

Voluntary Redundancy / Voluntary Early Retirement / Efficiency Retirement Policy

Policy Purpose

This policy provides guidance on the voluntary redundancy and early retirement options open to employees, and explains the process to employees and managers. These options are designed to help the Council manage workforce reductions having considered the need to maintain an efficient and effective service. They also enhance employee choice.

The voluntary redundancy and early retirement options will help the Council achieve financial savings, however efficiency retirement is not financially driven. None of the options available allow employees to receive 'added years' on their pension.

Document Control

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1 Policy application

- 1.1 This policy applies to all Council employees.
- 1.2 This policy does not apply where a manager becomes concerned about an employee's ability to carry out their role. Managers should deal with this through the normal channels, using either the 'Managing an Employee's Performance' or 'Managing an Employee's Capability' policies, whichever is more appropriate.

2 Principles

- 2.1 The Council will only approve Voluntary Redundancy (VR) or Voluntary Early Retirement (VER) if there is a saving for the Council. This means the post must be deleted and the cost of letting the employee leave must be less than 18 months of their salary, including on-costs.
- 2.2 The schemes are entirely discretionary and are not a right or entitlement for employees. All applications are subject to the final approval of a Strategic Director.
- 2.3 It is the employee's responsibility to consult their pension provider and seek independent financial advice before making any decision about redundancy or retirement.
- 2.4 The employee must discuss their intention to apply for voluntary redundancy or voluntary early retirement with their line manager.
- 2.5 Employees who take voluntary redundancy or voluntary early retirement will be entitled to annual leave in proportion to their leaving date.
- 2.6 All payments will be subject to any financial cap and taxation requirements set by government guidelines.

3 Voluntary Redundancy – VR

- 3.1 VR is open to all Council employees with more than two years' continuous local government service.
- 3.2 All applications will have to be considered on:
 - service grounds – the Strategic Director and Service Director will have to decide whether the service can continue to operate effectively if they agree to delete a post and release an employee
 - affordability – the post must be deleted and the cost of letting the employee leave must be less than 18 months of their salary and any other costs.

- 3.3 Applicants who are 55 or over who do not meet the VR affordability criteria might still be able to leave and receive their pension early if they are affordable for VER.
- 3.4 All employees with at least two years continuous service will receive a redundancy payment based on age and service. See the Redundancy Payments Ready Reckoner on iDerby.
- 3.5 Actual weekly earnings are used for calculating entitlement. If an employee's earnings vary, an average hourly rate will be calculated over a three month period.
- 3.6 **Local Government Pension Scheme under 55 years old**
Employees in the Local Government Pension Scheme (LGPS) and under 55 with at least two years' LGPS membership or who have transferred in benefits from another pension arrangement have two options. . .
- Deferring benefits – leaving your pension fund in the pension scheme until retirement age.
 - Transfer value – transferring pension rights to another arrangement. Derbyshire County Council's Pensions section at Matlock can provide a transfer value.
- 3.7 **Local Government Pension Scheme 55 years old and over**
Employees in the LGPS with at least two years' membership, aged 55 and over, and with at least two years continuous employment will receive:
- a redundancy payment as described in paragraphs 3.4 and 3.5
 - the automatic release of their pension benefits based on pensionable service.
- 3.8 **Teachers' Pension Scheme**
Employees in the Teachers' Pension Scheme should look on the Teachers' Pension website for information about voluntary redundancy. Employees should contact the provider directly for their individual pension benefits. These employees will receive:
- a redundancy payment as described in paragraphs 3.4 and 3.5.
- 3.9 The manager and employee will agree a leaving date.
- 3.10 Employees are not entitled to a redundancy payment if they leave on VR and start employment again within four weeks in local government or any organisation included in the Redundancy Payments Modification Order.
- 4 Voluntary Early Retirement – VER**
- 4.1 There is no provision under Voluntary Early Retirement for employees to receive a redundancy payment.

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- 4.2 Voluntary early retirement is open to employees in the LGPS who will be 55 or over at the date of retirement and have at least two years' membership of the scheme. They will receive:
- the release of their pension benefits based on pensionable service.
- 4.3 All employees in the LGPS who are 55 or over at the date of retirement and with at least two years' membership of the scheme can receive their pension early. However, unless the Council approves Voluntary Early Retirement, their pension will be actuarially reduced. This means a proportion of their pension will be reduced to cover the cost of the pension benefits being released early.
- 4.4 Employees in the Teachers' Pension Scheme should look on the Teachers' Pension website for information about early retirement. Employees should contact the provider directly for their individual pension benefits.

5 Efficiency Retirement – ER

- 5.1 There are occasions when the Council needs to provide a facility for retirement in circumstances that are not financially driven. Efficiency retirement allows a job to be filled when an employee retires.
- 5.2 The Council will allow employees to retire on the grounds of efficiency if it is in the interests of the Council. Employees will be required to enter into a formal agreement which will include a mutually agreed retirement date.
- 5.3 There is no provision under Efficiency Retirement for employees to receive a redundancy payment.
- 5.4 Efficiency retirement applies to all employees in the LGPS who will be 55 or over at the date of retirement and have at least two years' membership in the scheme. They will receive:
- the release of their pension benefits based on pensionable service.
- 5.5 Employees in the Teachers' Pension Scheme should contact the provider directly for their individual pension benefits.

6 Support and guidance

- 6.1 [FAQs](#) on VR can be found on iDerby.
- 6.2 If you are 55 or over and want to consider your retirement options, please read the [Retirement Policy](#) on iDerby.
- 6.3 Contact [Pensions at Matlock](#) for more information about the LGPS.
- 6.4 The [Teachers' Pension Scheme](#) has its own website.

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