

Retirement and Redundancy Required Changes to Policy

Operations, item 13

Committee: Operations

Agenda Item

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Title: Retirement and Redundancy Required Changes to Policy

Author: Carole Hughes

Item for
decision

Summary

1. There are currently four corporate employee policies that deal with redundancy, redeployment and retirement.
2. The recent changes to the Local Government Pension Scheme (LGPS), the new Age Discrimination Legislation and the proposed changes contained in the draft Local Government (Early Termination of Employment) (Discretionary Compensation) Regulations 2006, require the two main policies dealing with redundancy and early retirement to be amended.
3. The Discretionary Compensation Regulations will make changes to the type of discretionary payments that may be offered when employees retire on efficiency or redundancy grounds but the Regulations are in draft form with an anticipated implementation date of 1 October 2006.
4. The best advice and guidance that is normally provided for authorities when Regulations or Employment Law changes is still in its initial phase. A Regional meeting is taking place at Flempton 4 October 2006 to provide further advice and guidance to authorities from the LGPS.
5. This paper is presented to Members as an interim measure to ensure the policy changes are in place ready for 1 October 2006. It is recommended that this is a holding phase whilst further advice and guidance is provided with a further paper to follow once best advice and guidance is available.

Recommendations

6. The current Redundancy Policy is amended and paragraph 9, which deals with employees aged 50+,...

...Alternatively, the Council may award a one-off discretionary lump sum (pension) compensation payment of up to 45 weeks pay in accordance with the attached table, instead of awarding added years pensionable service.

Is removed to comply with the Regulations and to avoid claims of age discrimination.

7. To enable the full picture of the changes to be developed that a holding paragraph is entered as follows

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From the 1 October 2006 age related discretionary payments cannot and will not be made. A review of the new discretionary powers will take place within 6 months to consider the options provided by the Regulations. Discretionary payments will be reviewed alongside augmentation of pension.

8. The current Early Pensions Payments corporate policy is amended and paragraph 20 ...

...The LGPS does allow years to be added to your pension, but at the discretion of the Council. Due to the ongoing costs to the Council if added years are given they will only be considered for efficiency of the service cases and only when Members feel there are compelling reasons including benefits to the Council. Discretionary additional years will not be applicable in cases of ill health retirement. If years are added then up to the following could be added after 25 years of continuous local government service:

<i>Continuous Years of Local Government Service</i>	<i>Added Pension Years</i>
<i>More than or equal to 30</i>	<i>Up to 6 2/3</i>
<i>More than or equal to 25 but less than 30</i>	<i>Up to 3.....</i>

is removed due to the age discrimination legislation.

9. To enable the full picture of the changes to be developed and to introduce augmentation of pension rather than discretionary payments that a holding paragraph is entered

The Local Government Pension Scheme (Regulation 52 of the Local Government Pension scheme Regulations 1997) does allow augmentation (or years to be added to your pension), but any augmentation is at the discretion of the Council. Due to the costs to the Council if augmentation is approved it will only be considered for efficiency of the service cases and then only when Members feel there are compelling reasons including benefits to the Council.

Due to the Age Discrimination requirements augmentation must not be service or age related. It is based on a review of the employees performance and service during their employment. Members will consider (the list is not exhaustive, it is for guidance and will be reviewed)

- the employees employment record including sickness absence,*
- the employees commitment to organisational change and development*
- involvement in projects or secondments which lead to service or organisational development*

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- *initiatives and suggestions, for example service improvement or efficiency savings*

If Members agree to augment an employees pension the LGPS Regulations allow that the shorter of the following may be added (NB additional membership in respect of different employments must also be counted before any augmentation takes place)

- *6 2/3 years or*
- *the number of years that the employee would have reached in the scheme if they continued as an active member of the local government pension scheme until age 65.*

Members may choose to award up to the shorter of the above employees should not assume the maximum will be awarded.

Augmentation will be reviewed in 6 months following the introduction of the Age Discrimination legislation. The offer of augmentation may be removed or amended based on the findings of the review and dependent on whether discretionary payments are introduced. Augmentation will be reviewed alongside discretionary payments.

10. Once the Regulations cease being draft and the best advice and guidance is available from specialist advisors a costed report is provided to Members for decision.

Background Papers

11. Personnel Policy Notes (PPNs) currently being renamed Corporate Employee Policies (CEPs)
12. Local Government Pension Scheme Advisory Bulletins
13. Age legislation
14. Draft Regulations on Discretionary Payments on termination of employment

Impact

Communication/Consultation	Changes above are driven by legislative or regulation changes and these were consulted upon nationally.
Community Safety	none
Equalities	Changes are driven by equalities legislation in particular age discrimination
Finance	Augmentation of pension may increase costs to the Council
Human Rights	Changes are meant to protect employees
Legal implications	Draft status of Regulations and lack of clarity may have an impact.

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Ward-specific impacts	none
Workforce/Workplace	Regulation changes affect the employees in the Pension scheme

Situation

15. Under the existing Pension regulations when an employee is made redundant and is aged 50+ they are entitled to receive their pension.
16. When redundancy occurs at 50+ the current discretionary payments regulations allowed Members to make a payment of up to 45 weeks but although this option was contained in the current PPN it has never, according to current knowledge, been used by Members.
17. The new regulations do not allow for age related discretionary payments. The current policy must be amended to remove the option from 1 October 2006. The new regulations will however allow for a payment, including redundancy, of up to 104 weeks pay. It is recommended to Members that no decision is made on this discretionary payment until further advice and guidance and best practice guidelines become available and that these discretionary payments are reviewed alongside augmentation.
18. When an employee proposes efficiency of the service savings Members were previously able to grant added compensatory years to the individuals pension. The years were provided under the discretionary payments regulations. The opportunity to do this also ceases 1 October 2006.
19. It will be possible to continue to add years to the individual's pension but this will be under the Local Government Pension Scheme (Regulation 52 of the Local Government Pension scheme Regulations 1997) instead of Discretionary Regulations.
20. Augmentation may cost more than the current discretionary approach but this is not clear as yet. However the costs will be one off and not ongoing for the life of the retiree. Only time will tell whether this is an option Members will wish to continue to pursue and at what level. It is recommended that augmentation and discretionary added years are reviewed as a whole once more advice and guidance can be provided by specialists.

Risk Analysis

Risk	Likelihood	Impact	Mitigating actions
If policy is not viewed as interim and as a holding option	low	High	Use best advice and learn after the impact can be measured in 6 months

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whilst further opinion is sought then inappropriate decisions may be recommended			
Complete removal of added years could reduce the flexibility and support that can be on offer when employees make an efficiency suggestion. This could reduce opportunity.	medium	high	As above
Costs of proposed discretionary payments or augmentation becomes too expensive	medium	high	Review and specialist advice and costings will provide best advice and assist a balanced approach