

HR110
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Flexible Retirement Policy and Procedure

Introduction and Background

In accordance with the provisions of the Local Government Pension Scheme, some employees, from age 55, may wish to consider the possibility of taking flexible retirement, rather than continuing in a job to 65 or beyond.

This involves drawing some or all of their pension benefits and reducing the number of their weekly contracted working hours.

If payment of benefits occurs before age 65, the benefits are reduced in accordance with guidance issued by the Government actuary (an actuarial reduction).

In order to seek release of pension benefits, the reduction in an employee's hours must be by at least 20%. However, requests to reduce hours by around 50% are more likely to receive approval.

If accepted, employees are expected to enter into the terms of a confidential settlement agreement, which will agree an exit date from the Council within 3 calendar years from the commencement of flexible retirement.

Scope

This Policy applies to all employees of Sandwell Council who are members of the Local Government Pension Scheme.

Further details are available in the documents

- All about your retirement benefits or
- The essential guide to retirement benefits

available from the West Midlands Pension Fund or by going to wmpfonline.com or lgps.org.uk

Policy and Procedure

1. Request to Reduce Hours

Application for consideration of flexible retirement and a reduction in working hours should be made on form [HR110.1](#). (Application for Consideration of Flexible Retirement).

2. Procedure

2.1 If a manager is willing to consider a request from an employee for flexible retirement and can confirm that:-

- the employee is aged at least 55 years,
- the employee is a current member of the Local Government Pension Scheme,
- the employee wishes to reduce their hours by a minimum of 20%,
- the employee will enter into a settlement agreement drawn up by Legal Services,
- the employee will agree to end their employment with the council within 3 calendar years, and
- the flexible retirement will commence within 3 months from the date of the agreement.

they should request, via an HR Business Partner, an estimate of the employee's pension benefits. This will establish the potential costs to the Council if it were to agree to the request. The HR Business Partner will then submit Pension estimate form (Pens 1) to the Pensions team.

2.2 Having obtained the estimate, the Manager should discuss the request with the Service Manager and whether a formal request for flexible retirement can be shown to be in the interests of the Council, either financially or through efficiency savings. Managers should see section 5 below for guidance on considering requests for flexible retirement.

2.3 If it can be shown to be in the interests of the council to agree to the employee's request, the manager will then meet with the employee.

- 2.4 If it is mutually agreed that the employee can pursue an application for Flexible Retirement, the manager will complete a business case along with forms [HR110.1](#) and [HR96](#) (Authority to Grant Early Retirement), ensuring all required signatures are obtained, before sending all documents to the HR Business Partner.
- 2.5 The HR Business Partner will forward the necessary details and forms to the Legal section so that they can prepare a settlement agreement.
- 2.6 The HR Business Partner will forward the settlement agreement to the employee for signature.
- 2.7 The HR Business Partner will complete a Pens 2 (Confirmation of an Employee's Retirement Form) and send to Pensions and forward other completed forms and the completed settlement agreement to Employee Admin.
- 2.8 If the application is refused by management, the employee may appeal against the decision.

3. Appeals

An employee has 14 calendar days from being notified their request for release of pension benefits under the Flexible Retirement Policy has been rejected, to appeal.

The individual must set out the reasons for their appeal in writing and send this to the Executive Director of Resources.

The employee should be advised within 14 calendar days of the appeal decision. This is the last stage in the decision-making process and any decision is final.

4. Request to reduce grade

At the present time Sandwell Council does not support flexible retirement with a reduction in grade.

5. Guidance for Managers when considering requests for flexible retirement

The following factors will be taken into account in deciding whether to grant an application for flexible retirement.

- Additional cost to the Council
- Effect on any ability to meet customer demand
- Ability to reorganise work amongst existing employees
- Ability to recruit additional staff
- Impact on quality
- Impact on performance
- Planned structural change
- The employees leaving / exit date

Approval for early payment of pension benefits would need to be funded by a lump-sum contribution into the Pension Fund by Sandwell MBC. This discretion will only be exercised by Sandwell MBC in cases where it can be demonstrated that Sandwell MBC can fund the cost of the early, flexible retirement within a three-year period.

In exceptional circumstances, pension benefits may be paid early on compassionate grounds, where the Council is satisfied that the applicant has a significant compelling domestic situation which has long term detrimental effects to the applicant and their ability to undertake their continued employment.

The exit date of within 3 calendar years may be extended to within a maximum of 5 calendar years, but only in exceptional circumstances. These would include a genuine business requirement, been in support of an authorised business case to the same, and be subject to mutual agreement.

Each request will be considered on its own merits and will not set a precedent.