

WIRRAL COUNCIL

CABINET

25 JUNE 2009

REPORT OF THE DIRECTOR OF FINANCE

EARLY RETIREMENT COSTS 2008/09

1. EXECUTIVE SUMMARY

- 1.1. This report informs Cabinet of the cost of funding the Early Voluntary Retirement Scheme in 2008/09 and Cabinet is requested to note the report.

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 is being repaid over a period of five years which commenced in 2005/06. The costs are 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. The 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. The costs are exceeded by the savings delivered by the restructuring of services.
- 4.3. For 2008/09 the early retirements granted by Department were as follows:-

Department	Number	Total Costs £	Annual Cost 2008/14
Adult Social Services	50	531,600	123,300
Children & Young People	22	230,000	53,400
Corporate Services	3	193,100	44,800
Finance	0	0	0
Law, HR & Asset Mgt	0	0	0
Regeneration	4	42,200	9,800
Technical Services	1	10,000	2,300
Totals	80	1,006,900	233,600

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 are 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

- 5.3. There are no staffing implications arising directly from this report as these costs relate to employees who were granted early retirement in 2008/09.

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

FNCE/93/09