

1 PURPOSE AND SCOPE OF THE POLICY

This Policy covers applications from employees who wish to either retire early or take advantage of the flexible retirement provisions together with the implications of the government's decision to abolish the default retirement age. This Policy does not apply to employees retiring early on medical grounds, for which there is a separate policy.

2 BACKGROUND

- 2.1 The Council has had a policy for considering applications for early retirement for many years. It was first introduced at a time when the Council was wishing to reduce staffing numbers in certain services and when the costs associated with the early payment of pensions were far less prohibitive than they are now. In addition, there have been successive changes to the Local Government Pension Scheme which have reduced the benefits payable in the form of added years to the present situation where added years are no longer payable.
- 2.2 However, there will still be occasions where the Council needs to reduce staffing numbers, either as a result of financial constraints, or following a restructuring exercise, or in the interests of efficiency. In addition, employees may wish to apply for voluntary early retirement and there must be a process to consider these applications.
- 2.3 From 1st October 2006, all employees had the right to request working beyond age 65 but the rules relating to the default retirement age and the associated statutory retirement procedures were repealed with effect from 6th April 2011. This means that there can be no compulsory retirements using the default retirement age from 1st October 2011 onwards.
- 2.4 . The increase in the State Pension age from 60 to 65 for women will be phased in over a ten year period from the year 2010 to 2018. State pension age for both men and women will then rise to 66 between 2018 and 2020, and then to 67 between 2026 and 2028. Women are not automatically entitled to receive a local government pension at age 60 and should check their entitlement with Human Resources or Lancashire County Council Pensions Service.

- 2.5 Men and women may also choose to give up work before age 65 depending on their personal circumstances. Whether or not they will be eligible to receive their local government pension will be dependant upon their age and reckonable service and the Pension Regulations in force at the time. Employees should check their entitlement with Human Resources or Lancashire County Council Pensions Service.

3 VOLUNTARY EARLY RETIREMENT

- 3.1 In order to be eligible to apply for early retirement under the Local Government Pension Scheme regulations, an employee must be aged 55 or over with three months or more membership of the Pension Scheme. Applications should be made in writing and submitted to the employee's Service Manager and the Human Resources Manager. Discussions should take place between the Service Manager and the Human Resources Manager to determine whether any savings could be made by allowing the application for early retirement either:

- through non-filling of the applicant's post or;
- through a reorganisation of the workload resulting in savings or;
- through the non-filling of a vacancy elsewhere in the Service Area.

The appropriate Trade Union will be consulted at this stage

- 3.2 In addition to the early payment of pension and lump sum benefits, an applicant may also qualify for a redundancy payment but must satisfy the statutory definition of redundancy in order to be eligible.
- 3.3 Following consideration of the application, estimates will be prepared by the Human Resources Manager of the costs to the Council, including pension strain costs, of agreeing to the application.
- 3.4 The application, including estimates of cost and savings, will be considered by the Strategic Director, the relevant Service Manager and the Human Resources Manager. Applications will only be granted where there are savings to the Council which will usually entail the loss of the post, reductions in hours or loss of other posts within the service. The savings within the year of retirement or within two years of the retirement date must exceed the pension strain cost and any other costs associated with the retirement. As a minimum, the financial effect of the retirement should be cost neutral.
- 3.5 The April 2014 Pension changes introduced a regulation which gives employees aged at least 55 the option of retiring and drawing all of their pension benefits without the Council's consent, however the benefits payable will be actuarially reduced. AS THIS OPTION WILL HAVE AN EFFECT ON THE EMPLOYEE'S PENSION ADVICE MUST BE SOUGHT FROM HUMAN RESOURCES AND LANCASHIRE PENSIONS BEFORE ANY DECISION IS MADE.

4 RETIREMENT IN THE INTERESTS OF THE EFFICIENCY OF THE SERVICE

4.1 Subject to the following factors, in rare cases the Council may wish to agree to the retirement of an employee aged over 55, in the interests of the efficiency of the service. The factors for consideration are:

- Whether the early retirement of the employee will result in improved efficiencies in service delivery or will facilitate changes within the operation of a Service Area.
- Any savings which might be realised.
- Where there are health issues but retirement on medical grounds is not an option and dismissal on capability grounds is not appropriate.
- Compassionate grounds.
- The cost of agreeing to the retirement and the requirement to make savings will be in line with paragraph 3.4 above.

4.2 An employee retiring in the interests of the efficiency of the service may or may not be eligible for a redundancy payment depending upon the circumstances of the case.

5 FLEXIBLE RETIREMENT

5.1 As an alternative to stopping work employees may wish to consider a number of other alternatives such as:

- Winding down by reducing hours within the employee's current job and grade using the existing work / life balance policy.
- Stepping down into a lower graded post or one with fewer hours, where there is a vacancy.
- Retiring / resigning and returning to work for the Council in a different job which could include temporary work or for a specified short-term period.
- Retiring / resigning and being available for casual / occasional work.

SOME OF THESE OPTIONS COULD HAVE AN EFFECT ON THE EMPLOYEE'S PENSION. ADVICE MUST BE SOUGHT THEREFORE, FROM EITHER HUMAN RESOURCES OR LANCASHIRE PENSIONS BEFORE ANY DECISIONS ARE MADE.

5.2 All applications to vary working hours or duties will be considered by the Service Manager and the Human Resources Manager and will be subject to the usual considerations of cost, service delivery requirements, the ability to reorganise work amongst existing staff, the ability to recruit suitable additional staff and the overall impact on performance.

5.3 The April 2008 Pension changes introduced a regulation which gives employees aged at least 55 the option of reducing their working hours or taking a reduction in pay and drawing some or all of their pension benefits. If only part pension benefits are taken, then only benefits built up from 1st April 2008 are payable. Any benefits payable may be actuarially reduced or may result in a cost to the Council. This option is therefore subject to the Council's consent.

5.4 PROCEDURE FOR APPLYING FOR FLEXIBLE RETIREMENT

All applications for flexible retirement with employer consent should be submitted in writing to the Service Head and the Human Resources Manager and should indicate whether the request is on the basis of:

- a reduction in hours;
- a reduction in grade; or,
- a combination of both.

An application must also include an explanation of what impact, if any, the employee thinks agreeing to the request will have on the service and how, in the employee's opinion, any such impact might be accommodated. The employee must also specify the revised working pattern that they wish to work.

Each application will be considered on its merits, taking into account the following factors:

- whether pension benefits payable are subject to actuarial reduction or could result in a pension strain cost being charged to the Council;
- the need for the Council to make savings;
- any additional costs to the service, for example additional recruitment or training costs;
- any effect on the ability of the service to meet service demands or customer requirements;
- the ability to reorganise work amongst existing staff;
- the ability to recruit suitable new / additional staff;
- the overall impact on quality of service;
- the overall impact on performance;
- planned structural changes.

5.5 Approval / Refusal of an application for Flexible Retirement

- The HR Manager will obtain an estimate of pension benefits and pension strain costs from Lancashire Pension Services

- If there is no pension strain cost to the Council and the Service Manager wishes to approve the application, the application for flexible retirement will be approved and the details of the variation in hours / grade will be confirmed in writing. The HR Manager will make the necessary arrangements for the payment of pension benefits. If the application is refused at this stage the employee will be informed in writing and given a right of appeal to a Director.
- An employee's pension benefits may be subject to a reduction if they are drawn earlier than age 65. The Council will not agree to waive these reductions.
- The Council will only agree to a flexible retirement which involves a pension strain cost being charged to the Council, where there are salary and other savings identified within the Service Area which render the cost of the pension strain, as a minimum, cost neutral within the first two years following retirement.
- If the application is refused the employee will be informed in writing and given a right of appeal to a Director.
- Employees who are allowed to take advantage of the Flexible Retirement scheme may choose to opt out of the Pension Scheme following payment of pension benefits.

6 WORKING BEYOND AGE 65

- Prior to April 2011 employees could be forced to retire at or above the age of 65. The rules relating to the default retirement age and the associated statutory retirement procedure were repealed on 6th April 2011 which means that the Council will be unable to issue new notifications of retirement under the current statutory procedure after 6th April 2011.

6.1 Managers will use the performance management process to have sensible and practical discussions with employees about retirement and winding down plans. The performance management process ensures that all employees have up to date job descriptions with clear responsibilities and objectives. All employees are seen at least annually and should be given feedback that is clear, accurate and timely. Where there are issues with under performance the Capability Procedure will be used. This additional responsibility will be addressed through performance management training to ensure that managers are confident in handling this aspect of performance management.

7 RE-ENGAGEMENT FOLLOWING EARLY RELEASE OF BENEFITS AND/OR REDUNDANCY

Where an employee has left the employment of the Council on the grounds of early retirement or redundancy, there must be a period of at least 4 weeks before any return to Local Government employment. In the case of very Senior Managers the period must be at least 12 months.