

FERRYHILL TOWN COUNCIL



POLICY

RETIREMENT AND PENSION

1.0 Introduction and Background

- 1.1 All employees of the Town Council are eligible to participate in the Local Government Pension Scheme, which is a defined benefit pension scheme.
- 1.2 A defined benefit pension scheme is one where the scheme rules define the benefits payable to members independently of the contributions payable, and the scheme may be funded or unfunded.
- 1.3 The Administering Authority for the Local Government Pension Scheme in County Durham is Durham County Council.
- 1.4 Durham County Council operates the scheme in accordance with the various pensions regulations as follows:-
 - Local Government Pension Scheme (Administration) Regulations 2008;
 - The Local Government Pension Scheme (Transitional Provisions and Savings) Regulations 2014;
 - The Local Government Pension Scheme Regulations 2013
- 1.5 Employers and employees participating in the Pension Scheme will pay contributions and receive benefits in accordance with the requirements of these regulations and the rules and requirements of the Local Government Pension Scheme.
- 1.6 Employers' and employees' contributions are determined by the Pension Fund actuary on a triennial basis and are set to meet 100% of the liabilities of the Fund, in accordance with the relevant Government regulations.
- 1.7 The Council's contribution towards participating employee's pensions is currently set at 18.7% of pensionable pay for the period 2014/15 to 2016/17. Employee's contributions currently range from 5.5% to 6.8% of pensionable pay depending upon the level of salary.
- 1.8 Further information about the Durham County Local Government Pension Scheme including the various rules and regulations, membership details, contribution rates and benefits payable are available from the Pensions Department at Durham County Council, County Hall, Durham, DH1 5UE.
- 1.9 The Council needs to have in place a Retirement and Pensions Policy, because the Local Government Pension Scheme Regulations require each Employing Authority to formulate, publish and keep under review a policy statement in relation to the exercise of a number of discretions which employers can use under the Scheme.
- 1.10 There are many discretions which local government employers may operate, but the regulations require that all LGPS employers must have a policy on the following five discretions:-
 1. Whether to grant additional annual pension of up to £6,500 per annum (figure as at 1st April 2014) to an active scheme member, or within six

months to a member whose employment was terminated on the grounds of redundancy or business efficiency;

2. Whether, where a scheme member wishes to purchase additional annual pension of up to £6,500 (figure at 1st April 2014) by making Additional Pension Contributions (APC's), to voluntarily contribute towards the cost by making either a regular or lump sum additional pension contribution to a member's account (part or whole funding this), via a Shared Cost Additional Pension Contribution;
3. Whether to allow the rule of 85 to be 'switched on' and grant application for early payment of benefits, to members who would normally meet the rule but who will not if they voluntarily draw their benefits from age 55 to 59 (for both active and deferred members);
4. Whether to permit flexible retirement for staff aged 55 or over, allowing all or some pension benefits to be paid if a member wishes to reduce their working hours and/or grade and continue to work, and whether to waive some or all of any actuarial reduction that would apply on the flexible retirement; and
5. Whether to waive, in whole or in part, actuarial reduction on benefits when a scheme member voluntarily draws their pension benefits before their Normal Pension Age, for both active and deferred members and those on suspended tier 3 ill health retirements.

2.0 Purpose of the Policy

- 2.1 The purpose of this policy is to set out the Council's position in respect of the above areas of employer discretion in relation to the Local Government Pension Scheme, and, most importantly for Council staff, in relation to the consideration of flexible and early retirement requests.
- 2.2 The aims of the policy are to:-
 - Provide a summary of the Local Government Pension Scheme regulations regarding employer discretions;
 - Put in place a standard procedure for employees wishing to make an application for employer discretion in relation to the Local Government Pension Scheme or for early or flexible retirement;
 - Make clear the Council's policy on managing requests for early or flexible retirement and other employer discretions; and
 - Set out the principles and criteria by which the Council will assess requests for early or flexible retirement and other employer discretions.
- 2.3 This policy replaces the Council's previous retirement policies covering these areas, which are now out of date and applies from the date of approval by Full Council.

3.0 Equalities Statement

- 3.1 Ferryhill Town Council is committed to the removal of all barriers preventing access to our services arising from ethnicity, religion, special needs, language differences, learning difficulties, sexual orientation, gender, age, disability or geographic location.
- 3.2 Information will generally be provided by the Council in English only. Where we are required under other statute to provide certain information in other languages, this information will be translated. You can request an alternative format copy by contacting the Council on 01740 652157.

4.0 Council Pensions Policy

- 4.1 The policy applies to all Council employees that are currently active or deferred members of the Local Government Pension Scheme.
- 4.2 The policy has been largely based on and is consistent with the Durham County Council policy on employer discretions.
- 4.3 It can therefore be assumed that the Council's policy in relation to any non-statutory discretion not already covered by this policy will be in line with the County Council policy.
- 4.4 It is also important to note that this Policy is not a substitute for the statutory requirements of the LGPS.
- 4.5 This policy will be reviewed at least every three years or as required by law.
- 4.6 The key considerations in preparing this policy were as follows:-
1. Cost and value for money – all requests for employer discretion will be considered against the key issue of affordability;
 2. Operational requirements – all requests for employer discretion will be considered taking into account the operational requirements of the service in question; and
 3. Anti-discrimination laws - all requests for employer discretion will be considered taking into account all applicable anti-discrimination laws and will be applied fairly and consistently.
- 4.7 The Council's Policy on each of the required employer discretions is set out in the following sections of the Retirement Policy.

5.0 Granting Additional Pension to a Member

- 5.1 This discretion applies to whether the Council wishes to grant additional annual pension of up to £6,500 per annum (figure as at 1st April 2014) to an active scheme member, or within six months to a member whose employment was terminated on the grounds of redundancy or business efficiency.
- 5.2 The Council's policy on the above is that it will only consider exercising this discretion where it is in the Council's financial and operational interests to do so.

6.0 Shared Cost Additional Pension Contributions

- 6.1 This discretion applies to whether, where a scheme member wishes to purchase additional annual pension of up to £6,500 (figure at 1st April 2014) by making Additional Pension Contributions (APC's), the Council wishes to voluntarily contribute towards the cost by making either a regular or lump sum additional pension contribution to a member's account (part or whole funding this), via a Shared Cost Additional Pension Contribution.
- 6.2 The Council's policy on the above is that it will only consider exercising this discretion where it is in the Council's financial and operational interests to do so.

7.0 Rule of 85

- 7.1 This discretion applies to whether the Council wishes to allow the rule of 85 to be 'switched on' and grant application for early payment of benefits, for members who would normally meet the rule but who will not if they voluntarily draw their benefits from age 55 to 59 and applies for both active and deferred members.
- 7.2 The Council's policy on the above is that it will only consider exercising this discretion where it is in the Council's financial and operational interests to do so.

8.0 Waiving Actuarial Reductions on Early Retirement, Flexible Retirement and Ill Health Retirement

- 8.1 This discretion applies to whether the Council wishes to waive, in whole or in part, actuarial reduction on benefits paid when a scheme member voluntarily draws their pension benefits before their Normal Pension Age, and applies for both active and deferred members and those on suspended tier 3 ill health retirements.
- 8.2 The Council's policy on the above is that it will only consider exercising this discretion where it is in the Council's financial and operational interests to do so.

9.0 Flexible Retirement Policy

- 9.1 The Local Government Pension Scheme allows scheme members who are aged 55 or over to request 'flexible retirement' whereby the scheme member can, with their employer's consent, reduce their hours or grade, and elect to have their pension benefits be paid to them whilst they remain in employment.
- 9.2 There are therefore two options available to employees wishing to apply for flexible retirement:-
- Appropriate and manageable reduction in working hours; and
 - Reduction in grade and / or reduced responsibilities

- 9.3 Under the second option, an employee could also apply for a lower graded post if a suitable post was available and vacant.
- 9.4 The Council acknowledges that flexible retirement can have benefits for both the employee and the Council. The individual is able to avoid a sudden switch from full time working to retirement and can move into retirement more gradually, while the Council can benefit from being able to retain the skills of experienced employees and allows for better succession planning.
- 9.5 The Council will consider applications for flexible retirement on an individual basis. Consideration will be initially by the Council's senior management team, and if supported, will be reported to and considered by the Council's Human Resources Sub Committee.
- 9.6 Decisions will be made on the merits of each case and will be considered primarily in the following context:-
- The proposed reduction in hours or grade required to facilitate flexible retirement must be compatible with the operational requirements of the service in question;
 - A flexible retirement request which causes a cost to the Council (including any request to waive some or all of the actuarial reductions that apply) would normally be refused except in exceptional circumstances.
- 9.7 Exceptional circumstances for the purposes of the consideration of flexible retirement requests are defined as follows:-
- circumstances where it is considered in the best interests of the Council to pay the cost and where there are sound financial reasons for doing so; or
 - on the grounds of compassion, where in the opinion of the Council the special factors surrounding the application, along with the appropriate supporting evidence provided, justify granting the request, subject to the Council's ability to meet the cost.
- 9.8 In considering the operational requirements of the Council, the following will be considered in coming to a decision on flexible retirement requests:-
- Additional costs to the service area and Council;
 - Effect on ability to meet service and customer needs;
 - Ability to reorganise work amongst existing employees;
 - Ability to recruit additional or replacement staff;
 - Impact of service quality and performance; and
 - Sufficiency of work during periods the employee wishes to work.
- 9.9 In relation to reduction in grade requests, it should be noted that such requests would only be feasible if it would meet the operational requirements of the service. If approved, there would need to be a change in the job description and contract to reflect any reduced responsibilities.
- 9.10 It is likely that reduction in grade would only be an option where the service was undertaking a restructure or had a vacant post of lower grade or if there were any relevant lower graded posts available elsewhere within the Council.

9.11 All decisions on flexible retirement will be properly communicated to employees, including specific details of the reasons for the decision made.

10.0 Early Retirement Policy

10.1 The Local Government Pension Scheme also allows employers discretion regarding early retirement requests. The discretions requiring a formal Council policy have already been covered in Section 6, 7, 8 and 9.

10.2 However, this section of the policy is intended to provide some further guidance for staff as to how the Council will consider early retirement requests made by employees.

10.3 Please note that early retirement on the grounds of redundancy would be considered under the provisions of the Council's Redundancy Policy.

10.4 The Council will consider applications for early retirement on an individual basis. Consideration will be initially by the Council's senior management team, and if supported, will be reported to and considered by the Council's Human resources Sub Committee.

10.5 Decisions will be made on the merits of each case and will be considered in the following context:-

- The request for early retirement must be compatible with the operational requirements of the service in question;
- A request for early retirement which causes a cost to the Council (including any request to waive some or all of the actuarial reductions that apply) would normally be refused except in exceptional circumstances.

10.6 Exceptional circumstances for the purposes of the consideration of early retirement requests are defined as follows:-

- circumstances where it is considered in the best interests of the Council to pay the cost and where there are sound financial reasons for doing so; or
- on the grounds of compassion, where in the opinion of the Council the special factors surrounding the application, along with the appropriate supporting evidence provided, justify granting the request, subject to the Council's ability to meet the cost

10.7 In considering the operational requirements of the Council, the following will be considered in coming to a decision on early retirement requests:-

- Additional costs to the Council;
- Effect on ability to meet service and customer needs;
- Ability to reorganise work amongst existing employees;
- Ability to recruit additional or replacement staff; and
- Impact of service quality and performance.

10.8 All decisions on early retirement will be properly communicated to employees, including specific details of the reasons for the decision made.

11.0 Application Procedure

- 11.1 To apply for a Local Government Pension Scheme discretion including a request for flexible or early retirement, an employee must submit a formal request in writing to their line manager in the first instance.
- 11.2 Making an application does not give an employee automatic right to the discretion or to early or flexible retirement.
- 11.3 However the Council will give proper consideration to all requests in line with the criteria set out in this Policy.
- 11.4 The service manager will arrange to meet with the employee to discuss any requests in more detail and consider whether it can be accommodated. This meeting should take place within 2 weeks of the request being made.
- 11.5 The manager will then consider the request and make a recommendation to the senior management team as to whether the request can be accommodated while safeguarding the operational requirements of the service in question.
- 11.6 The senior management team will then consider the manager's recommendation and make a final decision based on the criteria set out in the Policy and make a recommendation to the Council's Human Resource Sub Committee for consideration and approval.
- 11.7 Employees can only make an application for early or flexible retirement once in any twelve month period.
- 11.8 If an employee wishes to withdraw an application for early or flexible retirement, they must do so in writing to their line manager.
- 11.9 Employees should be aware that in relation to flexible retirement applications, any approved changes to working hours or grade will be treated as a permanent change to contract and there will be no right to revert back to the former arrangements unless otherwise agreed.

12.0 Appeals

- 12.1 An employee has fourteen calendar days from receiving notification of any rejection to set out their grounds for an appeal in writing.
- 12.2 Appeals will be considered by the Council's Appeals Sub Committee.

13.0 Financial Implications for Staff

- 13.1 The Town Council does not provide financial advice regarding applications for flexible or early retirement.
- 13.2 In considering flexible and early retirement requests, employees are strongly advised to seek independent financial advice and obtain estimates of future benefits from the Pensions Department at Durham County Council.