

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

Date: 1 March 2011

Subject: **INFORMATION REPORT – Early Retirement Update**

Responsible Officer: Myfanwy Barrett, Corporate Director Finance

Exempt: No, except for Appendix 1 which is exempt by virtue of paragraphs 3 & 4, Part 1 of Schedule 12A of the Local Government Act 1972 (as amended).

Enclosures: **Appendix 1:** Details of early retirements from 1 December 2009

Section 1 – Summary and Recommendations

FOR INFORMATION

This report provides the Committee with an update on Harrow Council's actual experience of early retirements and the financial impacts to date.

Section 2 – Report

Background

Under current Local Government Pension Scheme (LGPS) legislation there are four routes in which a scheme member from age 55 could receive early payment of pension benefits:

1. **Flexible Retirement** permits the immediate payment of pension benefits, at the employers' discretion, where a scheme member 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.

There is a requirement for employers to prepare, publish and keep under review a policy statement on flexible retirement.

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

All flexible retirements and the financial impacts are reported to The Licensing & General Purposes Committee on an annual basis.

2. **Retirement on grounds of redundancy.** Once the employer has taken an employment decision to cease an individual's employment on the grounds of redundancy the LGPS regulations state that the employee is entitled to immediate payment of retirement pension where s/he meets the LGPS criteria.

The employer decision to cease an individual's employment on the grounds of redundancy must be approved by the Officer Sub-Group and the release of pension benefits must be signed off by the Corporate Director of Finance.

3. **Retirement on efficiency grounds.** Based on the same principles as '2' above.
4. **Choice of early payment of pension (Regulation 30)** allows an active or deferred scheme member, at the employers' discretion, to receive early payment of pension benefits.

There is a requirement for employers to prepare, publish and keep under review a policy statement on early payment of pension.

Under Harrow's current policy the following conditions apply: -

- g) All requests for early retirement under Regulation 30 will be considered;
- h) 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;
- i) 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.
- j) The waiving of any early retirement actuarial reduction on compassionate grounds, (either in part or in full) will not be considered;
- k) The early release of pension benefits must be approved by;
 - I. a Director and agreed by the Officer Sub-Group and Members of the Early Retirement Sub-Committee where there is a financial strain on the pension fund; or
 - II. the Divisional Director Shared Services where there is no financial strain on the pension fund.
- l) In the case of a deferred member the early release of pension benefits will only be approved where there is no financial strain on the pension fund.

Following a meeting of the Licensing and General Purposes Committee on 8 June 2009, it was resolved that all retirements on grounds of redundancy, efficiency and early release of pension together with the financial impacts would be reported to The Licensing & General Purposes Committee on an annual basis (in addition to flexible retirements) in the format shown in Appendix 1.

Section 3 – Further Information

A further report on early retirements will be presented to the Licensing & General Purposes Committee next year.

Section 4 – Financial Implications

Contained within body of report.

Section 5 - Corporate Priorities

N/A

Name: Myfanwy Barrett



Chief Financial Officer

Date: 11 February 2011

Section 6 - Contact Details and Background Papers

Contact: Linda D'Souza, Service Manager – Shared Services.

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Background Papers:

L&GPC Report dated 8 June 2009 entitled 'Early Retirement – Delegation of authority for approval'.

<http://www.harrow.gov.uk/www2/ieListDocuments.aspx?CId=585&MId=60015&J=5>

Licensing and General Purposes Committee. 27 September 2007 – Report on Flexible Retirement.

<http://www.harrow.gov.uk/www2/ieListDocuments.aspx?CId=585&MId=3741&J=3>

Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (As Amended).

<http://timeline.lge.gov.uk/LGPS2008Regs/SI20091025/20071166.htm>