



FLEXIBLE RETIREMENT

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1. INTRODUCTION

Within the regulations of the Local government Pension Scheme (LGPS) there is discretion for flexible retirement, with the early release of pension benefits (where agreed by the employer) which is linked to a reduction in hours of work or grade.

Central Bedfordshire Council will normally only apply their discretion and agree to flexible retirement if there is no cost to the Council.

Flexible retirement occurs when an employee draws their pension and carries on working, either at a lower grade or on reduced hours. It is available to LGPS members who are 55 or over, (or 50 for employees who were LGPS members prior to 1st April 2008, increasing to 55 for all LGPS members from 1st April 2010).

All requests will be subject to individual negotiation and the reduction of grade/hours should be of substance (see below for further clarification). Whilst the Council is committed to providing a balance between employees' professional and personal lives, this must be considered alongside the Council's duty to maintain service delivery.

Employees who are not members of the LGPS may request flexible working hours through the Council's Work-life Balance and Flexible Working Policy.

This scheme will not apply in cases of conduct or performance issues.

2. REDUCING HOURS OR GRADE

The decision to reduce an employee's hours or grade is an operational decision made by the employing service group in liaison with the appropriate HR Officer.

Voluntary reduction can be achieved in a number of ways:

Hours:

Reduction in hours should normally be a minimum of (40%) for both full and existing part-time staff (this is the equivalent of reducing by 2 days per week (14.5 hours) for full time staff.)

This can be achieved by:

- Reducing the hours on a number of, or, every working day
- Reducing the number of days worked in the week

Grade

The employee should normally identify a suitable lower graded post to which they are appointed on merit. This could be either within their own Directorate or elsewhere in the Council.

Salary

Flexible Retirement will be subject to a reduction in salary similar to the level of pension to be received, such that an employee's new pay plus pension is not significantly more than they received prior to flexible retirement.

The employee will receive the revised salary for the reduced hours and/or grade in addition to their pension benefits. In all cases, employees must receive advice as to how flexible retirement will affect their net pay and pension entitlement. This is

important, as an employee's pension will normally be actuarially reduced if paid before age 65. In addition, any job held while in receipt of pension benefits may attract a higher rate of tax.

All other conditions of service, for example annual leave entitlement will be recalculated on a pro rata basis to take account of any reduction of hours.

3. PENSION BENEFITS

The employee will receive their accrued pension benefits to date which will be the accrued lump sum and the annual pension. This lump sum and annual pension may be actuarially reduced due to the early release of the benefits*. Whilst the Council may waive this, in whole or in part, it is the general policy of the Council not to agree to this.

*In some cases the employee may have a personal 'Rule of 85' Protection. In this circumstance the employee's retirement benefits will not be actuarially reduced. In such cases there may still be a considerable cost to the Council and the Directorate must bear the cost of agreeing to the release of the pension earlier than their normal retirement age.

Employees have a choice to rejoin the LGPS from the date of their new contract of employment providing they are under 75 years of age and the contract is for 3 months or more.

There is no cost to the service in most cases, but please refer to the Summary of Qualifying Criteria and Payments Due (Appendix 1).

Should consent be given to the early release of your pension benefits then an employee will not have the right to subsequently request a second flexible retirement under current Council policy.

Employees should be aware that the early release of pension benefits accrued to date could have an effect on the ill-health retirement benefits that would be due to you should you fall ill and be permanently incapable of undertaking their role.

They should also be aware that the 'death in service' lump sum grant would only be paid related to their reduced pay and any spouse's pension due would only be based on the pro-rate memberships or on the lower pay whole time equivalent should you have a reduction in your grade.

For further information on these provisions within the Local Government Pension Scheme, please contact Pensions on 01234 228740 or via email at pensions@bedford.gov.uk

4. FLEXIBLE RETIREMENT PROCESS

The employee should discuss their request with their line manager.

The line manager will make a recommendation to the relevant Assistant Director to either approve or refuse the request. This would include details of business/organisational requirements and any costs.

Following confirmation from the Assistant Director the line manager will reply in writing to the employee indicating the decision. This would normally be within one month of the employee submitting their request.

If, after consideration, the request is refused, the reasons should be clearly communicated to the employee. The application should only be refused if there will be a detrimental impact on business requirements or if there is likely to be a burden of additional costs on the service.

If the employee wishes to appeal against a refusal to allow a flexible retirement, this should be made in writing, to the service Director, within 5 working days of receipt of the decision.

If the request is agreed, the employee will be provided with a pension estimate from the Pensions' section which should be requested by the line manager via their HR Business Partner.

Should the flexible retirement be agreed, then this would be on the basis that the reduction in the hours or grade will be permanent. There will not be an option for the employee to increase their hours again in the role that they had at the time of their application.

The line manager will notify Human Resources and Pensions of the changes.

Following agreement by the appropriate Assistant Director, Human Resources will send a formal letter to the employee confirming the agreed arrangements.

FLEXIBLE RETIREMENT – SUMMARY OF QUALIFYING CRITERIA AND PAYMENTS DUE
LGPS centrally employed staff

| | What is it? | Pension benefit payable | Employer's consent needed? | Cost to Service | Other Key Factors |
|--|---|------------------------------------|--|-----------------------------------|--|
| Scheme member meets the '85 year' Rule Age 50 – under 60 | Flexible retirement under age 60 if age and LGPS membership = 85, eg age 58 + 27 years | Pension benefits with no reduction | Yes (Assistant Director or HR Head of Business Operations) | Financial strain to pension fund* | Member reduces, with the employer's consent, his/her hours by greater than 25% or has a reduction in grade. Flexible retirement needs to benefit the Service. |
| Scheme member meets the '85 year' Rule Age 60 - 65 | Flexible retirement at age 60-65 if age and LGPS membership = 85, eg Age 60 + 25 years Age 61 + 24 years | Pension benefits with no reduction | Yes (Assistant Director or HR Head of Business Operations) | None | |
| Age under 65 without satisfying the '85 year' rule | Flexible retirement under age 65, if age and LGPS membership equals less than 85, eg Age 60 + 20 years | Pension benefits with reduction | Yes (Assistant Director or HR Head of Business Operations) | None | |
| '85 year' rule not satisfied by time of election, but will be satisfied before aged 60 | Flexible retirement under age 60 if age and LGPS membership = 85 by the time age 60 is reached but not at point of retirement | Pension benefits with reduction | Yes (Assistant Director or HR Head of Business Operations) | Financial strain to pension fund* | |
| Aged over 65 | Other flexible retirement option | Pension benefits with no reduction | Yes (Assistant Director or HR Head of Business Operations) | None | |

*This cost cannot be waived by the Service and will therefore need to be paid from the Service budget should the flexible retirement be agreed

Flexible Retirement – Frequently Asked Questions

1. What happens to the accrued pension if an employee takes flexible retirement?

Under the new provisions, if a request to permanently reduce hours by more than 25%40%, and/or grade, is approved, and an election is made to and consent given to receive the early release of pension benefit, then the accrued pension is paid and a new pension is started. This new pension is not abated due to the earnings in continued employment.

For example, an employee working full time (37 hours) asks to reduce their hours to half time (18.5 hours). They will get their pension (lump sum and annual pension) paid which has been accrued to the date of working reduced hours. A reduction to the pension may be applied depending on age and length of service. Please see Appendix 1 for a summary of this provision. The employee will continue to be paid for 18.5 hours work and will start to accrue a new second pension on these 18.5 hours (unless they opt out of the LGPS).

2. What happens to an employee's pension if they leave the Council's service after electing to receive flexible retirement benefits?

This will vary depending on the following circumstances:

(a) employee leaves the Council to work in a private organisation (not covered by the LGPS)

The pension already being paid will continue to be paid. If the employee is between 60 and 65, an election can be made to receive the second accrued pension and the employer's consent is not needed as long as the employer does not waive the pension reduction for the employee.

If the employee is aged under 60, the employer's consent will be needed.

(b) employee leaves the Council to work for an organisation covered by the LGPS

This is the same as above, but the employee could continue to accrue pension membership and the second accrued pension could be transferred to the new fund if they are aged up to 65.

(c) employee decides not to continue to work

The employee can elect (as in (a) above) to have a second pension paid or defer to age 65.

3. Does an employee have to elect to receive their retirement benefits if their hours are permanently reduced by more than 25%40% or they have a reduction in grade?

If an employee is aged 50 or more, it is their choice if they wish to elect to receive the early payment of their accrued pension benefits. The early release of pension benefits is with the employer's consent.

4. Can I opt to take flexible retirement if I am working full time and obtain a part time job in another service?

Under the terms of the LGPS you can make a request for flexible retirement. However, you will need to still complete a pension election form to request the early release of your pension benefits. You will also need your new line manager to sign this form to indicate that there is service support for your application. Should your application for the early release of your pension benefits incur a cost to the service, this may mean that your flexible retirement application may not be approved.

5. I reduced my working hours a few months ago and didn't know about flexible retirement. Can I now apply for the early release of my pension benefits?

The Council's policy is that an election has to be made within 3 months of the permanent reduction in your hours by greater than 25% 40% and/or the reduction to your grade. Therefore you may apply for the early release of your pension benefits if you are within this timescale. This will need the approval of your service area.

6. I would like to reduce my hours in 12 months but apply now for flexible retirement so that I can plan ahead. Can I get this agreed now to be implemented in a year's time?

Whilst it is appreciated that you would wish to plan ahead for your flexible retirement it is not possible to plan this far in advance and agree such contractual arrangements now. Three to six months for example before you wish to work reduced hours, would be the time to approach your line manager to discuss this. At this time you will be able to request an estimate of the early retirement benefits which would be payable to you.

7. **To avoid a redundancy, I have elected to take another role with pay protection for three years. Can I get an agreement now to take flexible retirement benefits when this pay protection ends on the basis of a reduction in grade?**

It will not be possible to agree a flexible retirement request this far in advance. You should discuss this with your line manager three to six months before your pay protection is due to end and consider if this is an option that you would wish to consider. At this time you will be able to request an estimate of the early retirement benefits which would be payable to you. Your service would need to agree to this flexible retirement.

APPLICATION FOR FLEXIBLE RETIREMENT



| | | | | | |
|----------------------------------|--|--|--|--|--|
| Name | | | | | |
| National Insurance Number | | | | | |

Part one: Employee's declaration:

Either:

I will reduce my grade*/hours per week* from _____ to _____. The date for this change will be with effect from a date to be agreed with my line manager. If this change to my contract is agreed, I elect to receive immediate payment of my pension and lump sum.

I understand that this election will not be valid unless my employer consents to the release of my pension and lump sum.

I also understand that I may withdraw this election (and where appropriate the request to work reduced hours or the arrangement to work in a lower graded role if this at my request) once I have considered the estimate of benefits provided by Pension Services.

Or:

I have reduced my grade*/hours per week* from _____ to _____ on _____ 20___. I elect to receive immediate payment of my pensions and lump sum.

I understand that I may withdraw this election once I have considered the estimate of benefits provided by Pension Services.

*delete as appropriate

Signed (employee) _____ Date _____

Service area _____

This form should now be given to your line manager to arrange for consent to be obtained from the service area.

PTO

Part two: Service Area Consent



I confirm that the service area supports the changes to the contract as detailed from the date given*/date to be agreed* and supports this application for flexible retirement.

Signed (Manager) _____ Date: _____

Name: _____

Designation: _____

*delete as appropriate

This form should now be returned to Human Resources.