

Meeting:	Licensing and General Purposes Committee
Date:	27 September 2007
Subject:	Review of Flexible Retirement Policy
Key Decision: (Executive-side only)	No
Responsible Officer:	Myfanwy Barrett – Corporate Director of Finance
Portfolio Holder:	David Ashton
Exempt:	No
Enclosures:	Appendix 1 – Summary of Flexible retirement policies of other London Boroughs. Appendix 2 –Flexible retirements approved by Harrow Council.

SECTION 1 – SUMMARY AND RECOMMENDATIONS

Elected Members requested an update on the use of Harrow Council's Flexible Retirement Policy to include details of policies adopted by other authorities, actual experience at Harrow and any recommendation for adjustment to Harrow's policy.

RECOMMENDATIONS:

The Committee is requested to review the application of Harrow Council's Flexible Retirement Policy and approve the proposed changes as detailed in 2.15 and 2.17.

SECTION 2 - REPORT

2.1 Background

- 2.2 As a consequence of changes to Her Majesty's Revenue and Customs (HMRC) rules the Local Government Pension Scheme (LGPS) Regulations were amended to permit the immediate payment of pension benefits, at the employers' discretion, where a scheme member from age 50 reduces his/her hours or moves to a lower grade even though the scheme member has not retired from employment and continues to build up benefits in the Scheme.
- 2.3 Employers were therefore required to prepare, publish and maintain a policy statement on flexible retirement.
- 2.4 Following a meeting of the Licensing and General Purposes Committee on 5 March 2007, Harrow Council's flexible retirement policy was formulated effective from 1 April 2007.
- 2.5 Under Harrow's current policy the following conditions apply: -
- a) All requests for flexible retirement will be considered;
 - b) Approval will only be granted if it is in Harrow Council's best interest to do so and where the service area can demonstrate operational efficiencies;
 - c) Pension benefits will only be considered for early payment where there is no strain on the pension fund and there is at least a 10% saving of on-cost salary in the first year. (Where the benefits into payment reflect a part year, the on-costed saving will be calculated against outstanding on-costed salary).
 - d) Where an actuarial reduction applies and this does not fully cover the cost of placing the pension into payment, there will have to be a sufficient reduction in the employee's grade or hours to ensure that the pension fund is reimbursed for any shortfalls;
 - e) The reduction which must at least equate to the financial strain on the pension fund and the 10% saving of on-cost salary in the first year, is to be identified as part of the business case;
 - f) The waiving of any early retirement actuarial reduction (either in part or in full) will not be considered;
 - g) Flexible retirements must be approved by a Director, the Officer Sub-Group and agreed by the Early Retirement Sub-Committee.
- 2.6 The committee also agreed at the meeting that the policy should be reviewed after a period of six months.

2.7 Comparisons with other London Boroughs

2.8 Appendix 1 provides a summary of the approval process within ten other London Boroughs set out in the following order;

- **Summary of policy** – In most instances application is consistent with Harrow's policy.
- **Review Panel** – Many of the policies require a business case, which must be reviewed by some form of Chief Officer panel. There are only two Boroughs that have included Elected Members as part of the review process.
- **Waiver of actuarial reduction** – Four of the ten Boroughs have decided to apply the discretion to waive any actuarial reduction applied on benefits, but only in exceptional circumstances.
- **Number of flexible retirements passed to panel** – To date Harrow Council has approved four cases (see Appendix 2), which is fairly consistent with other London Boroughs. It is possible that this figure will rise over time as awareness increases.

2.9 Actual Experience at Harrow

2.10 To date twelve flexible retirement requests have been initiated since the introduction of Harrow's policy;

- Four cases were agreed and implemented.
- Four cases were not pursued, and
- Four cases are outstanding.

2.11 The four cases not pursued were withdrawn after pension figures had been provided and a business case was required to move the applications on to the next stage. The withdrawals could be for a number of reasons: -

- The requirement for a business case eliminates the applicants who are less serious about taking flexible retirement.
- The benefits payable were lower than expected.
- The employee may feel that the possible percentage reduction on their benefits for receiving their benefits early is too great.
- The financial strain on the pension fund and/or the 10% saving of on-costed salary amounts to more than the salary saved due to the reduction in the employee's grade or hours.
- The flexible retirement no longer meets the business requirements.

2.12 Requirement for an additional 10% saving of on-costed salary

2.13 To date there is no experience that indicates that cases have not been progressed directly as a consequence of the 10% on-costed salary saving.

2.14 Recommendation

2.15 In consideration of the above points the recommended alterations to Harrow's flexible retirement policy are below;

- Flexible retirements must be approved by;
 - (a) Members of the Early Retirement Sub-Committee where there is a strain on the pension fund; or
 - (b) The Head of Shared Services where there is no strain on the pension fund.

2.16 The above recommendation is consistent with the approach of other London Boroughs.

2.17 It is also recommended that the policy should be reviewed on an annual basis to ensure it meets Harrow's business requirements, remains consistent with policies adopted by other London Boroughs and that Elected Members receive update as to application of policy.

2.18 Financial Implications

2.19 Exercising the recommended change to policy does not alter the financial position. All flexible retirements and the financial impacts will be fully reported to The Licensing & General Purposes Committee on an annual basis.

2.20 Legal Implications

2.21 The recommendations conform with The Local Government Pension Scheme Regulations 1997 (As Amended) and The Local Government Pension Scheme (Amendment) (No.2) Regulations 2006.

2.22 Consultation

2.23 Full consultation has taken place with the Head of Human Resources, the Corporate Director of Finance and the Legal & Governance.

2.24 Performance Issues

2.25 None.

SECTION 3 - STATUTORY OFFICER CLEARANCE

Name: Myfanwy Barrett.



Chief Financial Officer

Date: 17 September 2007

Name: Jill Travers

on behalf of the*
Monitoring Officer

Date: 17 September 2007

*Delete the words "on behalf of the" if the report is cleared directly by Myfanwy or Hugh.

SECTION 4 - CONTACT DETAILS AND BACKGROUND PAPERS

Contact: Greg Foley, Head of Shared Services, 020 8424 7673

Background Papers: None.

IF APPROPRIATE, does the report include the following considerations?

1.	Consultation	YES
2.	Corporate Priorities	YES