

# PPN25 - Early Retirement Policy

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## **The aim of this policy**

Uttlesford District Council is committed to considering the early release of pension benefits within the Local Government Pension Scheme (LGPS) whilst ensuring the pension regulations are applied correctly at all times.

This policy provides advice for managers to work with employees where early release of pension benefits has been sought.

This policy applies to all employees of Uttlesford District Council. This policy does not apply to agency workers nor does it apply to employees who become displaced as a result of ill health or other individual circumstances

In managing the application of this policy, consideration should be given to the individual's requirements and circumstances in relation to the protected characteristics as detailed under the Equality Act 2010.

*Any employee who requires this policy in an alternative format or language should contact Human Resources.*

## **Principles**

### **UDC does not offer Flexible Retirement**

- This policy applies to all UDC employees who are or are eligible to be members of the Local Government Pension Scheme (LGPS).
- UDC is committed to acting with consistency and fairness when exercising its employer discretions within the LGPS regulations.
- UDC will ensure that it applies this policy in a way which is workable and reasonable.
- UDC will exercise its employer discretions within the LGPS regulations reasonably and objectively, with any resulting payments agreed being affordable in both the short and long term.
- Managers will explore all practical alternatives before considering early release of pension benefits.
- UDC will only consider requests for early payment of pension benefits after age 55 and before age 60. There must be a compelling business case submitted to support this request.
- In all cases managers will consult with HR to guide them through the process.

## Early retirement

### Early release of LGPS pension benefits (early retirement)

Early retirement (sometimes known as severance) may apply when an employee retires early from the service of the Council **other** than through a voluntary resignation from age 60, or leaving on or after the normal LGPS pension age of 65, or through redundancy.

When deciding which early retirement route is the most appropriate, you need to consider the following:

- The rules and regulations covering severance payments and access to LGPS benefits arising from the retirement.
- The reasons for the ending of employment, as this will determine the payments to the employee (if applicable).
- The cost to the service of the retirement (if applicable).
- The necessary authorisation to agree the retirement.

As a manager, when considering a situation which may result in the release of an employee through early retirement, you must contact HR who will guide you through the process.

The eligibility criteria and the provision for each type of early retirement scheme are explained below.

### Reasons for early retirement

Early retirement may be considered in a number of different circumstances. These can relate to the individual situation of an employee (for example, in the case of ill health), or may result from organisational change.

UDC will consider making payments to employees who are LGPS members in the following circumstances:

- Early retirement - business efficiency.
- Voluntary early retirement after age 55 and before age 60.
- Ill health retirement..

For guidance on payment for individuals and a summary of decision-making principles, see the [Guide for managers 4 – discretionary decisions policy statement](#) or contact HR.

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## **Business Efficiency of the Service**

This is a voluntary scheme. The scheme cannot be used instead of redundancy, or where the disciplinary and capability process is the most appropriate way to deal with the circumstances of the case.

Early retirement in the business efficiency of the service may arise because of:

- Rapid change within the service, but where redundancy is not applicable.
- A change in an employee's domestic or personal circumstances.
- Health reasons that are not sufficient to justify ill health retirement (permanent incapacity).

Managers are responsible for exploring all reasonable alternatives before considering early retirement (for example, further training, redeployment into more suitable work, reduced hours, etc). This includes the duty to make reasonable adjustments for disabled employees, in line with our responsibilities under the Disability Discrimination Act 1995 and the Equality Act 2010.

### **LGPS members**

To be eligible to receive immediate payment of benefits, an employee must be:

- Aged 55 or above.
- In the LGPS with at least 3 months membership or with transferred membership.

### **Non LGPS members**

Where an employee is eligible to join the LGPS but has not done so, no pension benefits will be payable.

### **Other key facts**

- Generally, early retirement on business efficiency grounds is by mutual agreement and does not, therefore, involve payment in lieu of notice being given to the employee.
- Managers need to agree a mutually acceptable last day of service (retirement date) with the employee and confirm this in writing as the agreed date for their retirement.
- There may be certain cases where early retirement may need to be imposed in the interests of the service (for example, where alternative measures are inappropriate or ineffective). In such cases, termination of employment with payment in lieu of notice will be given to the employee.

Guidelines for approving business efficiency early retirements (LGPS) can be sought by contacting HR for further advice.

## Voluntary early retirement after age 55 and before age 60 (LGPS members)

In certain cases UDC can agree to the release of pension benefits following a request from the employee. This request might be made where the employee's combined age and LGPS membership adds up to 85 or more (i.e. protected Rule of 85). (See [Guide for managers and employees 1 – Voluntary early retirement benefits after age 55 and before age 60](#)). In this case the employee can retire and receive a pension with no reduction in benefits.

The 85 year rule was removed from the LGPS with effect from 1 October 2006 and does not apply to members joining the scheme from this date.

Employees belonging to the Scheme on 30<sup>th</sup> September 2006 may be protected from a benefits reduction due to early repayment. In all cases, scheme members must have at least 3 months' membership or you have transferred other pension rights into the LGPS. For more details see the Guide.

- [Guide for managers and employees 1 – Voluntary early retirement benefits after age 55 and before age 60](#).
- [Guide for managers 3 - early retirements – summary of qualifying criteria and payments due](#).

Where the employee has not reached the age of 60 it is important to note:

- There is a financial strain cost to the Essex Pension Fund to be paid by the employing service if the employee satisfies the protected 85 year rule, or would do so before age 60.
- Employer's consent is needed – i.e. specific approval to the early release of pension benefits from the Director with delegated approval.
- The retirement needs to benefit the Council. Early retirements under the protected '85 year' may be appropriate in cases where the advantage to the Council is less clear-cut than in 'business efficiency of the service' cases.
- Managers should deal with applications under the protected '85 year' rule as mutually agreed terminations of employment, and therefore it is not normally appropriate for the employee to be given paid notice.
- Managers will agree a mutually acceptable last day of service with the employee and confirm this in writing as the date of their retirement under these provisions.

UDC will agree to requests for the early payment of benefits before age 60 only if there are compelling business reasons for doing so. See the [Guide for managers 4 - discretionary decisions policy statement](#). HR is responsible for obtaining pension estimates as part of this approval process.

UDC will not waive the actuarial reduction applied to the early payments of benefits, where applicable.

## Ill health retirement

To be eligible, an employee must be medically certified as having ill health which permanently affects their ability to do the job for which they are employed, and having a reduced likelihood of obtaining 'gainful employment' before their normal retirement age. The decision for early release is based on an opinion from an 'independent registered medical practitioner qualified in occupational health medicine' – UDC uses either Addenbrooke's or the ECC Well-being (Occupational Health) Service for this purpose.

'Gainful employment' means working no less than 30 hours per week, for no less than 12 months.

### LGPS members

Provided the employee has at least 3 months membership or has transferred other pension rights in to the LGPS, the employee will receive the early release of pension benefits, subject to a signed medical certificate from an Independent qualified medical practitioner.

If an employee was at least 45 or over on the 31<sup>st</sup> March 2008 and joined the scheme before 1<sup>st</sup> April 2008, and has unbroken, continuous service from that date and they qualify for tier 1 or tier 2 ill-health pension where enhanced membership applies, there is protection to ensure ill health retirement benefits are no less than they would have been under the Scheme as it applied before 1 April 2008.

Whether the total membership used in the calculation of the pension will be enhanced will depend on the level of ill-health. See the Guide for managers – Ill health retirement criteria.

- Guide for managers 1 – ill health early retirement criteria.

Employees with less than 3 months membership in the LGPS will receive a refund of pension contributions paid, less any tax and National Insurance adjustment.

Note: Where an employee is eligible to join the LGPS but has not done so, no benefits are due.

For further guidance please contact HR.

## Delegated Authorities

<b>Assistant Chief Executives/Director's &amp; Assistant Director's Employment</b>	Early retirement (LGPS) Members
Chief Executive	<b>x</b>

<b>All other employees</b>	Early retirement (LGPS) Members
Directors & the Assistant Chief Executives	<b>x</b>

## More information and help

### Associated documents

#### Guides for managers and employees – *all available from HR Admin*

- Guide for managers and employees 1 – voluntary early retirement benefits after age 55 and before age 60

#### Guides for managers

- Guide for managers 1 - ill health early retirement criteria
- Guide for managers 2 - ill health retirement (any age) summary of payments due
- Guide for managers 3 - early retirement summary of qualifying criteria and payments due
- Guide for managers 4 - discretionary decisions policy statement
- Guide for managers 5 - legal context

### Contact for more information

HR: Tel: 03330 134300

Email: [HRadviceandsupport@essex.gov.uk](mailto:HRadviceandsupport@essex.gov.uk)

For further information on pensions, Pensions Services details are available via the Pensions Services website [www.essexpensionfund.co.uk](http://www.essexpensionfund.co.uk) (or alternatively ring Pensions Services enquiry line on 01245 431912 )