



People, Policy & Performance

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DW/LT

19 October 2007

Dear Sir/Madam

RE: REPORT PPP.79/07 – PENSIONS DISCRETIONS

The above report was circulated recently in preparation for your meeting of 22 October. Unfortunately there were some errors in on pages 3 and 4 (paragraphs 3.2 and 3.3) in the illustration of costs.

I attach a corrected version of these two pages and ask that you substitute them for pages 3 and 4 in your original report.

Thank you and I apologise for this error.

Yours sincerely

Head of Personnel and Development Services

2.1 Early Release in the Interests of Efficiency (ERS)

- The Council will adopt the discretion to make a compensatory payment to an employee who leaves the Council for ERS of an amount equal to **1.5 times** the statutory redundancy calculator.
- Each instance of ERS will be examined on its own merits. Compensatory payments will not normally be made unless there is a strong case for doing so.
- Where a compensatory payment is made it will be based on the employee's actual salary where this exceeds the statutory maximum.
- A compensatory payment will not be made to an employee who unreasonably refuses offers of suitable alternative employment.
- The decision on whether or not to agree to release an employee under ERS and whether or not to award a discretionary compensatory payment will rest with the Staffing Forum in liaison with the Director concerned.
- There will be an appeal process for employees not satisfied with the Staffing Forum's decision. It will be heard by the Chief Executive with a second appeal available to be heard by the Employment Panel.

2.2 Other Areas of Discretion available to employing authorities

The Local Government Pension legislation has a number of other discretionary areas on which Employing Authorities (i.e. Carlisle City Council) have to determine and publish a policy. They are listed in Appendix 2 and the proposal is to adopt or, where we have previously already adopted them, continue with them. They are unlikely to be onerous, or costly.

3 **POTENTIAL COSTS**

- 3.1 Potential costs will vary depending on the personal circumstances of each employee involved. It will also vary according to the number of redundancies and those leaving at the end of their fixed term contracts. Some specific examples have been worked up to provide an indication of potential costs. However these should be viewed with caution because it is impossible to give an all embracing prediction of costs.
- 3.2 During the five years April 2002 – March 2007 we made eight people redundant and did not renew the fixed term contracts of two employees with over two years service (the point at which redundancy becomes payable). If we had applied the proposed policy to these employees the costs would have been £264, 602. Costs under the existing policy were £403,498¹
- 3.3 Also, for illustrative purposes, if we take a specific example of a manager and a supervisor, both in their mid 50s, both with over 35 years of service, one

¹ Assuming an average life expectancy

earning a salary in the mid £20,000 range and one in the mid £30,000 range, it would have cost £105,144 under the existing policy and £78,420 under the proposed policy.

4 CONSULTATION

4.1 Consultation to date

- Initial discussions have taken place with the Trades Unions and their preference is for a policy which gives employees a choice of an 'up front' payment or additional pension service, depending on their personal preferences.
- SMT have been consulted and their views incorporated into the policy.
- Employees consultation is taking place at present.
- A specialist in the Local Government Pension Scheme has attended a meeting of the Employment Panel to provide advice and inform their recommendations. Members of the Executive, SMT and representatives of the Trades Unions were invited to attend.

4.2 Consultation Proposed

- Further consultation is being carried out with Trades Unions and any significant views will be made available to the Employment Panel at their meeting.

5 RECOMMENDATIONS

The Executive comment on the proposed policy to enable their views to be included in the final report to the Employment Panel.

6 REASONS FOR PROPOSED POLICY

- 6.1 The proposed policy strikes a balance between making fair and reasonable recompense to employees who lose their job and being prudent with public money.