



## COUNCIL - 7TH OCTOBER 2014

**SUBJECT: WORKFORCE FLEXIBILITIES/DISCRETIONS UNDER THE LOCAL GOVERNMENT PENSION SCHEME 2013 (AS AMENDED)**

**REPORT BY: INTERIM ACTING DIRECTOR OF CORPORATE SERVICES**

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### 1. PURPOSE OF REPORT

- 1.1 To request that Council review their decisions in relation to the pension discretions under the Local Government Pension Scheme 2013 as amended (LGPS). The changes proposed are so that both Early and Flexible Retirement schemes can be enacted.

### 2. SUMMARY

- 2.1 Members will note that a report was presented before them in June 2014 asking the Council to make a decision on the 6 pensions discretions that the Council has the freedom to agree under the Local Government Pension Regulations 2013 (as amended). One of these discretions relates to whether the Council will allow employees to take advantage of flexible retirement. It should be noted that a common feature of the schemes are that there will be no automatic right for individuals to access these schemes, they will be entirely at the Council's discretion and subject to a viable business case.
- 2.2 Cabinet is considering the introduction of both Early and Flexible Retirement Schemes to help achieve savings as part of the Medium Term Financial Plan. These are part of a wider range of measures to maximise our flexibility in reducing our workforce.
- 2.3 In order to be able to implement the Schemes in line with the proposals, Council decisions are required in both cases to make amendments to the pensions discretions.

### 3. LINKS TO STRATEGY

- 3.1 The Scheme links to the People Management Strategy and therefore to all other strategies, including all equality strategies, policies and procedures, that relies on employees to deliver the strategy and service provision.
- 3.2 The introduction of a Flexible and Early Retirement Schemes also allows the Council to contribute to the savings required under the Medium Term Financial Plan.

### 4. THE REPORT

#### Flexible Retirement

- 4.1 Members were presented with a report in June 2014 requiring the Council to make a decision on the 6 pension's discretions that the Council has the freedom to agree under the LGPS. One of these discretions relates to whether the Council will allow employees to take

advantage of flexible retirement. At the time the report was presented, the decision on whether the Council was to introduce a Flexible Retirement Scheme had not been finalised so the Council did not agree to allow flexible retirement. However, it was noted that if the Council decided to adopt a Flexible Retirement Scheme, there was a need to revisit this discretion at a later date.

- 4.2 Attached as an Appendix 1 is a draft Flexible Retirement Scheme, which is to be considered by Cabinet on the 1<sup>st</sup> of October 2014. In order to allow the Scheme to be put in place, Members are required to revisit the decision made in June and adopt the discretion to allow a Flexible Retirement Scheme to be adopted.
- 4.3 If it is agreed to allow flexible retirement, under the LGPS Regulations 2013 (As Amended) the Scheme will not come into operation for one month after it has been agreed by Council (due to the requirement to notify Torfaen Pensions). If Council agree to adopt the discretion in relation to flexible retirement, the revised list of discretions will be published on the Council's website in line with our duty under the LGPS.

### **Early Retirement**

- 4.4 The LGPS provide for the immediate payment of pension benefits if:
- The employee is a member of the LGPS and has 3 months' membership or has transferred other pension rights into the LGPS; and
  - The Employer certifies retirement is by reason of redundancy or business efficiency; and
  - The employee is aged 55 or over at the date of leaving.
- 4.5 Under the Council's current Redundancy Scheme there is no provision for an employee to retire on the grounds of business efficiency. If introduced, this discretion would provide flexibility to allow early retirement and thus potentially avoid redundancy costs.
- 4.6 It would also allow employees to access pension benefits should they be retired on the grounds of business efficiency. This is an alternative to redundancy and would give the Council greater flexibility in managing its workforce in the current financial climate.
- 4.7 The attached Early Retirement Scheme at Appendix 2 is to be considered by Cabinet on the 1<sup>st</sup> of October 2014. This requires Council to approve the use of the discretion to allow retirement in the interests of business efficiency. It should also be noted that in line with the Council's Redundancy Scheme, there would be no augmentation of service (i.e. no additional membership of the LGPS awarded).

### **Business Cases and Approval**

- 4.8 All applications presented for Early and Flexible Retirement will be the subject of a thorough approval process. Heads of Service will be required to evidence that the business cases are viable in terms of financial scrutiny, and that the service is able to manage the continuity of the service delivery after the individuals departure. There will be no automatic right for individuals to access these schemes, they will be entirely at the Council's discretion subject to a viable business case.
- 4.9 Members may also be assured that where applications for Early Retirement incur a pension strain cost to the employer, as per our Constitution, applications will require approval from the Pensions Discretionary Compensation Committee (as per current arrangements).

## **5. EQUALITIES IMPLICATIONS**

- 5.1 There are a number of Equalities implications that must be recognized in order for a full and proper consideration of the options to be made. It is likely that despite these issues, difficult decision will have to be made; however these implications must be recognized and understood as part of the process.

- 5.2 The Senior Policy Officer (Equalities and Welsh Language) and HR officers have ensured that equalities considerations have been taken into account when drafting or revising the policies, and amendments/additions made where relevant and appropriate. Each business case underpinning the scheme will be assessed separately and the equality implications considered on a case by case basis.

## **6. FINANCIAL IMPLICATIONS**

- 6.1 The financial implications will depend on the number of employees who apply to take flexible or early retirement. Whilst there are no quantifiable financial implications for the Authority in introducing the proposed schemes, there will be financial implications in individual cases.
- 6.2 A common feature of the schemes proposed for introduction, are that viable and robust business cases in the Authority's interest would be required, prior to approval. The key features being the level of cost and the payback period to realise the financial saving.

## **7. PERSONNEL IMPLICATIONS**

- 7.1 The personnel implications will depend on the number of employees who apply to take flexible or early retirement, and their individual cases.
- 7.2 The availability of the schemes will provide the authority with greater flexibility. It reduces the risk of having to declare compulsory redundancies, as we seek to downsize the workforce in a reasonably short timeframe.

## **8. CONSULTATIONS**

- 8.1 The Early and Flexible Retirement Scheme have been consulted upon with the Council's recognised trade unions and Members of the Policy and Resource Scrutiny Committee, prior to seeking Cabinet approval. The Report reflects the input from the Consultees listed at the end of the Report.

## **9. RECOMMENDATIONS**

- 9.1 That Council reviews its previous decision with regard to its discretion to permit flexible retirement and changes this to allow employees to take advantage of flexible retirement in line with scheme approved.
- 9.2 That Council approves the use of its discretion in the LGPS, to allow the retirement on the grounds of business efficiency (Early Retirement). It also approves that consistent with its redundancy arrangements, there would be no augmentation of service (i.e. no added years awarded to LGPS Membership) applied to retirements on the grounds of business efficiency.

## **10. REASONS FOR THE RECOMMENDATIONS**

- 10.1 To help the Council meet the required savings levels under the Medium Term Financial Plan and allow Managers to be able to plan their service delivery.

## **11. STATUTORY POWER**

- 11.1 Local Government Pension Scheme Regulations 2013.  
Local Government Act, 1972.

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Council's Recognised Trade Unions  
Pensions Manager, Greater Gwent Pensions Fund.

Background Papers:  
Local Government Pension Regulations 2013 (As Amended)  
Report to Council 10<sup>th</sup> June 2014

Appendices:  
Appendix 1 Report to Cabinet 1<sup>st</sup> October 2014 including Draft Flexible Retirement Scheme and  
Draft Early Retirement Scheme