



# Policy – Flexible Retirement

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|-------------------------|-----------------|
| <b>Approved by</b>      | Cabinet         |
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# Flexible Retirement Policy

## Version control

This document is subject to regular review due to legislative and policy changes. The latest versions of all our publications can be found on our website. Before contacting us about the content of this document, we recommend that you refer to the most recent version on the website and any relevant guidance.

| Version | Date approved | Approved by    | Notes / changes                                                                                                                                                                                           |
|---------|---------------|----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| v1.0    | 01/04/14      | Full council   | New regulations                                                                                                                                                                                           |
| v1.1    |               |                | Minimum of 20% reduction in hours or pay                                                                                                                                                                  |
| v1.2    |               |                | Expected to retire within 2 years of taking flexible retirement                                                                                                                                           |
| v1.3    |               |                | Details of the agreement process for Schools Support Staff                                                                                                                                                |
| v1.4    | 18/09/17      | Sophie Vaughan | Update the Flexible Retirement Business case to include fields required by HR<br>Inclusion of an updated TERM 1 form and authorisation process<br><br>Some rewording to make the process easier to follow |
| v2.0    | 25/04/18      | Andrea Malam   | Reformatting, clarified reduction and added a frequently asked question                                                                                                                                   |
| v2.1    | 09/05/18      | Andrea Malam   | New Term 1 form added                                                                                                                                                                                     |
|         | 18/09/19      | Sophie Vaughan | Bi-ennial review of policy, clarification of applicable LGPS Regulations                                                                                                                                  |
| v2.3    | 06/03/20      | Andrea Malam   | Addendum to policy                                                                                                                                                                                        |
| V2.4    | 17/05/21      | Sophie Vaughan | Reformatting                                                                                                                                                                                              |

# Flexible Retirement Policy

## Contents

|                                                                                          |   |
|------------------------------------------------------------------------------------------|---|
| Version control.....                                                                     | 2 |
| Contents .....                                                                           | 3 |
| ADDENDUM TO POLICY.....                                                                  | 4 |
| What is Flexible Retirement?.....                                                        | 4 |
| Benefits Payable for flexible retirement.....                                            | 5 |
| What costs are associated with flexible retirement?.....                                 | 6 |
| Manager meets with employee to discuss request & retirement plan .....                   | 6 |
| Manager requests pension estimate and associated costs.....                              | 6 |
| When the Pension Figures have been received.....                                         | 7 |
| The manager will need to consider whether the request is viable .....                    | 7 |
| Confirm in writing and give right of appeal .....                                        | 7 |
| Appeal to be dealt with in accordance with Corporate Appeal Process .....                | 7 |
| Develop a business case showing pension strain, 3 year forecast and retirement plan..... | 7 |
| Flexible Retirement Authorisation Group.....                                             | 8 |
| Informing of Outcome .....                                                               | 8 |
| Frequently Asked Questions.....                                                          | 9 |

# Flexible Retirement Policy

## ADDENDUM TO POLICY

Denbighshire Leisure Ltd. (DLL)

For the purposes of interpretation of roles and responsibilities please see below:

| DCC                    | DLL                                     |
|------------------------|-----------------------------------------|
| Head of Service        | Managing Director/Executive Team Member |
| Director               | Company Board Director                  |
| Senior Management Team | Company Executive Team                  |
| Section 151 Officer    | Company Accountant                      |
| Monitoring Officer     | Company Secretary                       |

### What is Flexible Retirement?

In accordance with regulation 30(6) of the 2013 Local Government Pension Regulations, flexible retirement is where an employee over the age of 55, has the right to request to change the nature and intensity of their work and receive all or part of their accrued pension benefits whilst continuing in employment and building up further benefits in the scheme. The underlying principle of flexible retirement is to ease the employee into retirement through either working less hours or receiving less pay. This reduction should equate to a minimum of 20% reduction in hours or a reduction to grade and should be maintained for the period of the flexible retirement. Any less will only be considered in exceptional circumstances. This reduction will be for the duration of the revised current contract and cannot subsequently be increased.

It is an essential part of the process that a retirement plan is agreed with the employee which will give a definitive date at which the employee will take full retirement. The definitive retirement date should be no later than 24 months from the date flexible retirement was granted. In exceptional circumstances this can be reviewed at the end of the period and extended for a further maximum of 12 months, if this meets the needs of the business and the individual.

## **Flexible Retirement Policy**

The changes proposed to facilitate a flexible retirement must meet the needs of the service and is therefore at the manager's discretion. Although the employee has the right to request a change in their working hours or grade in order to facilitate flexible retirement there is no obligation on the manager to grant it.

Where there is a cost to the council, it is unlikely that the request would be approved unless there is a real business reason for doing so, employee's pension will be subject to an actuarial reduction if they are flexibly retiring before their normal pension age(NPA).

Employees can opt to take some of their pension benefits that they have accrued up to the point of flexible retirement rather than all of the benefits. This may be an attractive option for those members who have reached their critical retirement age (when they meet rule of 85) for some of their benefits but have several years until they reach their State Pension age.

The Local Government Pension Scheme retirement date remains at normal state pension age, however some benefits may be payable and unreduced earlier. Employees will be able to join or remain in the scheme until the day before their 75<sup>th</sup> birthday and continue to accrue membership. However, payments of benefits must commence before the employee attains the age of 75.

An employee wishing to apply for flexible retirement must in the first instance make a request to their manager in writing expressing an interest in flexible retirement.

Staff who, upon leaving the employment of the Council, receive a pension for which the Council incurred additional costs, cannot be re-employed in a similar area of work within the Council during the first 12 months without authorisation by Section 151 Officer and the Monitoring Officer.

### **Benefits Payable for flexible retirement**

Employees will be entitled to their accrued pension and lump sum subject to an actuarial reduction. Employees, who were contributing to the scheme prior to 30<sup>th</sup> September 2006, may have some protection if they take flexible retirement between the age of 60 and 65.

## **Flexible Retirement Policy**

However, if they retire between 55 and 59 their pension benefits will still be reduced to reflect the early payment. **The council will not waive this reduction.**

### **What costs are associated with flexible retirement?**

There may be a cost associated with the early release of pension for some employees who were contributing to the scheme prior to 30<sup>th</sup> September 2006. For such cases, it means that the employing department will have to fund the full cost of the strain on the pension fund. This will be determined by the completion of A Business Case for Compensatory Payments for Efficiency and Retirement/Redundancy Authorisation Form (TERM1) which is included in the policy attachments.

Where there is a cost to the council, it is unlikely that the request would be approved unless there is a real business reason for doing so.

An employee's pension will be subject to an actuarial reduction if they are flexibly retiring before their normal pension age (NPA).

### **Manager meets with employee to discuss request & retirement plan**

The manager needs to understand what change the employee is requesting in order to facilitate the flexible retirement. It is important that the manager discusses with the employee when their definitive retirement date is going to be. The definitive retirement date must be no later than 24 months from the date of flexible retirement.

### **Manager requests pension estimate and associated costs**

Please complete the Pension Estimate Form (EST1) in the attachments to this policy as per the guidance notes on the document and submit to the Payroll Department, who will respond as per the request.

# **Flexible Retirement Policy**

## **When the Pension Figures have been received**

### **The manager will need to consider whether the request is viable**

In considering whether to approve the request or not, the manager needs to consider whether it is both:

- a) Financially viable. If there is cost associated with the flexible retirement it is unlikely that it would be approved unless there is a real business reason for doing so. In determining if there is a real business reason for agreeing to the request, the manager needs to consider the cost of the pension strain (if applicable).
- b) Operationally viable. The manager needs to consider whether the changes proposed can be implemented within the service taking into account the impact on service delivery.

### **Confirm in writing and give right of appeal**

The Manager will then need to confirm the decision in writing to the employee stating the right of appeal. Please use the template letter in the attachments to this policy.

### **Appeal to be dealt with in accordance with Corporate Appeal Process**

Should the employee wish to appeal the decision, the appeal will be dealt with in accordance with the Corporate Appeals Process which can be found on the intranet.

### **Develop a business case showing pension strain, 3 year forecast and retirement plan**

If the request is agreed the Manager will need to develop a business case, which will detail any pension strain in releasing the employee on Flexible Retirement. The business case will need to include a three year cost forecast and also the retirement plan

## **Flexible Retirement Policy**

that was discussed and agreed between the Manager and the employee. Please refer to the attachments of this policy for the Business Case Template. Once complete the Manager forwards the Head of Service the business case for approval.

## **Flexible Retirement Authorisation Group**

Once agreed the Head of Service then forwards the request to the authorisation group. The group is responsible for approval all applications for flexible retirements, whether there is a cost involved or not. The authorisation group consists of:

- Head of Service
- Head of HR, Legal and Democratic Services
- Head of Finance/Section 151 Officer
- Headteacher (Schools)
- Chair of Governors (Schools)
- School Finance Officer

In the case of School Support Staff agreement of flexible retirement will be considered and confirmed by the Governing Body. To make the decision the Governing Body need to be provided with a business case as stated in paragraph 9. The Governing Body then need to inform Human Resources as per paragraph 11 below.

The Chief Executive will substitute as necessary. Schools will also need to obtain corporate authorisation, as detailed above, in addition to the School's authorisation.

All applications for the Chief Executive and Directors will need to be approved by Full Council.

## **Informing of Outcome**

The Head of Service or the Manager then needs to submit the agreed Flexible Retirement business case to HR who will process as necessary. The Business Case should include all



## **Flexible Retirement Policy**

the relevant details to ensure smooth processing and include the A Business Case for Compensatory Payments for Efficiency and Retirement/Redundancy Authorisation Form (TERM1).

### **Frequently Asked Questions**

**Is an employee able to apply for an alternative position during their Flexible Retirement?**

No an employee is unable to apply for another position whilst on Flexible Retirement, as they are required to maintain the reduction in hours or grade for the agreed period of flexible retirement.