

**REPORT FOR: LICENSING & GENERAL
PURPOSES COMMITTEE**

Date of Meeting: 1 March 2010

Subject: Early Retirement – Delegation of Authority for Approval

Responsible Officer: Myfanwy Barrett – Corporate Director Finance

Exempt: No

Enclosures: No

Section 1 – Summary and Recommendations

Elected Members (i.e. Early Retirement Sub-Committee) have requested that Licensing & General Purposes Committee review the exercising of discretionary delegations relating to Local Government pension Scheme Early Retirements

This report details background, current process and suggested amendments.

Recommendations:

That all early retirements under Regulation 18 and Regulation 30 be approved by a Director and agreed by the Officer Sub-Group.

Section 2 – Report

- 2.1 Following a request from Elected Members (i.e. Early Retirement Sub-Committee), on 8 June 2009 The Licensing and General Purposes Committee (LGPC) received a report from the Corporate Director of Finance recommending amendments to the exercising of discretionary delegations relating to Local Government Pension Scheme Early Retirements.
- 2.2 LGPC agreed inter alia that; where there is no strain on the pension fund, early retirements under Regulation 30, would be approved by the Divisional Director of Shared Services, in line with the current delegation under Regulation 18 (Flexible Retirement).
- 2.3 At it's meeting on 23 November 2009 the members of the Early Retirement Sub-Committee requested that LGPC consider further amending the exercising of discretionary delegations so that all decisions, under Regulation 18 and Regulation 30, be delegated to the Officer Sub-Group irrespective of whether there is a strain on the pension fund.

2.4 Early Retirement under Regulation 18 (Flexible Retirement)

- 2.4.1 Regulation 18 of the Local Government Pension Scheme (LGPS) (Benefits, Membership and Contributions) Regulations 2007 (As Amended) permits the immediate payment of pension benefits, at the employers' discretion, where a scheme member from age 50 (age 55 with effect from 1 April 2010) 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.
- 2.4.2 The employing authority is required to prepare, publish and keep under review a policy statement on flexible retirement.
- 2.4.3 Under Harrow's current policy the following conditions apply: -
- i. All requests for flexible retirement will be considered;
 - ii. 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;
 - iii. The flexible retirement reduction in hours/grade delivers a 10% saving of on-cost salary (pro rata if applicable) in the first year. This is to be identified as part of the business case;
 - iv. 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;

- v. The waiving of any early retirement actuarial reduction (either in part or in full) will not be considered;
- vi. Flexible retirements must be approved by a Director, and agreed by;
 - a. the Officer Sub-Group and Members of the Early Retirement Sub-Committee where there is a financial strain on the pension fund; or
 - b. the Divisional Director Shared Services where there is no financial strain on the pension fund.

2.5 Early Retirement under Regulation 30 (active & deferred)

- 2.5.1 Under Regulation 30 of the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 an active or deferred member of the LGPS may, once s/he has attained age of 50 (age 55 with effect from 1 April 2010), make a written request to the employer requesting that their pension benefits are placed into payment.
- 2.5.2 A request made by a member, before the member reaches age 60 years, is ineffective without the consent of the employing authority, or in the case of a deferred member, the former employing authority.
- 2.5.3 The early payment of pension benefits will attract an actuarial reduction if the member has not satisfied the '85 year rule'. Where there is an actuarial reduction this would not necessarily cover the full financial strain on the pension fund.
- 2.5.4 Employing Authorities are required to formulate and keep under review the following discretions in relation to Regulation 30:
 - i. Whether to grant application for early payment of benefits on or after age 50/55 and before age 60.
 - ii. Whether to waive, on compassionate grounds, the actuarial reduction applied to benefits paid early
- 2.5.5 Under Harrow's current policy the following conditions apply: -
 - i. All requests for early retirement under Regulation 30 will be considered;
 - ii. 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;
 - iii. Where an actuarial reduction applies and this does not fully cover the cost of placing the pension into payment the financial

strain on the pension fund will be picked up as part of the triennial valuation.

- iv. The waiving of any early retirement actuarial reduction on compassionate grounds, (either in part or in full) will not be considered;
- v. Early retirements, where there is no strain on the pension fund, must be approved by the Divisional Director of Shared Services.
- vi. In cases where there is a strain on the pension fund, early retirements must be approved by a Director, the Officer Sub-Group and agreed by the Early Retirement Sub-Committee.

2.6 As it was expressly requested by members of the Early Retirement Sub-Committee that the recommendation be considered, LGPC are recommended to agree that all decisions under Regulation 18 and Regulation 30, be delegated to the Officer Sub-Group irrespective of whether there is a strain on the pension fund.

2.8 Financial / Risk Management Implications

2.8.1 None. The Officer Sub-Group comprises the Corporate Director of Finance, The Director of Legal and Governance Services and The Divisional Director of HR and Development which ensures all financial, legal and HR implications are picked up prior to approval.

2.9 LGPC will continue to receive an annual report on all early retirement cases which includes details of lump sums paid and strain on the pension fund.

2.8.3 Risk included on Directorate risk register? No

2.8.4 Separate risk register in place? No

Section 3 - Statutory Officer Clearance

Name: Myfanwy Barrett



Chief Financial Officer

Date: 28 January 2010

Name: Hugh Peart



Monitoring Officer

Date: 28 January 2010

Section 4 - Contact Details and Background Papers

Contact: Jon Turner, Divisional Director of HR and Development,
020 8424 1225
jon.turner@harrow.gov.uk

Background Papers:

LGPC report dated 8 June 2009

Minutes of meeting dated 8 June 2009

<http://www.harrow.gov.uk/www2/ieListDocuments.aspx?CId=585&MId=60015&J=7>

If appropriate, does the report include the following considerations?

1.	Consultation	YES/NO
2.	Corporate Priorities	YES/NO