

FLEXIBLE RETIREMENT POLICY AND GUIDE

Human Resources and Organisational Development



PLYMOUTH
CITY COUNCIL

CHANGES

March 2010: Styling revised in line with corporate guidelines.

September 2011: Revised styling and remove reference to age 50.

November 2014: Policy reviewed and some terminology updated following introduction LGPS 2014 scheme.

Policies are available in large print, Braille or other languages.

If you would like help understanding the contents of this policy, please speak to your line manager or contact the HR Policy Team for assistance.

I PURPOSE

Arising from the implementation of the Local Government Pension Scheme Regulations 1997, and the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 and the Local Government Pensions Scheme Regulations 2013, this policy outlines the council's discretionary arrangements regarding flexible retirement.

This policy replicates the authority's flexible retirement scheme policy, which was effective from 01 April 2006 and was amended in 2008.

2 IN SCOPE

The policy applies to all Council employees who are active contributing, members of the Local Government Pension Scheme (LGPS). The policy applies solely to the release of pension benefits.

3 OUT OF SCOPE

Employees transferred from the Learning and Skills Council. Please contact the Pensions Section for further advice/guidance.

4 NOTIFICATION OF FUTURE CHANGES

These are by definition 'discretionary arrangements'. Should the discretions be revised, under the regulations the Council must, before the expiry of one month from the date of revision of the policy:

- a. Send a copy of the revised policy statement to the pension scheme administering authority.
- b. Publish the revised policy statement.

5 WHAT IS FLEXIBLE RETIREMENT?

Flexible retirement was first introduced into the Local Government Pension Scheme regulations in April 2006. The aim of this regulation was to allow an employee to move gradually into retirement and for the employer to retain valuable knowledge and skills.

The Local Government Pension Scheme allows employees to draw their pension benefits and continue in employment, provided their employer agrees. An employee may request flexible retirement provided they are over 55 and also providing:

- they reduce their hours; and/or
- they reduce their grade; and
- the Council approves the request

6 BENEFITS OF FLEXIBLE RETIREMENT

6.1 For Plymouth City Council

Flexible retirement can be beneficial to the authority in helping to retain skilled employees who may otherwise leave their job and can be useful in succession planning arrangements, particularly in specialist roles.

6.2 For the employee

Flexible retirement will enable employees to move gradually into full retirement and may also help with the work/home life balance.

7 RELEASE OF PENSION BENEFITS

The Council will only consider requests for flexible retirement that meet the criteria outlined below. However, the Council will not approve requests, for release of pension benefits, where there is a cost to the authority for releasing the benefits.

Please be aware that, even if your request for release of pension benefits is refused, this does not affect any entitlement you may still have to reduce your working hours and/or grade.

Benefits payable through flexible retirement may be subject to an 'actuarial reduction', if the 'earliest retirement date' has not been reached. The Council will not waive this reduction.

8 CRITERIA

The employee's request must be accompanied by a business case outlining his/her reasons and what he/she perceives to be the benefits to the Council.

Each application will be considered on merit. Individual circumstances may be taken into account where reasonably practicable; however, the needs of the service must always be the priority. In considering any flexible retirement request, the following will be taken into account:

- Cost to the authority in releasing the pension benefits
- Impact on service delivery and work performance
- Requirement/ability to recruit to the vacated hours or grade
- Additional costs as a result of recruitment or training to the vacated hours or grade
- Capacity to re-allocate work amongst co-workers
- Suitability of individuals proposed working arrangements, i.e. days, hours etc

8.1 Reduction in hours

The reduction in hours should result in at least a 25% reduction in gross pay, regardless of whether the employee is full or part time.

The actual arrangement of working hours should be made with the employing manager.

All terms and conditions of employment, salary, leave entitlement; etc will be pro rata to the agreed reduction in hours.

The reduction in hours must be permanent, with a new contract issued. No additional hours must be worked in this post; however, where an unforeseen situation arises and additional hours are worked, these will not be paid and must be taken as time in lieu.

Due to the release of pension benefits, existing Local Government Pension Scheme (LGPS) membership will cease. If the employee wishes to pay into the LGPS on their new contract they may do so. The default position is that they will continue to pay contributions but if they want to opt out of membership on the new contract they will need to obtain an opt out form from the Administering Authority.

If contributions continue, upon eventual 'full retirement', a second pension becomes payable based on the reduced hours and/or grade and length of service in the second pension. This second pension will not be subject to the 85 year rule OR any protection in respect of the 85 year rule.

8.2 Reduction in grade

A reduction in grade should normally be to an established post within the team/section. In exceptional cases, a move to a post elsewhere within the department may be agreed through negotiation with the department manager.

It will be the responsibility of the employee to identify suitable alternative vacant posts at a lower grade as part of their business case. The Council and the employee's manager will not undertake to do so for them.

Any appointment, to identified posts, will be on merit through the normal selection process, unless the organisation structure permits a transfer to the post under the terms of the action plan.

The reduction should be a minimum of one grade lower and should result in at least a 25% reduction in gross pay.

All terms and conditions of employment, salary, leave entitlement, etc will be those applicable to the post and its attendant grade. Any pay protection already in place at the time the flexible retirement commences will cease immediately, as the arrangement is a voluntary agreement and the employee will be in receipt of pension.

Due to the release of pension benefits, existing Local Government Pension Scheme (LGPS) membership will cease. If the employee wishes to pay into the LGPS on their new contract they may do so. The default position is that will continue to pay contributions but if they want to opt out of membership on the new contract they will need to obtain an opt out form from the Administering Authority.

If contributions continue, upon eventual 'full retirement', a second pension becomes payable based on the reduced grade (and/or hours if applicable) and length of service. This second pension will not be subject to the 85 year rule OR any protection in respect of the 85 year rule.

9 APPLYING FOR FLEXIBLE RETIREMENT PENSION

To minimise delays in payment of benefits, employees should commence their application for flexible retirement at least two months before the actual date they wish to draw their pension benefits.

9.1 Step 1

If an employee wishes to apply for flexible retirement, they should first discuss their proposal with their line manager. Their manager may agree to their request in principle, subject to receipt of information from the pensions section about the costs involved, which they will obtain, via the HR adviser for the department, by completing form FR (REQ). If any pension costs are identified, then the employee's request to release their pension benefits will automatically be refused.

No absolute agreement can be made until it is confirmed that there will be no costs involved.

9.2 Step 2

The HR adviser will receive either an estimate of pension benefits, form FR1 and the acceptance form, if no costs have been identified, OR form FR2, if costs have been identified. If form FR2 has been sent to the HR adviser, then the pension benefits cannot be released.

Please be aware that, even if your request for release of pension benefits is refused, this does not affect any entitlement an employee may still have to reduce their working hours and/or grade.

9.3 Step 3

If your HR Adviser received a form FR1, the acceptance form and an estimate, then the employee will be given a copy of the estimate. They should ensure that they are happy with the estimated benefits before finally agreeing with their line manager to the release of pension benefits and their reduction in hours and/or grade.

If the benefits are released, the pension will be paid within 1 month of the date of reduction of hours and/or grade. Once in payment it cannot be re-calculated and any 'actuarial reduction' cannot be rescinded.

If, after taking flexible retirement, the employee retires fully but is still aged under 65, any pension benefits accrued during the second period of membership would be reduced, unless they defer the payment until age 65.

Note: all relevant forms will be sent by the pensions team only.