

EARLY RETIREMENT POLICY

1. Purpose

- 1.1 To ensure each application for early retirement is considered on a consistent basis across the Council, taking into account both the merits of the individual case and the financial and service implications for the Council.

2. Scope

- 2.1 This policy applies to all Council employees with the exception of school based staff, who are subject to policies agreed locally with their Governors. However, the principles contained in the policy should apply equally throughout the Council.

3. Principles

- 3.1 That all employees considered for early retirement can expect:
- (a) full consideration to be given to their individual case;
 - (b) that all sensitive information will be treated as confidential except Where information needs to be shared as part of the formal process;
 - (c) that any request for confidentiality will be respected, except where information needs to be divulged as part of the formal process;
 - (d) that their case will be dealt with expediently, though the time scale will depend upon the complexity and circumstances relating to their case;
 - (e) to be advised by their manager, on a regular basis, of the progress of their request;
 - (f) to be advised in writing of the outcome, together with the reason, of any decision;

- (g) that support will be identified by their line manager, in conjunction with their Human Resource Officer, and made available to them during the process; and
- (h) as all early retirements will bear a cost to the Council, full consideration will be given to all alternatives, as set out in the Council's Employment Stability Policy. These include retraining or redeployment; allowing natural wastage; stopping or restricting overtime within the work area; encouraging more flexible working patterns such as part-time, school term time only.

4. **Routes to Retirement**

- 4.1 **Normal retirement** must occur by the age of 65 unless permission is otherwise granted. Agreement must be sought from the recognised trade unions, via Human Resources (HR), before anyone over the age of 65 can be appointed or remain employed. Dependent upon the age of the potential employee, there may be insurance implications. This should be checked, again via HR, with the Insurance Section.
- 4.2 **Late retirement** occurs after the age of 65. It is not common practice within this Council but may be allowed only at the Council's discretion and with the agreement of the staff side.
- 4.3 **Ill-health retirement** occurs at any age where an employee is certified by the Council's Medical Adviser as being permanently incapable of discharging the duties of their employment, or a broadly comparable local government employment.
- 4.4 **Voluntary early retirement:** If an employee is aged 60 or over and has at least two years total membership of the Local Government Pension Scheme (LGPS) they can elect, in writing to their Head of Service, to retire and receive their LGPS benefits straight away - the Council has no discretion over this. If the employee is between and including the ages of 50 and 59, they may request to retire and receive their LGPS benefits straight away, but the Council has discretion over whether to agree or not. This route includes the '85 year rule'.

The appropriate service committee has the authority to make this decision, advised by the relevant Strategic Director.

- 4.5 **Early retirement on the grounds of redundancy** occurs where an employee aged 50 years or over is in a job which becomes redundant. In cases of redundancy the Council's current policy is to award a compensatory payment of added years.

The appropriate service committee has the authority to make this decision, advised by the relevant Strategic Director.

- 4.6 **Early retirement on the grounds of efficiency** occurs where an employee aged 50 or over has ceased to be employed in the interest of the efficient exercise of the

authority's functions. In this case the Council's current policy is to award a compensatory payment of added years.

The appropriate service committee has the authority to make this decision, advised by the relevant Strategic Director.

- 4.7 **Summary and Management Guidelines** for each route are attached at **Appendix A**.

5. **Payment of Benefits on Compassionate Grounds**

- 5.1 Under the 85 year rule, there is discretion for the Council to waive any actuarial reduction on compassionate grounds. This also allows the Council discretion to pay deferred benefits early on compassionate grounds. There are limited circumstances in which payment might be made. This policy is set out in **Appendix B**.

The Exceptions Panel, consisting of an independent Strategic Director, Treasurer and Head of Human Resources, in consultation with the appropriate Strategic Director, have delegated powers to make this decision against agreed criteria.

- 5.2 Deferred benefits arise when an individual leaves local authority employment but chooses to freeze their benefit accumulated at that time.

6. **Added years** - When early retirement is given on the grounds of redundancy or efficiency, the Council's Added Year Policy allows for the award of enhancements in the form of compensatory added years to the employee's pension entitlement. This has the effect of increasing the lump sum and annual pension. This policy gives a rising scale of up to a maximum of 6 2/3 added years. There is discretion for a maximum of up to 10 added years to be awarded in exceptional cases such as compulsory redundancy. In order for this discretion to be given, an Exceptions Panel must be convened to consider each individual case. A copy of the full policy is attached at **Appendix C**.

7. **Eligibility:** For all early retirements the minimum contribution level to the pension scheme is currently two years to be eligible for early payment of the pension.

Early Retirement - Management Guidelines

VOLUNTARY EARLY RETIREMENT AND THE '85 YEAR RULE'

This route does not attract any enhancement.

Under the '85 year rule':

- Any employee aged over 50 can request to be considered for voluntary early retirement. But:
 - if an employee is aged over 50 but less than 60, the Council must decide whether or not to agree to an early retirement request. The cost of agreeing to this is the strain on the pension fund from the early payment of pension and lump sum.
 - If an employee is aged 60 or over, agreement from the Council is not needed as the pension and lump sum can be paid from the age of 60 under the LGPS.
- If an employee's age and years of contribution total less than 85, the pension and lump sum will be reduced in proportion to the lesser of (a) the number of years until they would satisfy the 85 year rule and (b) the number of years and days until they would reach your normal retirement date. This abatement will not meet the full cost of the strain to the fund.
- If the total of age and years of contribution is 85 or more there is no reduction to pension and lump sum. This will cause an indirect cost to the Council due to the strain on the pension fund resulting from the early payment of pension and lump sum.
- The Authority can choose not to abate a pension on compassionate grounds where the 'rule of 85' would otherwise require it to do so (see Annex B).
- The '85 year rule' is less costly to the Council than its Added Years Policy - If an employee aged under 60 goes under the '85 year rule' there is no direct cost to the Council, however the employer contribution to the pension scheme, or pension strain, will increase as the pension is paid earlier. If an employee goes on grounds of efficiency or redundancy there will be a direct cost of their added years entitlement, in addition to the strain on the pension fund.
- There is no discretion to award added years to employees leaving via this route.

The appropriate Head of Service will have to make a business case for the early retirement and the service cost centre will have to meet the cost of the pension strain. The maximum payback period is 5 years or the period of time until the employee reaches 65 years old. The service centre will, therefore, need to identify the resources from its own budget prior to a decision on early retirement being made.

Voluntary Early Retirement and the '85 year rule'

Throughout the early retirement process it is extremely important that the employee is kept up to date of the progress of their application for early retirement and that their request is dealt with expediently. This is the responsibility of the appropriate Head of Service. Notes should be taken of any discussions or meetings with the employee regarding their early retirement. These should be placed on their personal file within Human Resources for future reference.

Action:

By:

1.	Employee must apply formally in writing to their Manager. On receipt of a formal request, the manager should discuss the matter with their Head of Service and HR Officer. Note: No oral commitment must be made by an officer to the employee. It is for the service committee to make the decision, based on advice from officers.	Manager
2.	The HR Officer to obtain birth certificate from employee and estimated figures from BCC re benefits due to employee and discuss them with employee.	HRO
3.	Head of Service to prepare report, including financial appraisal, an outline of which is attached. This must make clear the business case for and against agreeing the request, including alternatives that have been considered. Details of the repayment period and the budget code for repayment by the service centre must be included. If the employee needs to leave the Council's employ in order to look after a close relative, see Annex B - Payment of benefits on Compassionate Grounds.	Head of Svc Directorate Finance Manager
4.	If the financial appraisal gives the pay back period, including pension strain, as more than 5 years, then the application should not proceed. If the Head of Service, after giving full consideration to the case, cannot support the application, this must be stated in the report, with full reasons given. The Head of Service should tell the employee of their decision, giving the reasons for it and confirm this in writing to the employee.	Head of Svc
5.	If the application is turned down at this stage the employee can appeal against the decision of the Head of Service and request that their case be considered by the Strategic Director, advised by the Treasurer and Head of Human Resources. The employee must submit this request in writing to the Strategic Director, including any further information to be considered. If the Strategic Director supports the request for early retirement, they	Employee Strategic Director Strategic

	<p>will arrange for the report to be revised accordingly. This will then be submitted to the appropriate Service Committee.</p> <p>If the Strategic Director does not support the request for early retirement, the application will not proceed. There is no appeal against this decision.</p>	Director
6.	If the Head of Service wishes to proceed with the application for early retirement they must obtain agreement from their Strategic Director, and confirmation from the Head of Human Resources and Treasurer re Council policy and financial implications.	Head of Svc/HHR
7.	The request for early retirement needs to be formally considered by the relevant service committee, who will decide as to whether agreement can be given. It is for the Strategic Director/Head of Service to arrange for the paper to be submitted to the relevant Service Committee.	Strategic Director Head of Svc
8.	Following the decision, the Head of Service should confirm the outcome to the employee, to HR and to Central Finance for pay back arrangements. Any subsequent change to the cost of early retirement must be reported back to the Service Committee by the Head of Service.	Head of Svc
9.	If agreed, the decision will be included in summary reports to Personnel Committee.	HR (Ops)

EARLY RETIREMENT ON THE GROUNDS OF REDUNDANCY

Early retirement on the grounds of redundancy occurs where an employee aged 50 years or over is in a job which is redundant. Redundancy under the age of 50 is covered by different regulations and does not attract early retirement benefits.

Throughout the early retirement process it is extremely important that the employee is kept up to date of the progress of their application for early retirement and that their case is dealt with expediently. This is the responsibility of the appropriate Head of Service. Notes should be taken of any discussions or meetings with the employee regarding their early retirement. These should be placed on their personal file within Human Resources for future reference.

Action:

By:

1.	<p>Once a Strategic Director or Head of Service becomes aware of a redundancy situation, the appropriate manager should discuss this with the employee at the earliest opportunity, with advice from their HR Officer. Consultation must take place with appropriate Trade Union.</p> <p>If an employee wishes to be considered for voluntary redundancy, in order to prevent another employee being made redundant, they must be asked to confirm this in writing and to provide their birth certificate.</p> <p>Note: No oral commitment must be made by an officer to the employee. It is for the service committee to make the decision, based on advice from officers.</p>	Manager
2.	<p>Head of Service to prepare report, including financial appraisal, an outline of which is attached. This must make clear the reasons for the redundancy and the measures taken to avoid it, including retraining and redeployment. Details of the repayment period (maximum 5 years) and the budget code for repayment by the service centre must be included.</p>	Head of Svc Directorate Finance Manager
3.	<p>The HR Officer to obtain figures from BCC re payments due to employee under redundancy, taking account of the Council's Added Years Policy, and discuss them with employee.</p>	HRO
4.	<p>Report must include reference to the Council's added years policy and whether the case is deemed to be exceptional (as may be the case for a compulsory redundancy for example), and therefore should be considered for additional discretionary added years (Note: in certain cases it may be more beneficial for the employee for this discretion not to be exercised).</p>	H of S
5.	<p>If appropriate, HR Officer to arrange for Exceptions Panel to meet to consider the discretionary award of Added Years.</p> <p>Note: Appropriate manager to present the case to this Panel. The</p>	HRO

	Panel's recommendation to be included in report to service committee.	Manager
6.	The Strategic Director to submit the report, including confirmation from Head of Human Resources/Treasurer regarding Council Policy and financial implications, to the appropriate service committee for agreement.	SD/HofS/ HHR
7.	Following the decision, the Head of Service should confirm the outcome to the employee, to HR and to Central Finance for pay back arrangements. Any subsequent change to the cost of early retirement must be reported back to the Service Committee by the Head of Service.	H of S
8.	If agreed, the decision will be included in summary reports to Personnel Committee.	HR (Ops)

EARLY RETIREMENT ON THE GROUNDS OF EFFICIENCY

Early retirement on the grounds of efficiency occurs where an employee aged 50 years or over has ceased to be employed ‘in the interests of the efficient exercise of the Authority’s functions’.

Throughout the early retirement process it is extremely important that the employee is kept up to date of the progress of their application for early retirement and that their case is dealt with expediently. This is the responsibility of the appropriate Head of Service. Notes should be taken of any discussions or meetings with the employee regarding their early retirement. These should be placed on their personal file within Human Resources for future reference.

Action:

By:

1.	<p>Once a Strategic Director or Head of Service becomes aware of a situation where a retirement on grounds of efficiency is likely, the appropriate manager should discuss this with the employee at the earliest opportunity, with advice from their HR Officer. Consultation must take place with appropriate Trade Union.</p> <p>If an employee wishes to be considered for early retirement on the grounds of efficiency they must be asked to confirm this formally in writing and produce their birth certificate.</p> <p>Note: No oral commitment must be made by an officer to the employee. It is for the service committee to make the decision, based on advice from officers.</p>	Manager
2.	<p>Head of Service to prepare report, including financial appraisal, an outline of which is attached. This must make clear the business case and staffing implications of the case, including alternatives which have been considered. Details of the repayment period (maximum 5 years) and the budget code for repayment by the service centre must be included.</p>	Head of Svc Directorate Finance Manager
3.	<p>The HR Officer to obtain figures from BCC re payments due to employee under efficiency, taking account of the Council’s Added Years Policy, and discuss them with employee. The employee must confirm their desire to proceed in writing.</p>	HRO
4.	<p>Report must include reference as to whether, under the Council’s Added Years Policy, the case is deemed to be exceptional, if so, arrangements need to be made for a Special Circumstances Panel to meet.</p>	Head of Svc
5.	<p>If appropriate, HR Officer to arrange for Exceptions Panel to meet to consider the discretionary award of Added Years as appropriate.</p> <p>Note: Appropriate manager to present the case to this Panel. The Panel’s recommendation to be forwarded to the appropriate service committee.</p>	HRO Manager

6.	The Strategic Director to submit the report, including confirmation from Head of Human Resources and Treasurer regarding Council policy and financial implications, to the appropriate service committee for agreement.	SD/HofS
7.	Following the decision, the Head of Service should confirm the outcome to the employee, to HR and to Central Finance for pay back arrangements. Any subsequent change to the cost of early retirement must be reported back to the Service Committee by the Head of Service.	Head of Svc
8.	If agreed, the decision will be included in summary reports to Personnel Committee.	HR (Ops)

EARLY RETIREMENT ON THE GROUNDS OF ILL HEALTH

Early retirement on the grounds of ill health occurs at any age where an employee is certified by the Council's Occupational Health Physician as being permanently incapable of discharging the duties of their employment or comparable employment in local government due to ill-health.

An employee may be dismissed or retired on ill health grounds before the expiration of the sick pay entitlement. However, in making a decision on dismissal or retirement, account must be taken of the following:

1. the nature of the job
2. the nature, length and effect of the illness or disabling event
3. the likelihood of the employee's health improving
4. the amount of time that the employee's duties can be reasonably covered, and
5. The degree of disruption caused to the work.

In all cases the decision is made in the light of the medical evidence available from Occupational Health. An employee should not be dismissed or retired simply because the sick pay entitlement period has expired. Similarly it is not necessary or appropriate to wait until sick pay entitlement has expired to take action.

Ill-health retirement decisions are based on advice from the Council's Occupational Health Physician. It is normally very unusual for the Council to disagree with medical advice as this could lead to claims of unfair dismissal. Such decisions are ratified by officers and monitoring reports submitted to the Personnel Committee on a quarterly basis. Ultimately the Pension Fund Authority can appeal against an employing authority's decision.

Throughout the early retirement process it is extremely important that the employee is kept up to date of the progress of their application for early retirement. This is the responsibility of the appropriate Head of Service. Notes should be taken of any discussions or meetings with the employee regarding their early retirement. These should be placed on their personal file within Human Resources for future reference.

Action:

By:

1.	Manager to refer the employee to the Occupational Health Physician after 4 weeks of sickness absence or earlier if legitimate concern over an underlying medical condition. The appropriate forms to be completed, giving details of the requirements of the job, working arrangements and other relevant factors. Occupational Health are requested to determine the likely duration of the absence and long term effect of the employee's capability to do the job.	Manager
2.	Occupational Health to obtain employee's consent to contact his/her doctor by following the procedure outlined in the Explanatory Notes	OH

	for Employees - Access to Medical Reports Act 1988.	
3.	Where permission to consult the employee's doctor is refused the employee to be advised that a decision regarding possible ill-health retirement would need to be made on the basis of information available.	OH
4.	Where OH confirms in writing that the employee is unfit to resume duties, the manager, in conjunction with HR, to consider alternative comparable employment. Where this is considered as an alternative to retirement or dismissal, the manager is not expected to create a special job for the employee. However, under the Disability Discrimination Act 1995, the Manager is required to make reasonable adjustments if appropriate. Failure to do so could result in a claim being upheld by an Employment Tribunal.	Manager in conjunction with HRO
5.	The employee is given prior consideration for redeployment into vacancies arising. Redeployment to a lower graded post would not be considered comparable since salary protection would not apply. However, if it is requested by the employee, then a salary within the grade of the redeployment post would be offered.	Manager in conjunction with HRO
6.	<p>The employee should receive appropriate support and advice that long term absence due to ill-health may put their continued employment with the Council at risk.</p> <p>The manager, in conjunction with HR, must decide whether, in the light of the medical evidence received, ill-health retirement is an appropriate action. They must advise the employee of the date on which termination of employment may be considered if the employee is still unable to work.</p>	Manager/ HRO
7.	In some circumstances, the OH Physician may state that a return to work is a realistic possibility and therefore, permanent ill health cannot be confirmed. If no return date can be given, the manager must set a further review date and at this point meet the employee with further medical assessment and obtain a return date. If a return date is still not possible, then consideration should be given as to how long it is feasible for the Council to await the employee's return and whether a decision should be made with regard to dismissal on the grounds of incapability due to ill health, as opposed to ill health retirement. In this instance a date should be set to review the case to determine whether it should have been an ill health retirement, in which case it would be backdated to the date of dismissal.	Manager in conjunction with HRO

<p>This report may be of interest to: Members of the Personnel Committee This report will also be submitted to the Committee.</p>

EARLY RETIREMENT ON GROUNDS OF *MUST BE GIVEN*

Accountable Officer:

Author:

1. Purpose of Report

To specify what form of early retirement/redundancy is being asked for, for which post, within which service area, together with proposed date.

2. Summary

3. Background

This should give full details of why the early retirement is being sought, why the post is no longer needed. It should demonstrate that proper consideration has been given to all options, giving details of the alternatives to early retirement that have been explored with an explanation as to why the application is still going forward. This should also contain confirmation from the Head of Head of Human Resources that the application is in line with Council Policy and from the Treasurer that all relevant financial implications have been considered.

4. Issues and Choices

This should include all relevant issues to be considered, including those of a contingent nature. It should include both the business case and staffing issues. For efficiency applications it should give the justification in terms of the benefits, both financial and non-financial which would arise as a result of allowing the early retirement application. It should make clear both the advantage of allowing the retirement and the implications of retaining the applicant in post. If appropriate, any recommendation from the Exceptions Panel or comments from Head of Human Resources and/or Treasurer should be included in this paragraph.

5. Implications

Environmental

Equalities

Financial - *A full financial appraisal from the Directorate Finance Manager must be attached, with details of the repayment period. Care should be taken to ensure that funding for reasonable alternative employment is not already being sought elsewhere in the Council at the time when consideration is being given to such cases.*

Legal - *this should confirm that all legal requirements have been met, eg in the case of redundancy, that the post of the employee will be redundant.*

Staff & Accommodation

6. Conclusion

Annexed to this report should be:

- 1. A full financial appraisal (example overleaf)*
- 2. A table showing the capitalised cost of the added years pension and associate lump sum.*
- 3. For cases of redundancy or efficiency, for reference purposes, a copy of the Council's Added Years Policy in relation to reckonable service.*
- 4. For redundancy applications, any proposals for restructuring for a 'bumped' redundancy which may reduce the potential savings in salary and on costs.*
- 5. For redundancy purposes, a report from the relevant Head of Service that all alternatives to the proposed redundancy have been investigated.*

This information must be provided for each individual and a copy passed to Corporate Finance for monitoring purposes.

FINANCIAL APPRAISAL

In accordance with Financial Regulations, the following financial appraisal has been prepared to assist the Committee in consideration of this item.

(Human Resources Officer - Operations to provide information)

Application for *(give retirement route, eg Ill-health, Voluntary Early Retirement etc)*

Post No: Directorate: Section: Cost Centre:

Age: Date of Birth: Male/Female Grade: Salary:

Telephone: Y/N Total length of local government service:

Lease Car/Subsidy: Y/N Total length of pensionable service:

Other Benefits:

(Directorate Finance Manager to provide information for following items)

£

(A) Gross annual savings of proposals

(B) Ongoing additional pension costs (the added years element)

Total net annual saving

(C) One off additional Pension Lump Sum/Compensation

(the added years element)

(D) One off cost of Redundancy Payment

(E) Other one off costs

(eg recruitment, early termination of lease car)

(F) Pension Fund "strain"

Total one off costs

Payback Period

- Excluding Pension Strain years

- Including Pension Strain years

- Budget code for repayment

(G) Total cost of awarding added years

£

Payment of Benefits on Compassionate Grounds

1. **Voluntary Early Retirement and the 85 Year Rule**
 - 1.1 Under this route, any early retirement decision would result in the pension benefits of the employee being actuarially reduced if the sum of the employee's age and reckonable service is less than 85 years. The Council has discretion to waive any actuarial reduction on compassionate grounds, subject to the criteria given below. This enables an employee who, in effect, is forced to give up full-time employment to provide care to a close relative.
2. **Early Payment of Deferred Benefits**
 - 2.1 The Council can, at its discretion, agree to the early payment of deferred benefits on compassionate grounds, subject to the criteria given below. This assists an ex-employee who, in effect, is forced to give up full-time employment to provide care to a close relative.
3. **Procedure and Criteria**
 - 3.1 Decisions on early payment of pension benefits on compassionate grounds, under the 85 year rule, are delegated to the Exceptions Panel, consisting of an independent Strategic Director, Treasurer and the Head of Human Resources, in consultation with the appropriate Strategic Director, against the following criteria:
 - (a) where the employee has a least 10 years local government service, and
 - (b) when the relative requiring care is a spouse or partner, son or daughter, mother, father or sibling, and
 - (c) when the illness is confirmed as permanent by the Council's Occupational Health Practitioner, and
 - (d) where no other appropriate care arrangements exist, and
 - (e) where the employee ceases full time employment to care for the relative concerned.
 - 3.2 The Head of Human Resources will notify the employee of the panel's decision. There is no right to appeal against this decision.

Award of Added Years

Added years may be awarded to pensions when employees leave the Council on grounds of redundancy or early retirement. The approach to added years enables the Council to use its discretion and to be able to make decisions on a case by case basis, within an overall framework and agreed criteria. It allows scope to vary the benefits in the light of special circumstances.

Criteria:

1. The award of added years is based on local government service, whether broken or unbroken, on which pension contributions have been paid in by individuals. Employees who are participating in either the Government’s SERPS scheme or have private pensions will be treated in the same way as staff in the LGPS in respect of added years entitlement.
2. Individuals may purchase additional benefits through AVCs but the Council will not fund such purchases.
3. No more added years can be granted than total time served in local government (as stated in 1994 Compensation Regulations), or time remaining until age 65.
4. 5 years service is required before there is eligibility to a pension.
5. Other than in the event of any exceptional circumstances that are deemed to exist, added years be awarded as follows:

<i>Local Government Pensionable Service</i>	<i>Added Years (pro rata for incomplete years)</i>
0 - 15 years	A maximum of 4 months for every year of service up to 5 added years
16 years - 21 ² / ₃	A maximum of 3 months for every year of service over 15 years up to a maximum of 6 ² / ₃ added years
21 ² / ₃ years +	A maximum of 6 ² / ₃ added years

Special Circumstances

Where special circumstances are claimed by an individual, an application may be referred to the Exceptions Panel comprising an independent Strategic Director, Treasurer, Head of Human Resources, in consultation with the Strategic Director within whose service the employee works, who may recommend a variation of the benefits prescribed above up to a maximum of 10 added years. Any recommendation must be submitted to the Service Committee for agreement and reported Personnel Committee. Variation of benefits could apply, for example, to cases of compulsory redundancy.