

HAWARDEN COMMUNITY COUNCIL

Item 60

EARLY RETIREMENT POLICY

1. Introduction

This Policy outlines Hawarden Community Council's approach to Early Retirement for employees who are members of the Local Government Pension Scheme and are aged 55 and over and sets out the use of the discretions available to the Council under the terms of the Local Government (Early Termination of Employment) (Discretionary Compensation) Regulations 2006 and the 2014 Local Government Pension Scheme Regulations for ex-employees with a deferred benefit in the pension scheme (referred to hereafter as the Regulations).

2. Aims of the Policy

The aims of this Policy are to:

- State the options available to employees who are aged 55 and over
- State how Hawarden Community Council will apply their discretionary powers in relation to specific provisions in the scheme
- Ensure fair and equal treatment of all employees
- Comply with the Employment Equality (Age) Regulations 2006

3. Scope

This Policy applies to all employees of the Council who are members of the Local Government Pension Scheme (LGPS). Members of the LGPS are entitled to receive a pension at their Normal Pension Age, which from 1 April 2014 is directly linked to an employee's State Pension Age.

4. Definitions

Normal Pension Age (NPA) is linked to 'current' State Pension age (SPA). As the State Pension Age is changed by Government, Normal Pension Age will also change.

Optional Retirement – Age 55 – employees may choose to retire from age 55 onwards and access their pension benefits but would normally suffer an actuarial reduction (the reduction being the cost of early payment of pension and lump sum before normal retirement age).

The '85' year rule is when an employee's membership of the LGPS and their age equals 85 years or more.

5. Policy

Decisions to release employees on Early Retirement must be management led and should not be perceived by employees as either an entitlement or a reward for long service. This course of action should not be used by management as an alternative to taking appropriate action to deal with performance issues.

In formulating and reviewing this policy on Early Retirement and discretionary provisions, the Council is required by the Regulations to:

- Be satisfied that the policy is workable, affordable and reasonable, having regard to the foreseeable costs.
- Consider the potential for the application of its discretionary powers (unless properly limited) to lead to a loss of confidence in the public service.

From 1st April 2014, Normal Pension Age is linked to State Pension Age and will not normally be before age 65. From 1st April 2014, an employee can choose to retire from their 55th birthday with the consent of the employer but with an actuarial reduction.

The Council has a responsibility to ensure that early retirement costs and their effects on the Pension Scheme are fully justified and sustainable.

CRITERIA FOR EARLY RETIREMENT AND EMPLOYEE PENSION BENEFITS

On the Grounds of Redundancy

Redundancy is initiated by the management and is undertaken in line with the Redundancy Procedure. All redundancy pay will be met by the Council and not from the Pension Fund. The pension strain costs will be met by the Council.

In the Interests of Efficiency

This will be initiated by management where an individual is unable to adjust to change, adapt to a new organisation structure and/or new ways of delivering the service and where retraining or redeployment would not assist the individual in adapting to those new methods or ways of working. In all cases of retirement on efficiency grounds all alternatives to early retirement will have been explored. The pension strain costs will be met by the Council.

On the Grounds of Cost Saving

This will be considered in circumstances where compensatory cost savings to the Council can result as a consequence of early retirement being granted to an individual. The pension strain costs will be met by the Council.

Employer's Consent

A – to apply the '85 year rule' for active employees voluntarily drawing their benefits on or after age 55 and before age 60:

Active employees who wish to retire from their 55th birthday onwards can request the Council to apply the 85 year rule, if they are eligible. To be eligible, the employee's LGPS Service pre 1st April 2014 and their age must equal 85 years or more, and they must have joined the pension scheme before 1st October 2006.

If it is agreed to apply the '85 year rule', the employer may waive the actuarial reduction in full or part.

If it is not agreed to apply the '85 year rule' following consideration under the above criteria, but the employee is eligible to meet the '85 year rule' then the pension benefits will be reduced by the date the benefits are brought into payment and the age when they would meet Rule of 85 (their critical retirement age).

B – to waive an actuarial reduction on pension benefits

Employees who do not meet the '85 year rule' can request that the Council waive the actuarial reduction in full or part on compassionate grounds.

For both A and B above, the request made will be considered against the following criteria:

1. The cost to the Council;
2. The future requirements of the service including required levels of performance and productivity, new skills;
3. The need to adapt to new and modernised ways of working;
4. The needs of the employee including any compassionate grounds (where employees are responsible for caring for a dependent due to illness, frailty or disability)

C – early release of benefits for former employees with a deferred benefit:

Former employees may request the early release of their deferred pension benefits. Provisions may differ depending on which version of the regulations applied to them at the date they left the Council.

A request to waive an actuarial reduction, either in full or in part, will be considered in exceptional circumstances (except if the member is covered by 1995 regulations whereby the waiving of any reductions is mandatory).

In all options set out in A, B and C, consideration will be made on a 'case by case' basis.

Application of Discretions under the 2014 LGPS Regulations

Other than the discretions set out above in A, B and C, the Council has decided not to apply the following discretions under the 2014 regulations for reasons of affordability:

- Voluntary funding of additional pension via a Shared Cost Additional Pension Contribution (SCAPC) contract, either by regular ongoing contribution or one-off lump sum;
- Award of pension (at whole cost to employer).

Cost of Early Retirement

In cases of Early Retirement on grounds of redundancy or in the interests of efficiency or cost saving, where a post has been deleted which offsets the costs incurred; no similar post will be created.

Re-Employment following Early Retirement on Ill Health Grounds

Ill Health retirement is granted to an employee who is declared by a medical physician to be permanently unfit to perform the duties of their post on grounds of ill health. As a result, an employee who has received premature retirement on ill health grounds should not be re-employed unless declared fit by a medical physician.

Re-Employment or Re-Engagement following Early Retirement

Where the Council approves an Early Retirement on grounds of Redundancy, in the interests of efficiency or cost saving with Employer's Consent (i.e. where the employer has met the costs of the pension strain/waived the actuarial reduction) the Council will not normally re-employ or re-engage except in highly exceptional circumstances. On rare occasions where this is unavoidable, approval will be sought in advance from the Council.

Consideration and approval of Applications

All applications and requests will be considered initially by the Clerk & Financial Officer and where appropriate, the Chair of Council who will recommend approval or refusal of such requests in the interests of the Council.

6. Monitoring and Evaluation

This policy will be subject to an annual review to ensure that the policy and the discretions are being applied fairly and equitably, the policy is supporting the aims of the Council and the provisions are affordable in relation to the Clwyd Pension Fund.

7. Procedure

Employees who wish to request Early Retirement with Employers consent for either:-

A – to apply the '85 year rule' for active employees voluntarily drawing their benefits on or after age 55 and before age 60 or

B – to waive an actuarial reduction on pension benefits:

1. Must make a written request to the Clerk & Financial Officer setting out their request and the reasons for it. Employees should allow at least 3 months in order to process the request.
2. The Clerk & Financial Officer will acknowledge receipt of the request in writing and obtain an estimate from pensions.
3. Following receipt of the estimate from pensions, the Clerk & Financial Officer will arrange a meeting with the employee to discuss the estimate and discuss whether they can support the request.

If the request is supported

4. If the Clerk & Financial Officer supports the request, he/she will confirm to the employee that the request will go to a retirement panel for approval and the Clerk & Financial Officer must outline the business case to support the waiving in full or in part of any actuarial reduction and why they support the request.
5. The Council must be aware the Early Retirement with Employers Consent should not be used to mitigate any underperformance or disciplinary issues.

If the request is not supported

6. If the Clerk & Financial Officer does not support the request, he/she will meet with the employee and confirm the reasons for not supporting the request and will record the reasons in writing. The request will still be submitted to the retirement panel for consideration taking on board the comments.

Retirement Panel – Final Approval

7. The Clerk & Financial Officer will make arrangements for the request to be heard at the next available retirement panel. The retirement panel will comprise the Chairs of Staff and General Purposes and Finance Committee of Hawarden Community Council and the Chair of Broughton and Bretton Community Council's Finance and Staffing Committee. The retirement panel must have all the required documentation made available in order to make an informed decision this will include:-
 - Employees written request
 - Estimate from Pensions on the Early Retirement with Employers Consent Form
 - Business Case from Clerk & Financial Officer
8. The decision of the panel will be final and there is no route of appeal, the panel will consider the request against the following criteria
 - The cost to the Council; including future affordability.
 - The future requirements of the service including required levels of performance and productivity, new skills;
 - The need to adapt to new and modernised ways of working;
 - The needs of the employee including any compassionate grounds (where employees are responsible for caring for a dependent due to illness, frailty or disability)
9. The Clerk & Financial Officer will write to the employee to confirm the outcome, including if approved the effective date. Pensions will then be informed in order to release the pension.
10. If the application is declined, a discussion should take place between the employee and the Clerk & Financial Officer to discuss the reasons for the decision and to explore alternative options. Employees can access their benefits automatically from age 55 with an actuarial reduction.
11. If the Clerk & Financial Officer makes a request the Chair of Council will need to consider the request and determine whether the request meets the requirements of the policy and if he/she supports the business case. The business case will be considered by the Retirement Panel. Apart from this variation, the above process will apply.