

Annex 3

Flexible Retirement Policy

1 Introduction - The retirement routes for members of the Local Government Pension Scheme

1:1 There are various retirement routes available to employees who have contributed to the Local Government Pension Scheme (the LGPS). The “**standard retirement age**” for the purposes of the LGPS is 65 because this is the age at which most employees who are members of the LGPS can retire and draw their pension benefits without reduction.

1:2 **Voluntary retirement** is permitted from the LGPS at any point from age 60. However, unless they are protected by the “Rule of 85 years” those who retire at 60 will receive a reduced pension to fund the “cost” to the LGPS of their early retirement.

1:3 As there is no longer a **compulsory** retirement age for Council employees, individuals can continue working beyond the age of 65. However, even if the individual is still working, the LGPS rules require pension benefits to be drawn by the age of 75.

1:4 **Flexible retirement** enables employees to draw their pension benefits and to continue working for the Council and receiving a salary in accordance with Regulation 18 (1) of the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007. Flexible retirement can enable an employee to phase into retirement by:

reducing their working hours and/or
moving to a job on a lower salary.

Employees who have been a member of the Local Government Pension Scheme for at least 3 months (or have transferred in previous pension benefits), and have attained at least age 55, have the right to make a formal request for flexible retirement. The procedure for making and considering such requests is set out in Section 2 below.

1:5 Requests for a reduction in working hours from employees who are not members of the LGPS will be considered in accordance with the Flexible Working, Home Working and Time Off Policy.

2 Flexible Retirement Procedure

2:1 Individual circumstances are very different and actual pension benefits will be based on entitlements built up over a period of time, and, in some cases, will include pension “pots” that have been transferred into the LGPS. Therefore, employees considering applying for flexible retirement should contact Personnel Services who will obtain an estimate of their pension benefits. This will include details of any reductions to these benefits if drawn before the age of 65, and will specify any pension fund cost that there would be to the Council if it agreed to the request for flexible retirement.

2:2 Only one request per individual per annum may be made for an estimate of pension benefits. It is also recommended that once the estimate has been obtained those considering applying for flexible retirement should seek independent financial advice concerning the potential long term impact of “early retirement” upon their overall income levels.

2:3 Requests for flexible retirement will normally be agreed to only where the reduction in hours and/or grade achieves an immediate overall reduction in salary of 40% and where there is no cost to the Council.

2:4 If an individual decides to make a request for flexible retirement it should be in writing to the Service’s relevant Chief Officer and should address the following points:

What is your proposed flexible retirement working pattern – i.e. do you propose to transfer to an identified lower graded position within the Council , or to reduce the number of hours that you work?

How will this new working pattern, reduction in hours etc, benefit both yourself and the service?

When would you like this new arrangement to begin?

Bearing in mind that there is no longer an age for compulsory retirement, how do you intend to “phase” your retirement – i.e. how long do you envisage working the requested pattern and when do you intend to fully retire?

You should attach the estimate obtained by Personnel Services (referred to in Section 2:1 above) to the request to enable the Chief Officer to assess whether there will be a pension fund cost to the Council.

2:5 The relevant Chief Officer, in consultation with the Personnel Manager, will consider requests on business grounds in accordance with the needs of the service and based on the case put forward. This consideration will include an assessment of any arrangements that might need to be made to ensure continuity of service. If the Chief Officer considers that it is in the interests of the Council to agree to the request for flexible retirement, and there would be no detrimental effects on the Council, its service recipients or its employees, they will present the request to the Management Team for further consideration.

2:6 In very exceptional circumstances there may be a cost to the Council, incurred by waiving the pension reduction for those who retire before the age of 65 because the Council will need to make an upfront lump sum payment to the pension fund to “pay for” the retirement. In such rare situations, the decision as to whether or not to agree to the flexible retirement will need to be authorised by the Chairman of the General Purposes Committee and the Cabinet Member for Finance and Health (agreed by the General Purposes Committee September 2006).

2:7 Once a decision has finally been reached, the Chief Officer will advise the employee in writing on the outcome of their request for flexible retirement.

2:8 There is no trial period for flexible retirement because once it has been agreed, the decision cannot be reversed due to the direct impact upon the pension benefits.

2:9 Employees may raise any complaint they may have about the operation of this policy through the Council’s Grievance Procedure.

2:10 Use of Tonbridge & Malling’s Flexible Retirement Policy will be subject to equalities monitoring. Any data gathered for this purpose will not identify individual employees and will be anonymous.

3 Implications of Flexible Retirement to the employee

3:1 The annual pension and lump sum retirement grant are paid with effect from the date of flexible retirement. Additional Voluntary Contributions (AVCs) may be drawn if the employee so chooses.

3:2 Employees taking flexible retirement may contribute to the LGPS in the new or part time job in the form of an additional pension that will be drawn when they finally retire. This “new” pension will be a separate pension accrual.

3:3 If the employee reduces hours in the same job, or if there is no break in service and they start a new job, they will retain the recognition of continuous service for purposes of annual leave and sick pay, and for employment rights such as protection against unfair dismissal. The annual leave allowance will be based on the entitlement of the post in which the flexible retiree is working, and will be reduced pro rata for the number of hours worked.

3:4 Employees granted flexible retirement on the basis of reduced hours, and who have an entitlement to a leased car under the Council’s scheme, will have their “Limit of Three Year Cost” in the scheme reduced pro rata to their reduction in hours. This reduction will take place on the same date as the reduction in hours takes effect. Similarly a pro rata reduction in allowance will apply to flexibly retiring employees

who have opted into the Leased Car Cash Alternative Scheme. (Agreed by MT 15/1/2008).

3:5 Any allowances such as that for telephones and essential car user status will also be reduced pro rata to the reduction in hours. In cases where the individual starts a new job, the entitlement to various allowances will be that pertaining to the new job. The changes in entitlement will take place on the same date that the reduction in hours or new job takes effect.

3:6 The amended terms and conditions will be specified in a variation to contract document to be signed by the employee and retained on their personnel file.