

<b>TITLE OF REPORT:</b>	<b>Revision to the Early Retirement/Redundancy Payments for Teachers and members of the Teachers' Pension Scheme</b>
<b>REPORT OF:</b>	<b>Mike Barker, Strategic Director, Corporate Services and Governance</b> <b>Darren Collins, Strategic Director, Corporate Resources</b> <b>Sheila Lock, Interim Strategic Director, Care, Wellbeing and Learning</b>

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### **Purpose of the Report**

1. To recommend Council to agree a revised early retirement/redundancy payments policy for employees who are members of the Teachers' Pension Scheme (TPS).

### **Background**

2. The Council's Early Retirement Scheme for Teachers approved in 2004 allows employees aged 55 years and over to apply for retirement. Employees who do retire before their normal retirement age will receive an actuarially reduced pension from TPS. Where approval is given for the employee to retire with actual service, the Council pays the difference between the actuarially reduced pension and the actual service pension (mandatory compensation) and if the employee is a teacher at an individual school the school reimburses the Council.
3. The Council's 2004 scheme also allows for employees aged 55 and over who leave on the grounds of redundancy to receive pension at their actual service and an augmentation to their pension (discretionary compensation) by way of a table of added years dependent upon their length of service with Gateshead Council, and a redundancy payment based on the statutory table of weeks and pay. The mandatory compensation and discretionary compensation costs are directly paid by the Council over the course of the lifetime of the retired employee, rather than calculating a strain on the fund lump sum to reimburse the TPS. In that respect the cost is spread out over a number of years.
4. As redundancy is considered a dismissal under employment legislation, the Council, not the school, funds the compensation payments as well as the redundancy payment as the Education Act stipulates that costs incurred in the respect of dismissal or premature retirement of any member of school staff shall not be met by the school's budget unless there is good reason to do so.
5. In 2015/16 there was an overspend of £0.327m against the budget of £2.987m for compensation costs (11% overspend). Although in the last few years the overall number of pensioners supported by the authority has dropped by 4% (46 pensioners) from the 1,069 pensioners supported in 2014/15, the reduction is offset against the inflationary increases required to be applied to pension payments each year (April 2015 CPI indexation was 0.3%).

6. There have been amendments to the Council's Early Retirement Scheme for LGPS members and the Redundancy Policy to include enhanced redundancy payments for non-teaching employees. However, there have been no proposals made to remove the augmentation to actual service or to enhance the redundancy payment for employees who are members of the TPS.

### **Proposal**

7. The early retirement/redundancy payments policy for members of the TPS as proposed in Appendix 2 sets out the regulations and relevant procedures ensuring compliance with the TPS Regulations 2014 and the Teachers' (Compensation for Redundancy and Premature Retirement) Regulations 2015.
8. The main changes are to:
  - cease to release pension when the employee leaves on the grounds of redundancy; and
  - enhance the redundancy pay table and calculate redundancy payments using actual weekly wage. The redundancy payment will be calculated using the Council's enhanced redundancy payment table.

### **Recommendations**

9. It is recommended that the attached draft policy is agreed by Cabinet and referred to the Council for approval.

For the following reason:

To reduce the deficit on the compensation budgets therefore contributing towards the Council's effective financial planning and medium term financial sustainability.

### Policy Context

1. The proposed amendments to the Early Retirement and Redundancy Payments Policy will allow the Council to properly manage the severance arrangements for employees who are members of the TPS in circumstances where voluntary redundancy and early retirement in the interests of the efficiency of the service/ schools need to be considered.

### Background

2. When a member of the TPS requests early retirement, the Governing Body and/or the Council can approve to release the pension based on the actual service of the employee. Where this approval is given the school/Council funds the difference between the actuarially reduced pension (paid directly by the TPS) and the actual service pension. This is known as mandatory compensation and is paid on a monthly basis directly to the employee. As schools would have to fund this from their own school budget, no teacher has been given early retirement with actual service since the introduction of the 2004 Early Retirement Policy for Teachers.
3. Where members of the TPS have been made redundant, they have been made on the basis that the Council will release their pension based on their actual service, and for teachers who have worked continuously for Gateshead Council for 5 or more years they have had their service augmented by a number of added years that increases with their length of service. This augmentation is known as a discretionary payment and paid on top of the mandatory compensation. Teachers have also had a redundancy payment made to them based on the statutory table of weeks and statutory weekly wage.
4. As redundancy is considered a dismissal under employment legislation the Council, not the school, funds the mandatory and discretionary compensation payments as well as the redundancy payment as the Education Act stipulates that costs incurred in the respect of dismissal or premature retirement of any member of school staff shall not be met by the school's budget unless there is good reason to do so.
5. Mandatory and discretionary compensations are paid for the lifetime of the employee and on their death to the surviving spouse/partner. These costs are met from the Council's Premature Retirement Costs budget heading which has been over spent by £584,000 in 2013/14, £621,000 in 2014/15 and £327,000 in 2015/16.
6. Youth and Community Workers employed by the Council are also members of the TPS and have their pension released based on actual service. At present the augmentation of added years is not applied to these employees; however, they are given redundancy payments based on the Council's enhanced redundancy payment table.
7. Changes to the TPS regulations clarifies that redundancy payments based on enhanced weeks and salary are prohibited if pension is to be released at actual service. Therefore the arrangements for Youth and Community Workers need to be amended in line with the TPS regulations.

## Consultation

8. Consultation has occurred with the trade unions has taken place with regards to this proposal. Whilst they recognised that this would negatively impact their members they understood the reasons for the proposal and that this brought the Council in line with other local authorities.
9. The Cabinet members for Children and Young People and the Leader have been consulted on the proposals.

## Alternative Options

10. The alternative options would result in the Council not complying with the TPS regulations and/or not achieving the required budget savings.

## Implications of Recommended Option

### 11. Resources:

- a) **Financial Implications** – There are no financial implications arising from this report. In fact it will reduce the overspend within this budget heading.
- b) **Human Resources Implications** – The removal of releasing pension at actual service with added years may impact on the number of volunteers for redundancy across the schools and increase the number of compulsory redundancies.
- c) **Property Implications** - There are no property implications arising from this report.

12. **Risk Management Implication** - There are no risk management implications from this report.

13. **Equality and Diversity Implications** - There are no equality and diversity implications arising from this report, in fact this will ensure that members of the TPS across the Council/schools are treated equally.

14. **Crime and Disorder Implications** – There are no crime and disorder implications arising from this report.

15. **Health Implications** – There are no health implications arising from this report.

16. **Sustainability Implications** - There are no sustainability implications arising from this report.

17. **Human Rights Implications** - There are no human rights implications arising from this report.

18. **Area and Ward Implications** - There are no area and ward implications arising from this report.

**Background Information** - TPS Regulations 2014 and the Teachers' (Compensation for Redundancy and Premature Retirement) Regulations 2015