

## Retirement Performance Statistics and Cost of Early Retirements Monitor

Contact Officers

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Papers with this report

nil

### SUMMARY

This report summarises the number of Early Retirements in the last quarter. Additionally it gives an update on the current situation on the cost to the fund of early retirements.

### RECOMMENDATIONS

That the contents of the report be noted.

### EARLY RETIREMENT PERFORMANCE STATISTICS

At Committee Meeting on 25<sup>th</sup> June 2008 it was agreed that as there was no statutory requirement to report figures against the previous BVPI 14 & BVI 15 targets, local performance indicators would be recorded and presented to Committee.

New performance indicators relevant to the revised Performance Indicators will be reported in all future reports to the Committee.

#### Number of Cases in the third quarter of 2009/10

The table below shows the number of employees, by category, whose LGPS benefits have been put into payment

	Redundancy	Efficiency	Ill Health	Voluntary over 60
2006/2007	14	2	6	36
2007/2008	19	3	24	29
2008/2009	26	0	12	37
<b>Current year</b>				
Apr 09 to Jun 09	3	0	5	7
July 09 to Sept 09	4	0	1	13
Oct 09 to Dec 09	2	0	3	6

From 1<sup>st</sup> April 2008, employees retired on the grounds of permanent ill health, will be subject to the "New Scheme" assessment by the Occupational Health Practitioner. There are 3 tiers of enhancement, and these are:-

- There is no reasonable prospect of the employee obtaining gainful employment\* before reaching normal retirement age (age 65). In these cases service is awarded up to age 65
- The employee cannot obtain gainful employment\* within a reasonable period\*\* of leaving local government employment\*\*\*, it is likely that they will be able to obtain gainful employment\* before their normal retirement age (age 65). In these cases 25% of their potential service to age 65 is awarded.
- The employee may be capable of obtaining gainful employment\* within a reasonable period\*\* of leaving local government employment\*\*\*. In these cases no additional award of service is applied. The benefits payable are subject to the individual undergoing a medical review after 18 months to ascertain whether the medical condition is such that the employee is still unable to perform the duties of their previous employment. The maximum period that a third tier pension may be paid is 3 years. When the 3 year period has expired the pension will cease. Upon the employee attaining the age of 65, the pension is brought back into payment.

Note: \* gainful employment is defined as paid employment for not less than 30 hours in each week for a period of not less than 12 months.

\*\* reasonable period is defined as 3 years.

\*\*\* the term local government employment is used to indicate that the employee a member of the Local Government Pension Scheme, not that they work for a local authority.

The Local Government Pension Scheme Regulations 2008 introduced a protection for employees aged 45 and over who were members of the LGPS as at 31<sup>st</sup> March 2008. The protection ensures that any benefits paid as the result of ill health retirement are at least the same level as any potential benefits under the new regulations.

## **EARLY RETIREMENT COSTS MONITOR**

As a result of a key recommendation by the Audit and Accounts Commission, local authorities were advised to calculate and monitor early retirement costs as they occurred within the LGPS between formal triennial valuations.

The Audit Commission recommended that each administering authority should ask their actuary to provide them with methods for determining early retirement costs. Our actuary, Hymans Robertson, consulted with other actuarial firms to agree a national approach. Our software provider subsequently programmed this into our 'Axis' pension system. As a result, the costs to the fund are automatically calculated each time an early retirement is processed.

This authority took the decision, in agreement with the fund actuary, to increase the employer's contribution rates as prescribed in the last valuation by 1%, effective from 1 April 2008, to meet anticipated early retirement costs. This 1% employer's contribution is locked in to the rate until March 2011.

This report is brought to committee quarterly to report on how the actual costs of early retirements compare to the 1% employer payment, over the 3 year valuation period.

## MONITOR

Detail for Valuation Period 01.04.2008 to 31.03.2011

	<b>Capital Cost of early retirement to the fund</b>	<b>Payroll Total</b>	<b>Cost as a % of payroll</b>
2008/09	879,902	111,300,000	0.80
2009/10 (Q2)	338,564	111,600,000	0.30
2009/10 (Q3)	400,392	111,600,000	0.36
2010/11			

## FINANCIAL IMPLICATIONS

The cost to the pension fund of early retirements on the grounds of ill health, is recorded by the pensions section, and reported to the scheme Actuary. The cost includes the benefits being paid before the employees normal retirement date and any period of service awarded. Depending on which Tier the retirement falls in to, determines the length of service to be awarded. Details of the service to be awarded against each Tier are shown above. All Employers within the fund have a notional budget built in to their Employers Contribution Rate to fund ill health retirements. If the notional figure is exceeded, this will result in an increase to that Employers Contribution Rate, at the next valuation of the fund.

## LEGAL IMPLICATIONS

There are no legal implications arising directly from this report.