

## **Proposed Revised and Updated Retirement Policy**

**EXECUTIVE MEMBER:** Councillor John W Bowman, Portfolio Holder for Performance and Transformation

**LEAD OFFICER:** Darienne Law, Head of Corporate Resources

**REPORT AUTHOR:** Len Gleed, Human Resources Manager

### **WHAT BENEFITS WILL THESE PROPOSALS BRING TO COPELAND RESIDENTS**

The proposed policy supports the “Performance” theme of the Council Plan, including the maintenance of a skilled, adaptable and productive workforce.

### **WHY HAS THIS REPORT COME TO THE EXECUTIVE?**

Following the review of the Change Management Policy, this change-related policy has been considered by the Personnel Panel and recommended to Executive for immediate adoption

### **RECOMMENDATION:**

It is recommended that the Executive accepts the recommendation of the Personnel Panel that the revised and updated Retirement Policy should be adopted.

## **1. INTRODUCTION**

- 1.1 Recent times have seen significant changes occurring in relation to both employment law in respect of retirement and the framework of the Local Government Pension Scheme in which most Copeland employees participate.
- 1.2 The Council has previously responded to various changes of this sort by issuing policies addressing the changes, such as the introduction of “flexible retirement” as they happened, on a reactive basis.
- 1.3 In order to bring the Council’s policy documents completely up to date, and to facilitate ease of reference to policy in relation to all retirement-related topics, a comprehensive consolidating policy document has been drawn up.
- 1.4 The draft policy takes account of the previously separate policies, and Council practice, on retirement-related subjects and incorporates changes required by changes in the law.

## **2. POLICY REVISIONS**

2.1 The proposed revised Policy does not radically change the Council's approach to retirement-related matters. It has been created for 2 main reasons:

- To meet the requirements of the Employment Equality (Repeal of Retirement Age Provisions) Regulations 2011 , which came into force on 6 April 2011, with the effect that Default Retirement Age (DRA) was abolished with effect from 1 October 2011, and any dismissals for retirement taking place on or after 1 October 2011 have to be justified under the Equality Act 2010.
- To consolidate what has been the Council's normal practice for at least the past ten years in relation to the exercise of the employer discretions within the LGPS

## **3. NATIONAL TRENDS**

- A national survey conducted in 2011 demonstrates that, in response to financial pressures, the vast majority of Councils have taken steps to severely limit the use of discretions which result in additional costs. In particular 162 (91%) of the 170 District Councils who responded do not award augmented years of membership (formerly known as "added years")

175 (98%) of the 170 District Councils who responded do not award the discretionary up to £5,000 of additional pension.

## **4. RECOMMENDATION**

41 Executive is requested to accept the Personnel Panel's recommendation that the proposed policy should be adopted.

## **5. STATUTORY OFFICER COMMENTS**

5.1 Monitoring Officer Comments: Proposals are consolidation of existing policy and in accordance with relevant statutory framework. No further comments.

5.2 S151 Officer Comments: The report sets out in one place the policy and procedures that support the councils flexible approach to retirement .

The options for early and flexible retirement will need to be reviewed by managers and applications will only be agreed where there is a clear business and/or financial benefit to the council

### **5.3 Equalities**

The Council recognises its responsibility to ensure that no-one is discriminated against or disadvantaged either through membership of any particular group or on the grounds of age, disability, gender, race, religion, or sexual orientation or on any other grounds as recognised in the Council's Corporate Equality Scheme. This policy is a key component in ensuring that the Council fulfils its duties under anti-discrimination legislation. A preliminary Equalities Impact assessment has been carried out. Future monitoring of the outcomes of the policy in action will be required to ensure that there are no adverse equality impacts.

### **List of Appendices**

#### **Appendix A – Draft Retirement Policy & Procedures**

.

## APPENDIX 1

# Retirement Policy and Procedures

## Human Resources

Prepared by Sheena Mounsey/Len Gleed

~~Approved by Personnel Panel 20 November 2012~~

Reviewed by Personnel Panel 20 November 2012

Approval version for Executive 18 December 2012

## Contents

	Page
<b>1 Introduction</b>	<b>3</b>
<b>2 Background</b>	<b>3</b>
<b>3 Scope</b>	<b>3</b>
<b>4 Retirement Planning</b>	<b>3</b>
<b>5 Succession Planning</b>	<b>4</b>
<b>6 Equality</b>	<b>4</b>
<b>7 Summary of Retirement Options</b>	<b>5</b>
<b>8 Resignation</b>	<b>6</b>
<b>9 Flexible Retirement</b>	<b>6</b>
<b>10 Early Retirement</b>	<b>10</b>
<b>11 Early retirement on the grounds of ill health</b>	<b>12</b>
<b>12 Early retirement in the interests of the efficiency of the service</b>	<b>13</b>
<b>13 Early retirement for reasons of redundancy</b>	<b>15</b>
<b>14 Financial management of early retirement</b>	<b>15</b>
<b>15 Former employees</b>	<b>16</b>
<b>Annex 1 Flow chart and application form for flexible retirement</b>	<b>17</b>
<b>Annex 2 Flow chart and application form for early retirement</b>	<b>19</b>
<b>Annex 3 Glossary of useful pension terms</b>	<b>21</b>

## 1. Introduction

- 1.1 A flexible approach to retirement enhances employee choice whilst helping to enable the Council to retain the skills, knowledge and experience of employees who might wish to make a gradual transition from work to retirement.
- 1.2 The purpose of this document is to set out the Council's approach to the retirement of employees and to provide:
  - Information for employees who are planning for their retirement to explain the options available to them
  - Appropriate guidance for managers
  - Compliance with current legislation
- 1.3 This policy will take immediate effect.

## 2. Background

- 2.1 **The Law**  
The Employment Equality (Repeal of Retirement Age Provisions) Regulations 2011 came into force on 6 April 2011, with the effect that Default Retirement Age (DRA) was abolished with effect from 1 October 2011, and any dismissals for retirement taking place on or after 1 October 2011 have to be justified under the Equality Act 2010.
- 2.2 **Compulsory Retirement Age**  
Copeland Borough Council does not, as a general rule, operate a compulsory retirement age for its employees.
- 2.3 The abolition of Default Retirement Age does not mean that employers must retain employees indefinitely if they are not capable of performing their job. The standard performance monitoring and capability processes will continue to be used to address any such issues.
- 2.4 The opportunities for employees within Copeland Borough Council, who meet the qualifying conditions, to be granted flexible or early retirement (including ill-health retirement) remain. These options are fully described in this document.

## 3. Scope

- 3.1 The options, policy and procedures contained within this document extend to all Copeland Borough Council employees, although the provisions relating to the Local Government Pension Scheme (LGPS) apply only to employees who are members of the pension scheme.

## 4. Retirement Planning

- 4.1 Retirement choices involve life- changing decisions, and it is important that the Council supports an employee's transition from working to retirement on an individual basis.

The options for employees to make a choice on their date of retirement can assist all parties involved in making this adjustment whilst supporting the management of organisational resilience and continuity of services.

- 4.2 Effective performance management is a high priority in retirement planning. Line managers should ensure that they discuss with employees their short, medium and long term career plans which may include the employee's retirement plans. The appraisal process is an effective mechanism for this type of discussion, which also supports effective workforce and succession planning.
- 4.3 A discussion about possible retirement will not result in the Council making any assumptions about the employee's commitment to the Council, more as an opportunity for both the Council and its employees to plan jointly for the future. The retirement process cannot begin until the employee gives the Council formal notice of his or her intention to retire.
- 4.4 The 'direct gov' website link below gives a wealth of useful information to those wishing to find out more about retirement in general.  
  
<http://www.direct.gov.uk/en/Pensionsandretirementplanning/index.htm>
- 4.5 Members of the LGPS may wish to visit [www.lgps.org.uk](http://www.lgps.org.uk) for further information about the LGPS occupational pension scheme. It is a very comprehensive site and includes amongst many other things details of how to calculate retirement benefits, the protection rights certain members may have, a table showing the benefits reduction percentages applied to a package in the event of retirement before the normal retirement age, and details of the implications for employees continuing to work past state pension age.

## 5. Succession Planning

- 5.1 An employee who is shortly to retire will have considerable knowledge in relation to his/her role and responsibilities. Prior to leaving, retiring employees will be asked to co-operate and assist the Council in helping to ensure a smooth handover of work and assistance in training any successor.

## 6. Equality

- 6.1 The Council recognises its responsibility to ensure that no-one is discriminated against or disadvantaged either through membership of any particular group or on the grounds of age, disability, gender, race, religion, or sexual orientation or on any other grounds as recognised in the Council's Corporate Equality Scheme. This scheme is the key component in ensuring that the Council fulfils its duties under anti-discrimination legislation.

## 7. Summary of Retirement Options

Doc Ref No.	Title	Eligibility	LGPS Pension Implications for Qualifying Members	Principles
8	Resignation	Employees aged 65+	Local Government Pension (LGP) released	Employee resigns from post in accordance with contracted terms and conditions.
9	Flexible retirement	Employees aged 55 +	<p>Can retire from 55 but must have employers permission to draw LGPS retirement benefits before aged 60</p> <p>If approved, can agree to draw full or part LGP</p> <p>Can continue paying into scheme at reduced level</p> <p><b>To note</b> LGP benefits drawn before age 65 may be actuarially reduced (ARP)</p>	<ol style="list-style-type: none"> <li>1. Employee initiates</li> <li>2. Employees in the LGPS can request an estimate of pension benefits from their HR Advisor in advance of submitting an application for flexible retirement.</li> </ol> <p>Applications considered for:</p> <ol style="list-style-type: none"> <li>a. Reduction in hours and/or grade in current/similar role</li> </ol> <p style="text-align: center;"><b>OR</b></p> <ol style="list-style-type: none"> <li>b. Appointment to a different post within CBC on reduced hours and/or grade (subject to Council's normal recruitment and selection procedure)</li> </ol> <ol style="list-style-type: none"> <li>4. Only 1 application in any 12 month period</li> </ol> <p><b>Applications for flexible retirement will not proceed unless there is a clear business and/or financial benefit to the Council</b></p> <p>See Annex 1 for flowchart and application form</p>
10	Early retirement	Employees aged 55+	<p>Can retire from 55 but must have employers permission to draw LGPS retirement benefits before aged 60</p> <p><b>To note</b> LGP benefits drawn before age 65 may be actuarially reduced (ARP)</p>	<ol style="list-style-type: none"> <li>1. Employee initiates.</li> <li>2. Employees in the LGPS can request an estimate of pension benefits from their HR Advisor in advance of submitting an application for early retirement.</li> <li>3. Application to be made in writing</li> <li>4. Only 1 application in any 12 month period</li> </ol> <p><b>Applications for early retirement will not proceed unless there is a clear business and/or financial benefit to the Council</b></p> <p>See Annex 2 for flowchart and application form</p>



<b>11</b>	<b>Early retirement on grounds of ill health</b>	Any age	Qualification for immediate payment of LGPS benefits at three different levels based on future employment capability. See main document for further information.	<ol style="list-style-type: none"> <li>1. Employer led</li> <li>2. Management decision to consider retirement on the grounds of ill health Based on medical opinion from the Council's Occupational Health Service providers following medical assessment(s).</li> </ol>
<b>12</b>	<b>Early retirement in the interests of the efficiency of the service</b>	Employees aged 55+	LGP released immediately No ARP reduction	<ol style="list-style-type: none"> <li>1. Employer led</li> <li>2. Does not apply in redundancy situation</li> <li>3. Voluntary scheme, employees under no obligation to accept an offer of early retirement</li> </ol>
<b>13</b>	<b>Early retirement for reasons of redundancy</b>	Employees aged 55 +	LGP released immediately for those who have been LGPS members for at least 2 years No ARP reduction	<ol style="list-style-type: none"> <li>1. Employer led</li> <li>2. Council's Management of Change policy and procedures will apply</li> </ol>

#### ARP – Actuarially reduced pension

## 8. Resignation

- 8.1 Following appraisal/career planning discussions with their manager, an employee may choose to retire by resigning from their role at Local Government Pension Scheme normal retirement date ( Age 65 as at 2012) or later, giving notice in accordance with the terms of their employment contract. For management of resilience and continuity of services as much notice of the intention to resign for reasons of retirement is helpful.

## 9. Flexible Retirement

- 9.1 Rather than continuing in their job to 65 or beyond, employees may wish to consider the possibility of flexible retirement. From age 55, if an employee wishes to reduce their hours or move to a less senior position, and provided the Council agree, an employee can draw some or all of the LGPS pension benefits they have built up and continue to work. Flexible retirement has a number of benefits for both the employee and for the Council. It can provide a useful tool for employees nearing their preferred retirement age to ease into retirement and achieve an acceptable work/life balance. Flexible retirement will be subject to individual negotiation. Whilst the Council is committed to providing a balance

between employees' professional and personal lives, this must be considered alongside the Council's duty to maintain service delivery.

## **9.2 ELIGIBILITY AND LGPS PENSION IMPLICATIONS**

- 9.3 Employees who are in the Local Government Pension Scheme (LGPS), have been a member for at least 3 months or have transferred from another pension scheme, and are aged 55 or over, can be considered for flexible retirement.
- 9.4 Pension benefits drawn before age 65 may be actuarially reduced (ARP). The amount of the reduction has been calculated by the Government Actuary to take into account the loss to the scheme of the contributions that would have been payable by both the employee and the employer, together with the loss to the scheme of the pension benefits being paid early. The reduction is for the life span of the pension. The LGPS website ([www.lgps.org.uk](http://www.lgps.org.uk)) provides a table giving details of the likely reduction to pensions as a result of them being paid early.
- 9.5 Formal flexible retirement requests will be considered by Heads of Service before final approval.
- 9.6 Please refer to [www.lgps.org.uk](http://www.lgps.org.uk) for further details of the terms of the current LGPS occupational pension scheme or contact your departmental CBC HR Advisor.

## **9.7 PRINCIPLES**

- 9.8 An estimate of LGPS pension benefits can be requested by qualifying employees from their departmental HR Advisor in advance of making the decision to apply for flexible retirement. This will be prepared by the Council's pension fund administrator – currently 'Your Pension Service' - administered by Lancashire County Council.
- 9.9 It will be the employee's responsibility to apply in writing for possible flexible retirement using the attached proforma. (Annex 1).
- 9.10 Requests for flexible retirement will be considered for:
- A reduction of hours and/or grade in current/similar role
  - OR**
  - An appointment to a different role within Copeland Borough Council on reduced hours and/or grade. This would be subject to the Council's normal recruitment and selection procedure.
- 9.11 Flexible Retirement will be subject to:
- A reduction in salary similar to the level of pension to be received, such that an employee's new pay plus pension is not more than they received prior to flexible retirement.
  - A minimum period of continuing employment for 12 months in the reduced grade and/or hours.

- 9.12 Applications for flexible retirement can only be made once in any 12 calendar month period.
- 9.13 All other conditions of service, for example annual leave entitlement, will be recalculated on a pro rata basis to take account of any reduction of hours.
- 9.14 Further pension benefits can be accrued for the employment period after flexible retirement has been approved. Where the employee wishes to reduce hours and receive benefits but not continue to contribute to the Local Government Pension Scheme, the employee must make this clear in their application request.
- 9.15 **APPLICATION PROCESS**
- 9.16 Employees have the right to be accompanied by a trade union representative or work colleague (not acting in a legal capacity) at any stage in the procedure. The companion can address the meeting or confer with the employee during it.
- 9.17 The employee requests an estimate of LGPS pension benefits through their departmental HR Advisor.
- 9.18 A written Flexible Retirement Request (Annex 1) is made by the employee.
- 9.19 The request must contain:
- The desired change in working pattern (i.e. reduction in hours)
  - What impact the change in working pattern will have on the service delivery
  - What impact the change in working pattern will have on colleagues
  - A proposal for addressing any impact
  - How the work will be managed to ensure there is no loss of efficiency
  - Anticipated start date for the new working pattern
  - Whether there have been previous requests for flexible retirement
- 9.20 The application is submitted to the Line Manager who will ensure that a meeting is held within 20 working days of the date on which the application is received.
- 9.21 Those present at the meeting will be the Line Manager, an HR representative, the Head of Service if appropriate, and the employee making the application
- 9.22 If the Line Manager or Head of Service is on leave at the time of the application, the timing of the meeting may be extended for 10 working days from the date of their return.
- 9.23 The purpose of the meeting will be to discuss fully the application, along with the impact on the service.
- 9.24 **Unless there is a clear business and/or financial benefit to the Council, the flexible retirement request will not proceed.**

## **9.25 CONFIRMATION OF DECISION**

### **9.26 Approval**

**9.27** Should the Line Manager, Head of Service and HR approve the application, the employee will receive a contract of employment confirming:

- The start date of the new flexible retirement employment contract
- The revised working hours and/or grade plus the working pattern
- Changes to any other terms and conditions of employment (e.g. pro-rata holiday entitlement).

### **9.28 Refusal**

**9.29** Should the Head of Service refuse the request, HR will advise the employee in writing as soon as possible, setting out the reason for refusal.

### **9.30 Appeal**

**9.31** The employee may appeal against the decision reached within 10 working days of the date of the written decision.

**9.32** The appeal must be made in writing and must clearly specify the grounds on which the appeal is being made. It should be signed, dated and sent to the Chief Executive.

**9.33** The Chief Executive/Director of Services will arrange to hear the appeal within 10 working days. The employee may be accompanied by a work colleague or a trade union representative.

**9.34** Any agreed flexible retirement arrangements will be permanent. Any further application for change can only be made for consideration after 12 months of the new arrangements taking place.

### **9.35 GROUNDS FOR REFUSAL**

**9.36** The application for flexible retirement can be refused for legitimate business reasons. Examples are listed below for information:

- The burden of additional cost
- Detrimental effect on ability to meet customer demand
- Inability to reorganise work among existing staff
- Inability to recruit additional staff
- Detrimental impact on quality
- Detrimental impact on performance
- Insufficiency of work during periods the employee proposes to work
- Planned structural change
- Such other grounds as specified by the regulations.

### **9.37 WITHDRAWAL OF THE APPLICATION**

- 9.38 The Council will treat the application as withdrawn if the employee:
- Indicates verbally or in writing that the application is withdrawn
  - Fails to attend a meeting more than once
  - Unreasonably refuses to provide relevant information

## **10 Early Retirement**

- 10.1 The Council will seek to enable employees, who meet the eligibility criteria, and who wish to or agree to leave the organisation before their planned retirement age, to retire on terms which are both acceptable to the employee and the Authority and, where appropriate, its Pension Fund. Each case will be treated individually. The fullest possible information on the financial implications of early retirement will be considered closely, before early retirement is agreed.

### **10.2 Eligibility and Pension Implications**

- 10.3 Employees aged 55 or over may request early retirement. However, LGPS benefits will only be paid to those below aged 60 with the prior consent of the Council.
- 10.4 Pension benefits drawn before age 65 may be actuarially reduced. Actuarially Reduced Pension (ARP) is the phrase used to describe an employee's pension and lump sum payment that has been reduced by a specific amount to reflect the fact that the pension benefits have been paid early. The amount of the reduction will be calculated by the Government Actuary to take into account the loss to the scheme of the contributions that would have been payable by both the employee and the employer, together with the loss to the scheme of the pension benefits being paid early. The reduction is for the life span of the pension.
- 10.5 Please see [www.lgps.org.uk](http://www.lgps.org.uk) for further details of the terms of the current LGPS occupational pension scheme or contact your HR Advisor.

### **10.6 Principles**

- 10.7 An estimate of LGPS pension benefits can be requested by qualifying employees from their departmental HR Advisor in advance of making the decision to apply for flexible retirement. This will be prepared by the Council's pension fund administrator – currently 'Your Pension Service' - administered by Lancashire County Council.
- 10.8 It will be the employee's responsibility to apply in writing for possible early retirement using the attached proforma. (Annex 2).
- 10.9 Applications for early retirement can only be made once in any 12 calendar month period.

## 10.10 APPLICATION PROCESS

- 10.11 Employees have the right to be accompanied by a trade union representative or work colleague (not acting in a legal capacity) at any stage in the procedure. The companion can address the meeting or confer with the employee during it.
- 10.12 The employee requests an estimate of LGPS pension benefits through their departmental HR Advisor.
- 10.13 A written early retirement request (Annex 2) is made by the employee.
- 10.14 The request must contain:
- Proposed retirement date
  - A proposal for addressing any impact
  - Whether there have been previous requests for early retirement
- 10.15 The application is submitted to the Line Manager who will ensure that a meeting is held within 20 working days of the date on which the application is received.
- 10.16 Those present at the meeting will be the Line Manager, an HR representative, the Head of Service if appropriate, and the employee making the application.
- 10.17 If the Line Manager or Head of Service is on leave at the time of the application, the timing of the meeting may be extended for 10 working days from the date of their return.
- 10.18 The purpose of the meeting will be to discuss fully the application along with the impact on the service.
- 10.19 Unless there is a clear business and/or financial benefit to the Council, the early retirement request will not proceed.**

## 10.20 CONFIRMATION OF DECISION

### 10.21 Approval

- 10.22 If the Head of Service approves the application, the employee will be informed verbally and in writing of the decision and the proposed retirement date.

### 10.22 Refusal

- 10.23 Should the Head of Service refuse the request, HR will advise the employee in writing as soon as possible, setting out the reason for refusal.

### 10.23 Appeal

- 10.24 The employee may appeal against the decision reached within 10 working days of the date of the written decision.
- 10.25 The appeal must be made in writing and must clearly specify the grounds on which the appeal is being made. It should be signed, dated and sent to the Chief Executive.

- 10.26 The Chief Executive/Director of Services will arrange to hear the appeal within 10 working days.

#### **10.27 GROUNDS FOR REFUSAL**

- 10.28 The application for early retirement can be refused for legitimate business reasons. Examples are listed below for information:

- Detrimental effect on ability to meet customer demand
- Inability to reorganise work among existing staff
- Inability to recruit additional staff
- Detrimental impact on quality
- Detrimental impact on performance
- Planned structural change
- Such other grounds as specified by the regulations.

#### **10.28 WITHDRAWAL OF THE APPLICATION**

- 10.29 Copeland Borough Council will treat the application as withdrawn if the employee:
- Indicates verbally or in writing that the application is withdrawn
  - Fails to attend a meeting more than once
  - Unreasonably refuses to provide relevant information.

### **11. Early retirement on the grounds of ill-health**

- 11.1 Copeland Borough Council is committed to ensuring, so far as is possible, that its employees enjoy good health and that their health is not adversely affected by their employment. Equally, as a responsible employer and in accordance with Disability Discrimination legislation, the Council strives to support those employees who experience health problems.
- 11.2 Where an employee's health deteriorates to such an extent that the employee is incapable of discharging efficiently the duties of his or her employment by reason of permanent ill-health or infirmity of mind or body, early retirement on the grounds of ill health can be considered.
- 11.3 The Council seeks to follow best practice in its management of sickness absence in the workforce, including appropriate monitoring, and early detection of health problems. Consideration of early retirement on the grounds of ill-health will only take place when all other options in managing an employee's health problems, such as alterations to duties, redeployment, changes in working arrangements or hours etc, have been exhausted.
- 11.4 The decision to pursue retirement on the grounds of ill health will be made by management, and will be based on medical opinion. Where the decision to consider early retirement has been taken, management will refer the case under consideration to the Council's Occupational Health Service providers for a medical assessment. The procedure for such assessments is set out in the Service Level Agreement with the

Occupational Health Service for Assessment of Individuals for Retirement on Medical Grounds.

- 11.5 The decision to allow retirement on the grounds of ill health will be based on mutual consent, and the employee's rights under the Access to Medical Reports Act 1988 will be respected throughout the process.
- 11.6 The final authorisation of the early retirement of an employee on the grounds of ill health will take place in accordance with the Council's scheme of delegation.
- 11.7 There are three different levels of LGPS benefit available to scheme members as a result of medical retirement on the grounds of ill health. These are based on the capability of the employee to obtain gainful employment. Gainful employment means paid employment for not less than 30 hours in each week and for a period of not less than 12 months. The three levels relate to employees who:
  - Have no reasonable prospect of being capable of gainful employment before aged 65
  - Are unlikely to be capable of gainful employment within 3 years of leaving
  - Are likely to be capable of gainful employment within 3 years of leaving , or before aged 65 if earlier
- 11.8 Please see [www.lgps.org.uk](http://www.lgps.org.uk) for further details or contact your HR Advisor.

## **12. Early retirement in the interests of the efficiency of the service**

- 12.1 The Scheme of Early Retirement in the Interests of the Efficiency of the Service (hereinafter referred to as "the ERIES Scheme") is selective and will be operated entirely at the discretion of the Council.
- 12.2 The Scheme applies to employees who are: -
  - employed by the Council on a permanent contract or on a contract otherwise allowing application to be made under the ERIES Scheme.
  - aged 55 or over, and less than 65 (see point 12. For details of 'rule of 85' provisions)
  - a member of the Local Government Pension Scheme
- 12.3 Early retirement in accordance with the ERIES Scheme may be approved only where it is considered that the retirement of the employee will be in the interests of the efficiency of the service of the Council, but the employee is not redundant. The ERIES Scheme is voluntary and no employee will be required to accept early retirement under the ERIES Scheme against his or her will. The Council will assess any requests on its merits, taking into account all of the circumstances, including:
  - costs of early retirement
  - impact on service delivery
  - potential for service improvements
  - skill shortages
  - potential savings



- any other relevant circumstances

#### 12.4 **Circumstances in which use of the ERIES Scheme may be appropriate**

12.5 The following are examples of situations in which the use of the ERIES Scheme may be considered:

- Where, due to no fault of an individual employee, the work method or job content have altered to the extent that they affect fundamentally the competence of the employee (e.g. technology changes, changes in legislation or organisation, development of professional standards).  
Note: If the job content changes greatly, redundancy may be more appropriate.
- Where, through a reorganisation or other reasons, the scope and content of the duties and responsibilities have diminished to the extent that, whilst not justifying redundancy, they nevertheless adversely affect the efficiency of the organisation.
- Where a combination of circumstances, both in the job and the individual are adversely affecting efficiency, but where these circumstances do not involve wilful inadequate performance, which should be more appropriately the subject of disciplinary or capability action.

#### 12.6 **Circumstances in which use of the ERIES Scheme is not appropriate**

12.7 The ERIES Scheme will not be used where:

- An employee has a medical condition which makes exploration of possible ill health retirement the appropriate action
- Disciplinary action or positively managing capability action is the appropriate approach

12.8 Consideration of retirements under the ERIES Scheme will normally be instigated by management. Managers should not consider this option until other options such as redeployment or retraining have been discussed with the appropriate HR Advisor.

12.9 Where an ERIES Scheme retirement is being considered, the appropriate Head of Service must, before any request is granted, make a recommendation to the HR Manager, who will consult the finance function in order to assess the financial aspects of the application. On receipt of appropriate advice from the Human Resources Manager, the Head of Service will present a written report, outlining the resourcing implications of granting early retirement, in accordance with the Council's scheme of delegation.

12.10 An employee aged 55 or over, who is granted early retirement under the ERIES Scheme will receive immediate pension benefits without reduction.

12.11 The requirement to give a specific period of notice may be waived in the case of an employee who retires early in accordance with the ERIES Scheme.

- 12.12 When an application under the ERIES Scheme is approved, the Head of Service will agree the date of retirement with the employee and advise the HR Manager accordingly.
- 12.13 The HR Manager will advise the employee of his or her entitlements under the ERIES Scheme, as soon as possible.

### **13. The “Rule of 85”**

- 13.1 Normal retirement age in the Local Government Pension Scheme is age 65 and is the same for men and women. However, under the Rule of 85 it is possible for Scheme members to retire at any time between 60 and 65, without their benefits being reduced. Their age and service in whole years must add up to 85. So, for example a Scheme member aged 60 with 25 years membership (adds up to 85) can retire immediately with their full pension entitlement. In the case of part-time employees, membership counts towards the rule of 85 at its full calendar length. An amendment to the LGPS in April 2008 removed the ‘rule of 85’ but protected all current members who attain age 60 by 31 March 2016 and created phased protection for those attaining age 60 between 1 April 2016 and 31 March 2020. Your HR Advisor can provide further detailed information on the arrangements.

### **14. Early retirement for reasons of redundancy**

- 14.1 It is the policy of Copeland Borough Council to ensure as far as possible that full employment is maintained for all its employees, and to avoid redundancy. However, financial constraints and changes in the pattern of services or the structure of the organisation may from time to time require the authority to declare redundancies. When such circumstances arise, the Council’s Managing Change policy and procedures will be followed.
- 14.2 In cases of redundancy, a pensionable employee whose service is terminated because of redundancy and who is aged 55 or over, with at least two years’ total period of membership, is entitled to immediate payment of pension benefits in accordance with the Local Government Pension Scheme Regulations, without reduction.

### **15. Financial Management of early retirement**

- 15.1 The full cost to the pension fund of all early retirements, with the exception of those arising from ill health, will normally be recharged to the Service Unit where the retirement occurs.
- 15.2 Any restructuring or other report which includes consideration of early retirement(s) will include an analysis of the cost of such retirement(s), and the savings to be achieved by the restructuring or other means, together with an assessment of the impact of the change on service delivery.

15.3 Under the rules of the Local Government Pension Scheme, the Council has a number of discretions in certain circumstances to enhance the benefits of employees who are members. Generally, the exercise of these discretions incurs significant additional costs, and may result in increases in the Council's employer's contribution rate. The Council's general policy in respect of these discretions will be not to exercise them unless there is a financial or clear business benefit to the Council.

**Formatted:** Outline numbered + Level: 2 + Numbering Style: 1, 2, 3, ... + Start at: 1 + Alignment: Left + Aligned at: 0 cm + Indent at: 0.74

15.4 Specifically, the Council's policy is

**Formatted:** Indent: Left: 0 cm

- not to award augmented years to increase the membership (pensionable service) of a current employee in the pension scheme by up to 10 years.
- not to exercise the discretion to award up to £5000 per year additional pension on retirement.
- not to waive any actuarial reduction in pension or lump sum benefits arising where an employee aged 55 or more is permitted to take flexible retirement.
- not to allow any extension to the 12 month period after joining the Scheme during which an employee can transfer pension rights from another compatible scheme into the LGPS.

**Formatted:** None, Space Before: 0 pt, Line spacing: single, Outline numbered + Level: 2 + Numbering Style: 1, 2, 3, ... + Start at: 1 + Alignment: Left + Aligned at: 0 cm + Indent at: 0.74 cm, Pattern: Clear, Tab stops: -2.54 cm, Left

**Formatted:** Font: (Default) Calibri, 12 pt

**Formatted:** Font: (Default) Calibri, 12 pt

**Formatted:** Font color: Auto, English (U.K.)

**Formatted:** Space Before: 0 pt, After: 0 pt, Line spacing: single, Bulleted + Level: 1 + Aligned at: 1.9 cm + Indent at: 2.54 cm, Pattern: Clear, Tab stops: -2.54 cm, Left

**Formatted:** Font color: Auto, English (U.K.)

**Formatted:** Bulleted + Level: 1 + Aligned at: 1.9 cm + Indent at: 2.54 cm

**Formatted:** Font: Not Bold, Not Italic

**Formatted:** Bulleted + Level: 1 + Aligned at: 1.9 cm + Indent at: 2.54 cm, Tab stops: -2.54 cm, Left

## 16. Former employees

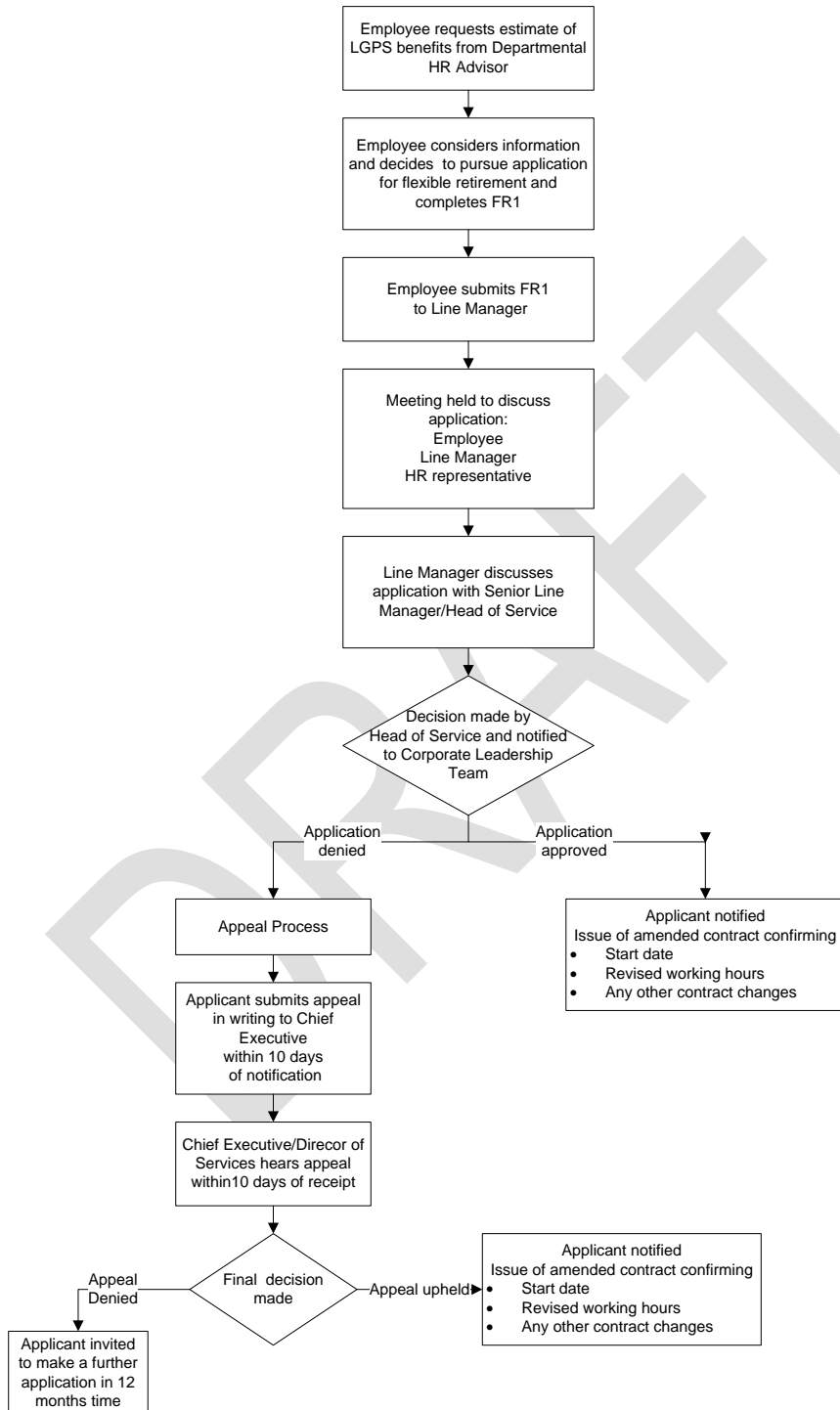
16.1 The rules of the Local Government Pension Scheme allow former employees with preserved benefits in the Scheme to request the early release of these benefits on compassionate grounds. Under 1995 Regulation D11 (2) (c), which deals with entitlement to deferred benefits for leavers who left before 1 April 1998 and who have not yet reached age 60, the sole discretion for a former employing authority is that they may determine on compassionate grounds that benefits are to become payable. In these cases, an actuarially reduced pension cannot be taken, and early release will mean a cost to the former employer. The Council's policy is not to grant early release of former employees' preserved benefits where there is a cost to the Council and therefore the taxpayers.


16.2 From age 60 onwards, former Council employees can apply for early release of actuarially reduced preserved benefits, with no cost to the Council.

# Flexible Retirement

## Application process

ANNEX 1



 <p><b>Copeland</b> borough council <i>Proud of our past. Energised for our future.</i></p>	<b>Flexible Retirement Application Form FR1</b>
--	---

**PERSONAL DETAILS:**

<b>Name:</b>	
<b>Job title:</b>	
<b>Department:</b>	
<b>Service Unit:</b>	
<b>Current working pattern :</b> (Please give details – hours, days, times)	
<b>Describe the working pattern you would like in the future</b> (Please give details – hours, days, times)	
<b>If approved, date you would wish flexible retirement to commence</b>	
<b>HOW WOULD THIS CHANGE IMPACT ON YOUR DUTIES?</b> (Please detail how you think this reduction in your working hours, grade or working pattern could impact on the Council and your colleagues).	
<b>HOW COULD THIS IMPACT BE OVERCOME?</b> (Please detail how the effect on the Council and your colleagues could be overcome).	

**Do you wish to release Local Government Pension Scheme benefits?** **YES / NO**

(Your proposed date of Flexible Retirement will be used for pension estimate calculations)

**Do you wish to continue to contribute to the Local Government Pension**

**Scheme after your Flexible Retirement approval?** **YES / NO**

(A refund of contributions will not be possible at a later date)

I have not made a Flexible retirement request during the last 12 calendar months.

**SIGNED:** .....

**DATE:** .....

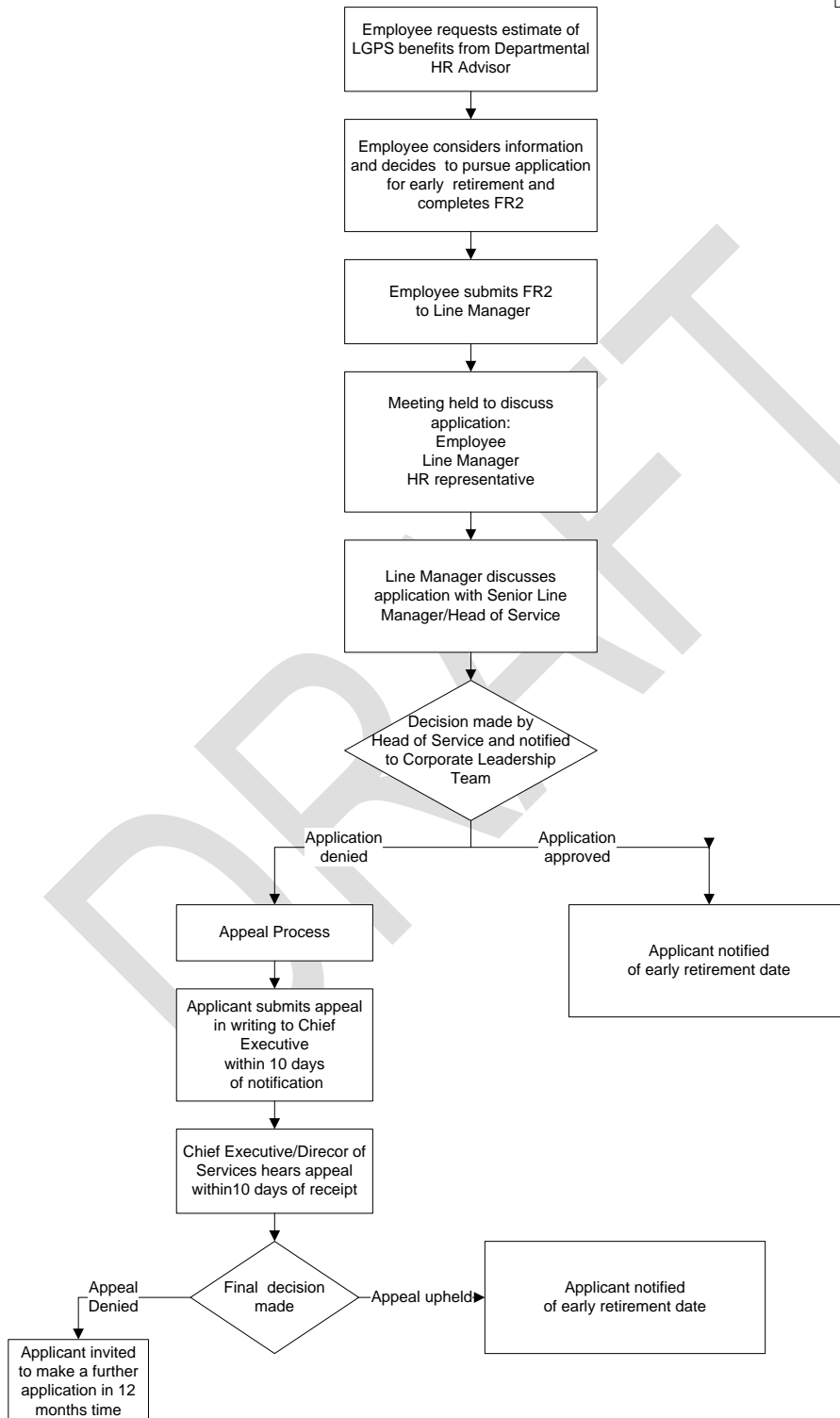
**Please Print Name:** .....


**PASS THE COMPLETED FORM TO YOUR LINE MANAGER**

# Early Retirement

## Application process

ANNEX 2



 <p><b>Copeland</b> borough council</p> <p><i>Proud of our past. Energised for our future.</i></p>	<p align="center"><b>Early Retirement Application Form ER1</b></p>
---	--

**PERSONAL DETAILS:**

**I wish to apply for early retirement.**

<b>Name:</b>	
<b>Job title:</b>	
<b>Department:</b>	
<b>Service Unit:</b>	
<b>Date you wish to retire from your post</b>	
<b>How would your early retirement impact on the Council and your colleagues?</b>	
<b>Have you made any previous early retirement requests?</b>	

**Do you wish to release Local Government Pension Scheme benefits?** **YES / NO**  
(Your proposed date of Early Retirement will be used for pension estimate calculations)

I have not made an early retirement request during the last 12 calendar months.

**SIGNED:** ..... **DATE:** .....

**Please Print Name:** .....

**PASS THE COMPLETED FORM TO YOUR LINE MANAGER**

**Annex 3****Glossary of useful Pension Terms** (not all referred to in this document)**Actuarially Reduced Pension (ARP)**

The phrase used to describe an employee's pension and lump sum payments that have been reduced by a specific amount to reflect the fact that the pension benefits have been paid early.

**Annual allowance**

The limit on the value of tax-favoured benefits an individual can accrue in respect of any given tax year across all *registered pension schemes* of which he or she is a member (£50,000 for 2012/13).

**Annuity**

An insurance policy purchased to secure a regular pension income in retirement.

**Automatic enrolment**

From October 2012, employers will be required to automatically enrol their workers into a *qualifying pension scheme*. However, the requirement will be staged over a period of years, with larger employers being required to comply first.

**Basic State Pension**

The flat-rate State Pension paid to those who have met the minimum NI contribution requirements

See also *State Second Pension* which is payable in addition

**Career average scheme**

A *defined benefit scheme* where the pension benefits earned in the year depend on the member's pensionable salary for that year

See also *Final salary scheme*

**Closed scheme**

A pension scheme that no longer allows new members to join

See also *Frozen scheme*

**Contracting out**

The use of a pension scheme which meets certain conditions to provide benefits in place of the *State Second Pension*. As of April 2012, contracting out is possible only for *occupational pension schemes* providing a minimum level of *defined benefit* accrual. Previously, contracting out had also been available on a *defined contribution* basis. Employees and the sponsoring employer of contracted-out occupational schemes pay reduced rate NI contributions.



**Deferred member**

A member who is no longer actively accruing benefits but who has past accruals preserved within the scheme

**Defined benefit scheme**

A scheme where benefits are linked through a formula to the members' earnings and/or length of pensionable employment. Variants include *final salary* and *career average schemes*.

**Defined contribution scheme**

A scheme providing benefits by reference to the value of contributions paid into a pension scheme by or in respect of each member, usually increased by the investment return on those contributions. (Often referred to also as 'money purchase' schemes)

**Earnings threshold**

The gross earnings level above which an *eligible jobholder* must be subject to automatic enrolment (£8,105 per annum for 2012/13). A worker's earnings are tested for each pay period (weekly, monthly etc.) on the pro-rata equivalent of the annual threshold. Gross earnings for these purposes are a worker's salary, wages, overtime, bonuses and commission, as well as statutory sick, maternity, paternity or adoption pay.

**Eligible jobholder**

A worker required to be subject to *automatic enrolment*. Defined, broadly, as a jobholder aged between 22 and State Pension Age who is earning more than the *earnings threshold* and normally works in the UK.

**Entitled worker**

In the *automatic enrolment* requirements, a worker who:

- is aged between 16 and 74
- is working or ordinarily works in the UK
- does not have *qualifying earnings*.

These workers do not have to be automatically enrolled but have the right to opt into a pension scheme for the payroll deduction of their own contributions only; there is no requirement for any employer contribution.

**Final salary scheme**

A *defined benefit scheme* where the benefit is related to the amount that the member is earning at the time of retirement, death or leaving pensionable service and to the period of pensionable service

See also *Career average scheme*

### **Fixed protection**

Prior to the reduction of the *lifetime allowance* from £1.8M to £1.5M with effect from 6 April 2012, HMRC allowed individuals to register to retain the £1.8M allowance, in exchange for, broadly, giving up any future accrual of further benefit. Further benefit accrual will result in the loss of the protection.

### **Frozen scheme**

A scheme where no further benefit accrues to members, but existing entitlements are preserved

See also *Closed scheme*

### **Lifetime allowance**

The overall lifetime limit on the value of tax-favoured benefits an individual can accrue across all registered pension schemes of which he or she is a member (£1.5M for 2012/13).

### **Local Government Pension Scheme (LGPS)**

The occupational pension scheme open to employees within local authorities.

### **Non-eligible jobholder**

In the *automatic enrolment* requirements, a jobholder who either:

- is aged between 16 and 21, or state pension age and 74, and
- has earnings above the *earnings threshold*

or

- is aged between 16 and 74, and
- has earnings below the earnings threshold.

These individuals do not have to be automatically enrolled but have the right to opt into a *qualifying scheme*, with the benefit of employer contributions.

### **Normal Retirement Age (NRA)**

The age, specified in the scheme's rules, at which a member of an *occupational pension scheme* would normally draw his or her retirement benefits. In the LGPS (as at 2012) the NRA is currently 65. In LGPS 2014 this will match an individual's State Pension Age (SPA), but subject to a minimum age of 65.

### **Occupational pension scheme**

A scheme established by an employer to provide retirement benefits for its employees. The term is normally used to specify schemes set up by the employer under trust and is used to distinguish these from contract-based *personal pension schemes*.

**Pensionable salary**

The earnings on which benefits and/or contributions are calculated under pension scheme rules. (Sometimes referred to also as 'pensionable earnings')

**Personal pension scheme**

A contract-based *defined contribution scheme* run by a third party provider such as an insurance company or investment house. A personal pension scheme can be a *stakeholder pension scheme* if the necessary conditions are met. Where arrangements are made for the employees of a particular employer to participate in a personal pension scheme with the same pension provider, this is known as a group personal pension (GPP) scheme. Each member has a separate policy with the provider, but contributions are collected together.

**Qualifying earnings**

The band of gross annual earnings on which minimum contributions for the purposes of *automatic enrolment* are calculated (£5,564-£42,475 for 2012/13). Gross earnings for these purposes are a worker's salary, wages, overtime, bonuses and commission, as well as statutory sick, maternity, paternity or adoption pay.

**Qualifying scheme**

A pension scheme which meets the minimum contribution or benefit conditions to be used for *automatic enrolment*.

**Registered pension scheme**

A pension scheme registered with HMRC, qualifying for certain tax advantages, provided it meets a range of detailed conditions.

**Stakeholder pension scheme**

A pension scheme (almost invariably a *personal pension scheme*) recognised by HMRC as meeting minimum standards relating to cost, access and terms.

**State Pension Age (SPA)**

The age at which an individual can start claiming his or her state pension.

**State Second Pension (S2P)**

The earnings-related State Pension, based on earnings on which standard rate Class 1 NI contributions are paid, treated as paid or credited. This replaced the former State Earnings Related Pension Scheme (SERPS) from April 2002.

See also **Basic State Pension**, which is paid in addition