

REPORT TO: Cabinet

MEETING DATE: 13 November 2018

BY: Depute Chief Executive (Resources and People Services)

SUBJECT: Annual Pensions Report - 2017/18

1 PURPOSE

- 1.1 To summarise the early retirement activity within the financial year 2017/18, in accordance with External Audit requirements and Council Policy.

2 RECOMMENDATIONS

- 2.1 That Cabinet note the content of the report with regard to the pension activity in the financial year 2017/18.

3 BACKGROUND ANNUAL PENSION REPORT

3.1 Council's Retirement Activity in Financial Year 2017/18

There are currently three types of pensionable retirements available to the Council for all employees excluding Teaching employees (see paragraph 3.2), they are:

- **Due to Efficiency or Redundancy at the discretion of the Council** This allows the individual, aged over 55 years (50 if in the Scheme before 5 April 2006), at the discretion of the Council to retire early drawing their pension without any actuarial reduction being applied. In this case the strain costs relating to the early release of the pension are borne by the Council.
- **Ill-Health retirement**
This occurs where an employee is confirmed by Occupational Health as being permanently incapable of discharging efficiently their duties because of ill-health or infirmity of mind or body. The employee is permitted early access to an enhanced pension in accordance with the superannuation regulations and requires no exercise of Council discretion. The costs are fully borne by the pension fund.

- **Flexible Retirement**

This is a discretionary element of the pension regulations which allows employees who meet certain criteria to draw their pension and continue working on a reduced hour's basis. To qualify the employee must be over 55 years old and have a minimum of 2 years pensionable service and they must reduce their working hours by a minimum of 40%. Generally there are no costs to the Council as the employee would have their pension actuarially reduced. However, in some circumstances if the employee meets the Rule of 85 there can be costs therefore they must have the Council's agreement for the early release of the individual's pension. If agreed the employee then continues working on the reduced hours and will automatically be re-enrolled into the pension fund while drawing the pension benefits they have already accrued (if they did not wish to join the scheme then they would need to opt out).

3.2 A summary of the pension activity in the financial year 2017/18 is as follows:

Department	Health & Social Care	Resources & People	Partnership & Communities	Totals
Compulsory Severance (pensionable)	-	1	-	1
Voluntary Severance (pensionable)	-	1	-	1
Medical Retirement	3	2	7	12
Flexible Retirements	4	6	7	17
Teachers Retirement Policy	-	-	-	-

3.3 Details of the Council's financial commitments relating to pensions are included in the 2017/18 Financial Statements. As a result of ongoing pension costs arising from decisions taken in earlier years, in addition to the "up-front" strain costs now due in the year they accrue, during 2017/18 the Council spent £0.986 million (£1.021 million in 2016/17) on early retirements for Local Government Workers and £0.298 million (£0.298 million in 2016/17) for teachers.

3.4 The Council has a liability to pay pension costs in the future. At 31 March 2018 this liability has decreased and was actuarially assessed at £132.870 million (and in 2016/17 at £178.238 million). This liability is reviewed through an actuarial

valuation which takes place every three years. The most recent valuation date was 31 March 2017. A stability mechanism is currently in place with the Lothian Pension Fund based on the current valuation results, which takes into consideration the Lothian Pension Fund performance and assessed liabilities. The stability mechanism limits increases in the employer pension contribution rate to 0.5% per annum. Rates for the three years from 1 April 2018 have been agreed and they will increase by the maximum 0.5% per annum.

- 3.5 In addition to the above figures, the Council also makes 'ex gratia' pension payments to 110 former employees who worked less than 16 hours per week and were aged under 50 at 31 December 1993 and were unable to join the LGSS pension scheme under the statutory rules at the time. The value of these payments during 2017/2018 was £62,394 (and in 2016/17 it was £64,031). The Council took the decision to remove this discretion at Cabinet on 9 June 2009. No new ex gratia pension payments will arise and the existing estimated value of future liabilities based on the actuarial mortality estimate is £0.570m and will therefore reduce over time.

4 POLICY IMPLICATIONS

- 4.1 The Council is required to report its pension activity annually to elected members in accordance with the Audit Scotland requirements.

5 INTEGRATED IMPACT ASSESSMENT

- 5.1 The subject of this report does not affect the wellbeing of the community or have a significant impact on equality, the environment or economy.

6 RESOURCE IMPLICATIONS

6.1 Financial

- 6.1.1 Early retirement decisions taken in earlier years have created a significant liability for current and future Council Tax payers. There are no immediate budgetary implications associated with this report.

6.2 Human Resources

- 6.2.1 Finance and Human Resources continue to ensure that any retirements are in accordance with Council Policy and within the Standing Orders and the supporting Scheme of Delegation and also that managers are aware that any pensionable retirement meets the strict efficiency or redundancy requirements and generates the necessary savings.

6.3 **Other** - none

7 BACKGROUND PAPERS

- 7.1 Policy on Enhanced Compensation for early Retirement on Grounds of Redundancy and Efficiency– December 2010
- 7.2 Lothian Pension Fund Website: www/lpf.org.uk
- 7.3 Local Government Pensions Scheme (Scotland) Regulations 2014
- 7.4 Policy Statement on Application of Regulatory Discretions approved at Cabinet on 13 September 2016.
- 7.5 Flexible Retirement Policy – December 2013

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