

WEST DUNBARTONSHIRE COUNCIL

Report by the Chief Executive

Corporate Services Committee: 28 November 2006

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 1 April 2005 to 31 March 2006.

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.

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 Retiral
- Redundancy
- 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 £34,683.30. This cost was incurred due to payment of wages/salary of up to 12 weeks in lieu of notice.

Redundancy with Access to Pension

- 3.3** The number of employees who retired due to voluntary redundancy with access to an enhanced pension was 37 with a cost to the Council of £1,611,156.32. This cost was incurred due to payments for redundancy, additional pension, additional retirement grant, strain on the fund costs and payment in lieu of notice. The Council's commitment to pay strain on the fund costs is spread over a maximum of 10 years depending on the age of the individual.
- 3.3.1** The large number of voluntary redundancies was due to a voluntary trawl exercise carried out within Housing & Technical Services during the period, and a smaller restructuring exercise carried out within DES.

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 6 with a cost to the Council of £309,455.31. This cost was incurred due to payments for additional pension, additional retirement grant, strain on the fund costs and payment in lieu of notice. Again the commitment to pay costs are spread over a maximum period of 10 years.

4. Personnel Issues

- 4.1** As outlined above.

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 managers 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 not replaced.

6. Conclusions

- 6.1** There were a high number of employees released through voluntary redundancy 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 not replaced.

7. Recommendations

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

David McMillan
Chief Executive
Date: 15 November 2006

Wards Affected: N/A

Background Papers: Spreadsheet showing breakdown of employees and associated costs.

Person to Contact: Linda McAlister, Personnel Officer, Garshake Road.
(01389) 737523 linda.mcalister@west-dunbarton.gov.uk