

WEST DUNBARTONSHIRE COUNCIL

Report by Executive Director of Corporate Services

Corporate and Efficient Governance Committee - 27 August 2008

Subject: Early Leavers from Strathclyde Pension Fund and Associated Costs

1. Purpose

- 1.1 To provide the Committee with details on the number of employees who left the Strathclyde Pension Fund earlier than their normal retirement date with access to their pension and the associated costs.
- 1.2 Under the terms of the Council's Discretionary Payments for Early Retirement & Redundancy Provisions redundancy/early retiral costs require to be reported to Council on an annual basis. This report covers the period 1st April 2007 to 31st March 2008.

2. Background

- 2.1 Strathclyde Pension Fund Scheme is operated on the basis that benefits will normally become payable to an employee at their normal retirement date (age 65). Where an employee has access to their pension before their normal retirement date additional costs are incurred by the Fund which require to be met by the Council. These are referred to as "Strain on the Fund" costs.

3. Main Issues

- 3.1 This report details the associated costs incurred by the Council where employees have received early access to their pension in the following circumstances: ill health, redundancy or efficiency of the service.

Ill-health Retiral with Access to Pension

- 3.2 The number of employees retiring with access to an enhanced pension due to ill-health was **13** with a cost to the Council of £6033.95 This cost was incurred due to payment of wages/salary of up to 12 weeks in lieu of notice for 3 of the employees.

Redundancy with Access to Pension

- 3.3 No employees retired due to voluntary redundancy with access to an enhanced pension during the period. The Trawl operated during 2007/2008 promoted release on the grounds of efficiency of the service and not through redundancy.

Efficiency of the Service with Access to Pension

- 3.4 The number of employees who retired due to efficiency of the service with access to an enhanced pension was **20** with a cost to the Council, spread

over 10 years, of £660,649.71. This cost was incurred due to payments for additional pension, additional retirement grant and strain on the fund costs. No payment in lieu of notice was provided. However this cost was more than offset by consequential savings in the first and subsequent 9 years as shown in the table below:-

Table 2

Year 1 2007/2008 Savings	Year 2 2008/2009 Savings	Year 3 2009/2010 Savings	Year 4 2010/2011 Savings	Year 5 2011/2012 Savings
£26,125.92	£316,988.05	£322,942.94	£329,430.77	£336,884.41
Year 6 2012/2013 Savings	Year 7 2013/2014 Savings	Year 8 2014/2015 Savings	Year 9 2015/2016 Savings	Thereafter Ongoing
£415,311.18	£428,507.49	£453,886.16	£457,439.16	£459,282.16

3.5 The Council's commitment to pay strain on the fund costs is spread over a maximum period of 10 years.

3.6 The large number of releases through efficiency was due to the voluntary trawl exercise undertaken by the Council in January 2007 which resulted in 19 employees being approved for release from the service.

4. Personnel Issues

4.1 Early release from the pension through voluntary early retiral requires to be part of the Council's strategic workforce plan. Corporate HR & OD will continue to work with Departments to focus on the needs of service delivery and to review cost implications against long term savings and also to ensure that changes within the Pension regulations which impact on early release are reported to Council.

4.2 At present Strain on the Fund costs are reimbursed by the employer to SPFO where an employee aged under 60 leaves the pension scheme through early retirement/efficiency. SPFO have advised that they are currently considering extending the recovery of Strain on the Fund costs for employees over age 60 retiring on redundancy or efficiency grounds. Future developments are awaited in this area.

4.3 Strain on the Fund costs incurred can be paid either in a one off payment or through annual instalments spread over a maximum 10 year period (i.e. up until the employee is aged 60). The responsibility now lies with the employer to advise SPFO where they opt to pay the costs in instalments. An advisory note has been circulated to all departmental HR teams advising them of the action now required to be taken to comply with this instruction.

5. Financial Implications

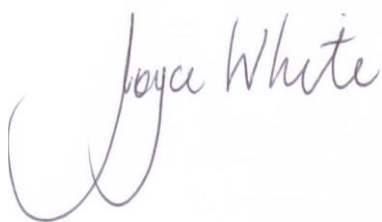
- 5.1** Early access to pensions incurs additional costs which are borne by the Council. In circumstances where release is through voluntary agreement Directors require to fully consider all associated costs prior to approving release. Where release has been approved this, in most instances, has represented a long-term saving to the Council as posts are generally replaced at a lower level or service requirements are adjusted.
- 5.2** If this changes to the recovery of Strain on the Fund costs is implemented it will result in additional costs to the Council as strain costs would be reclaimed for members up to age 65. Future developments in this area are awaited.

6. Conclusions

- 6.1** There were a high number of employees released through voluntary early retiral during the period as a consequence of organisational change, which resulted in costs as outlined above. In the majority of instances this resulted in a longer-term saving to the organisation as posts were replaced at a lower level.

7. Recommendations

- 7.1** The Committee is asked to note the contents of this report.



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Background Papers:	Spreadsheet from SPFO showing breakdown of employees and associated costs and payroll information.
Appendices:	N/A
Wards Affected:	N/A