

WIRRAL COUNCIL

CABINET

24 JUNE 2010

REPORT OF THE DIRECTOR OF FINANCE

EARLY RETIREMENT COSTS 2009/10

1. EXECUTIVE SUMMARY

- 1.1. This report informs Cabinet of the cost of funding the Early Voluntary Retirement Scheme in 2009/10 and indicates the future costs relating to those retirements approved up to 31 March 2010.

2. BACKGROUND

- 2.1. Cabinet on 9 February 2006 received a report on 'Contributions to the Merseyside Pension Fund' that set out the implications for Wirral Council based upon the policy for the treatment of early retirement costs.
- 2.2. Employers are required to meet early retirement costs either by immediate lump sum payment of the capital cost or by instalments for up to five years with an appropriate interest adjustment for the deferred payment.

3. FUNDING OF EARLY RETIREMENTS – THE 2001 VALUATION

- 3.1. Following the 2001 actuarial valuation of the Pension Fund employers were allowed to agree an early retirement allowance figure, the cost of which was built into the employers' contribution rate. For the three years to 31 March 2005, an early retirement allowance of £5 million was built into the contribution calculation for Wirral. However, this was part of moving to a position, in common with other local authority pension funds, whereby such costs would be paid by the Council separate from the Pension Fund employer contribution.
- 3.2. Over the three years to 31 March 2005 the actual value of early retirements exceeded the allowance by £1,782,422 and this was repaid over a period of five years which commenced in 2005/06. The costs were apportioned to Departments and met from the sum included within the budget for pension costs equating to £413,000 per year from 2005/06 to 2009/10.

4. FUNDING OF EARLY RETIREMENTS – THE 2004 AND 2007 VALUATIONS

- 4.1. The Merseyside Pension Fund - Funding Strategy Statement is updated regularly and includes the policy on recovery of early retirement costs. In 2004 this stated

that for retirements after 31 March 2005, no early retirement allowances would be granted and that all such costs should be financed either by lump sum capital payments or annual instalments over a maximum of five years with the appropriate interest factor added. This policy has been re-affirmed in subsequent Funding Strategy Statements.

- 4.2. The Pension Fund now calculates the capital cost of early retirements granted each quarter and issues an account to recover this by instalments over five years. These instalments commence in the period following the retirement rather than in the following financial year. The costs are met by Departments as they result from decisions taken by Departments on the restructuring and realignment of services.
- 4.3. For 2009/10 the early retirements granted by Departments were as follows:-

Department	Number	Total Costs	Average Annual Cost
Adult Social Services	53	770,500	154,100
Children & Young People	20	469,400	93,880
Corporate Services	1	20,600	4,120
Finance	2	103,100	20,620
Law, HR & Asset Mgt	8	299,800	59,960
Pension Fund	1	25,900	5,180
Regeneration	14	837,700	167,540
Technical Services	3	125,300	25,060
Totals	102	2,652,300	530,460

5. FINANCIAL AND STAFFING IMPLICATIONS

- 5.1. Costs incurred by the Council on early retirements prior to April 2005 were apportioned in line with pension costs across departments and the costs of £413,000 per annum up to 2009/10 were reflected in the budget for increased pension costs.
- 5.2. From 1 April 2005 the costs of the Early Voluntary Retirement Scheme are charged directly to Departments. Therefore, whilst provision has been made within the budget for increased pension contributions any additional costs arising from the early retirement decisions are met by Departmental employee budgets.

Early retirements	Annual costs
2005/06	£358,000
2006/07	£196,000
2007/08	£283,000
2008/09	£234,000
2009/10	£530,000

5.3 Appendix 1 summarises the ongoing costs for each department based on retirements agreed to 31 March 2010.

5.4. There are no staffing implications arising directly from this report as these costs relate to employees who were granted early retirement in 2009/10.

6. EQUAL OPPORTUNITIES IMPLICATIONS

6.1. There are none arising directly from this report.

7. HUMAN RIGHTS IMPLICATIONS

7.1. There are none arising directly from this report.

8. LOCAL AGENDA 21 IMPLICATIONS

8.1. There are none arising directly from this report.

9. COMMUNITY SAFETY IMPLICATIONS

9.1. There are none arising directly from this report.

10 PLANNING IMPLICATIONS

10.1. There are none arising directly from this report.

11. LOCAL MEMBER SUPPORT IMPLICATIONS

11.1. There are no particular implications for any Members or wards arising out of this report.

12. BACKGROUND PAPERS

12.1. Merseyside Pension Fund – Funding Strategy Statement - November 2007.

13. RECOMMENDATION

13.1. That the cost of funding early retirements be noted.

IAN COLEMAN
DIRECTOR OF FINANCE

Estimated ongoing pension costs					
	2010/11	2011/12	2012/13	2013/14	2014/15
Adult Social Services	398,300	398,300	376,400	310,200	55,200
Children and Young People	349,500	312,700	246,100	130,200	84,400
Corporate Services	57,400	57,400	55,500	11,300	1,000
Finance	113,300	81,100	50,700	20,600	10,300
Law, HR & Asset Management	71,600	68,500	65,200	61,100	54,800
Pension Fund	5,200	5,200	5,200	5,200	5,200
Regeneration	199,100	183,000	173,300	170,200	156,700
Technical Services	97,100	83,800	62,600	32,600	20,800
Total	1,291,500	1,190,000	1,035,000	741,400	388,400

The table in paragraph 4.3 reflects the full annualised cost whereas the above reflects the actual quarterly payment profile e.g. for an employee retiring in November 2009 the department would pay one quarter of the annual cost in the 2009-10 financial year.