

Guidance on Flexible Retirement

This guidance explains the process for flexible retirement.

The Council recognises that employees need to plan for retirement and therefore seeks to support an employee with their retirement plans.

This guidance explains the process for flexible retirement. There is no automatic right to flexible retirement and requires authorisation in accordance with the Council's governance arrangements.

The aim of flexible retirement is to allow employees who have reached their 55th birthday the opportunity to amend their work life balance at no cost or with cost savings to the Council by way of a reduced wage bill.

Flexible retirement allows an employee to take a graduated approach to their retirement. The employee continues to work and access their pension at the same time, however their contractual working hours or pay grade must be reduced.

Flexible retirement will be considered where an employee is looking to change their terms and conditions in one of the follow ways:

Reduce their contractual working hours by 40 percent or more

- Any reduction in hours will be made contractually permanent and must be at least a 40 percent reduction in previously contracted hours, i.e. a full time employee working 36 hours a week must reduce their weekly hours by at least 14.5 hours and would not be permitted to work more than three days per week.
- The employee will be unable to work additional hours above the newly (reduced) contracted hours whilst in that post*

Work at a lower pay grade that would equate to a reduction in pay of 40 percent or more

*A reduction of less than 40 percent will only be considered where there is no pension cost charged to the employer.

The pension is paid based on benefits built up to date. The pension benefits could be subject to actuarial reductions. The amount of reduction depends upon how early the benefits are taken before normal pension age.

The guide to the reductions that could be applied can be found at

<https://www.lgpsmember.org/more/reductions.php>

If the employee was a member of the Local Government Pension Scheme between 1 April 1998 and 30 September 200, some or all of the benefits that are paid early could be protected from the reduction by the rule of 85. More information about the rule of 85 protections can be found at:

<https://www.lgpsmember.org/more/eightyfive.php>

Following flexible retirement, the employee will be contractually enrolled into the Local Government Pension Scheme in respect of their newly (reduced) contracted hours post or less senior position, but has the option to opt out of the pension scheme.

Employee Responsibility/Operating Instructions

The employee is responsible for:

- Seeking independent financial advice before making any decision in relation to retirement. Neither Pension Services, HR or their manager are able to provide financial advice.
- Discussing their interest in flexible retirement with their manager at the earliest opportunity and asking them to consider if there would be any opportunity for them to reduce their contractual hours or grade and flexibly retire.
- Submitting a request in writing to their manager for consideration highlighting how the work they are currently doing can be reduced or downgraded to allow their manager to consider their case whilst meeting the business needs and containing costs.
- If the flexible retirement request is approved, completing the 'Retirement Declaration Form' and returning this to the Pension Team. It takes approximately six weeks for payment of the pension to commence. Failure to return the form will delay the payment of their pension.

Managers Responsibility/Operating Instructions

The manager is responsible for:

- Considering any flexible retirement requests from their employees.
- Meeting with the employee to explain clearly that if there is a cost to the employer (via a pension strain charge) then the flexible retirement request will not be authorised.
- Producing a business case, including any associated costs or cost savings for agreeing to the flexible retirement or not.
- The manager must show that there is no increase in employer costs by allowing the request. The manager must discuss and send the initial request for flexible retirement to their relevant HR Business Partner for discussion, who will then obtain estimates of benefits payable and associated costs from the Pensions administrators.
- If there is a pension charge to the employer, the flexible retirement request cannot be authorised.
 - Arranging a meeting with the employee to explain that flexible retirement cannot be authorised and confirming this in writing to them. There is no right of appeal against this decision.
- If there is no employer pension strain, arranging a meeting with the employee and providing them with a copy of the pension estimate. The employee who will need a reasonable period of time to consider the estimate before they decide if they wish to proceed with flexible retirement or not. It is important that the employee is informed that if they wish to proceed then appropriate approval is still required.
- Once the employee has confirmed that they wish to proceed with their request, the business case must be produced. The business case should include:
 - When does the employee wish flexible retirement to start.
 - How could the reduced hours/alternative role (at reduced pay grade) be accommodated.
 - What would be the impact on operational service deliver?
 - What would be the impact on the wider team?
 - Is there any benefit to the department?
 - Does the employee have particular skills and experience, if so, how could these be replaced?
 - Would the vacated hours/post be replaced?
- Discussing the business case with their manager and submitting it to the Executive Director for consideration/approval.
- If approved the Executive Director will forward the business case to the Director of Human Resources to gain final approval or not.
- Where flexible retirement cannot be supported or is not granted by the Director or Director of Human Resources, meeting with the employee to notify

them of the outcome and explain the reasons for the decision. The decision must be confirmed in writing to the employee. There is no right of appeal.

- Where flexible retirement is approved meet with the employee to inform them of the decision and to confirm their retirement arrangements.
 - The effective date for flexible retirement should be the last day of the month. This allows effective processing of the pay and pension.
- Flexible retirement – reduction in hours. Notify the IBC via the on line Employee Record Change, specifying 'Flexible retirement' as the reason for change.
- Flexible retirement – reduction in grade. Complete an appointment form so the IBC can progress recruitment into the new role, however, you also need to notify the IBC that the appointment relates to flexible retirement so they can provide the necessary payroll data to the Pension Team.