

Retirement Policy *(intranet version)*

Purpose

It is a requirement of the London Government Pension Scheme (LGPS) that policies on early retirement are set out.

We make a considerable investment in our Human Resources policies to enable our staff to make the best possible contribution to meeting our organisational goals. This means having policies which recognise and reflect legislative changes which impact upon our current practices. There are two new pieces of legislation which have resulted in changes to the Local Government Pension Scheme and the Discretionary Compensation Regulations - The Finance Act 2004 and The Employment Equality (Age) Regulations 2006. In light of this it is timely to consider the Council retirement arrangements to ensure that we have robust, fair and value for money policies and practices which support our future direction.

This policy outlines the various retirement options which take into consideration the Council's Work-life Balance Strategy and aim to clarify and provide equity for all Council staff.

Scope

This policy applies to all non-teaching Council staff. This policy will be adapted for teaching staff in light of the changes to the Teachers' Pension Scheme anticipated over the next year.

Responsibilities

Employees

- To adhere to the relevant procedures in place when considering and applying for particular retirement options.

Heads of Service

- To ensure fair consideration is given to all requests for early retirement in accordance with the relevant policies and procedures.

Head of Human Resources

- To provide policy guidance and advice on retirement arrangements to staff, in conjunction with Pension Services.
- To fairly authorise all applications for flexible retirement taking into consideration all relevant factors.

- To make recommendations to the Chief Executive and Strategic Director of Finance on the retirement provisions and early payment of pension benefits as specified within this policy.

Chief Executive/Strategic Director of Finance

- To consider fairly recommendations and make appropriate decisions on retirement applications and early payment of pension benefits as specified within this policy.

Local Government Pension Scheme Provisions (LGPS)

Members of the pension scheme at age 65 are entitled to retirement benefits calculated in accordance with the LGPS Regulations. In addition members will receive a tax free cash lump sum of three times their pension. The calculation will be adjusted if members are, or have worked, part-time.

Members of the pension scheme may retire at any age from 60 onwards and receive pension benefits, but they may be actuarially reduced.

❖ Retirement Options at 65

Fair retirement under the Age Regulations

The normal retirement age is 65, however in light of the recent changes there is now provision for those who stay in employment beyond age 65 to remain members of the Local Government Pension Scheme (LGPS) to age 75. The Age Regulations in place from October 2006 provide for employees who wish, subject to the permission of the employer, to remain at work beyond normal retirement age.

The decision to allow members of staff to carry on working beyond retirement age is determined by Heads of Service. General criteria which managers will consider when looking at a request to carry on working is whether the post is still needed within the service or whether there are any plans for a restructure which may affect the current post. Also whether there is any sickness absence, capability or conduct issues with the staff member concerned. Full details on the Regulations can be found on the Human Resources Homepage under 'Guidance on the Employment Equality (Age) Regulations 2006'.

Flexible Retirement at age 65

Flexible retirement is an option introduced into the Pension Scheme from 6 April 2006 allowing members of staff to retire and take their pension benefits and continue working on a reduced hours basis or in a lower graded job. These provisions are available to staff age 55 and over subject to the agreement of the employer. Employees who reduce their hours must usually

do so by half of the usual hours they work or by at least 25% of their total hours.

For staff aged 65 or over who take advantage of flexible retirement pensions are paid without reduction. Employee requests are considered and authorised by the Head of Service in the light of the needs of the service. Agreement to flexible retirement requests may create a part time vacancy or allow a reasonable cost saving for the service. This is in line with the Council's Work-life Balance Strategy.

❖ **Early Retirement**

There are several circumstances where retirement benefits can be paid before age 65:

Flexible retirement

Flexible retirement is an option for eligible employees age 55 and over and will be available to staff subject to the above conditions. For staff under between age 55 and 65 pension benefits payable would be actuarially reduced to take into account early payment. The Council has the discretion to waive all or part of the reduction.

In exercising its discretion account will be taken of individual circumstances and any supporting business case presented by the employee and endorsed by Heads of Service. The decision to agree the payment of unreduced benefits lies with the Head of Human Resources having received recommendations from Pension Services and taking into consideration any cost to the Pension Fund.

III Health Retirement

There is the provision for employees in the pension scheme who are no longer fit to carry out their duties and who wish to retire from the Council's service, to mutually agree to the termination of their employment on ill health grounds. However there are only a few cases where an employee is eligible.

The employee will be required to sign their agreement to the termination of their employment on ill health grounds. Their termination date will be assessed by taking into account a period equivalent to the employee's statutory notice.

For employees not eligible to join the superannuation scheme, consideration will be given to the date of commencement of the period equivalent to statutory notice, in light of any outstanding entitlement to sick pay. During this 'notice' period the employee will receive full pay minus any state sickness benefit they are entitled to.

A three tier system of retirement on ill-health grounds was introduced from 1 April 2008. Qualification for pension benefits under the three tiers are outlined below.

To qualify for a benefit:

- The employee must have at least 3 months membership or have had a transfer of pension rights into the LGPS
- RBK must terminate the employment on the grounds that the employee's ill health or infirmity of mind or body renders him/ her permanently incapable of discharging efficiently his/ her duties.
- The employee must have a reduced likelihood of obtaining gainful employment (i.e paid employment for not less than 30 hours per week for a period of not less than 12 months) before age 65.
- RBK must have obtained a certificate (see Appendix 2) from an approved independent registered medical practitioner qualified in Occupational Health medicine relating to the above two issues.

Explanation of the three Tiers

Tier 1

This is applicable where the employee is judged to have no reasonable prospect of obtaining gainful employment before age 65. Pension benefits are payable based on accrued membership plus 100% of prospective membership between leaving and age 65.

Tier 2

This is applicable where an employee is judged to be incapable of obtaining gainful employment within 3 years of leaving but is likely to be capable of obtaining gainful employment before age 65. Pension benefits are payable based on accrued membership plus 25% of prospective membership between leaving and age 65.

If the employee works part time, the enhancement is pro rata based on their hours at the date of leaving but ignoring any reduction in hours directly resulting from the employees ill health.

Tier 3

This is applicable where the employee is judged to be capable of obtaining gainful employment within 3 years of leaving. Short term reviewable pension benefits are based on accrued membership only. It is the responsibility of the scheme member to inform RBK when employment is found including details relating to rate of pay and hours worked. RBK will then determine if this is gainful employment and may cease payments as a result.

RBK will undertake a review after 18 months and if the member has not gained gainful employment. RBK may seek further opinion from an

independent registered medical practitioner and depending on the outcome, RBK may either stop the payments or decide that a member should become a 2nd tier member, or continue 3rd tier payments based on the medical assessment or until 3 years after the date of leaving employment.

For further advice please contact Pension Services.

For more information relating to ill-health retirement, please see the [Sickness Absence information](#).

Retirement on Compassionate Grounds

There are provisions in the LGPS allowing members aged over 55 to retire on compassionate grounds with immediate benefits, at the discretion of the employer. These benefits may be subject to reduction. When an employee applies for retirement on compassionate grounds, the Council will consider the case on its merits, taking into account any cost to the Pension Fund. The Council will not consider retirement on compassionate grounds for anyone who is not a current employee of the Council, if there is a cost to the Pension Fund.

Requests for retirement on compassionate grounds are considered on their individual merits and authorised by the Chief Executive and Strategic Director of Finance on the recommendation of the Head of Human Resources. It is intended that requests for retirement on compassionate grounds will only to be agreed where there is a sound business case to support the application which can justify any costs.

Retirement in the Interests of Efficiency (RIES)

If an employee is age 55 years or over and is retired in the interests of efficiency they will be entitled to immediate payment of their pension benefits. It is intended that Retirement in the Interests of the Efficiency of the Service will continue to be available to a small number of cases annually with each application being considered on its merits. In reaching decisions consideration will be given to the robustness of the business case presented and supported by senior management, and, importantly the costs of the retirement. To grant early retirement, the Council has to have grounds for considering that agreeing to it will improve the efficiency of the service.

Requests for RIES are authorised by the Chief Executive and Strategic Director of Finance on the recommendation of the Head of Human Resources. Requests for RIES will only to be agreed where there is a sound business case to support the application which can justify any costs.

Augmentation of Service for Pension Purposes

There is provision within the LGPS to augment a member's pension of up to 6 2/3 added years.

This will be considered on an exceptional basis in the light of the individual circumstances of the case and any potential organisational benefits. Any such cases would be authorised by the Chief Executive and Strategic Director of Finance on the recommendation of the Head of Human Resources in the light of the business case and the costs incurred.

85-Year Rule

Under the 85-year rule members could retire age 50 or over and receive immediate payment of unreduced benefits if their age plus membership equalled at least 85. The Employer's consent was required for those retiring under age 60. The 85 year rule was removed from October 2006. However those members who joined the Pension Scheme before 1 October 2006 have some protection. The consent of the employer to requests for retirement under the 85 year rule from protected employees under age 60 (and from the 1st April 2010, aged over 55) will continue to be required. Any such requests to retire under the 85 year rule before age 60 will be considered in the same way as requests for Retirement in the Interests of the Efficiency of the Service, as set out above.

Re-employment of Pensioners

Statement of Policy Concerning Abatement of Retirement Pensions in New Employment

Where a pensioner enters new employment with a Scheme employer other than one in which he/she is eligible to join a teacher's scheme, the amount of his pension will be subject to review according to the level of earning in his/her employment. The amount of any reduction in his/her pension shall be calculated according to paragraphs 2 and 5 of schedule D5 to the LGPS 1995 in force immediately before the LGPS 1997. Paragraphs 5 and 6 of Schedule D5 shall also apply during the new employment. In Schedule D5, where reference is made to annual rate of pension, this shall be the annual pension before any conversion between lump sums and pensions under regulation 58 and 59 or under regulation 20(3A) of the LGPS 1997 as amended. The amount will not be subject to review where the new employment commenced after the pensioner reached age 65.

Conclusion

Guidance on all these options is available on the Intranet and/or advice can be sought from the Human Resources Department and Pension Services.

This policy will be monitored and reviewed regularly in accordance with any legislative changes which impact upon the Local Government Pension Scheme.

April 2010

(Guidance reviewed in light of LGPS Regulations affecting retirement age)