

Bridgend County Borough Council
Cyngor Bwrdeistref Sirol Pen-y-bont ar Ogwr

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EARLY RETIREMENT ILL-HEALTH RETIREMENT AND REDUNDANCY POLICY

SCOPE

This policy will apply to all employees of Bridgend County Borough Council except those employed by Governing Bodies in educational establishments under delegated powers.

Date of Issue: 1st March 2009

The Ill-Health provisions within this Policy are effective from 1st April 2008 in accordance with the Local Government Pension Scheme (Amendment) Regulations 2008.

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POLICY STATEMENT

1 INTRODUCTION

- 1.1 This policy statement is made in accordance with regulation 7 of the Local Government (Early Termination of Employment) (Discretionary Compensation) Regulations 2006 and the Local Government Pension Scheme Regulations 1997 which require each Local Government Pension Scheme (LGPS) employer to formulate and review its policy on early retirement.
- 1.2 This policy will be reviewed annually under these provisions and in order to meet other relevant statutory legislation. If the Council decides to change its policy, it will publish a statement of the amended policy within one month of the date of its decision.
- 1.3 In formulating and reviewing its policy, the Council
- (a) has regard to the extent to which the exercise of its discretionary powers (in accordance with the policy), unless properly limited, could lead to a serious loss of confidence in the public service;
 - (b) is satisfied that the policy is workable, affordable and reasonable having regard to the foreseeable costs;
 - (c) has regard to service delivery needs; and
 - (d) recognises the need for consistency, fairness and equity in employee relations.

2 SCOPE

- 2.1 The Early Retirement, Ill-Health Retirement and Redundancy Schemes will apply to all employees covered by the National Scheme of Conditions for the following groups:
- Chief Executive Officer;
 - Chief Officers;
 - Local Government Services; and
 - Craft and Associated Employees.
- 2.2 The exception to this will be those employed by Governing Bodies in educational establishments with delegated responsibilities who will be expected to formulate their own schemes taking account of the Council's corporate policy.

3 GENERAL PRINCIPLES

- 3.1 The Council's application of this policy will have regard to an employee's entitlement under this policy and appropriate pension legislation.
- 3.2 Applications and proposals under these schemes will be made to an Early Retirement Panel constituted by the Corporate Director (Resources); Assistant Chief Executive (Legal & Regulatory Services); and the Head of Human Resources, or their nominated officers. The Corporate Director (Resources) will report annually to Council on the number and nature of retirements for the previous year.
- 3.3 All applications for early retirement will be considered objectively
- 3.4 To qualify for enhancements to service the Panel must be satisfied as to the relevance of the application of the scheme in individual circumstances.

EARLY RETIREMENT, ILL-HEALTH RETIREMENT AND REDUNDANCY

SCHEMES

4 SCHEME A - VOLUNTARY EARLY RETIREMENT (The 85 Year Rule)

- 4.1 The Local Government Pension Scheme (Amendment) Regulations 2006 removed the 85 Year Rule with effect from 1 October 2006. However, these Regulations allow for a measure of protection for existing scheme members as at 30 September 2006 who would be aged 60 or over before 1 April 2016.
- 4.2 Scheme A only applies to those employees protected by the LGPS (Amendment) (No 2) Regulations 2006.
- 4.3 This scheme will apply to those employees who are 50 years (55 years from 1 April 2010) of age and over (if protected) who apply to retire early and elect to receive immediate payment of retirement benefits under Regulation 31 of the Local Government Pension Scheme Regulations 1997 ('The 85 Year Rule').
- 4.4 An employee who qualifies and whose total of age and service is 85 years or more will receive pension and lump sum benefits based upon actual service.

5 SCHEME A - VOLUNTARY EARLY RETIREMENT (Employee Request)

- 5.1 Employees who are eligible under this scheme and are aged *over* 60 will be allowed to retire voluntarily and early under the following scheme.
- 5.2 Employees who are eligible under this scheme and are aged *under* 60 will only be allowed to retire voluntarily if this would be of benefit in terms of service delivery to the Council, as determined on the merits of the individual application by the VER Panel.
- 5.3 Pension and retirement grant will be reduced by an amount shown as appropriate in guidance issued by the Government actuary.

**6 SCHEME B -
EARLY RETIREMENT IN THE INTEREST OF THE EFFICIENCY OF THE SERVICE**

- 6.1 This scheme will apply to those employees who qualify for early release of pension under the Local Government Pension Scheme Regulations 1997 and subsequent legislation and in respect of whom the Council determines that retirement would be in the interests of the efficiency of the service, in that it would meet one of the following criteria:
- **Criterion A:** Retirement would be **beneficial to service delivery and would produce measurable net savings** to the salary bill over a maximum period of five years or would permit a **fundamental improvement to the delivery of services**, which would not be possible by other means such as redeployment, retraining etc. This must take into account any capitalised cost to the pension fund and any additional costs arising from any associated restructuring or regrading exercise – to be stated at the time of the proposal.
 - **Criterion B:** There are **compelling personal reasons** to release an individual (e.g. on grounds of compassion, chronic health problems that do not equate to permanent ill health) and **release would permit significant service delivery improvements**.

**7 SCHEME C –
EARLY RETIREMENT IN THE INTEREST OF THE EFFICIENCY OF THE SERVICE
WITH REDUNDANCY**

- 7.1 This scheme will apply to pensionable employees who are eligible to retire early under the Local Government Pension Scheme Regulations 1997, but who have not reached normal retirement age (65 years) and whose post becomes redundant in the interest of the efficiency of the service.
- 7.2 Those employees who qualify will be offered benefits in line with Parts II and III of the Local Government (Early Termination of Employment) (Discretionary Payments) (England and Wales) Regulations 2006.
- 7.3 The employee who retires under this scheme will be entitled to receive:
- (a) an annual retirement pension; and
 - (b) a lump sum retiring allowance
(each calculated on the basis of reckonable service), together with
 - (c) a statutory redundancy payment calculated in accordance with Regulation 5(2) of the Local Government (Early Termination of Employment) (Discretionary Payments) (England and Wales) Regulations 2006. Payment will therefore be based upon average weekly wage to a maximum of 30 weeks pay according to age and service; and
 - (d) a compensatory lump sum payment based upon a multiplication factor of 1.2 applied to the formula for statutory redundancy pay equivalent to a maximum of 36 weeks pay.
- 7.4 The employee may request, before leaving and whilst an active member of the pension scheme, to convert the full amount of the *compensatory payment* (i.e., excluding the *statutory redundancy payment*) into additional reckonable service subject to the statutory maximum of up to 40 years total service, the number of remaining years to normal retirement age (65 years) or $6\frac{2}{3}$ whichever is the shortest period on a strictly cost-neutral basis.

8 SCHEME D – REDUNDANCY (Voluntary or Involuntary)

- 8.1 This scheme will apply to those employees whose redundancy will produce measurable net savings, who have a minimum two years' qualifying employment, and who are:
- (a) LGPS Members (or those non-LGPS Members who are eligible for membership) who **do not qualify for early release of pension benefits** under the LGPS Regulations 1997; or
 - (b) LGPS Members (or those non-LGPS Members who are eligible for membership) who **are over the permitted age for early retirement**, but in the case of LGPS Members, have **less than five years' qualifying service in the pension scheme**.
- 8.2 Employees who fall under the above categories will be entitled to a compensatory payment in addition to statutory redundancy pay up to a maximum of 85 weeks in total.

- 6.2 The calculation of any compensatory payment will be based on average weekly earnings.
- 6.3 Those employees who retire early under this scheme will qualify for benefits in line with the Local Government (Early Termination of Employment) (Discretionary Payments) (England and Wales) Regulations 2006, or where appropriate Regulation 52 of the Local Government Pension Scheme Regulations 1997, and will be entitled to receive:-

IF QUALIFYING UNDER CRITERION A

- 6.4 The employee who retires under this scheme will be entitled to receive:
- (a) an annual retirement pension; and
 - (b) a lump sum retiring allowance
(each calculated on the basis of reckonable service) and
 - (c) an award of a compensatory payment based upon actual wage and a multiplication factor of 1.2 applied to the formula for Statutory Redundancy Pay equivalent to a maximum of 36 weeks.
- 6.5 An employee may request, before leaving and whilst an active member of the pension scheme, to convert the full amount of the compensatory payment due into additional reckonable service subject to the statutory maximum of up to 40 years total service, the number of remaining years to normal retirement age (65 years), or $6\frac{2}{3}$ whichever is the shortest period on a strictly cost-neutral basis.
- 6.6 In very exceptional circumstances a determination may be made by the VER Panel to award added years under Regulation 52 of the Local Government Pension Scheme Regulations 1997 (subject to the above statutory maximum) instead of a compensatory lump sum payment.

IF QUALIFYING UNDER CRITERION B

- 6.7 The employee who retires under this scheme will be entitled to receive:
- (a) an annual retirement pension; and
 - (b) a lump sum retiring allowance
(each calculated on the basis of reckonable service)
- 6.8 In very exceptional circumstances an award of a compensatory lump sum payment based upon actual wage and a multiplication factor of 1.2 applied to the formula for statutory redundancy pay equivalent to a maximum of 36 weeks pay may be approved by the VER Panel.
- 6.9 The employee may request, before leaving and whilst an active member of the pension scheme, to convert the full amount of the compensatory payment into additional reckonable service subject to the statutory maximum of up to 40 years total service, the number of remaining years to normal retirement age (65 years) or $6\frac{2}{3}$ whichever is the shortest period on a strictly cost-neutral basis.

8.3 Exceptions to the 85 weeks scheme outlined above include:

- employees over the permitted age (50 years) to qualify for early release of pension who have opted out of the LGPS in the one year period prior to termination on the grounds of redundancy; and
- re-employed pensioners who return to work following early retirement.

8.4 In these instances a compensatory payment will be based upon the average weekly wage to a maximum of 66 weeks according to age and service (a maximum of 30 weeks statutory redundancy pay and 36 weeks compensatory payment in total).

8.5 Subject to a minimum of 3 months service, LGPS members who are under the permitted age to qualify for early release of pension (50 years) who are made redundant, will be entitled to preserved pension benefits.

9 **SCHEME ON RETIREMENT ON THE GROUNDS OF ILL-HEALTH**

9.1 The scheme will apply to all employees in permanent employment who are members of the Local Government Pension Scheme who become permanently or semi permanently unable to work due to ill-health. Any retirement on the grounds of ill-health will be dealt with in line with the Council's Absence Management Policy.

9.2 An employee who is absent from duty will be referred to the Council's Medical Adviser in line with the Council's corporate policy and procedure.

9.3 The Council's Medical Adviser, in consultation with the employee's physician where appropriate, will make recommendation to the appropriate department regarding the employee's continued employment.

10 ***Termination of employment***

10.1 If an employee is unable to discharge the duties of the post for which they are employed they will, wherever possible, be offered appropriate alternative employment, in line with the Council's Vacancy Management Procedure. Where alternative employment is not available their employment will be terminated by reason of being unable to efficiently discharge the duties of the post.

11 ***Ill-health retirement – seeking medical advice***

11.1 In instances where the Council has determined that the employment of a scheme member is to be terminated, the employee will be referred to an independent registered medical practitioner for a medical opinion on whether he/she has become permanently or semi permanently unable to work due to ill-health or infirmity of mind or body.

11.2 Retirement will be subject to the independent registered medical practitioner providing a certificate of incapacity in line with Regulation 97 of the Local Government Pension Scheme Regulations 1997 as amended by Regulation 10 of the Local Government Pension Scheme (Amendment) Regulations 2004 and Regulation 13 of the Local Government Pension Scheme (Amendment) Regulations 2008.

11.3 The independent registered medical practitioner will be required to certify whether the employee is capable of obtaining gainful employment in the future. If there is no such prospect, then a Tier 1 retirement with full enhancement to benefit is awarded. If there is no such prospect within 3 years, then a Tier 2 retirement with 25% of full enhancement to benefit is awarded. If there is a realistic prospect of obtaining gainful

employment within 3 years, then a Tier 3 retirement is awarded without enhancement until such employment is obtained.

- 11.4 Tier 3 retirements are for a maximum duration of 3 years and are subject to review after 18 months. The retiree is obliged to inform the Council of changes to his employment status and repay any overpayment of pension so identified
- 11.5 The employee may be referred back to the independent registered medical practitioner with a view to reviewing the Tier awarded.
- 11.6 Employees who have less than 3 months total pension membership will receive a refund of contributions.
- 11.7 An employee who has over 3 months service will be entitled to immediate payment of a pension and a tax free lump sum (as appropriate). These benefits are calculated in the same way as normal retirement benefits and increased in line with the Tier awarded to compensate for early retirement.
- 11.8 The increase in service will be in accordance with the Local Government Pension Scheme Regulations.
- 11.9 No increase in service will be awarded where an employee ceases membership of the LGPS on the grounds of permanent ill-health for a second or further time. However, where an employee becomes entitled to multiple ill-health retirement benefits in respect of concurrent employments, which cease simultaneously, the benefits in each employment will be separately calculated.
- 11.10 The retired employee will be eligible to a period of notice in accordance with the individual's contractual rights, or statutory entitlement whichever is the greater. Where it would be impractical to serve such notice, e.g., due to a person's continued absence, a payment in lieu of notice will be payable.

DEPENDANT'S BENEFITS

12 The LGPS Regulations provide for certain benefits to be payable on the death of a scheme member.

12.1 Benefits are payable, when qualifying conditions are met, to the spouse, civil partner or nominated cohabiting partner, together with dependent childrens pensions.

Death in service

12.2 If an employee were to die in service as a member of the LGPS, subject to qualifying conditions, the family could be eligible to the following benefits:

- A lump sum death grant: A lump sum death grant of three times the pensionable pay no matter how long they had been a member of the scheme.
- If the employee had accrued 3 months total membership or if they had brought a transfer value into the scheme then there would be a long-term pension payable to the spouse, civil partner or nominated cohabiting partner. The level of pension would equate to half the pension that would have been awarded should the employee had retired under Tier 1 Ill Health provisions.
- Pensions for eligible children: A long-term children's pension would be payable for so long as eligible children remain following an employee's death. Eligible children is defined as children to the age of 18, together with those in full time education or vocational training up to a maximum of age 23.

12.2 Further information on a dependant's benefits can be obtained from the pension booklet '*The Local Government Pension Scheme - A Pension Scheme for all Employees*' or from the Pension Fund Administering Authority.

MISCELLANEOUS PROVISIONS

13 GENERAL CONDITIONS

Reduction in pension benefits

- 13.1 If any employee is entitled to compensation upon retirement under any other Regulations, their pension and lump sum retiring allowances under this scheme could be reduced in accordance with the provisions of such regulations, or the regulations of the Local Government Pension Scheme.

Making application under the Schemes

- 13.2 An employee wishing to retire under Scheme A must make a written request to the appropriate Corporate Director for initial consideration prior to submission to the VER Panel.

- 13.3 Any proposal under Schemes B, C or D will be initiated by the appropriate Corporate Director.

- 13.4 Should the number of approved applications under Scheme A need to be limited for financial or other reasons, selection will be on the basis of economy, effectiveness and the efficiency of the service.

Added years – exceptional circumstances

- 13.5 The Council retains its discretion to award added years up to the maximum permitted by regulations (i.e., up to a maximum of $6\frac{2}{3}$ years in relation to retirements under the 1997 Regulations) in individual cases. Such awards would be made only in the most exceptional cases following comprehensive consideration of all the circumstances of the case by the VER Panel. In such instances no discretionary lump sum payment will be made.

Notice periods

- 13.6 In normal circumstances the retiring or redundant employee will serve a notice period in accordance with the individual's contractual rights or statutory entitlement, whichever is the greater, although the entitlement to notice (or pay in lieu of notice) may be waived by the employee concerned. Only in cases where operational considerations make it impracticable for a period of notice to be served (e.g., closure of an establishment) will pay in lieu of notice be made.

Re-engagement of pensioners

- 13.7 Employees whose employment terminates under these Schemes may only be re-engaged with the specific approval of the Head of Human Resources. Pension entitlement may be abated in accordance with the policy of the administering authority in respect of any period of re-engagement.

Re-engagement of employees made redundant

- 13.8 In instances of termination under Scheme D (the 66 week scheme) employees will be prevented from being re-engaged until the expiration of a period equivalent to the discretionary element of the redundancy payment. For example, a 51 year old employee with 15 years service would be eligible to 20 weeks pay under the statutory scheme but 60 weeks pay under the 66 week scheme. Re-engagement would therefore be prevented for a period of 40 weeks from date of termination.

Internal Dispute Resolution Procedure (IDRP)

- 13.9 When a decision is made under the LGPS Regulations 1997 relating to the rights or liabilities of an employee under the scheme, that employee must be notified of the decision as soon as is reasonably practicable.
- 13.10 If the decision is disputed by the employee they should first contact the employing department who should review their decision after taking appropriate advice.
- 13.11 The notification sent to the employee must contain the address from which they may request an appeals application form to make an appeal against the decision under the formal Internal Disputes Resolution Procedure (IDRP).
- 13.12 The Internal Dispute Resolution Procedure (IDRP) will apply to prospective and active members of the LGPS and to others, such as deferred members, pensioner members and pension credit members, whose position may be affected by decisions of the Council. The main features of the arrangement are:
- responsibility for determinations under stage 1 of the appeal procedure will rest with the appropriate directorate within the Council; and
 - where the appellant is dissatisfied with the decision under stage 1 they will be able to refer the matter to stage 2. Responsibility for determination under stage 2 of the appeal procedure will rest with persons specified by the Council.
 - where the appellant is dissatisfied with the decision under stage 2 they will be able to refer the matter to stage 3. Responsibility for determination under stage 3 of the appeal process will rest with Rhondda Cynon Taf, the administering authority.
- 13.13 On receipt of an appeal application form the Head of Human Resources will pass the appeal to the nominated person(s) for adjudication under stage 1 of the appeals procedure.

Implementation of Policy Statement

- 13.14 The revised schemes will come into operation on the **1st March 2009** and will continue in force until such time as the Council resolves that it should be discontinued or amended.
- 13.15 Nothing in this policy statement or its schemes can override the statutory provisions of the Local Government Superannuation Acts, or any other relevant legislation or regulations.

