

Taunton Deane Borough Council

Executive – 16 September 2009

Full or Partial Flexible Retirement Policy

Report of the Retained HR Manager

(This report is the responsibility of Executive Councillor Mrs Wilson)

1 Executive Summary

<p>The purpose of this report is to propose a new Policy for Full or Partial Retirement to meet the requirements under the Local Government Pension Scheme (Benefit, Membership and Contributions) Regulations 2007 to have a written policy for Regulations B18(1) and B18(3).</p>

2 Background

- 2.1 The Local Government Pension Scheme for England and Wales is a statutory pension scheme where its rules are laid down under Act of Parliament. Even allowing for this the regulatory framework has never been rigid and has allowed scope for regional and local variances and accountability.
- 2.2 From 6 April 2006 Her Majesty Revenue and Custom (HMRC) changes allowed pension schemes to facilitate flexible retirement. Flexible retirement provisions were subsequently written into the Local Government Pension Scheme by modifying the principal regulations in 2006 and then when the new look scheme was introduced in 2008, the flexible retirement provisions were modified further.
- 2.3 This flexibility was introduced to assist local government in managing the impacts of the ageing population which will see a greatly increased retired population being dependant on a reduced active workforce; by creating conditions where gradual or phased retirement would be possible and would allow for paid work during retirement without financial penalty.

3 Local Government Pension Scheme Regulations – Relevant Employer Discretions

- 3.1 There are a number of discretions within the LGPS (75 in total) some of which are the responsibility of the employing authority and some the administering authority and which some are also subject to the requirement to have a written policy.
- 3.2 In relation to full or partial flexible retirement these are contained in Local Government Pension Scheme (Benefit, Membership and Contributions) Regulations 2007 and are:-

B18(1)

Whether all or some benefits can be paid if an employee reduces their hours or grade (flexible retirement).

B18(3)

Whether to waive, in whole or part, actuarial reduction on benefits paid on flexible retirement.

- 3.3 These discretions allow for a scheme member who has attained the age of 55* to draw all or part of their retirement benefits (both pension and lump sum) even though they have not retired providing that:
- the employer consents, and
 - there has been a reduction in hours, or
 - a reduction in grade.

*In the case of scheme members who were members on 31 March 2008 the age of 55 is replaced by age 50 provided that they flexibly retire before 31 March 2010. From 1 April 2010 this will revert back to age 55.

- 3.4 With regard to a reduction in hours it is normal for a request to be approved, that the reduction is at least a minimum 20% reduction and more often to meet the financial business case in the region of 50%.
- 3.5 A scheme member who has a request approved for flexible retirement can continue to contribute to the Local Government Pension Scheme in their new employment.

4 Benefits of the Proposed Policy

- 4.1 Local Government generally and Taunton Deane are undergoing significant change to meet both the financial and service delivery pressures that are being faced. In undertaking restructuring it is important that the Council has at its disposal a range of options that can be used to satisfy these pressures.
- 4.2 The ability to provide full or partial flexible retirement will allow the Council to work with staff to provide staff an alternative to 'cliff edge' retirement which could see the retention of key skills at the same time as securing cost reductions. This will facilitate succession planning and business continuity.
- 4.3 The introduction of this policy will also ensure compliance with the need to have a written policy statement for this Employer Discretion as set out in the Local Government Pension Scheme (Benefit, Membership and Contributions) Regulations 2007.

5 Financial Implications

- 5.1 The early release of benefits on flexible retirement can cause pension strain

which is calculated with regard to the type of service the scheme member has and the shortfall in contributions that the pension scheme have actuarially assessed would be due to age 65.

5.2 As strain costs would be met by the Council the proposed procedure requires the proving of a business case which is based on the need for the proposals to demonstrate a saving over a three year period although the requirements of the service and other non financial benefits must be taken into account.

5.3 If the payment of benefits occurs before age 65 the benefits are reduced in accordance with guidance issued by the Government Actuary. The Council, however, has the power, on compassion grounds, to waive any actuarial reduction that the employee may incur and this provision has been included within the proposed policy although it is not envisaged that this option will be used on a regular basis.

6 Links to Corporate Priorities

6.1 Links to Objective 20 to achieve level 4 of the Equality Standard for Local Government by the end of 2010 and to attain level 5 by 2012.

7 Finance Comments

7.1 This policy is sound and the requirement to produce an individual business case for each post under consideration is a necessary safeguard.

8 Risk Management

Risk	Consequence	Probability	Impact	Treatment
Loss of Capacity	Strain on service delivery.	High	High	Business case required prior to approval.

9 Equalities Issues

9.1 This policy applies to all staff who are members of the Local Government Pension Scheme irrespective of gender, race, disability, occupation or grade.

10 Partnership Implications

10.1 There are no current partnership implications arising from this report although the potential development of Pioneer Somerset and other shared service arrangements will mean that this Policy will need to be kept under review.

10.2 The policy will apply to all Taunton Deane employees who are members of the Local Government Pension Scheme and consultation has taken place with SW1 over the proposed changes as it will cover employees seconded to SW1. Confirmation has been received from SW1 that the proposals, as contained in

this report, are acceptable to them as there is a requirement for each request to be subject to a business case.

- 10.3 Consultation has also taken place with the Taunton Dean UNISON Branch who are supportive of the proposals and a statement from UNISON is set out below:

'UNISON are satisfied that this proposed policy gives another option for staff who may be affected by the Core Council Review, in particular. It will also be of benefit to other staff who wish to adjust their hours, prior to retirement, but wish to continue links with their current post.'

11 Recommendations

- 11.1 The Executive is recommended to:-

- (1) agree the Policy on Full or Partial Flexible Retirement set out in the Appendix; and
- (2) recommend Full Council to formally adopt the Policy.

12 Appendices

- 12.1 Appendix 1.

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Appendix 1

FULL OR PARTIAL FLEXIBLE RETIREMENT POLICY

1. Employees aged 55 (aged 50 up to 31 March 2010) who are members of the Local Government Pension Scheme are able to request payment of early retirement benefits whilst remaining in the Council's employment on reduced hours or a lower grade.
2. This right does not apply to employees who are in receipt of a redundancy payment and early pension benefits or who have taken early retirement in the interests of the efficiency of the service.
3. As a guide, a business case for flexible retirement where any reduction is minimal (e.g. less than 20% either in terms of reduced hours or lower grade) may be difficult to objectively justify.
4. Requests for flexible working may be instigated by employees who meet the criteria set out in 1 above at anytime but will only be able to make one request in any 12 month period.
5. An employee should, in the first instance, approach their line manager with a request for reduced hours, more flexible working patterns by putting their request in writing.
6. The line manager will notify the HR Advisory Team and a meeting will be arranged within 21 days to discuss the request from the employee.
7. At this point the HR Advisory Team will request an estimate of early retirement benefits from the Pension Section of Somerset County Council which will be provided to the employee and be used to complete the Flexible Retirement Approval Request Form.
8. The meeting between the employee, line manager and a member of the HR Advisory Team will discuss the request and business case and will only be referred for approval if it is operationally viable.
9. If the request is referred for approval this will be considered by the relevant Theme Manager/Service Unit Manager and the HR Manager.
10. It should be noted that employees who are retiring in this way before their normal retirement age will suffer an actuarial reduction in their benefits to reflect early payment. In exceptional compassionate circumstances the Council has the right to waive this actuarial reduction.
11. If the request is not referred for approval this will be confirmed to the employee in writing to the employee within 14 days of the meeting. The employee would have the right of appeal against this decision which should be made in writing to the Retained HR Manager within 10 days of receipt of the reason for refusal of the request or refusal to waive the

actuarial reduction on compassionate grounds where the request is approved.

12. Appeals will be heard by a Strategic Director advised by the Retained HR Manager.