

## **Human Resources**

# **Procedure for Dealing with Requests for Flexible Retirement**

**Effective from 18 March 2015**

# **HR**

## **PROCEDURE FOR DEALING WITH REQUESTS FOR FLEXIBLE RETIREMENT**

### **1. Flexible Retirement**

- 1.1. The tax regime introduced from 2006 permits the concept of members of occupational pensions schemes drawing all or part of their accrued Local Government Pension Scheme (LGPS) benefits whilst continuing in employment with the same employer. Within the LGPS flexible retirement can only occur where there has been an actual reduction in hours or grade.
- 1.2. Where there has been such a reduction employers may therefore permit scheme members to draw all or part of their accrued rights whilst continuing in employment with the same employer as long as they have attained age 55. As with other early retirement provisions, depending on their age and length of membership, they may suffer a reduction to the value of their accrued pension and lump sum.
- 1.3. This regulation also requires the amount of any pension taken as part of a flexible retirement is taken into account, in line with GAD guidance, when a final pension is taken under other provisions.

### **2. Council Policy on Applying Discretionary Provisions**

- 2.1 The council's current policy states that applications for flexible retirement made under the provisions of the Local Government Pension Scheme Regulations 2013 (as amended) will be considered as follows:

The Council will allow, subject to the identification and resolution of any business delivery issues, flexible retirement in cases where there is no or only minimal cost\* to the Council. **In addition, the employee's new combined gross contractual salary and pension payments must not be in excess of the pre-retirement earnings on which the pension benefits were based.** Before exercising delegated authority the CHRO must consult with the Director of Finance and Resources and the Borough Solicitor and Secretary.

Employees being granted flexible retirement will normally be expected to remain on the new contractual Terms and Conditions of employment until the date of termination of their employment with the council.

The only exception to this ruling will be if/when the employee incurs any salary increment or annual salary 'cost of living' or pension increase award as this does not justify a 'significant' change to contract. Any other Council-imposed pay increases (for example assimilation onto a higher grade as a result of restructuring) will also not incur any claw back to the pension.

Where there is likely to be more than a minimal cost\*, the case will be considered by the appropriate Member Committee and discretion under this Regulation will only be exercised after "careful consideration of the detailed merits of each individual case taking into account the Council's financial position at the time and the balance of the likely costs against any realisable benefits to the Council".

The council will only exercise its discretion under this regulation to waive, in whole or in part, any actuarial reduction after careful consideration of the detailed merits of each individual case taking into account the council's financial position at the time and the balance of the likely costs against any realisable benefits to the council.

Where a case involves a Chief Officer the CHRO will not exercise delegated authority and instead the case will be referred to the appropriate Member Committee for decision.

*\*Minimal cost refers to circumstance whereby, in one or two quite rare cases, there is a small cost (in the order of a few hundred pounds) even where the individual is suffering an actuarial reduction to their benefits. In all other cases authority is not delegated to officers where there is a cost. (Irrespective of the business case). Such cases must be referred to the appropriate Member Committee for decision.*

- 2.2 This facility only applies to members of the Local Government Pension Scheme. Employees can now remain contributors to the Council's pension scheme up to the day before their 75th birthday. In addition there are now provisions allowing pensions scheme members to receive payment of their pensions with their employers consent whilst continuing to work in a reduced or part-time capacity.
- 2.3 Under these arrangements an employee who reduces their hours or grade either by their request or action by the employer, who is over 55 may take their pension benefits with employer consent and remain in employment.
- 2.4 In these circumstances the pension benefits (annual pension and lump sum retirement grant) are subject to reduction due to early payment, unless staff have protected rights or the employer chooses to "waive the reduction" and pay unreduced benefits. Waiving the actuarial reduction could be a substantial cost to the employer that must be paid into the fund immediately. Therefore in accordance with Council policy waiving the reduction would only be considered where there is a robust business case showing an overall benefit to the authority.
- 2.5 Decisions to waive the actuarial reduction that would result in more than a minimal cost to the Council could not be made by the CHRO under delegated authority and would need to be referred to the appropriate Member Committee.
- 2.6 In addition it should be noted that Redbridge Council policy states that the employee's new combined gross contractual salary and pension payments must not be in excess of the pre- retirement earnings on which the pension benefits were based.

### **3. Protocol for Processing Requests (except Chief Officers)**

- 3.1. Where an employee wishes to be considered for flexible retirement they should initially write to their line manager.
- 3.2. The line manager should then arrange a meeting with the employee in order to discuss the matter and identify and resolve potential business delivery issues that might result.
- 3.3. It should be noted that Flexible Retirement requests will often take between two and three months to be processed from the initial enquiry stage through consideration by the Discretionary Payments Panel, decision by the CHRO and on to payroll amendment. This timeframe can be longer where there is more than a minimal cost involved, as the case must be referred to the appropriate Member Committee for decision. This should therefore be taken into account when discussing proposed dates for change of hours/grade.
- 3.4. Subject to the resolution of any business delivery issues the manager should consult with their Chief Officer and request an estimate of pension benefits and costs from the pensions section. **This request should be routed through an ER Advisor or HR Business partner.**
- 3.5. There is normally a 10 working day turnaround for pension estimates; however at times of peak load (for instance around budget reviews) this timeframe may need to be extended. The manager will be informed if this is the case.
- 3.6. Upon receipt of the estimated pension benefits and costs the manager should consult with their Chief Officer and compile a costed business case using the template attached at Appendix 1. The business case should include details of any

costs (payments to pension fund in respect of early payment of benefits, costs in respect of additional part time employees or additional hours required to cover the employees reduced hours/grade, recruitment costs etc) together with details of the expected benefits to the Council of agreeing the request.

- 3.7. Managers must have a solid business rationale for supporting an employee's flexible retirement.
  - 3.8. The manager should then discuss the potential pension benefits and the effects of the proposed hours/grade reduction with the employee to ensure they are in agreement with the request being progressed. Redbridge Council policy states that the employee's new combined gross contractual salary and pension payments must not be in excess of the pre- retirement earnings on which the pension benefits were based
  - 3.9. Following confirmation that the employee wishes to proceed with flexible retirement, and where this would result in no or only minimal cost to the Council, the Chief Officer should submit the costed business case to the Discretionary Payments Panel (DPP) via an ER Advisor or HR Business Partner.
  - 3.10. Based on the supporting information the DPP will make a recommendation to the Chief Human Resources Officer (CHRO) as to whether or not the request should be accommodated.
  - 3.11. In accordance with Council policy each case will be considered on its merits.
  - 3.12. Where agreeing the flexible retirement would result in a potential cost to the Council that is more than minimal the case cannot be dealt with under delegated powers by the CHRO. Such cases must therefore be referred to the appropriate Member Committee for consideration and decision (in normal circumstances this will be General Purposes committee).
  - 3.13. The employee must not reduce their hours or grade until either
    - the case has been considered by the Discretionary Payments Panel, and the CHRO has exercised delegated authority to agree the flexible retirement
    - or
    - the case has been considered and agreed by the appropriate Member committee
  - 3.14. Once flexible retirement has been agreed the manager should notify Pay and Contracts and Pensions of the revised hours/grade and the date these are effective from. **This information should be routed through an ER Advisor or HR Business partner**
4. **Protocol for Processing Requests (Chief Officers)**
    - 4.1. Where a Chief Officer wishes to be considered for flexible retirement they should initially write to their line manager.
    - 4.2. The line manager should then arrange a meeting with the Chief Officer in order to discuss the matter and identify and resolve potential business delivery issues that might result.
    - 4.3. It should be noted that Flexible Retirement requests will often take more than three months to be processed from the initial enquiry stage through consideration by the appropriate Member Committee and on to payroll amendment. This should therefore be taken into account when discussing proposed dates for change of hours/grade.

- 4.4. Subject to the resolution of any business delivery issues the manager should request an estimate of pension benefits and costs from the pensions section. **This request should be routed through an ER Advisor or HR Business partner.**
- 4.5. There is normally a 10 working day turnaround for pension estimates; however at times of peak load (for instance around budget reviews) this timeframe may need to be extended. The manager will be informed if this is the case.
- 4.6. Upon receipt of the estimated pension benefits and costs the manager should compile a costed business case using the template attached at Appendix 1. The business case should include details of any costs (payments to pension fund in respect of early payment of benefits, costs in respect of additional part time employees or additional hours required to cover the employees reduced hours/grade, recruitment costs etc) together with details of the expected benefits to the Council of agreeing the request.
- 4.7. Managers must have a solid business rationale for supporting a Chief Officer's flexible retirement.
- 4.8. The manager should then discuss the potential pension benefits and the effects of the proposed hours/grade reduction with the Chief Officer to ensure they are in agreement with the request being progressed. Redbridge Council policy states that the employee's new combined gross contractual salary and pension payments must not be in excess of the pre- retirement earnings on which the pension benefits were based
- 4.9. Following confirmation that the Chief Officer wishes to proceed with flexible retirement a report, incorporating the costed business case, should be submitted to the appropriate Member Committee (in normal circumstances this will be the Appointments Committee).
- 4.10. In accordance with Council policy each case will be considered on its merits.
- 4.11. The Chief Officer must not reduce their hours or grade until the case has been considered and agreed by the appropriate Member committee
- 4.12. Once flexible retirement has been agreed the manager should notify Pay and Contracts and Pensions of the revised hours/grade and the date these are effective from. **This information should be routed through an ER Advisor or HR Business partner.**

Human Resources

February 2015

**FLEXIBLE RETIREMENT REQUEST - BUSINESS CASE**

Request Date:	Originator:	Ext:
<b>1. BACKGROUND INFORMATION</b>		
Name:	New Grade:	
Date of Birth:	New Hours of Work:	
Job Title:	New gross contractual pay £	
Service Area/School:	Pension at time of flexible retirement £	
Workplace:	Combined new gross contractual pay and pension £	
Current Grade:	Pensionable pay used for calculation of pension £	
Current Hours of Work:	Length of Service with LBR:	
Normal retirement Date:	Total Local Government Service:	
Flexible Retirement to take effect from:		
<b>2. NATURE OF REQUEST<sup>1</sup></b>		
a. Reduced hours      b. Reduced grade      c. Reduced hours/grade		
<b>3. BUSINESS/SERVICE DELIVERY RATIONALE<sup>2</sup></b>		
The business case should include details of any costs (payments to pension fund in respect of early payment of benefits, costs in respect of additional part time employees or additional hours required to cover the employees reduced hours/grade, recruitment costs etc) together with details of the expected benefits to the Council of agreeing the request.		
Signed .....		
Print Name ( <i>Manager/Headteacher</i> ) .....		
Date .....		

<sup>1</sup> Delete those that do not apply.

<sup>2</sup> Please continue on a separate sheet if necessary.

**4. COST/BENEFIT CALCULATION**

- a) Up front cost of payment of early pension: £.....
- b) Additional costs identified in business case £.....
- c) Total cost of Flexible Retirement [4(a) + 4(b)] £.....
- d) Annual Savings accruing from reduced hours/grade etc: £.....

**5. APPROVAL**

I support / do not support this request for flexible retirement

Signed .....

Print Name (*Director/Head of Service/Chair of Governors*) .....  
(Please delete as appropriate)

Date .....

**6. For use in Human Resources**

Signed .....

Print Name (*HR Advisor/Business Partner*) .....

Date .....