

Appendix 1

Reform of Public Sector Pensions and Arrangements in Flintshire County Council

Introduction

Following recommendations made by the Public Service Pension Commission, the Government is reforming the Local Government Pension Scheme (LGPS), along with other public service schemes.

As people are living longer, and drawing a pension for longer, the Government is proposing that changes should be made to the LGPS to ensure that:

- there is a fairer balance between what employees pay and the cost to employers and taxpayers, and
- the cost of providing pensions under public service pension schemes is affordable, not just now but in the decades to come.

The LGPS 2014 changes are designed to support the above aims and are summarised as follows:

Retirement Age Linked to State Pension Age

Future costs will also be managed by the link between the Scheme's Normal Pension Age and State Pension Age for all membership in the LGPS 2014. This link between longer life and pension age will negate a significant degree of the risk (and potential future cost) currently associated with increasing longevity.

Optional Retirement at Age 55

Employees will be able to retire from the age of 55 under the new regulations but would suffer an actuarial reduction (equivalent to the cost of early payment of pension and lump sum).

Career Average

The change to a career average or CARE basis for calculating benefits rather being based on final salary. Career average pensions are calculated each year then revalued rather than being based on the final year's pensionable pay.

The 50/50 Option

LGPS 2014 includes the option for members to pay 50% of the contributions for a 50% pension whilst retaining the full value of other benefits of the scheme. This is intended to attract non-members on low pay to the scheme and retain members who suffer periods of financial difficulty.

Contributions based on Actual Pay for Part Time Employees

In LGPS 2014, all members are proposed to have contribution rates determined by reference to their actual – rather than full time equivalent – pay which is not the case in the current scheme. This will mean that some part-time workers will pay a lower

Appendix 1

contribution rate than in LGPS 2008.

Managing Early Retirement Applications in Flintshire

Business As Usual

The Council currently operates an Early Retirement Policy and Flexible Retirement Policy which meet the provisions set out under the Local Government Pension Scheme (subject to approval of revised policy to reflect the 2014 changes).

Given the extent of organisational change via Service Reviews over the last 3-4 years, the majority of Early Retirements approved have been on the grounds of redundancy. The close monitoring of the Council's workforce establishment, together with other controls such as the Vacancy Management arrangements, have been successful in ensuring that redundant positions are deleted and that a similar role is not subsequently created or filled.

The requests for Early Retirement on other grounds (e.g. with Employer's Consent) have been minimal with no requests being made over the last 12 months.

In all cases, applications are closely scrutinised to ensure that the policy requirements are met, that the business case for release meets the organisational needs, costs are affordable and justifiable and can be fully met within a set payback period of three years.

Recent VR Scheme and Future Approach

The Council recently operated a Voluntary Redundancy / Early Voluntary Retirement Scheme. The Council were keen to ensure that decisions on applications were made on a sustainable basis with no significant impact on service continuity and performance. To achieve this, 'rolling' panels were held involving senior managers, HR, Finance and Trade Union representatives to enable effective decisions to be made.

The panels will have an on-going role in reviewing any further applications either as part of a further phase of the VR Scheme or any applications that arise from other programmes, such as the Value for Money Reviews. The key objective is to consider applications in the context of the range of changes that are happening including the Senior Management Review, Service Reviews, Value for Money Reviews etc, to ensure that the overall Organisational Design and workforce planning requirements for the Council are fully considered and likely impacts and outcomes still meet the Council's overall objectives.

The LGPS 2014 Changes

The LGPS changes will not impact directly on the progress of the Council's proactive Change Programme as the provisions for Early Retirement on grounds of redundancy are not affected.

The provisions will provide some additional options for employees who no longer wish to be part of the future at Flintshire, but where the deletion of their post is not currently an option, as individuals will be able to retire without consent at age 55.