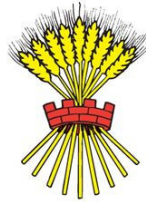


RYEDALE
DISTRICT
COUNCIL



Flexible Retirement Policy and Procedures

CONTENTS

| | |
|--|----------|
| 1. INTRODUCTION | 3 |
| 2. PRINCIPLES OF THE POLICY | 3 |
| 3. PROCEDURE | 3 |
| 4. APPROVAL/REFUSAL OF AN APPLICATION | 4 |
| 5. BENEFITS | 5 |
| 6. NON MEMBERS OF THE LOCAL GOVERNMENT PENSION SCHEME | 5 |
| 7. COSTS OF FLEXIBLE RETIREMENT | 5 |
| 8. CONSIDERATIONS | 5 |
| 9. 85 YEAR RULE | 6 |
| 10. FORM FOR REQUESTING FLEXIBLE RETIREMENT | 7 |

1. INTRODUCTION

Under the Local Government Pension Scheme (LGPS) Regulations, the Council has the discretion to allow an employee to reduce their hours of working, or take a lower graded post, and also receive payment of their LGPS benefits early, although there maybe a reduction to their benefits. This is known as flexible retirement.

2. PRINCIPLES OF THE POLICY

Flexible Retirement allows employees aged 55+ to continue to work for Ryedale District Council whilst in receipt of a Local Government Pension providing the Council consents and there has either been a reduction in hours or a reduction in grade.

Pension benefits taken on flexible retirement may be subject to a reduction if they are being drawn earlier than 'earliest retirement date'. The amount of reduction to the pension and lump sum is determined by an actuarial calculation based on a formula determined by the Government Actuary's Department. In very exceptional circumstances and where there is a justifiable business case, all or part of the reduction can be waived [\[see paragraphs on Approval/Refusal\]](#).

3. PROCEDURE

Each application will be considered on its own merits and account taken of individual circumstances within the overall framework of this policy. No application is guaranteed to be successful, but in considering any request, account will be taken of:-

- The cost to the service (for example, the additional cost of recruitment and training);
- Any effect on the ability of the service to meet service demands (e.g. customer requirements);
- The ability to re-organise work amongst existing staff;
- The ability to recruit suitable new/additional staff;
- The overall impact on quality of service;
- The overall impact on performance;
- The sufficiency of work during the periods the employee proposes to work;
- Planned structural changes.

Flexible Retirement in these circumstances is voluntary and no employee will be required to accept flexible retirement against their wishes.

If you wish to consider applying to draw your pension benefits, you are advised to seek an estimate of benefits from the [North Yorkshire Pension Fund](#).

All applications for flexible retirement with employer's consent must be submitted in writing to the employee's line manager, indicating whether the request is on the basis of:

- a reduction in hours;
- a reduction in grade; or
- a combination of both

An application must also include an explanation of what impact, if any, you think agreeing to the request will have on the service and how, in your opinion, any such impact might be accommodated. You must also specify the revised grade and/or working pattern desired.

It should be noted that:

- 'Reduction in hours' must be permanent and significant e.g. from 5 days per week to 3 days but a minimum of 40% reduction for both full and existing part time staff (this is the equivalent of reducing by 2 days per week).
- Lower grade must be permanent and at least one full grade, e.g. from Grade 4 to Grade 3. (A suitable properly job evaluated vacancy at the lower grade must be available and should be filled by the normal recruitment and selection process unless in exceptional circumstances and in the exigencies of the service). The employee should normally identify a suitable lower graded post to which they are appointed on merit – unless there is a clear business case for an internal transfer within their own service area.
- Apart from in exceptional circumstances, employees may only re-apply for flexible retirement after a period of twelve months has elapsed since the date of the last application.

4. APPROVAL/REFUSAL OF AN APPLICATION

Before approving any application for Flexible Retirement the line manager, via HR, must obtain an estimate of pension benefits and costs to the Pension Fund from the Pensions Service.

If there is no cost (no strain) to the Pension Fund of approving a request, the Service Unit Manager or equivalent manager can accommodate the revised working pattern/grade without impacting on service delivery and wishes to approve the application, then the Head of Service or equivalent manager may approve the application. The line manager must provide the details of any agreed variation to grade and/or hours of work to HR. HR will issue revised terms and conditions of employment and make any necessary arrangements for the payment of agreed benefits. The Line Manager will complete the form as required.

If the benefits estimate indicates a 'strain' to the Pension Fund, but is otherwise supported by the Service Unit Manager or equivalent manager, the application must be considered by the Head of Service and Corporate Director. The line manager must provide a detailed written statement incorporating the reasons for the proposal as part of a justifiable business case. A statement of the cost to the Pension Fund, as provided by the Pension Service, must also be made available.

If the application is refused at any stage, the line manager must inform the employee of this decision in writing. Any right of appeal will be to a senior designated officer and should be submitted in writing within 5 working days of written receipt of the decision. A copy of any application will also be held on their personal file.

5. BENEFITS

Flexible retirement policies can help the Authority:-

- Retain valuable employees who would otherwise leave their job
- Re-organise service delivery methods
- Succession plan
- Deliver financial savings

Benefits for the employee:-

- Employee is able to draw full pension benefits
- Employee is able to continue working within local government
- Employee is able to gain better work-life balance
- Can continue to pay into the Pension scheme on different grade/pay
- To enable employee to retire on a gradual basis

6. NON MEMBERS OF THE LOCAL GOVERNMENT PENSION SCHEME

Employees who are not members of the Local Government Pension Scheme may request flexible working through the Council's [Flexible Working Request Policy](#).

7. COSTS OF FLEXIBLE RETIREMENT

Allowing staff to retire on flexible terms has the following consequences:-

- There is a loss to the Pension Fund, firstly through the non-collection of anticipated pension contributions, and secondly because the pension is paid out earlier and for a longer period. The cost of the payment of pension would normally be recovered from the Council and not the Pension Fund. This is known as 'strain' cost.
- If the flexible retirement of staff is not carefully managed, it could lead to a loss of much needed expertise and knowledge from the authority and this may be addressed through flexible retirement.

8. CONSIDERATIONS

Where an employee's combined age and membership, in complete years, total 85 or more – known as the 85 year rule - benefits cannot be actuarially reduced often resulting in a significant cost to the Pension Fund if an application for flexible retirement is consented to by the employer. (See Point 9 for further information on the 85 year rule and actuarial reduction).

HR will ensure that an estimate of pension benefits and any costs to the Pension Fund is obtained prior to the submission of a formal application.

Applications for flexible retirement should not be unreasonably refused but consideration of applications should take account of the issues identified in the Flexible Retirement policy, the benefits gained, the way in which the early retirement is to be funded, as well as whether there will be any additional consequential savings to the Authority.

Consideration should be given to whether the flexible retirement will facilitate an increase in the efficiency of the service in question, e.g. through the introduction of more effective working methods or the provision of an opportunity to introduce new skills into service delivery or the reorganisation of staffing. Additionally, consideration should be given to whether there are compassionate grounds for the early payment of benefits or any other circumstances which may be relevant to the decision and which may contribute to the more efficient exercise of the Council's business.

Consideration should also be given to circumstances that clearly allow capacity for some degree of progressive succession planning and/or the development of leadership capacity and should be viewed in a positive light.

The criteria applied must constitute a proportionate means of achieving a legitimate aim, for example in terms of service delivery/efficiency. Under Age Discrimination legislation, it is not possible to determine an application for flexible retirement on the grounds of age and/or length of service (or related costs).

Any request for a reduction in grade and/or hours must be accommodated within the Service Unit. If this is not possible, the employee may seek outline approval from his/her existing line manager (provided that there is no cost impact upon the Pension Fund) subject to the employee applying for and being offered a post at a lower grade elsewhere within the Council.

Any business case submitted for consideration by the Head of Service should detail how any capitalised cost of early release of pension can be funded by the service unit.

9. 85 YEAR RULE

Actuarial Reduction for early payment of pension

If you take flexible retirement before age 65 your benefits may be reduced to take account of being paid for longer. How much your benefits are reduced depends on how early you draw your benefits.

If an employee joined the LGPS after 30 September 2006 and takes flexible retirement before age 65, the benefits will be reduced. If they are paying into the LGPS on 30 September 2006 some or all of the benefits paid early could be protected from the reduction.

Protected Member

If an employee was contributing to the LGPS on 30 September 2006 they may have protected rights regarding early payment of their benefits.

- If an employee will be age 60 or over by 31 March 2016 and chooses to retire before age 65, then, provided they satisfy the [85-year rule](#) when they start to draw their pension, the benefits they build up to 31 March 2016 will not be reduced.

- If an employee will be under age 60 by 31 March 2016 and chooses to retire before age 65, then, provided they satisfy the [85 year rule](#) when they start to draw their pension, the benefits they build up to 31 March 2008 will not be reduced.
- If an employee will be aged 60 between 1 April 2016 and 31 March 2020 and meet the [85 year rule](#) by 31 March 2020, some or all of the benefits they build up from 1 April 2008 will not have a full reduction.

The Rule of 85 is satisfied if the age of the employee at the date they draw their benefits and the employees scheme membership add up to 85 or more (part years are ignored). If the employee is part-time, their membership counts towards the rule of 85 at its full calendar length.

If the employees benefits are deferred the rule is satisfied if the employees age at the time they draw your benefits and the membership they would have had in the LGPS add up to 85 or more (part years are ignored).

10. FORM FOR REQUESTING FLEXIBLE RETIREMENT

See attached form.

Application for Flexible Retirement



| | | |
|---|------------------------------|--|
| Name: | | |
| Date of Request: | | |
| Service Unit: | | |
| Line Manager: | | |
| Please indicate the basis for the request for flexible retirement: | Reduction in Hours | |
| | Reduction in Grade | |
| | Reduction in Hours and Grade | |
| If reduction in hours, please indicate the number of hours requested and the working pattern desired: | | |
| If reduction in grade, please indicate the grade requested and the role identified: | | |
| Please consider how your request will impact on your workload/responsibility (please complete what you consider the options/impact on the role/workload): | | |
| Date you propose the flexible retirement to apply from: | | |
| Signature of employee requesting flexible retirement: | | |
| Date of Application: | | |

Employer use only:

| | |
|---|---------|
| Strain on Pension Fund Cost: | |
| <i>If a cost is identified above, the line manager must provide a detailed written statement incorporating the reasons for the proposal as part of a justifiable business case.</i> | |
| Line Manager/Service Unit Manager comments on application: | |
| | |
| *Approved / Refused: *delete | Reason: |
| Name and Job Title: | |
| Date: | |