



Corporate Resources Scrutiny Committee

Briefing Paper

Report of: Jayne Morcom – Human Resources Officer
Date: Thursday, 18th March 2010
Open

Flexible Retirement Policy

1. Summary

- 1.1 To present to Members the draft Flexible Retirement Policy as attached at Appendix 1.
- 1.2 The purpose of the policy is to provide an opportunity for employees once they have reached the retirement age of 55 and over, to make changes to their working lives by requesting to retire flexibly and reducing their working hours or grade.

2. Background

- 2.1 The attached draft Flexible Retirement Policy is a new policy for the Council in response to amendments to the Local Government Pension Scheme (Administration) Regulations 2008.
- 2.2 The aim of the policy is to provide an opportunity for employees, providing they meet the criteria, to make changes to their working lives, whilst enabling the Council to retain valuable skills and experience. Employees may request a reduction in hours or transfer to a lower graded post within the Council.
- 2.3 Employees wishing to request flexible retirement once they have reached retirement age will be required to make a written request, their Director may consider approval where:
 - (a) There is no detrimental effect on service delivery
 - (b) There is available alternative work at a lower grade in cases where a request to work at a lower grade is made
 - (c) The arrangement is fair and equitable to other team members
 - (d) The financial implications are known and meet the Council criteria
- 2.4 The draft policy has been distributed to employees and unions for feedback. Any comments from the unions will be made verbally at the Corporate Resources Scrutiny Committee.

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- 2.5 An article was included in Wyred Weekly (10th February edition) providing a link to and seeking feedback on the draft policy, however no feedback has been received.

3. Key Issues

- 3.1 At present the Council does not have provision in any policy to request Flexible Retirement arrangements.

4. Options

- 4.1 That the Corporate Resources Scrutiny Committee recommend to Cabinet that the draft Flexible Retirement Policy be adopted by Council.

5. Consultation

- 5.1 HR Team
Unison
GMB
Employees
CMT

6. Related Decisions

- 6.1 None

7. Relevant Council Policies/Strategies

- 7.1 Section 2 of the Personnel Handbook - Redundancy, Retirement, Transfer & Termination

8. Implications

- 8.1 Improved retention of staff
- 8.2 Reduce skills/experience drain

9. Equality Impact Needs Assessment

- 9.1 An Equality Impact Assessment (Screening) has been undertaken for the draft Flexible Retirement Policy. This identified that there would be no adverse impact on the 6 equality strands.

10. Wards affected

- 10.1 None

11. Appendices

11.1 Appendix 1 - Draft Flexible Retirement Policy

12. Background Papers

12.1 None

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DRAFT FLEXIBLE RETIREMENT POLICY

1. Introduction

- 1.1 Wyre Forest District Council values the knowledge, experience and skills of all its employees. We are committed to having a flexible approach to retirement and recognise the benefits that it can have for both employees and the District as a whole.
- 1.2 The Flexible Retirement Policy applies to all employees who are members of the Local Government Pension Scheme (LGPS), have been a member for at least 3 months or have transferred from another pension scheme, and are aged 55 or over, with effect from 1.4.08.

2. Purpose

- 2.1 This policy has been developed in line with the Local Government Pension Scheme. It is intended to meet the requirements of the Employment Equality (Age) Regulations 2006. This policy will not discriminate against any employee on the basis of race or ethnicity, disability, gender, marital status, or sexual orientation.
- 2.2 It may provide an opportunity for employees, providing they meet the criteria, to make changes to their working lives, whilst enabling the Council to retain valuable skills and experience.
- 2.3 Employees may request a reduction in hours or to move to a lower graded post within the Council.

3. Flexible Retirement

- 3.1 Flexible retirement occurs where an employee draws their pension and carries on working, either at a lower grade or on reduced hours. It is available to LGPS members who are aged 55 or over, and who with the Council's consent reduce their hours or grade. Subject to necessary approvals, such employees will be able to draw their local government pension whilst continuing to work. In addition they can remain in the LGPS until the day before their 75th birthday, building up further benefits in the scheme.
- 3.2 Employees who wish to work beyond their contractual normal retirement age of 65 should refer to the WFDC Retirement Age Procedure. Any employee wishing to work reduced hours or at a lower grade, must first put their request in writing to their manager, who will consider the business case for the request. Their Director may consider approval where:
 - (a) there is no detrimental effect on service delivery .

- (b) there is available alternative work at a lower grade in cases where a request to work at a lower grade is made.
 - (c) the arrangement is fair and equitable to other team members.
 - (d) the financial implications are known and meet the Council criteria.
- 3.3 In all cases, employees must receive advice as to how flexible retirement will affect their net pay and pension entitlement. An employees pension will normally be actuarially reduced if paid before the age of 65. In addition, any job while in receipt of pension benefits may attract a higher rate of tax.

4. Receiving Pension Benefits whilst working

- 4.1 Whilst the Council will provide necessary pay and pension figures, the employee will be encouraged to seek financial advice. No application for flexible retirement will be agreed at Director level in the absence of the necessary financial information from the Director of Resources.

5. Pension implications for working reduced hours or step down

- 5.1 Where an employee varies their working arrangement their pension entitlements will continue to accrue. Pension rights accrued before the reduction in hours or grade will be unaffected by the change. The employee's pension following the change will however be affected where special payments are no longer paid in the new role. Advice must be obtained from Payroll on how pension benefits might be affected.
- 5.2 Working part-time or in a lower grade prior to the normal retirement age will also affect an employee's benefits, redundancy and compensation payments if they retire on health grounds or are made redundant or leave on efficiency grounds. Employee should contact Human Resources in order to get further advice on how these might be affected.
- 5.3 Membership built up to the date of flexible retirement will not count toward working out the 85 year rule in the continuing employment, but will count towards calculating redundancy pay.

6. Compassionate Cases

- 6.1 In exceptional circumstances the Council may agree not to apply all or part of the actuarial reduction of pension on compassionate grounds. There are however strict criteria, which must be met for a request to do

this to be approved. Examples of compassionate reasons that may be considered for waiving the actuarial reduction to the employee include:

- (a) Severe financial difficulties

(b) Employees who are suffering the emotional and financial effects of bereavement

(c) Employees who are forced to leave work to care for a dependant

6.2 If the employee wishes to access their pension from the age of 55 without actuarial reduction on compassionate grounds they should set out the details in writing to their manager. Director support will be required prior to consideration by Human Resources. The employee's Directorate will meet the additional costs to the pension fund if the application is approved.

7. Enhancing Pensions Benefits

7.1 Employees who are concerned about the level of pension benefits may consider the following options:

(a) **Buying Additional Pension - The** new 2008 LGPS introduced the ability for members to buy additional pension in steps of £250 per year, up to a maximum of £5,000. This is instead of the facility to purchase added years. From 1 April 2008, existing added years contracts and requests received by 31 March 2008 will still be honoured.

(b) **Paying Additional Voluntary Contributions (AVCs) to boost pension benefit** - If employees pay additional voluntary contributions via the LGPS they may elect to take up to 100% of the accumulated fund in their AVC account as a tax free lump sum provided it is drawn at the same time as their LGPS pension benefits and, when added to the LGPS lump sum, it does not exceed 25% of the overall value of their LGPS benefits (including their AVC fund). Currently, a member may contribute up to 50% of their pensionable pay for AVCs.

(c) **Paying more into the LGPS Scheme** - the 15% limit on a scheme member's contributions has been removed so that

employees can pay more into the scheme or into the scheme's additional voluntary contribution arrangement to get enhanced benefits from the scheme.

8. The Application Process

8.1 Any employee wishing to work reduced hours or at a lower grade must first put their request in writing to their Director. The letter should :

(a) State that it is a request for flexible retirement,

(b) State whether a previous application has been made and if so what date,

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- (c) Set out the change applied for, the hours wished to be worked or the lower grade which is sought and the date it is requested to become effective,
 - (d) Explain the effect that is envisaged the change may have on the Council including how it might be accommodated,
 - (e) Identify that the employee satisfies the requirements relating to age and pension,
 - (f) Identify any benefits which may arise from the implementation of the request.
- 8.2 The application should be submitted to the Director who will ensure that a meeting is held within 28 calendar days of the date on which the application is made.
- 8.3 Those present at the meeting will be the Director, Line Manager or a representative for Human Resources, the employee making the application and the employee's representative, if required. If the Director or Line Manager is on leave at the time of the application, the timing of the meeting will be extended for 28 calendar days from the date of their return. The purpose of the meeting will be to discuss fully the proposal along with the impact on the service.
- 8.4 If an agreement is reached to take the proposal further, the Director will request in writing that Payroll obtain pension figures.
- 8.5 Payroll will arrange wherever possible for the estimate of pension within 14 calendar days from the receipt of the request.
- 8.6 The employee will be given 14 calendar days from the receipt of the information to consider. They may wish to seek advice from an independent financial advisor.
- 8.7 Once confirmation that the employee wishes to proceed has been received from the employee, the Line Manager must pass this information to the Director and Director of Resources who will provide relevant information regarding the request.
- 8.8 If agreement cannot be reached, any one of the participants can request Human Resources to become involved, setting out in writing the reasons for requesting such an involvement.
- 8.9 Human Resources will facilitate a further meeting with all parties within 14 calendar days from the receipt of the request with the aim of reaching agreement.

- 8.10 If the proposal is not agreed Human Resources will write to the employee within 7 calendar days, setting out the reasons for refusing the request.

9. Confirmation Of Decision

9.1 Approval

If the request is approved the employee will receive a contract of employment confirming the:

- (a) Start date of the new flexible retirement employment contract
- (b) The revised working hours and/or grade plus the working pattern
- (c) Changes to other terms and conditions of employment (example pro rata holiday entitlement).

9.2 Appeal against refused

- 9.2.1 The employee may appeal against the decision reached, within 14 calendar days of the date of the written decision. The appeal must be made in writing and must clearly specify the grounds on which the appeal is being made. It should be signed, dated and sent to the Chief Executive.
- 9.2.2 The Chief Executive will arrange to hear the appeal within 14 calendar days. The employee may be accompanied by a work colleague or a Trade Union representative.
- 9.2.3 Wyre Forest District Council reserves the right to uphold the appeal and should this be the case the employee will be notified in writing.
- 9.2.4 Human Resources will ensure that the employee is notified of the appeal decision within 14 calendar days.
- 9.2.5 The appeal notification must be in writing and will clearly specify if a contract variation has been agreed or the grounds for dismissal of the appeal. It will be signed and dated by the Chief Executive.
- 9.2.6 Subject to the remainder of this paragraph, any agreed flexible retirement arrangements will be permanent. Any further application for change can only be made for consideration after 12 months of the new arrangements taking effect.

10. Grounds For Refusal

- 10.1 The application for flexible retirement can be refused for legitimate business reasons. The list of reasons is contained in the Employment Act 2002.

10.2 Examples are listed below for information;

- (a) The burden of additional costs
- (b) Detrimental effect on ability to meet customer demand
- (c) Inability to reorganise work among existing staff
- (d) Inability to recruit additional staff
- (e) Detrimental impact on quality
- (f) Detrimental impact on performance
- (g) Insufficiency of work during periods the employee proposes to work
- (h) Planned structural changes
- (i) Such other grounds as specified by the regulations

11. Withdrawal Of Application

11.1 Wyre Forest District Council will treat an application as withdrawn if the employee;

- (a) Indicates verbally or in writing that the application is withdrawn
- (b) Fails to attend a meeting more than once
- (c) Unreasonably refuses to provide relevant information

12. Flexible Retirement Policy Changes

12.1 This policy will be reviewed on a regular basis in line with legislative changes and changes to the Local Government Pension Scheme. It needs to be read in conjunction with WFDC Retirement Age Procedure.