

Flexible Retirement Policy

1. Introduction

- 1.1 Flexible retirement was introduced into the Local Government Pension Scheme in 2006. It enables an employee who has attained the age of 55 to draw pension benefits whilst continuing in employment, provided that the employee's hours are reduced and/or the employee is employed at a lower grade. Flexible retirement can only occur with the Council's consent as employer.
- 1.2 Flexible retirement offers a number of potential advantages both to the employee and to the Council.
- 1.3 From the employee's point of view, flexible retirement offers a gradual easing into retirement, and the opportunity to achieve an acceptable work/life balance. Many employees currently go from working full time hours to complete retirement representing a significant culture change. Working flexibly up to retirement can allow a more gradual transition.
- 1.4 From the Council's point of view, flexible retirement may facilitate the retention of expertise and knowledge of experienced employees, and may offer the opportunity of better succession planning and the transfer of skills and knowledge, as well as improving staff morale.
- 1.5 This Policy sets out how the Council will approach requests for flexible retirement. In formulating its policy, the Council has considered the potential benefits of permitting flexible retirement, its cost, and the extent to which exercising this discretion might affect public confidence in local government.
- 1.6 The Policy applies to all employees who are members of the Local Government Pension Scheme, and who have reached the age of 55.

2. Background – The Regulations

- 2.1 The Local Government Pension Scheme Regulations, as amended, provide that employees who are members of the Scheme and who have attained the age of 55 may with the Council's consent reduce their hours and/or grade. With the Council's consent, such employees may draw their local government pension whilst continuing to work. In addition, they may remain in the Local Government Pension Scheme until the day before their 75th birthday, building up further benefits in the Scheme.
- 2.2 Under the flexible retirement provisions, if the payment of pension benefits takes effect before the employee's 65th birthday, the benefits payable are to be reduced in

accordance with guidance issued by the Government Actuary, although the Council, as employer, may choose to waive, in whole or in part, any such reduction.

- 2.3 The pension benefit which an employee may receive will be dependent on the employee's personal circumstances. The actuarial reduction will depend on the application to the employee of the "85 year rule". An estimate of the pension benefits which would be payable to the employee, and any cost to the Council of the pension being put into payment early, should be obtained from the Lancashire County Council at an early stage.

3. Policy

- 3.1 Requests for flexible retirement will normally only be considered where the request is for a reduction of at least 20% in hours in the current post, or a reduction of at least 20% of salary through taking up a lower graded post or other post with fewer hours.
- 3.2 Whilst it is likely that requests for flexible employment will most frequently be made by employees wishing to reduce their hours in their current position, requests may be made in respect of any lower graded position within the employee's Service or the Council as a whole. An employee who wishes to take up any lower grade post or another post with fewer hours must apply for advertised vacancies in the normal way.
- 3.3 Flexible retirement may be considered where ill health is not an option but where, for medical reasons, a reduction in hours and/or the level of the work would be mutually beneficial to the employee and to the Council.
- 3.4 Once flexible retirement has been approved, the Council will not normally allow the employee to work additional hours (temporarily or permanently) or be appointed to a higher grade post or a post with higher contractual hours within the Council. Any exception to this must be agreed by the Chief Executive. This provision would not apply where the grade of the employee's post is increased as a result of Job Evaluation after the flexible retirement has been granted.
- 3.5 An employee's earnings, including pension payments under the scheme, will not generally be permitted to exceed the employee's earnings immediately before flexible retirement. To allow otherwise might affect public confidence in local government. HR will confirm that the employee's earnings are within this rule.
- 3.6 Each request for flexible retirement will be considered on its merits, and will only be approved if it is in the Council's economic and/or operational interests to do so. In particular, the relevant factors to consider will be the effect of the request on service delivery and performance, any need to reorganise the way in which the relevant Services are provided, the need and ability to recruit any other person to enable the services to be maintained, the effect of any reduction in grade upon the duties which are required to be carried out and how they would otherwise be undertaken, and any cost to the Council if the request were to be approved.
- 3.7 Although the Council has discretion to waive in whole or in part any reduction in pension benefits for an individual arising as a result of the flexible retirement, it will not generally do so unless there are exceptional circumstances. Each case will be considered on its merits.
- 3.8 It should be noted however that, even without such waiver, flexible retirement may in some cases incur a financial strain on the pension fund which the Council would be required to meet. Such costs will be considered as part of the overall business case.

Requests will only be approved when it is in the Council's interests to do so. All costs falling on the Council as an employer must be affordable and be funded within existing budget limits over the next three years, or able to be met from savings arising from the proposed flexible retirement. Depending on the nature of the proposed funding, it is possible that Cabinet approval may be required.

4. Requests for Flexible Retirement

4.1 Prior to making any formal request for flexible retirement, an employee may discuss the matter informally with their line manager, and may ask the Human Resources Manager to obtain an estimate of their retirement benefits.

4.2 Any formal request for flexible retirement should be made in writing by the employee to the relevant Service Head, if possible between three and six months prior to the date the employee wishes the flexible retirement to commence. The request should contain details of the proposed change, the date on which they would like the arrangements to commence, and the effect they anticipate the change may have on their role, their colleagues, service delivery and the Council, and how this could be accommodated.

4.3 The Service Head will consider the request in the light of the provisions of this Policy, and may meet with the employee to discuss the request further. The employee may be accompanied at such a meeting by a trade union representative or colleague, and the Service Head may invite the employee's line manager and/or a Human Resources Officer to attend. The Service Head must consult Financial Services and Human Resources.

4.4 The Service Head will then make the decision to approve or decline the request. If the Service Head declines the request they will write to the employee and set out the reasons why the request has been declined. If the request is granted the Service Head will complete a change of conditions form and Human Resources will make the necessary arrangements to amend the employee's contract of employment, and arrange for the release of pension benefits.

4.5 If the request is not granted, or the arrangements approved are different from those originally requested the employee has the right to appeal to the Chief Executive. The Chief Executive will consider the request and the recommendations made by the Service Head and will provide a response in writing to the employee. There is no further right of appeal after this stage.