

REMUNERATION COMMITTEE – 28 SEPTEMBER 2017

Pensions Benefits Sub-Committee

Report by the Director of Human Resources

Introduction

1. This report considers the role of the Pensions Benefits Sub-Committee and in particular its role with regard to the early release of pension benefits as a result of redundancy.

The role of Pensions Benefits Sub Committee

2. Under the council's Constitution the Pensions Benefits Sub-Committee, appointed by the Remuneration Committee has the following functions:
 - a) To determine, as the Employing Authority, the benefits of individual applications for early retirement.
 - b) The functions relating to Local Government Pensions for which the Pension Fund Committee is not responsible.
3. The Committee must comprise of three Councillors and at least one must be a member of the Remuneration Committee who will chair the meeting.

The Pension Regulations

4. The current pension regulations are The Local Government Pension Scheme Regulations 2013. Under Regulation 60, the County Council as a scheme employer must have a policy in the following areas:
 - The funding of additional pensions (Regulation 16). Scheme members can ask to pay additional pension contributions up to a limit specified in the Regulations. The employer has discretion to fund these costs in part or in full.
 - Flexible Retirement (Regulation 30 (6)) – an active scheme member over the age of 55 has a right to request flexible retirement from their employer, whereby they reduce the hours or pay and then receive payment of their pension as if they had retired at that point – such pension would be reduced as set out in actuarial guidance issued by the Secretary of State.
 - Waiving of Actuarial Reduction (regulation 30 (8)) – In addition to the actuarial reduction applied under flexible retirement, a scheme member aged 55 or more can request early payment of their pension, which would be reduced as set out in the actuarial guidance. As a scheme employer, the Council should have a policy setting out its approach for waiving this actuarial reduction in cases of both flexible and full retirement. The costs of any such waiver must be paid by the Council direct to the Pension Fund

- Awarding of Additional Pension (Regulation 31) – in addition to paying any regular contribution to an active members additional pension, an employer can award additional pension (such that the total additional pension does not exceed the limit specified in the Regulations) within 6 months of the employment ending.
5. The review of these policies would fall under the responsibility of the Pension Benefits Sub-Committee under function b) above. The determination of the individual cases under these policies falls under the responsibility of the Committee under function a) above.
 6. The Regulations also cover three circumstances where the payment of pension is prescribed under the Regulations themselves. These are retirement on the grounds of ill-health, retirement on the grounds of redundancy and business efficiency.
 7. In respect of ill-health, the employer, after taking advice from an Independent Registered Medical Practitioner must determine whether the scheme member meets the criteria for ill-health and if so, under which of the three tiers set out in the Regulations and pay the pension accordingly. The cost of early retirement under ill-health is allowed for in the contribution rates set by the scheme actuary as part of the tri-ennial valuation process.
 8. In the cases of dismissal of a scheme member over the age of 55 on the grounds of redundancy or business efficiency, the Regulations stipulate that the pension must be brought into payment based on the benefits earned up to the point of dismissal, without any actuarial reduction. Neither the employer nor the scheme member has any discretion in such cases. The employer must pay the costs of such early retirements directly to the Pension Fund in the year the decision to dismiss the scheme member was made.

Pensions Benefits Sub-Committee

9. Currently all early retirement cases are submitted to the Pensions Benefits Sub-Committee for “*approval*”. However, the Committee has understandably questioned it’s role for redundancy cases, as under the Pension Regulations the pension benefits for redundant members age 55+ must be paid. The Committee has no discretion for these cases. This question was particularly highlighted when the Pensions Benefits Sub-Committee was recently asked to consider a redundancy case, where employment had already ended.
10. The Pensions Benefits Sub-Committee convenes on an ad-hoc basis. During 2016 the Committee met on 10 occasions and considered a total of 45 cases:

Redundancy	41
Flexible Retirement	1
Waiver of Actuarial Reductions	0
Early retirement on compassionate grounds	2
Early retirement on grounds of efficiency	1

Oversight and monitoring of redundancy costs

11. Under the Council's constitution, officers have discretion to dismiss employees in accordance with legal procedures and the council's policies. This includes dismissals on the grounds of redundancy.
12. There can be significant costs attached to redundancy and particularly where there are pension costs. Mechanisms are in place to ensure these costs are minimised or avoided wherever possible, including steps taken to look for alternative work for redundant employees.
13. Directors must give authorisation for all redundancy dismissals and concurrence is also required from the Strategic HR Manager.
14. It is also important for Councillors to have an oversight of redundancy numbers and associated costs.

RECOMMENDATIONS

15. It is recommended that:
 - The Pensions Benefits Sub-Committee's role is amended under the constitution to only consider early retirement cases where the Council has discretion. E.g. ill health retirement.
 - Consideration and approval for all other early retirements such as redundancy and business efficiency is delegated to council Directors with concurrence from the Strategic HR Manager.
 - That all redundancies and early retirements including associated costs are reported to the Remuneration Committee each quarter.

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