

## **FLEXIBLE RETIREMENT SUPPORTING TEXT**

### **1. What is Flexible Retirement?**

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 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 either hours or pay.

This reduction will be for the duration of the current contract and cannot subsequently be increased.

It is also essential that as part of the process, 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 of flexible retirement with the option to have this reviewed at the end of the period and extended for a further 12 months if this meets the needs of the business and the individual.

For employees who have already been granted flexible retirement, managers should have a discussion with them to understand their future plans and agree a definitive retirement date within 24 months with the option to have this reviewed at the end of the period and extended for a further 12 months if this meets the needs of the business and the individual.

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.

Although the pension scheme retirement date remains at age 65, 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 reaches 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.

### **2. 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. 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.**

### **3. 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 the Viability Sheet - *link to viability form*

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### **4. 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.

### **5. Manager requests pension estimate and associated costs – *link to form***

### **6. On receipt of pension figures manager 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.

### **7. Confirm in writing and give right of appeal – *link to standard letter***

### **8. Appeal to be dealt with in accordance with Corporate Appeal Process – *link to Corporate Appeals Process***

### **9. Develop Business case showing pension strain, 3 year forecast and retirement plan – *link to Business Case Template***

**10. Panel to be made up of Head of Finance and Head of HR.** – The panel is responsible for approval all applications for flexible retirements, whether there is a cost involved or not.

### **11. HR Direct to follow retirement administration process – *link to administration process***