

Appendix 1

Flexible Retirement Policy



Version Control

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Purpose	Under the Local Government Pension Scheme and Teachers Pension Scheme, some employees may wish to consider the possibility of taking flexible retirement (or phased retirement), having access to all or part payment of their pension benefits, whilst continuing to work. This policy sets out the framework for which flexible retirement will be considered by the council.		

This policy links to:

- Our Council Plan
- Walsall Proud
- Pay Policy Statement
- Recruitment & Selection Policy
- Right to Request Flexible Working
- Organisational Development Strategy
- Workforce Strategy
- Behaviour & Standards Framework

This list is not exhaustive.

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1.0 Introduction

- 1.1 Walsall Council is PROUD. We are proud of our past, our present and for our future. The council is committed to reducing inequalities and ensuring all potential is maximised and its employment policies, procedures and guidelines are designed to support this vision and deliver the council's priorities.
- 1.2 The council is committed to creating an environment that provides opportunities for all individuals and communities to fulfil their potential. This policy provides a framework in which employees will be supported to deliver the council's priorities in line with the council's expected behaviours and values; professionalism; leadership; accountability; transparency and ethical.
- 1.3 The council's values and behaviours will be at the core of everything the council deliver and through a culture of continuous improvement the council will increase performance, efficiency and champion the design of services to meet the needs of customers. As a digital by design council, employees will be empowered to deliver new ways of thinking and new ways of working, encouraging innovation and creativity in a learning environment. The council is committed to technological investment to deliver transformation in order to improve the efficiency and effectiveness of its services, both internally and externally.
- 1.4 This policy framework promotes the council's strategic priority of internal focus ensuring all council services are customer focused effective, efficient and equitable, and helps embed the behaviours and values expected of all employees as part of the Behaviour and Standards Framework.
- 1.5 Under the Local Government Pension Scheme, some employees may wish to consider the possibility of taking flexible retirement, having access to all or part payment of their pension benefits, whilst continuing to work. Under the Teachers' Pension Scheme this is referred to a phased retirement. This policy sets out the framework for which flexible (or phased) retirement will be considered by the council.

2.0 Scope

- 2.1 This policy applies to all council employees who are members of the Local Government Pension Scheme (LGPS) or the Teachers' Pension Scheme (TPS);
- 2.2 With the exception of;
 - 2.2.1 School-based employees/workers where the governing body has delegated authority and for whom separate arrangements apply.

3.0 Principles

- 3.1 Flexible retirement under the pension scheme allows an employee aged 55 or over to gradually move into retirement, by continuing to work for the council whilst drawing some or all of their accrued pension benefits.
- 3.2 Flexible retirement is allowed for under Regulation 30(6) of the Local Government Pension Scheme and is known as phased retirement under the Teachers' Pension Scheme 11 (2).
- 3.3 To be eligible to request flexible retirement (LGPS) an employee must:
- Be aged between 55 and 74 (the maximum age for admission to the pension scheme), AND;
 - Have met the two year vesting period of the pension scheme, AND;
 - Reduce the number of their weekly contracted working hours of their current job (by a minimum of 20%) OR move to a lower graded position.
- 3.4 **Reduction in hours:** In the request for flexible retirement the employee must seek to reduce their weekly contracted hours by at least 20%. For example, based on a full time equivalent employee (37 hours over 5 days) 20% would equate to a reduction in working hours of one day.
- 3.5 **Reduction in grade:** In the request for flexible retirement the employee must seek to move to a lower graded position.
- Where a reduction in grade is to be considered as a flexible retirement criteria, the employee may apply for flexible retirement in principle.
 - Once approved in principle the employee can then apply for vacancy opportunities with the council that meet the reduction in grade. The onus is on the employee to secure a lower grade position following normal recruitment processes.
 - The council will not normally redesign an existing post in order to facilitate a change in grade purely for the purpose of facilitating flexible retirement. However, in exceptional circumstances it may be considered (e.g. when there is a need to retain a particular skill or where there are recruitment and retention issues). Where this option is being considered, advice should be sought from HR. The line manager will need to redesign the substantive role, reducing demand, responsibility levels and accountability levels. Where this is the case the amended role will need to be evaluated to ascertain the new grade and checked to see whether this meets the grade reduction criteria. As part of such a flexible retirement request, the employee will have to agree to amended terms and conditions in order for the job to be redesigned and the grade altered.
 - Pay protection for a drop in grade for the purposes of flexible retirement would not apply to ensure that flexible retirement complies with the pension regulations as a reduction in grade.

- 3.6 There is no automatic right to flexible retirement, it is at the councils' discretion. The council must give consent to:
- A reduction in the employee's working hours / grade, AND;
 - Release of their accrued pension benefits.
- 3.7 The council will consider employee requests to take flexible retirement on a case by case basis judging each case equally and fairly on its own merits, having fully considered the grounds of business continuity, the needs of the service and any financial costs that may apply. The request for flexible retirement must be approved by the Section 151 Officer and the Director of HR and will only be considered;
- where there is no or only minimal cost to the service (any cost must not exceed the value of the savings which would be made over 12 months due to the reduction in hours / grade); OR,
 - on compassionate grounds, but only when it can be demonstratively shown that the inability of the employee to work their current hours / grade is as a result of a severe medical condition of;
 - the employee (subject to medical evidence to support the application); OR,
 - the person for which the employee is the main carer (subject to evidence to support the application).
- 3.8 The council may agree to all, part or none of the reduction requested by the employee.
- 3.9 Where the council agrees to flexible retirement, an employee can choose to re-join the pension scheme for their reduced hours position, building up further entitlement to benefits in the scheme for when they fully retire.
- 3.10 Any reduction in hours or grade needs to be confirmed as a permanent change to the employment contract.
- 3.11 Under the LGPS requests for flexible retirement in any 12 month period are limited. Flexible retirement requests will be limited in accordance with the Council's flexible working policy (which at the time of writing allows one request/change within a 12 month period), supporting managers to manager resources effectively. After 12 months an employee can make a request to further reduce their hours under flexible retirement.
- 3.12 Once employees commence a flexible retirement arrangement under the LGPS they are not usually permitted to subsequently increase their hours, however in exceptional circumstances and where a business rationale is approved by the Director of HR employees on flexible retirement may (after 12 months) subsequently increase their hours / grade, if additional hours /higher graded post is available (following normal recruitment/selection processes).

- 3.13 Under the TPS phased retirement the reduction in pensionable salary must be at least 20% for a minimum of 12 months, and employees may take the option of further phased retirements (further reducing their pay by 20% each time) before final retirement dependent on their benefits/scheme. Further information is available from the Payroll & Pensions team.
- 3.14 Where flexible retirement is agreed before Normal Pension Age the benefits are actuarially reduced. The council has discretion to waive the actuarial reduction but is required to meet the cost by making a strain on fund payment to the pension fund. This could have a significant impact on council funding as it is dependent on the individual employee's pensionable history, therefore the council will only consider a waiver in exceptional circumstances and where any costs do not exceed the value of savings to be made over 12 months due to the hours / grade reduction.
- 3.15 It is essential that employees take individual pension advice prior to making a request for flexible retirement, as the amount of the employee's monthly pension benefits (and lump sum, if applicable) are reduced by taking flexible retirement depending on how early the employee draws their benefits. Employees should seek information / advice from their pension scheme provider.
- 3.16 Flexible retirement arrangements in this policy cannot override pension regulations should the regulations change or the requirements of the scheme.

4.0 Accountabilities

- 4.1 Managers are accountable for the following;
- Applying this policy and procedure consistently, fairly and objectively in accordance with the council's aim and priorities and clearly demonstrate the council's management behaviours and values, seeking further advice and guidance from HR where necessary;
 - Ensuring pension strain figures are obtained to establish the potential cost to the council, and where applicable considering budget implications.
 - Considering the request on the grounds of business continuity and service needs, as well as the financial implications to the council.
- 4.2 Employees are accountable for the following;
- All employees should support the delivery of the council's aim and priorities, clearly demonstrating the council's behaviours and values;
 - Actively engage in employment practices and processes in which they are involved and ensure they understand this procedure, seeking further advice and guidance from managers where necessary;
 - Ensuring they have taken appropriate pensions advice before requesting flexible / phased retirement;
 - To initiate any requests for flexible retirement with as much notice as possible;

- Complying with the requirements of this policy and procedure.

5.0 Procedure

- 5.1 To request flexible retirement the employee must complete a flexible retirement request form, confirming;
- They are a current member for the Local Government Pension Scheme (LGPS) (or Teachers Pension Scheme);
 - They are aged 55 years and over;
 - They wish to reduce their hours by a minimum of 20% OR are looking to move to a position on a lower grade.
- The employee must also include on the form their rationale for requesting flexible retirement, including their proposed working pattern if requesting a reduction in hours, and all relevant information where medical / compassionate grounds require consideration (if applicable).
- 5.2 The manager must obtain the estimated cost of the pension strain from the LGPS (via the Payroll and Pensions Team) to establish any potential cost to the council. There are no pension strain costs associated with the Teachers' Pension Scheme.
- 5.3 Having obtained the estimate (where relevant), the manager should discuss the request with their HR Advisor as to whether a formal request for flexible retirement can be considered on the grounds of business continuity and the needs of the service, including future workforce planning.
- 5.4 Where the manager (in consultation with the Head of Service or above as relevant) is agreeable to the request they should complete the rationale on the request form, such as;
- enabling the transfer of skills/knowledge and offering the opportunity of better succession planning and mentoring;
 - the effect on the ability to meet customer needs / continuity of service provision;
 - workload considerations;
 - impact on other employees;
 - the capital costs associated with the early release of pension, and whether this helps avoid redundancies elsewhere or enables efficiency savings.
- 5.5 The manager and Head of Service (or above as relevant) are both required to endorse the form before it can be considered by the Section 151 Officer and Director of HR.
- 5.6 Where the manager / Head of Service (or above as relevant) do not support the request the employee can appeal for this decision to be reviewed by the Director (or above as relevant). Directors should review the decision in consultation with their HRBP's;

- Where the Director supports the request the process continues to Section 151 Officer and the Director of HR for formal approval.
 - Where the Director does not support the request this is the end of the process, and there is no further right of appeal.
- 5.7 Any funding to support the request must be specified by the relevant Finance Business Partner on the request form. Any costs will be met by the service areas individual budgets.
- 5.8 Following line manager and Head of Service (or above as relevant), or Director (or above as relevant) endorsement, the final decision to formally approve the flexible retirement request must be jointly authorised by the Section 151 Officer and the Director of HR. The decision of the Section 151 Officer and the Director of HR is final, there is no right of appeal.
- 5.9 Following the decision of the Section 151 Officer and the Director of HR, the manager will then meet with the employee to confirm the decision on whether flexible retirement has been formally approved. Where the flexible retirement is agreed and subject to all approvals being in place, the manager must inform the payroll and pensions team who will make contact with the employee to make arrangements for their flexible retirement benefits to be brought into payment with the pension scheme.
- 5.10 Where the flexible retirement is formally approved, in order to facilitate the flexible retirement and to amend the structure the following documents are required;
- The flexible retirement request and approval form fully authorised by the Section 151 Officer and the Director of HR;
 - A leavers form completed by the manager (to end the current role);
 - A post creation form completed by the manager (to create the new post in the reduced capacity).
- 5.11 Where the flexible retirement is not approved due to the pension strain costs to the council the employee can still request to reduce their hours under the right to request flexible working policy. However, where agreed this would not be a flexible retirement, but flexible working and would be without access to pension benefits. It is essential that employees take individual pension advice prior to making a decision on the flexible working request as this may affect their pension benefits.

6.0 Flexible retirement and subsequent redundancy

- 6.1 If, at a future date following flexible retirement arrangements being put into place, an employee's post is identified as being at risk of redundancy, the following would apply:
- An employee's existing pension taken under flexible retirement will not be affected by subsequent redundancy.

- If an employee has continued in membership of LGPS after taking flexible retirement they would also receive immediate payment of their pension accrued following their flexible retirement date. This pension will only be based on pensionable service following their flexible retirement date.
- Redundancy pay would be calculated on the basis of the employee's length of continuous service within local government, however weekly pay would be calculated on the basis of their reduced salary under the new flexible arrangement.

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