

General Purposes committee On 25 September 2006**Report title: Options for Flexible Retirement****Report of Head of Personnel****1. Purpose**

To outline new policy arrangements for dealing with requests for flexible retirement following changes to the Local Government Pension Scheme regulations 2006.

2. Recommendations**That this committee agree**

- a. The proposals for a policy on flexible retirement outlined in paragraph 6 of this report, or as amended by this committee.
- b. That requests for flexible retirement will be granted firstly by the appropriate service chief officer (e.g. Asst Director/ Director or equivalent), with final approval from the Deputy Head of Personnel to ensure issues of consistency of application.
- c. That any appeal will be considered in the same way as other pensions related administration appeals – 1st Stuart Young, Head of Personnel; 2nd Dave Burn, Principal Employment Lawyer; or the Pensions Ombudsman.
- d. That where an employee has been granted early payment of their pension that they should be barred from moving to another job or returning to employment with the council, following a move to another employer, at the same or higher grade for a period of 3 years.
- e. That delegated authority be granted to the Director of Finance to waive, in whole or in part, the reduction to the pension following early payment.
- f. That authority is delegated to the Head of Personnel to develop a policy incorporating the proposals approved by this committee, in consultation with the trade unions.
- g. That the Discretionary Policy Statement for Pensions will be amended to reflect policy framework proposals approved by this committee.

Report authorised by:



for Chief Executive

Contact officer: **Stuart Young, Head of Personnel**
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3. Access to information:

Local Government (Access to Information) Act 1985

No documents that require to be listed were used in the preparation of this report.

4. Background

The Local Government Pension Scheme Regulations 2006 outlined that with effect from 6 April 2006 pensions scheme members aged over 50 can request early payment of their pension if they work at a lower grade or reduce their working week by a number of hours. However, this has to be agreed by the employer.

The pension benefits are subject to reduction if the scheme member is aged under 65 years. The reductions are in accordance with advice from the Government Actuary's Department (GAD). Therefore the employee gets out in pension the equivalent of what they have paid in, meaning there is no strain on the pension fund.

Current GAD advice means that all members under age 60 will have a reduction in benefits. If the Members attains 65 they can claim the full benefits they are entitled to with no reduction. Members aged between 60 and 64 will have a reduction depending on whether or not they enjoy the transitional protection of the 85 Year Rule.

The employer has discretion to waive any such reduction in whole or in part. The exercise of this option will require payment of a capital sum into the pension fund. To avoid any strain on the fund, the capital sum should be paid immediately on the date the benefits become payable.

The pension benefits once awarded are payable for life. Therefore it is possible for someone to leave and return to his former employer and continue to receive payment of benefits.

5. Implications for Council policy

The regulations bring a number of potential benefits and issues for Council policy.

Obvious benefits are in terms of the opportunities this gives to employees that may be facing changes in their jobs as a result of reorganisation or health reasons. This provides possible options for re-skilling and redeploying older workers (those over 50) across the workforce.

General Purposes Committee on 2 March 2006 approved arrangements for dealing with employees that wanted to continue working after the age of 65 in line with Age discrimination legislation due to come into effect from 1 October 2006. The flexible retirement options could be linked with these processes.

Similarly, they could also be linked into the frameworks and processes for considering requests to work flexibly in line with the Council's Flexible Working Policies.

Where an employee has been granted early payment of their pension a policy will need to be implemented to discourage them from leaving and then returning either to a higher graded or whole-time post within short time scales.

A framework/ policy for considering applications for flexible retirement will need to be developed taking account of some of the above points.

The Discretionary Policy Statement for Pensions will need to be amended to reflect policy framework proposals for considering flexible retirement applications.

6. Proposals

It is proposed that requests for flexible retirement should be made within the context and framework of the Council's Flexible Working policies. These provide that a case needs to be developed that identifies the benefits to both the individual and service of the request to work flexibly.

In considering such a request a number of factors need to be taken into account that should include, but not be limited to, the following:

- Benefits to the individual making the request
- Effect of the proposal on other staff
- Effect of the proposal on service provision
- Implications for budgets
- Effect on the structure of the service and staff resources
- Effect on the workload of the role

Approval for requests will need to be given firstly by the appropriate service chief officer (e.g. Asst Director/ Director or equivalent), with final approval from the Deputy Head of Personnel to ensure issues of consistency of application.

Monitoring of the applications and rejections/ approvals will be undertaken by personnel.

It is proposed that any appeal will be considered in the same way as other pensions related administration appeals. This provides that at stage 1 the Head of Personnel shall consider the matter. At stage 2 Dave Burn, Principal Employment Lawyer, Legal Services is the designated person to consider the matter. If it cannot be resolved at stage 2 it can be forwarded to the Pensions Ombudsman, although it should be noted that the right to refer to the Pensions Ombudsman is available at any stage.

Any new requests for flexible retirement can only be made after a period of one year following failure at appeal.

Requests for flexible retirement may be considered at the same time as requests to continue working beyond the age of 65.

It is proposed that where an employee has been granted early payment of their pension that they should be barred from moving to another job or returning to employment with the council, following a move to another employer, at the same or higher grade for a period of 3 years.

It is proposed that delegated authority be granted to Director of Finance to waive, in whole or in part, the reduction to the pension following early payment. This will be exercised only in exceptional circumstances. The exercise of this option will require payment of a capital sum into the pension fund by the employing service directorate. To avoid any strain on the fund, the capital sum should be paid immediately on the date the benefits become payable. The exercise of this discretion will be included as part of the administration report to Pensions Panel, which is received on a quarterly basis.

The Discretionary Policy Statement for Pensions will be amended to reflect policy framework proposals outlined above and approved by this committee.

It is proposed that authority be delegated to the Head of Personnel to develop a policy incorporating the proposals outlined above and approved by this committee. This will be consulted on with the trade unions.

It is proposed that the policy will be completed by the end of the year and will then be publicised to employees.

7. Legal Services Comments

The Head of Legal Services has been consulted on the content of this report. The effects of the flexible retirement provisions of the Local Government Pension Scheme Regulations 1997 (as amended) are set out in the report. All discretionary functions exercised by a scheme employer or administering authority such as the Council must be set out in its published policy statement on the use of discretions under the provisions of Regulation 106 of the 1997 Regulations. In formulating its policy a scheme employer or administering authority must have regard to the extent to which the exercise of its functions could lead to a serious loss of confidence in the public service.

8. Financial Implications

There are no anticipated costs arising out of the proposals. In fact it is anticipated that given the requirement to reduce grade or hours of work that savings will be accrued through these proposals.

9. Equalities implications

The proposals outlined in this report could help the council retain older workers (over 50 years) with their requisite knowledge, skills and experience. This will help the council meet its obligations in terms of Age legislation and it provide a positive benefit to equalities issues overall.