

Burnley Borough Council

Statement of Pensions Policy 2008

Introduction

1. This Statement outlines the Council's Policy with regard to the payment of pension benefits. The statement has been formulated following full consultation with the Trade Unions and reflects the Local Government Pension Scheme 1997 as amended by the Local Government (Benefits, Membership and Contributions) Regulations 2007 and the discretions adopted by the Council.

Early Retirement with Redundancy (compulsory or voluntary)

2. Redundancy Payments will be calculated according to the Employment Rights Act 1996, but improvements to these are permitted. These improvements require that all continuous Local Government Service will be aggregated and also provide Local Authorities with the discretion to lift the limitation on the amount of "a week's pay" for redundancy payment calculation purposes from the normal statutory limit (currently £330 per week) to the employee's actual weekly wage/salary. The Council has decided to use the discretion to base redundancy payments on the actual week's pay, if higher than the statutory limit.
3. Only completed years count for the purpose of calculating a redundancy payment.
4. Employees who are aged 55 (or age 50 if they were a member of the scheme at 31st March 2008 and will leave before 31st March 2010) or over at the date of redundancy (with three or more months membership of the Pension Scheme) are entitled to early payment of pension and lump sum under the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007.
5. The formula for calculating benefits is as follows:
 - (i) For service prior to 31st March 2008 any benefits accrued will be calculated as follows

Retirement Pension per annum:

Length of reckonable service x 1/80th x pensionable pay

Lump sum:

Length of reckonable service x 3/80th x pensionable pay

- (ii) For service from 1st April 2008 retirement pensions will be calculated using 1/60th and there will be no automatic lump sum calculation.

NB: Voluntary Early Retirement with Redundancy can only be granted if there is a substantial saving to the Council in allowing the employee to leave. The saving from an early retirement must be sufficient to pay back the full capitalised cost over no longer than a 5 year period. The saving will usually involve the net loss of a post but the retirement must satisfy the statutory definition of redundancy.

Retirement in the Interests of Efficiency of the Service

6. The Council is able to retire an employee who is over 55 (or age 50 if they were a member of the scheme at 31st March 2008 and will leave before 31st March 2010) in the interests of efficiency of the service. The following factors will be used upon which to judge the merits of each case:
- a) The benefits in increased efficiency, for example, in service delivery or to facilitate changes to the organisation.
 - b) Any savings that will accrue.
 - c) Health grounds, where retirement on medical grounds or dismissal on capability grounds are not appropriate.
 - d) Compassionate grounds.

III-Health Retirement

7. The 2007 Regulations introduced a 3-tier system of ill-health retirement which will be applied dependant on the assessment of the Occupational Health practitioner as to the prospect of the employee obtaining gainful employment before their normal retirement date (NRD) as follows:
- Tier 1 No reasonable prospect of the employee obtaining gainful employment due to ill-health before NRD
 - Tier 2 Cannot obtain gainful employment within reasonable* period of leaving due to ill-health but likely to be able to do so before NRD
 - Tier 3 Can obtain gainful employment within reasonable* period of leaving

* Defined as 3 years

8. Ill health retirement benefits will be paid in conjunction with the Pension Regulations as follows:

Membership

< 3 months:	Refund or transfer out	
3 months but < 2 years:	Deferred benefits	
2 years and over:	Tier 1	Immediate 100% enhanced
	Tier 2	Immediate 25% enhanced
	Tier 3	Immediate no enhancement

*The enhancements will be based on the period to age 65.

9. The Council will not terminate employment on ill-health grounds without the recommendation of the Council's Medical Advisor. Further details can be obtained from the Council's Managing Attendance at Work Policy.
10. The formula for the calculation of benefits in ill-health retirement situations is the same as for early retirement.

Contribution Rates

11. The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 state that employee contribution rates are to be banded and assessed on whole time equivalent pay as at the day of assessment.
12. The Council has adopted the discretion that where there is a material change in pensionable pay the contribution rate will be re-determined.

Limitation of Payments

13. If a person who is in receipt of a pension under the Local Government Pension Scheme Regulations in respect of an ill-health retirement, is re-employed within the Service, he/she will be subject to pension abatement rules contained in the Local Government Pension Scheme Regulations 1997 and the Local Government (Early Termination of Employee) (Discretionary Compensation) (England and Wales) Regulations 2000. Where appropriate, the employees pension will be adjusted to ensure that his/her combined income will not exceed the income that would apply had he/she remained in the former employment.

Improvements for Female Scheme Members

14. The Council has decided to adopt this discretion, allowing females with pension scheme membership prior to 6 April 1988 to make further election to improve their widower's benefits, at no cost to the scheme member.

Local Government Pension Scheme (Amendment 2006) Regulations

15. Under the Local Government Pension Scheme (Amendment 2006) Regulations which came into force on 6 April 2006, employees are now able to join and remain in the scheme up until 2 days before their 75th birthday.
16. Benefits for employees who defer drawing benefits beyond 65 will be actuarially increased to reflect the fact that they will be paid for less time.

Transfer of Pensionable Service

17. New entrants to the Lancashire Scheme are advised that they have 12 months to request a transfer of previous service from another scheme. Individual applications by employees of Burnley Borough Council for transfers into the LGPS, that are beyond the first 12 months of active membership of the scheme, are referred to the Head of People & Law to be dealt with under delegated powers. The Director of Resources will be consulted in the use of this delegation. The circumstances of each case will continue to be considered on an individual basis, but with reference to the following principles:

Generally applications will only be approved if:

- No previous option was given to the member due to an administrative error (e.g. service declared but the transfer quotation had never been requested).
- There has been an administrative delay in processing the initial request, which was received within the initial 12 months of active membership.
- There are exceptional circumstances that have prevented the employee from exercising their option within 12 months of active membership of the scheme.

Early Release of Benefits for former employees on ill-health grounds

18. Preserved benefits are payable if the authority (as the former employer) is satisfied (based on the opinion of a medical officer suitably qualified in occupational health) that the individual is permanently incapable of discharging efficiently the duties of his/her former employment. In these cases there would be no ill-health enhancement and no reduction in benefits.

Policy for Release of Benefits on Compassionate Grounds

19. Preserved benefits (other than for ill health cases) would only be released if an ex-employee's personal circumstances are such that the Authority agrees that he/she is prevented from working by the need to provide full-time care for a husband/wife/ partner/son/daughter who is suffering from a terminal or chronic illness and this results in financial hardship for the family.

The decision to release preserved benefits on compassionate grounds will be taken by the Head of People and Law in consultation with the Director of Resources and Executive Member for Resources.

In these circumstances any reduction in benefits could be waived at the Council's discretion. This decision will be taken by the Executive Member and Director of Resources based on the individual circumstances.

Further Information

20. Further information on the payment of pension benefits outlined in this statement can be obtained from the People and Development Team.