

Application of the Council's Policy on Flexible Retirement

Managers' Guide



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MANAGERS' GUIDE

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APPLICATION OF THE COUNCIL'S POLICY ON FLEXIBLE RETIREMENT

MANAGERS' GUIDE

1. Policy Statement

The council acknowledges that, in appropriate circumstances, mutual benefits can accrue to employees and the organisation from applying a Policy of Flexible Retirement. For example, where the council is keen to retain the skills and knowledge of an experienced employee and where a phased retirement suits the needs of that employee.

With this in mind the Council Executive Committee on 15 September 2015 agreed as part of the council's overall Policy on Applying Discretionary Provisions of the Local Government Pension Scheme that:

'The council will not have a general policy of agreeing to requests for early payment of retirement benefits from a member who has attained age 55 and who with the council's consent, has also reduced his or her hours and/or grade. However, where the council considers that it can be demonstrated as being to its advantage or in its operational interests, it will consider such requests.

In considering requests for flexible retirement, the council will normally expect at least a 20% reduction in the employee's contractual weekly hours or alternatively, a minimum reduction of at least one full salary grade.

Should the council agree to the early payment of benefits under this regulation in any case, it will not have a general policy of waiving any reduction, which would normally be applied to the benefits'.

2. Scope

The policy applies to all council employees who are members of the Local Government Pension Scheme.

3. Eligibility Criteria

Local Government Scheme members are able to draw their pension benefits while continuing in the council's employment subject to the following conditions being met:

- employees must apply for early payment in writing, be at least age 55 and have 2 years scheme membership or have brought in a transfer from another pension scheme;
- employees must, with the council's consent, reduce the hours they work or their grade; and
- the council agrees to the early payment of pension benefits

4. Guiding Principles

4.1 Business Case

Requests for flexible retirement will be subject to the same considerations as those relevant to proposals for early retirement and voluntary severance. Decisions on requests will be informed by the:

- demonstrable benefit(s) to the council, in both cost and service implications, based on a full assessment of these implications in each case;
- quality and relevance of the business case, taking all relevant service and cost implications into account. For example, any 'strain' costs incurred by the council from agreeing to early release of pension benefits, impact on the quality of service delivery, impact on other staff, implications of any planned structural changes etc;
- interests of the employee balanced with the interests of the council.

4.2 Other Considerations

- Flexible retirement must be for a minimum period of 6 months, and be a permanent contractual adjustment until a final retirement date is agreed.
- Employees **are not required** to terminate their employment.
- Employees are opting to draw **all or some** of their pension benefits accrued to the date of implementation (subject to any actuarial reduction).
- Subject to any protection afforded to existing pension scheme members under Rule of 85, employees who take flexible retirement before age 65, will incur an actuarial reduction in their pension benefits. This reduction is made to compensate for the fact that they are drawing their pension early (the council may agree to waive this reduction where there are sound business reasons for doing so).
- Employees may opt to continue paying contributions on their reduced salary and build up new pension benefits which will become payable on full retirement. Alternatively they may choose to stop making contributions.
- Requests are approved at the sole discretion of the council. There is no right of appeal in the event the service is unable to accommodate a request.

5. Reduction in Hours

In considering requests for flexible retirement based on reduced hours, the general rule will be that there should be no cost to the council and no adverse impact on service delivery. As a guide in these circumstances, the council would normally expect **at least a 20% reduction** in the employee's contractual weekly working hours.

6. Reduction in Grade

Flexible retirement based on a reduction in grade is unlikely to be a common request. It may appeal to those who wish to voluntarily 'step down' in responsibility in the latter stages of their career.

The ability to accommodate such requests will depend on whether it is feasible or desirable for services to re-allocate the relinquished duties. In this regard, a service restructuring involving a redefinition of roles may provide the opportunity for flexible retirement, based on a reduction in grade, as an alternative to early retirement/ voluntary severance.

A minimum reduction of at least one full salary grade will normally be necessary before flexible retirement on this basis would be considered.

7. Administrative Arrangements

7.1 Dealing with Requests

Formal requests for flexible retirement should be submitted on the Application Form (**Appendix 1**). The line manager will discuss the application with the relevant Head of Service and Senior Human Resources Adviser to determine whether it can be supported in principle.

7.2 Timescales

To allow sufficient time for costs to be obtained from Lothian Pension Fund and operational issues to be discussed and considered, requests for flexible retirement should be submitted **no earlier than 6 months and no later than 4 months** before the proposed implementation date. This gives the relevant parties enough time to:

- produce cost estimates
- draw up a business case
- provide notice of retirement
- pay out benefits to the member

7.3 Cost and Financial Implications

Where a request can be supported in principle, the Senior Human Resources Business Adviser will arrange through HR Support team for Lothian Pension Fund to provide details of costs to the council and any actuarial reduction to the employee's pension benefits. The information provided by the Pension Fund will inform the business case, the details of which should be set out by the line manager in the Proposal for Flexible Retirement (**Appendix 2**).

7.4 Sign Off Arrangements

If both the Service and employee are happy to proceed, an effective date of implementation will be jointly agreed and the proposal passed to the appropriate Deputy Chief Executive.

In common with the process for dealing with applications for early retirement and voluntary severance, the relevant Deputy Chief Executive will indicate support for the flexible retirement application by signing off the Proposal Form (Appendix 2). The signed proposal will be passed to the Head of Corporate Services to certify that all necessary supporting documentation is available and thereafter the proposal will be passed to the Chief Executive for final sign off of the Approval Form (**Appendix 3**).

7.5 Implementation of Contractual Variation

Once signed off by the Chief Executive, the line manager will arrange for the contractual change to be actioned.

7.6 Refused Requests

Where a request cannot be accommodated, the employee should be advised in writing of the reasons (template letter provided at **Appendix 4**). For equality monitoring

purposes, the reasons should be stated on the application form (Appendix 1) and recorded by Human Resources for future reference.

7.7 Letter of Authorisation and Retirement Form

To release an employee's pension benefits, a letter of authorisation must be signed-off by the Depute Chief Executive and forwarded to Lothian Pension Fund with a copy to HR Pay & Reward for processing purposes. A sample letter is attached at **Appendix 5**. A Lothian Pension Fund Retirement Form will be completed by HR Pay & Reward on Lothian Pension Funds online portal.

APPLICATION FOR FLEXIBLE RETIREMENT

EMPLOYEE INFORMATION NOTE

Flexible Retirement allows you to draw your pension benefits while continuing in your employment with the council. Applicants must be at least 55 years of age, with 2 or more years of pension scheme membership and reduce either the hours they work or their grade. Please note that drawing your pension early may result in a reduction of pension benefits.

Applications for flexible retirement require the consent of the council. If you request a reduction in hours, it will help the council reach a decision if you provide information on your preferred working pattern. When completing the Business Case section, think about the effect this change will have both on the work that you do and on your colleagues. If your request is granted, this will be a permanent change to your terms and conditions.

PERSONAL DETAILS (please PRINT)

Name:	<input type="text"/>	Date of Birth:	<input type="text"/>
Employee No:	<input type="text"/>	NI No:	<input type="text"/>
Designation:	<input type="text"/>		
Manager's Name:	<input type="text"/>		
Service Area:	<input type="text"/>		

ELIGIBILITY AND CONDITIONS OF APPLICATION

I wish to apply for flexible retirement in accordance with Regulation 29(6) of the Local Government Pension Scheme (Scotland) Regulations 2014. The conditions relating to my application are confirmed below:

(Please ✓ to confirm or provide details where appropriate)

- I am 55 years of age or over
- I have 2 or more years of pension scheme membership
- I understand that I require to reduce my hours of work by a minimum of 20% or reduce my grade
- I understand that flexible retirement involves early payment of my pension benefits which may be subject to actuarial reduction
- I confirm that I would like to apply for flexible retirement for a period of no less than 6 months prior to my final retirement date
- I understand that flexible retirement will constitute a permanent contractual adjustment until my final retirement date

FLEXIBLE RETIREMENT PROPOSAL

Employing Service to process in accordance with the following guidance notes:

- Provide details of the business case in support of the application showing costs and savings and attach Pension Fund statement of strain costs as appropriate.
- Depute Chief Executive (or Head of Finance Services as appropriate) to sign off and pass to Head of Corporate Services for certification;
- Supported proposal to be referred to the Chief Executive for final sign off.

EMPLOYEE'S PERSONAL DETAILS

Full Name:

Job Title:

Service Area:

Proposed Commencement Date:

Age at Commencement Date:

Basis of Flexible Retirement
(X as appropriate):

Reduction in hours

Reduction in Salary Grade

DETAILS OF BUSINESS CASE

Head of Service

I confirm my support for the above proposal

Name (please PRINT):

Signature:

Date:

Head of Corporate Services or Nominated Senior Officer

Documentation certified as complete

Name (please PRINT):

Signature:

Date:

Depute Chief Executive (or Head of Finance Services as appropriate)
--

I confirm my support for the above proposal

Name (please PRINT):

Signature:

Date:

APPROVAL OF FLEXIBLE RETIREMENT

EMPLOYEE'S PERSONAL DETAILS

Name of applicant:

Job Title:

Service:

AUTHORISING SIGNATURES

CHIEF EXECUTIVE

Graham Hope

Signature:

Date:

LEADER OF THE COUNCIL

Lawrence Fitzpatrick

Signature:

Date:

**TEMPLATE LETTER
FLEXIBLE RETIREMENT APPLICATION
REASONS FOR REFUSAL**

Dear

FLEXIBLE RETIREMENT APPLICATION

I refer to your recent application for flexible retirement and confirm that unfortunately following a full assessment your request cannot be accommodated by the service.

Your request has been declined for the following reason(s):

- *[insert clear and justifiable reasons for refusal which can be supported by evidence]*

I would confirm that applications for flexible retirement are approved at the sole discretion of the council and that as such there is no right of appeal in the event that a service is unable to accommodate a request. However should you require further clarification of the council's decision, please do not hesitate to contact me or Human Resources.

Yours sincerely

Line Manager
Service

EXAMPLE LETTER OF AUTHORISATION

Pension Manager
Lothian Pension Fund
City of Edinburgh Council
Level 3:3
Waverley Court
4 East Market Street
EDINBURGH
EH8 8BG

Dear Sir

CONFIRMATION OF APPROVAL OF FLEXIBLE RETIREMENT

The employee named below has been granted retirement in accordance with the council's Policy on Flexible Retirement.

Employee's Name:

NI Number:

Select option as appropriate *

- *1. Flexible retirement has been agreed by the Director on behalf of the council on the basis of a reduced working week of hours per week with effect from
- *2. Flexible retirement has been agreed by the Director on behalf of the council on the basis of a reduction in salary grade to per annum on WLC grade spinal column point with effect from.....
- *3. The council is **agreeing/not agreeing** to waive any actuarial reduction applied to pension benefits.
- *4. The employee wishes to cease payment of pension contributions with effect from the date of retirement.
- *5. The employee wishes to continue payment of pension contributions from the date of retirement. The full-time equivalent salary is £..... and the members contribution rate is%.

Yours faithfully

Depute Chief Executive