

Voluntary Severance/Early Retirement policy

The Voluntary Severance/Early Retirement policy required amendment following the introduction of the new Local Government Pension Scheme to ensure that it reflected its content.

The Committee approved on 19 April the revised version of the policy, which applies to all employees in the Council (excluding teachers and those under SNCT conditions, who have separate provisions).

Changes made

As well as changes relating to the introduction of the new scheme, there was one main change made to the policy unrelated to the pension scheme revisions, as detailed under a) below.

The changes to the policy are as follows (with the change under (a) being the main change and the one unrelated to the introduction of the new pension scheme, with the changes under (b) to (k) being those related to the introduction of the new scheme (with the exception of (h) and (i) which are policy related):-

- a) Section 2 on page 6 'Options available to employees', has been amended so that Option 1 is 'excluded to those employees who qualify for the Rule of 85 and who do not require employer's consent to retire early and access their pension benefits'. In a redundancy situation, such employees will only qualify for a non-enhanced payment in accordance with the ready reckoner at Appendix 2 in the policy, as well as receiving their pension benefits on an unredacted basis (rather than an enhanced payment under Appendix 1 in the policy).
- b) An update has been made on page 4 on the various pieces of relevant legislation that apply to the policy.
- c) Under Section 5, 1.2 'Early Retirement on Grounds of Redundancy', on page 11 a change has been made to this paragraph to reflect the up-to-date position under the Local Government Pension Scheme on which members can access their pension benefits early on grounds of redundancy (subject to their case being approved by the Conveners), namely a member aged 55 and over, or aged 50 and over if in the Scheme on 5 April 2006, with a minimum of two years' membership.
- d) Under Section 5, 1.4, on page 13, on 'Early Retirement with actuarial reduction', the wording of this paragraph has been re-ordered and updated to reflect one of the Council's employer discretions applying to the Local Government Pension Scheme. Reference has also been included at the end of the section to the fact that Rule of 85 protection may be available to some employees, with the user referred to the Pensions Section for more details where required.

- e) Under Section 5, paragraph 1.5 'Rule of 85' on page 13 has been removed, as there have been changes around this provision which have increased its complexity. Hence, the user is now referred to the Pensions Section where details are required on the Rule of 85, rather than the detail being included in this policy.
- f) Under Section 5, paragraph 4, on page 14, on 'Pension added years for members of the LGPS', this has been updated with details of the revised authority process for approving cases in exceptional circumstances (where they can be granted), reflecting one of the Council's employer discretions under the Local Government Pension Scheme.
- g) Under Section 5, paragraph 6, on page 15, on 'Phased implementation Schedule', this has been removed as it is no longer applicable, with the phasing in of the full provisions of the Voluntary Severance/Early Retirement policy having been completed in 2011.
- h) On page 16, Note 7 on 'Income Tax on compensatory payments' has been removed as this is an issue determined by HMRC rules, which would be subject to change from time to time. Hence, the up-to-date position would be identified on the HMRC's website, with no reference now to be made to this issue in the policy.
- i) Under Section 5, on 'Restrictions for employees who accept an offer of Voluntary Severance/Early Retirement', on page 17, the period the former employee shall not apply for or accept paid work with the Council has been increased from 12 to 24 months from the last date of employment. It is considered that this is a more appropriate time period to set before a person can return to undertake work for the organisation having received a voluntary severance/early retirement package, with 12 months regarded as being too short. Also, under the section on when this restriction can be waived and what the person concerned would require to do, under (i), an addition has been made to the last sentence with the words 'plus any one off 'strain on the fund' payment the Council has made to the LGPS in respect of the person accessing their pension early', (expanding on what amounts the employee would require to refund to the Council in this scenario).
- j) In Appendix 4, on pages 21 and 22, the worked examples have been updated to reflect the current statutory maximum weekly payment for redundancy, which is now £475 per week.
- k) Updates have been made to Appendix 5, on pages 23 and 24, under Options 2 and 3 and under Early Retirement with actuarial reduction, to reflect the up-to-date position with regard to those employees who can access their pension benefits early, in accordance with the pension scheme regulations. Also, the details with regard to the Rule of 85 have been removed, with all queries on the Rule of 85 (as mentioned earlier) to now be referred to the Pensions Section.