% (8 cases out of 125) of all retirements, which is a slight decrease on the previous year when they accounted for 7.5% (15 cases out of 200). There are no direct pension strain costs for ill-health retirement, however, 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 90.9% (11 out of 12 cases) of retirements classed as redundancy had a pension strain cost applied due to the age of the employee when they retired. In these circumstances, the pension strain is paid by the employer. The numbers in this category decreased this year to 12 cases from 52 in 2018/19.
- 2.9 There have been no deaths in service in this reporting period where a pension entitlement arose.
- 2.10 Appendix 2 shows the average pension strain cost to the pension fund, broken down by department, for 2019/20 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 Employees aged 55 and over who are made redundant may choose to have their pension released subject to the Government's exit payment conditions.
- 2.12 All retirement figures exclude those employees based in non-maintained schools and Academies, Nottingham Revenues and Benefits and Nottingham City Homes.

### **3 Other options considered in making recommendations**

- 3.1 None.

### **4 Finance colleague comments (including implications and value for money/VAT)**

- 4.1 The pension strain cost is paid as a lump sum. The business case will include pension strain costs and supports the decision to make an early retirement.

## **5 Legal and Procurement colleague comments**

### **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 Strategic Assets & Property colleague comments**

6.1 N/A.

## **7 Equality Impact Assessment (EIA)**

7.1 An EIA is not required because the report does not contain proposals or financial decisions.

## **8 List of background papers other than published works or those disclosing confidential or exempt information**

8.1 None.

## **9 Published documents referred to in compiling this report**

9.1 None.

## APPENDIX 1

### Retirement cases by type 2019-2020

	Retirement type	2017/18	%	2018/19	%	2019/20	%
<b>Normal Retirement (State Pension Age)</b>	<b>Voluntary</b>	23	16.1	49	31	32	26.4
	<b>Redundancy</b>	1	0.7	6	2.8	1	0.8
	<b>Flexible</b>	4	2.8	7	3.3	4	3.2
<b>Early Retirement</b>	<b>Voluntary</b>	45	31.6	53	38	49	39.2
	<b>Flexible</b>	23	16.1	23	11	19	15.2
	<b>Efficiency</b>	0	0	0	0	0	0
	<b>Redundancy</b>	25	17.6	46	23	11	8.8
	<b>Ill-Health</b>	11	7.7	15	7.5	8	6.4
	<b>Death</b>	0	0	1	0.5	0	0
	<b>Employer Consent</b>	0	0	0	0	1	0.8
<b>Total Number of Flexible Retirements</b>		(27)		(30)		(23)	
<b>Total Number of Retirements</b>		<b>132</b>		<b>200</b>		<b>125</b>	

**APPENDIX 2**  
**Pension Strain Costs 2019-2020**

<b><u>Department</u></b>	<b>2017/18 No of Retirements</b>	<b>2017/18 Average Cost £</b>	<b>2018/19 No of Retirements</b>	<b>2018/19 Average Cost £</b>	<b>2019/20 No of Retirements</b>	<b>2019/20 Average Cost £</b>
<b>Strategy &amp; Resources</b>	3	£17,600.17	18	£30,137.12	1	£22,900.48
<b>Development &amp; Growth</b>	0	£0.00	0	£0.00	1	£29,014.80
<b>Chief Executive's Group</b>	N/A	N/A	N/A	N/A	N/A	N/A
<b>Commercial &amp; Operations</b>	13	£15,829.17	25	£16,191.12	2	£14,793.04
<b>People</b>	9	£12,890.34	3	£30,668.79	5	£17,070.04
<b>Council Average Costs</b>	N/A	£14,983.71	N/A	£22,592.46	N/A	£18,539.06
<b>Council Median Costs</b>	N/A	£9,364.07	N/A	£16,725.73	N/A	£10,813.80