

## CARMARTHENSHIRE COUNTY COUNCIL

### TERMINATION OF EMPLOYMENT BUSINESS CASE FOR RETIREMENT, SEVERANCE AND REDUNDANCY (R,S &R)

#### GUIDELINES FOR PRODUCING A BUSINESS CASE TO SUPPORT (R, S & R)

## INTRODUCTION

Carmarthenshire County Council aims to provide a stable and secure work environment for its employees whilst ensuring that the Authority has the ability to adapt and change to meet the demands of our service users and the National/Local government agenda. Employees will remain in employment until retirement but there may be occasions when this is not always possible and early retirement or redundancy may have to be considered.

Early retirement and redundancy can be very costly for the Authority and careful consideration must be given to all applications via this Business Case process. ***No commitment should be given to employees until this process has been fully completed and approved.***

These Guidelines have been developed to assist with this process and in particular aim to:

- ensure consistency and fairness in the approach applied to managing early retirement and redundancy within the Authority, whilst taking account of financial impact, service delivery and compassionate issues
- ensure compliance with the Authority's Severance, Redundancy, Early/Flexible Retirement and Redeployment policies
- ensure that any financial costs incurred are accurately identified and covered by savings over a **maximum period of not more than 3 years**

## COUNCIL POLICY

These guidelines should be read in conjunction with the Authority's Severance, Redundancy, Redeployment, Early/Flexible Retirement and Pension Scheme discretionary policies as appropriate.

## BUSINESS CASE

To comply with the Finance Act, please note the following procedures:

1. Validation/Certification is retained by 2 of 3 nominated Posts i.e Chief Exec, Director of Resources, Asst Chief Exec (PM&P)
2. The certification process **must** be completed **before** the notice of termination is even issued to the employee concerned
3. Financial Implications. This aspect and projected savings must be clearly qualified/quantified and include the effect of any grade reviews arising as a consequence of additional responsibility re-allocations.

4. The budget **will be** removed from the relevant Revenue allocations and/or costs recovered by annual deductions from the service budgets.

**Unless the Business Case, as presented, is timely and fully outlines the associated financial cost and savings, it will be returned and the termination process cannot proceed.**

## **TERMINATION ROUTES**

### **Age Retirement**

Employees who reach normal retirement age can opt to retire from their employment with the Authority and, if members of the LGPS, are entitled to receive immediate payment of unreduced pension benefits. Employees may also retire from age 55 onwards without the consent of their employer but retirement benefits may be subject to reduction. ***No business case is necessary.***

### **Ill Health Retirement**

Employees who are unable to work due to illness are referred to the Authority's Occupational Health Adviser. Consideration is given to modifying the duties or work situation and to redeployment. If neither of these options is possible, the employment may be terminated on the grounds of capability. If the employee is a member of the LGPS, then the matter is referred to the Pensions Fund's Medical Adviser for an assessment and certificate as to whether or not incapacity is sufficient for the award of ill health retirement benefits. ***No business case is necessary***

### **Voluntary and Compulsory Redundancy**

The underlying principle is that where there is an actual redundancy, then the actual post must be deleted from the structure, unless a clear business case can be presented to justify a "bumped" redundancy. (A 'bumped redundancy' occurs where a post is deleted within two or three tiers of the released employee's level. Managers should seek advice from an HR Advisor, as appropriate). **Employees given notice of redundancy must be considered for suitable alternative employment/ redeployment during the notice period with a view to avoiding the redundancy where possible.** However, if this is not possible, redundant employees will be entitled to a redundancy compensation payment\* (\*subject to discretionary compensation policies applicable for redundancy, as appropriate) and eligible members of the LGPS, aged 55 or over will be entitled to immediate release of pension benefits awarded in line with the Authority's policies. **A detailed business case must be submitted using the electronic business case <http://ladybirdhr/BusinessCase/Create> .**

### **Voluntary Severance/Early Retirement – Efficiencies of the Service**

Voluntary Severance/Early Retirement incentivises employees to volunteer to leave their employment subject to the eligibility criteria contained within the Authority's Severance Scheme and in line with the Council's Discretionary Compensation Policy. Voluntary severance ends the employment contract on a mutually agreed date, with no notice period applicable for either party or payment in lieu. Release of pension benefits will be considered for those LGPS members aged 55 or over

While the position is clear under a redundancy scenario, in that a post must be deleted from the Authority's structure, there is no definition to the term "efficiency of the service". Where this is being considered, **a detailed business case must be submitted using the electronic business case**  
<http://ladybirdhr/BusinessCase/Create> .

**In addition to service delivery implications, the Business Case must clearly identify the financial benefits that arise and how the associated costs covering actuarial strain and enhanced pension benefits offered from the termination will be covered from Revenue Budgets over a 3 year period**

### **Early Retirement - Efficiency of the Service**

There may be occasions when an employee may be released with the employer's consent, with immediate release of pension, providing it can be demonstrated that such a release is in the interests of the service. To qualify the employee must be aged 55 or over.

While the position is clear under a redundancy scenario, in that a post must be deleted from the Authority's structure, there is no definition to the term "efficiency of the service". Where this is being considered, **a detailed business case must be submitted using the form attached as Appendix B.**

**In addition to service delivery implications, the Business Case must clearly identify the financial benefits that arise and how the associated costs covering actuarial strain and enhanced pension benefits offered from the termination will be covered from Revenue Budgets over a 3 year period**

### **Early Retirement – Actuarially Reduced Benefits**

The LGPS Regulations provide that individuals, on attaining age 55 may elect to retire without the consent of their employer but retirement benefits may be subject to reduction. Where this is being considered, **a detailed business case must be submitted using the electronic business case**  
<http://ladybirdhr/BusinessCase/Create>

### **Rule of 85 (<sup>1</sup>For Eligibility)**

The 85 year rule is a test to assess whether a member's benefits would be actuarially reduced, if retiring before their Normal Retirement Age. If a member's age and 'calendar length' Scheme membership (measured in whole years), when added together, equalled 85 or more, a member's benefits would NOT be actuarially reduced after the age of 60. If the rule was NOT satisfied or the employee is between 55 and 59, a full actuarial reduction was applied to a member's benefits. However, consideration can be given by the employer to waive this reduction where the "Rule of 85" cannot be attained. (See discretionary compensation policies).

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<sup>1</sup> Determining eligibility was relatively straight forward: age plus LGPS membership in whole years had to be added together to equal at least 85. There are members who could have met the 85 year rule and who may be eligible to receive unreduced benefits at age 60. The "85 Year Rule" was abolished on 1 October 2006, with measures put in place so that scheme members on 30 September 2006 would have some or all of their membership protected in line with the "85 year rule". The various levels of protections depend on a member's date of birth, for details of the reduction applicable please contact the Pensions Department.

**Where this is being considered**, a detailed business case must be submitted using the electronic business case

<http://ladybirdhr/BusinessCase/Create>

## **FLEXIBLE RETIREMENT**

Flexible retirement is a planned approach to retirement for employees aged 55 years+ in line with the Authority's Flexible Retirement Policy. It involves a voluntary reduction in hours and/or move to a lower graded post and at the same time allowing access to accrued pension benefits. There may be actuarial reduction to the pension where employees retire before normal retirement age and do not fully qualify for any Rule of 85 protections (see Note 1 for further details). Where this is being considered, **a detailed business case must be submitted using the electronic business case**

<http://ladybirdhr/BusinessCase/Create>

## **COMPASSIONATE GROUNDS**

Pension benefits, once released, are payable for life. While it is expected that any early retirement process will consider all aspects, termination under compassionate circumstances should not be the sole reason for granting release of pension benefits. Where compassionate reasons are presented for consideration, particularly under Rule of 85 terminations, these should be outlined within the Business Case production. These can often be difficult and sensitive circumstances and, where possible, supporting documents should accompany the Business Case presented. There are financial implications falling on the employer in the majority of early retirement cases, therefore, due care must be given in this area.

## **ROLES AND RESPONSIBILITIES**

The **Employing Department** will be responsible for:

- Following the appropriate procedures and preparing the Business Case which includes:
  - Liaising with the employee
  - Seeking redeployment/suitable alternative employment opportunities via the Authority's Redeployment procedure
  - Providing reasons for releasing the employee and the impact on service delivery and budgets
  - Identifying a suitable termination date
  - In redundancy cases, identifying the post to be deleted from the structure.
  - Identifying cost code for recharges to departments
  - Ensuring identified budget codes confirmed by Group Accountant
  - Certifying the case (Service Director)

**People Management** will be responsible for:

- Assisting the Employing Department in the search for redeployment opportunities.

- Validating the business case to ensure that all the required information is included and that appropriate procedures and policies have been followed
- Confirming eligibility for long service awards (LSA)
- Requesting costs from Pensions Administration.
- Redundancy pay if relevant
- Ensuring that the case is approved by at least 2 of the following officers:
  - Chief Executive
  - Director of Resources\* (In release of pension cases)
  - Assistant Chief Executive (People Management)
  - or nominated representatives.
- Giving notice to the employee.

**Pensions Administration** will be responsible for calculating:

- Pensionable pay
- Calculating the value of the LSA
- Benefits estimates
- Cost to the Pension Fund/Actuarial Cost
- Monitoring the implications for the Corporate Fund.

This information will usually be returned to People Management within 14 calendar days.

## **TIMESCALES**

Once the Business Case has been submitted to People Management, sufficient time should be allowed for processing of the case.

## **FUNDING EARLY RETIREMENT – THE CORPORATE FUND APPROACH**

A corporate fund approach has been developed to recognise the financial implications of early retirements. The business case will need to demonstrate that there is an overall saving to the authority within 2 to 3 years.

## **DEVELOPING THE BUSINESS CASE**

All applications for early retirement, redundancy and severance must be supported with a **detailed business case submitted using the electronic business case** <http://ladybirdhr/BusinessCase/Create> . Guidance is provided and care must be taken to ensure that all relevant information is included. **Incomplete applications will be rejected and may result in the application and the retirement, redundancy or severance being delayed.**

**RETIREMENT, SEVERANCE & REDUNDANCY BUSINESS CASE GUIDELINES****PROCESS CHART**

**This should be read in conjunction with the attached Guidelines and Electronic Business Case.**

1. Potential early/flexible retirement, severance or redundancy case identified



2. Redeployment opportunities considered (Service responsibility - advice from PM)

**If redeployment is not an option**



3. Business case drafted (Service responsibility) – See R, S & R Business Case Guidelines and e-form



4. E-business case sent electronically to Human Resource, Job Evaluation, Pension Administration and Group Accountant for confirmation of redundancy/severance payment/LSA entitlement, JE implications, pension actuarial strain and financial costs of early release (Each section responsible)



5. E-Business Case sent electronically to Head of Service/Director for approval following discussion at Departmental Management Team (Service Responsibility)



6. Approved E-Business Case sent electronically to PM to review and seek electronic approval from Authorising Officers