



## **Premature retirements**

**Report to:** Schools Forum

**Date:** 12 February 2013

**Subject:** Premature retirements

**Contact:** Dan Mortiboys: [MortiboysD@walsall.gov.uk](mailto:MortiboysD@walsall.gov.uk)

**Purpose of the report:** To update Schools Forum around premature retirement discussions

**Recommendations:** Please see the final section

## 1. Background

1.1. Schools Forum received a report regarding premature retirements in December 2012. This report has formed a working group to look at the issue of premature retirement costs

1.2. The working group consisted of:

Jim Clarke

Max Vlahakis

Michelle Sheehy

Cathy Draper

Russ Bragger

1.3. The group met on 3 separate occasions to review the various issues and options

## 2. Important Clarification

2.1. A number of questions has been raised since these discussions began around what exactly a premature retirement and what an early retirement is. Therefore please note:

### Early Retirement

Where a member of staff chooses to retire with an actuarially reduced pension, this is an early retirement. There is **no cost** to the school or local authority.

### Premature Retirement

This is principally where there is redundancy situation and a member of staff aged over 55 is made redundant and retires. This retirement means the teacher gets the pension they have accrued with actuarially adjusted benefit. It is important to note there is no enhancement either. The actual policy states;

*“The council has adopted this Regulation to apply only to approved early retirements of teachers in the following circumstances:-*

1. *A school closure*
2. *The redundancy of teachers*
3. *Compassionate grounds*

*Each specific case will be judged equally and fairly on its own merits having fully considered service delivery and financial costs”*

The clearest way to categorise the two, is if the school is in a redundancy situation and initiates this process it will be a premature retirement. If the member of staff initiates this, it is an early retirement

2.2. If there are any queries around individuals, then please contact schools finance or pensions at Walsall Council for clarification

## 3. Findings of Working Group

3.1. There was extensive work done by the working group.

3.2. The first phase of the work was to establish the legal position and examine the legislation relating to this issue.

3.3. Once this had been clarified, there was further work on ensuring that a scheme that would not cause detriment to Walsall schools. Some initial options were run by the Education Funding Agency. Unfortunately despite the unanimous support of the working group, there were

objections from the EFA. The issue mainly related around that these suggestions would not fit in with the new financing regulations.

- 3.4. The thrust of the working group plans was to see that maintained schools would make an annual contribution to a central fund to share future risk. It is impossible to make this scheme compulsory or operate as a top slice and therefore the EFA rejected this.
- 3.5. There were then ongoing discussions between Walsall schools finance and EFA on a system which would get to the same outcome.
- 3.6. It appears that Walsall council will underspend on its centrally funded services in 2012/13. The changing nature and reduction of the Serco contract and continued reduction in all expenditure by the council to meet the challenging circumstances will see an underspend.
- 3.7. The suggestion would be that a proportion of this underspend would be treated as a 'properly assigned sum' for future years costs. The EFA did not wish to accept that. The EFA stated that any costs charged to DSG in the year for premature retirement would need to meet the criteria:

*"termination of employment costs, where the schools forum has approved the charging of these costs to the schools budget for the funding period in which they were incurred and the revenue savings achieved by the termination of employment to which they relate are equal to or greater than the costs incurred;"*

- 3.8. Clearly there have been insufficient premature retirements this year to charge a substantial amount of money to the budget.
- 3.9. Further options are yet to be explored with the EFA. While progress has been made, with a discussion at Primary Forum pending it was deemed appropriate to halt this to ensure the will of maintained schools was being observed

#### **4. Choices from the working group**

- 4.1. In essence the working group had identified 4 possibilities going forwards. These are not exclusive:
  - Go with the DfE standard. In effect if a school makes a premature retirement then that school picks up the cost. This in principle puts maintained schools in the same position as an academy
  - Form a voluntary 'insurance' scheme. Schools would pay a defined amount of money into a 'pot' held centrally. If a school needed to make a premature retirement then they could use these funds to cover the costs. Clearly any such scheme would need tight governance and would need the buy in of a large percentage of schools to work
  - With underspends on central budgets creating a surplus, allocate a proportion of the surplus to cover these costs. This would need EFA approval to be fair and equitable to all. This would then buy time for schools to explore other possibilities.
  - There has been significant discussion about whether the actual policy should be changed. In essence is it possible to stop teachers retiring in a redundancy situation at 55. This therefore potentially minimises this risk to all schools
- 4.2. It is important to note that Schools Forum is ultimately a financial decision making body on behalf of schools in Walsall. The only potential decision here would be use of a surplus. Schools Forum could be asked to endorse an insurance scheme but decisions around other actions could be made by other Forums or interested parties.
- 4.3. In essence Walsall will move to the default position. Officers are keen to work with schools on any options that schools would like to see to help manage the risk of this process.

## **5. Recommendations**

- 5.1. For Schools Forum to note that the premature retirement section of the Scheme for Financing Schools has been updated in line with the DfE default position.
- 5.2. For Schools Forum to note the work of the working group and to be aware of the various options which could be pursued and potential future papers that could be brought to Schools Forum