

---

MEETING	Executive
DATE	19 December 2006
PRESENT	Councillors Steve Galloway (Chair), Sue Galloway, Jamieson-Ball, Macdonald, Reid, Runciman and Sunderland
APOLOGIES	Councillors Orrell and Waller

---

## **PART B - MATTERS REFERRED TO COUNCIL**

### **125. Local Government Pension Scheme (LPGS) - Scheme Changes and Local Discretions**

Members considered a report which reviewed the Council's current arrangements for early retirement and redundancy, in the light of changes to the LGPS and the introduction of age discrimination legislation, and proposed amendments to these policies as a result. The Executive were asked to consider whether to recommend the proposals to full Council for approval.

Details of the Council's current policies were set out in paragraphs 5-11 of the report. Changes to the LGPS arising from government legislation effective from 1 April 2006 were discussed in paragraph 12, while further changes proposed from 1 April 2008 and contained in draft legislation were outlined in paragraphs 13-15. The report then set out Officers' recommendations for changes to Council policy. These included the following, in respect of which alternative options were presented but not recommended:

#### 1. Replacement Policy for Redundancy Pay:

**Option A** – award all employees an additional number of weeks redundancy pay (subject to the 30 week maximum). Not recommended, due to the strain it would put upon the early retirement and redundancy budget.

**Option B** – calculate redundancy pay using the statutory tables, with a 30 week maximum. Recommended.

#### 2. Early Retirement under the "85 year" rule:

**Option A** – allow all employees the option to elect to retire early and receive actuarially reduced pension benefits. Not recommended due to costs and potential disruption to service areas / increased staff turnover.

**Option B** – adopt a range of formal criteria under which to consider requests for early retirement. Not recommended, due to problems in achieving objectivity and risk of challenge and subsequent costs when requests refused.

**Option C** – remove the option to retire at age 58 (now deemed discriminatory) and align the early retirement policy with the provisions of

the NYPF and the TPS, enabling members of the North Yorkshire Pension Fund (NYPF) to elect to retire from age 60. Recommended.

3. Transitional Arrangements (should Option C under 2. above be approved):

**Option A** – remove the current policy with effect from 1 March 2007.

**Option B** – allow early retirements up to 31 August 2007.

**Option C(i)** – allow all employees aged 57 at 31 August 2006 to elect to retire early if they reach the 85 year rule by 31 August 2009.

**Option C(ii)** – allow all employees aged 57 at 31 August 2006 to elect to retire early if they reach the 85 year rule by 31 August 2008.

**Option C(iii)** - allow all employees aged 57 at 31 December 2006 to elect to retire early if they reach the 85 year rule by 31 August 2009. Recommended, as the fairest option both for those employees who currently qualified to leave and for those approaching qualification.

Further recommendations, on the policy to be adopted in respect of ill-health retirements, flexible retirement and added years / augmentation, were set out in paragraphs 26 to 33 of the report.

Officers provided an update on the position of UNISON, who had not yet formally responded but had suggested that there should be a longer transition period for removal of the 85 year rule. They had been advised that this might be more likely to breach age discrimination legislation. In response to the comments of the Shadow Executive on this item, Officers confirmed that the Council would continue to provide support and advice to staff facing redundancy and that Corporate Management Team was fully in favour of a flexible retirement policy but would require further advice from Government or other council schemes before this could be taken any further.

RECOMMENDED: (i) That a revised policy for redundancy payments be introduced, based on the award of up to 30 weeks of actual pay, calculated using the Statutory Redundancy tables (Option B under heading 1. above)..

REASON: The current policy of awarding 5 additional weeks of compensation to those aged 40-49 falls foul of age discrimination legislation.

(ii) That the new policy for redundancy payments become effective from 1 April 2007 and that any enhanced quotes given under the current policy be honoured for redundancies falling after 1 April 2007.

REASON: The current policy of awarding 5 additional weeks of compensation to those aged 40-49 falls foul of age discrimination legislation.

(iii) That approval be given to:  
a) Remove the current policy allowing any employee aged 58 or more to retire

before age 60 when their age and service total 85 or more, thus realigning employees' early retirement options with the provisions of their Schemes (age 60 for members of the LGPS and age 55 for members of the TPS) (Option C under heading 2. above).

- b) Adopt transitional arrangements which will allow all those employees who are aged 57 by 31 December 2006 and would have met the "85 year rule" by 31 August 2009 to retire early on unreduced pension benefits in the period up to 31 August 2009 (Option C(iii) under heading 3 above).
- c) Allow exceptions to this policy to be considered by an Appeals Board consisting of the Pensions Officer, Head of Human Resources, Director of Resources and relevant directorate representative (or suitable delegates).

REASON:

To provide suitable arrangements in place of the 85 year rule, which has been deemed to be age discriminatory and has been removed from the LGPS.

(iv) That a formal policy be introduced for processing ill-health retirement requests from deferred members (i.e. ex-employees), limiting the number of occupational health referrals paid for by the Council.

REASON:

The Council currently has no formal policy in this area.

(v) That flexible retirement, offered under the terms of the LGPS, be refused in the short term, whilst further research and analysis is undertaken as part of the review of work-life balance to be undertaken by Corporate Human Resources. The Council would reserve its discretion to act outside this policy, with exceptions being considered by the Appeals Board.

REASON:

Under the terms of the LGPS, the Council is obliged to have a policy under which it can exercise its discretion in this area, even if its discretion will be used to not adopt a policy. Flexible retirement is a complex area and considerable work will need to be undertaken before further proposals can be put before Council.

(vi) That the Council will not normally give a compensatory award of up to 104 weeks' pay on retirement and that exceptions must be considered by the Appeals Board, with any costs arising from an exception to be borne by the sponsoring department.

REASON: The award of compensatory added years has been replaced by the discretion to award up to 104 weeks of pay.

(vii) That authority be delegated to the Director of Resources, in consultation with Corporate Human Resources and the Pensions Officer, to approve the written statement of local discretions which must be lodged with the North Yorkshire Pension Fund.

REASON: The Council is required to have a written statement of how it will exercise certain discretions under the rules of the Local Government Pension Scheme.

S F Galloway, Chair

[The meeting started at 2.00 pm and finished at 2.25 pm].