



FLEXIBLE RETIREMENT- LOCAL GOVERNMENT PENSION SCHEME (LGPS)

Policy Statement

Melton Borough Council's policy on flexible retirement is to grant only those applications which enable the Council to be able to manage the costs without incurring additional expenditure.

Other factors such as performance and operational arrangements will also be considered. However, the ability to successfully manage the financial liability without affecting customers may necessarily outweigh the wishes of any individual employee.

The employee must also be able to agree arrangements with line management about their working pattern or grade that are not detrimental to service delivery or equality.

Once flexible retirement is agreed, it will constitute a variation to the employee's contract of employment and an employee cannot revert to previous hours and/or grade.

This policy reflects the fact that Melton Borough Council values staff and their experience.

Aims of Policy

The Council has sought to provide a fair and affordable flexible retirement option, in accordance with employment legislation and the LGPS Regulations.

Background of Changes to LGPS provisions

In April 2006, the LGPS amended its provisions to allow flexible retirement to employees over the age of 50 years, who are scheme members and have at least 3 months' total membership.

This means that employees, with the Council's consent, may continue their Local Government employment in their current post on reduced hours or in a post of a lower paid grade, and may elect to draw their accrued LGPS benefits.

An employee taking flexible retirement can continue paying into the LGPS to build up further benefits.

Where an application for flexible retirement is approved, the employee will be eligible to receive immediate payment of pension and lump sum, though these benefits may be reduced. 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.

Policy Implications

Releasing pension benefits early and/or waiving actuarial reductions may result in a significant capital cost to the Council. There may also be other general expenditure resulting from a change to the organisation within the team concerned. This can adversely affect service delivery and may create an additional burden for the tax-payer, if not carefully managed.

There are benefits to allowing employees to continue to work later in life as they remain economically active and experience is retained, but there is also a need to create opportunities for school leavers, graduates and employees seeking to develop their work experience.

Policy Review

Policies on provision of flexible retirement are discretionary and the policy can be reviewed at any time. Any future change to policy would not affect the payment of existing pensions.

Equality

The policy has been subject to an Equality impact assessment.

Applications

Employees requesting flexible retirement and managers considering requests should refer to the attached appendix for details of the process to be followed.

1 Applications

The employee makes a written request to their line manager. This should include a proposed date from which they would wish the arrangements to start and proposals for the changed working pattern or grade.

In order to ensure that financial information is available and release of pension benefits can be made on time, a minimum of 6 months' and maximum of 12 months' notice is required.

However, if necessary for practical purposes if paragraph 1.2 applies, notice periods may be waived by agreement with the relevant managers.

The Pensions Section will not provide estimates of pension benefits or costs until the working arrangements are agreed in principle.

1.1 Applications on the basis of reduced hours

Go to paragraph 2.

1.2 Applications based on a lower graded post

If the employee wishes to continue employment in a lower paid grade, they will be required to compete in the normal way for any vacant posts. This means they will have to meet any criteria required by the selection process and demonstrate that they are the most suitable candidate for the job. If they are successful in obtaining the post, they will then be appointed on the basis of flexible retirement and their pension benefits released, **providing the criteria listed below in paragraph 2 are met**. Every effort will be made to ensure that pension benefits are released as soon as any successful employee takes up their new post, but this cannot be guaranteed.

Employees must clearly state at the outset that they wish to apply for the post on a flexible retirement basis. This is to enable the recruiting manager to consider the cost aspects.

2 Criteria

2.1 Stage 1: operational arrangements

The manager and the employee must be able to agree a suitable working pattern. Any change to hours or days worked should not adversely affect the remainder of the team concerned or internal and external customers.

If operational arrangements cannot be agreed, the request should be refused.

2.2 Stage 2: performance

If the manager is able to manage the working pattern, they should be satisfied that the employee's performance, including conduct, attendance and capability is satisfactory.

To ensure objectivity on the part of senior management, this judgement must be supported by documentary evidence either way. The evidence will be required should any queries or complaints ensue. The HR team will provide relevant records to line management.

If the manager considers that the performance criteria are not met, the request should be refused.

2.3 Stage 3: costs

If the criteria in Stages 1 and 2 are met and the principle of flexible retirement is therefore agreed, the employee and manager will complete the Leicestershire County Council form FR1 and forward it to the HR section, who will contact the LGPS administrators. Details of the pension release costs will then be obtained and the employee will be sent an estimate of their benefits.

The manager also needs to establish whether any other costs will be incurred, taking into account the effect of the loss of some working hours or change of duties. For example, if a part-time officer needs to be recruited as a consequence of the change, there will be advertising expenditure etc. Other additional employee related expenditure, such as professional subscriptions, travel and subsistence, mobile communications equipment etc must also be taken into account.

Once the relevant information is received, the manager should determine whether any capital or organisational cost can be met within existing budgets. Any use of virement between budgets will result in a permanent change in future financial years to the budget from which the virement takes place. If the cost impact cannot be managed long term, the request will be refused.

3 Decision

If the criteria in any of the categories above are not met, flexible retirement should be refused.

If the criteria at all three stages can be satisfied, flexible retirement can be granted.

The Head of Service will obtain final approval from Management Team before the employee is given a decision. The manager should notify HR of the outcome in writing and a formal decision will then be sent to the LGPS administrators (Form FR2) and to the employee.

These decisions carry the right of appeal.

Once flexible retirement is granted, it becomes a contractual right.

4 Personal taxation

Receiving a pension while continuing to work has tax implications for the employee. It will be entirely the employee's responsibility to check their potential tax position if they request flexible retirement.

The Council's staff will not be allowed to advise employees on personal taxation or liaise with the tax authorities on behalf of the employee.