

FLEXIBLE RETIREMENT POLICY
(covering members of the Local Government Pension Scheme
aged 55 or over)

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FLEXIBLE RETIREMENT POLICY
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1. INTRODUCTION

- 1.1 Flexible retirement allows a member of the Local Government Pension Scheme aged 55 or over to draw pension benefits and, at the same time, continue working on reduced hours and/or at a lower grade.
- 1.2 An employee must obtain CultureNL's consent to voluntarily reduce their working hours and/or grade and must also obtain CultureNL's consent for the early payment of pension under flexible retirement. Approval will be at the sole discretion of the CultureNL and subject to it being shown that:
- the proposal is operationally feasible and practicable
 - it will result in a clear business benefit to CultureNL
 - the costs are affordable and can be met
 - it is fully supported by a business case and a payback period of no more than 2 years is achievable.
- 1.3 Pension benefit that is paid out before an employee meets normal retirement age may be subject to a reduction, as explained in Appendix B. Normal retirement age for this purpose is the same as an individual's state pension age – with 65 as the earliest age. CultureNL will **not** exercise discretion to approve requests for the actuarial reduction to be waived.

2. SCOPE AND KEY STAKEHOLDER RESPONSIBILITIES

- 2.1 The policy will apply to members of the Local Government Pension Scheme (LGPS) subject to the following conditions:
- a) the employee must be aged 55 or over and have 2 years' LGPS membership (or have brought in a transfer from a previous scheme);
 - b) the employee must, with CultureNL's consent, reduce basic annual salary by **at least 40%**. This may be achieved through:
 - i) a reduction in the contractual working hours and/or the grade of the employee's existing job; or
 - ii) by application and appointment to a suitable vacancy through the normal recruitment and selection process. Any request for flexible retirement will be considered as part of the application.
 - c) the employee must not have a live disciplinary warning on record at the time of applying; and
 - d) CultureNL must approve the early payment of pension under flexible retirement.

2.2 The key stakeholders who can help to progress a flexible retirement include the employee, Service Managers, the Chief Executive - CultureNL and Human Resources (HR) and their main responsibilities are outlined in [Appendix A](#).

3. PRINCIPLES

3.1 An employee is **not required** to terminate employment to receive pension benefit under flexible retirement. The pension benefit will be subject to actuarial reduction to reflect early payment (note: unless rule of 85 protection applies) - see Appendix B.

3.2 Participation is voluntary and will normally be initiated by an employee request.

3.3 Approval of a request will be at the sole discretion of CultureNL, having regard to the business case and taking all service and cost implications into account. Requests to combine flexible retirement with voluntary early release, redundancy etc. will **not** be considered or approved. There is **no** right of appeal if a request is refused.

3.4 Employees who are granted Flexible Retirement must take the entire pension they have accrued up to April 2009. However, they can choose to take only a percentage of the pension they have accrued after 2009. More details are available from Strathclyde Pension Fund.

3.5 Flexible retirement must be for a minimum period of **6 months** before the intended retirement date. For a request to be considered, an employee must propose change(s) to reduce basic annual salary **by at least 40%**. This may be achieved through:

- a) a reduction in the contractual working hours or the grade of the employee's existing job; or
- b) by application and appointment to a suitable vacancy through CultureNL's normal recruitment and selection process. Any request for flexible retirement will be considered as part of the application.

3.6 An employee may need to commit to a greater level of reduction in hours and/or grade in order to achieve the required payback period.

3.7 A reduction in the grade of an employee's existing job is unlikely to be a common request. It may appeal to those who wish to voluntarily 'stepdown' in responsibility. Support will depend on whether it is feasible or desirable to reduce the level of work and grade and re-allocate the relinquished duties.

3.8 As an alternative to changes in the existing role, an employee may apply for a suitable vacancy to reduce hours and/or grade through CultureNL's normal recruitment and selection process. The recruiting

Service will consider the flexible retirement request alongside the job application.

- 3.9 A reduction in hours and/or grade and the early payment of pension are **permanent changes that cannot be reversed**.
- 3.10 On taking up flexible retirement, an employee may choose to join the LGPS again and pay contributions to build up new pension benefits.
- 3.11 Once a flexible retirement arrangement is implemented, the minimum 40% reduction must be maintained and **no** subsequent increase in hours and/or grade will be permitted. Any request to further reduce hours and/or grade will be a matter for consideration by the line manager based on service needs.
- 3.12 An employee on flexible retirement may also participate in CultureNL's Preparation for Retirement arrangements, providing a retirement date has been set and agreed and the policy conditions are been met.
- 3.13 Flexible retirement does **not** entitle an employee to be issued with a certificate of pension protection. This is due to the reduction in hours and/or grade being entirely voluntary.

4. CONDITIONS OF SERVICE

- 4.1 For a **reduction in hours of work and/or grade of an existing job**, the pay, benefits etc. will be pro-rated to reflect the change. However the original conditions of the contract of employment will be retained, including recognition of continuous service for the purposes of annual leave, sick pay and employment rights such as redundancy payments and unfair dismissal.
- 4.2 Where the employee is **appointed to a different job**, a new contract of employment will be issued setting out the terms and conditions associated with the post. Provided local government service is continuous, without a break, this will be recognised for the purposes of entitlement to annual leave and sick pay and for employment rights such as redundancy payments and unfair dismissal.

5. FINANCIAL ASSESSMENT

- 5.1 Flexible retirement may result in upfront costs to CultureNL (e.g. pension strain cost; replacement and/or re-grading costs) that must be met when flexible retirement commences.
- 5.2 A financial assessment will be done for each case which will be subject to approval by the Finance manager and the Chief Executive – CultureNL. Support will **not** be given if the financial assessment is unsatisfactory. The assessment will:
 - a) confirm that a 40% reduction in basic annual salary will be achieved;

- b) identify the actual costs (e.g. pension strain; replacement or grading change costs) and proposed savings; and
 - c) determine if the costs are affordable and can be met within a payback period of no more than 2 years.
- 5.3 The costs will be met from savings in the Services' approved budget within a maximum 2-year payback period. The Finance Manager will consider requests for corporate assistance in exceptional circumstances only. Where insufficient savings are realised over the payback period, the Service must make up the shortfall.

6. CONSIDERATION AND APPROVAL

- 6.1 An employee who wishes to request Flexible retirement must submit a completed Flexible retirement application form to their line manager (or another officer nominated by the Department Director).
- 6.2 Only one request may be submitted within any 12-month period beginning with the date on which the previous application was made.
- 6.3 The line manager will meet with the employee for an initial discussion within 28 calendar days of receipt (the timescales may be varied by agreement of both parties). This discussion may result in modifications being made in an effort to find a solution acceptable to both parties.
- 6.4 For a **reduction in working hours**, the line manager will assess if the proposal will achieve the required 40% reduction; the likely workload implications; reallocation of duties or cover considerations; the scope for savings and the impact on other staff.
- 6.5 For a **proposed reduction in grade**, the line manager will assess if the proposal will achieve the required 40% reduction in pay, if it can be achieved by a change of duties within the existing job, the likely workload implications and the scope for savings. The revised duties and responsibilities will require to be submitted for the grade to be evaluated.
- 6.6 Where the reduction in hours and/or grade will affect the duties and responsibilities of other posts, full consultation with the local trade union representative(s) and affected employees will be carried out in advance.
- 6.7 The line manager will then explore the operational viability, desirability and business benefit to be achieved in discussion with the relevant Service Manager Examples of business benefit include:
- retention and transfer of expertise and knowledge that may otherwise be lost;
 - opportunities for development, succession planning and mentoring;
 - opportunities to reorganise, reduce capacity and achieve savings.
- 6.8 Where support is possible, the line manager will ask Human Resources (HR) to obtain an estimate of pension benefits for the employee and

costs to CultureNL from Strathclyde Pension Fund.

- 6.9 Where the employee and line manager decide to proceed with an application, it will be submitted to the Finance Manager for support in principle.
- 6.10 The line manager will arrange for the employee to receive written notification of the Finance Manager's decision normally within 14 calendar days of the final meeting (these timescales may be varied by the agreement of both parties). Where support is not given there is **no** right of appeal against this decision.
- 6.11 Where there is support in principle, an effective start date will be jointly agreed.
- 6.12 The final approval arrangements for a supported case will be as follows:
- a) full-time equivalent salary of up to £50,000 and costs of up to £50,000 - case approved by the Finance Manager and the Chief Executive – CultureNL;
 - b) full-time equivalent salary exceeds £50,000 and costs exceed £50,000 - case must be approved by considered by the Chief Executive - CultureNL, the Finance Manager, in consultation with a representative of the Audit & Governance Group of the Board of CultureNL.
- 6.13 Where a case is approved, the relevant Service Manager in conjunction with HR will notify the employee in writing of the decision. HR will make the arrangements for any staff or organisational changes; contractual changes and the early release of pension.
- 6.14 Where a case is refused, the relevant Service Manager in conjunction with HR will notify the employee in writing of the decision and the reasons. There is no right of appeal against this decision.
- 6.15 All approved cases will be reported to the Board of CultureNL on a biannual basis.

7. RAISING A CONCERN

- 7.1 An employee who is concerned about the application of this policy should talk it over informally with their line manager or another manager as early as possible to see if a solution can be found.
- 7.2 If the matter cannot be resolved informally, the employee can raise the concern formally through the Grievance Procedure.
- 7.3 The Local Government Pension Scheme has a two-stage process (IDRP) where an employee disagrees with a decision CultureNL has made under the Scheme rules. The details of the disagreement will be considered by CultureNL's HR Manager at Stage 1. If an employee

remains dissatisfied, the disagreement may be referred to the Scottish Ministers.

8. REVIEW

- 8.1 The Policy will be reviewed, as required, by the Chief Executive - CultureNL and in consultation with the recognised Trade Unions.
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KEY STAKEHOLDER RESPONSIBILITIES

The **Service Manager** will consider a case in the first instance to decide if support in principle can be given on the basis that financial and/or operational benefits will be achieved and the associated costs are affordable and can be met.

The **employee** who has expressed an interest in voluntary early release should give serious consideration to the estimate of payment/benefits that is provided and seek independent advice on the implications of leaving employment early before making a final decision.

The **Finance Manager and Chief Executive - CultureNL** will consider supported cases to decide if approval can be given. Their decision is final and there is no further right of appeal.

Human Resources (HR) will liaise with all parties involved and facilitate the process.

REDUCTION IN PENSION BENEFITS

Will my pension and lump sum be reduced if I voluntarily retire early?

1. Your pension benefits will be reduced to take account of these being paid for longer if you retire before the expected date of retirement. How much your benefits are reduced by depends on how early you draw them. Your benefits will be reduced if:
 - you have reached the age of 55 and decide you want to retire before your normal retirement age; and
 - CultureNL agrees to your application for early payment of benefits.
2. If you were a member of the LGPS on 30 November 2006, some or all of your benefits paid early could be protected from the reduction if you are a protected member. You can find out more about this from Strathclyde Pension Fund scheme guide.
3. The reduction applied to your pension benefits is calculated in accordance with guidance issued by the Pension Scheme Actuary. The reduction is based on how early you decide to retire i.e. the period between the date you retire and start receiving your pension and your normal expected retirement age.*. The length of time is calculated in years and days. The earlier you retire, the greater the reduction.

(*If you are a protected member, the period is calculated to the date you could have received unreduced benefits).
4. Information on how much your pension will be reduced if you take it early can be found on Strathclyde Pension Fund's website.
5. You can reduce or avoid the reductions by not taking immediate payment of your benefits on retirement i.e. by delaying payment until a later date. If you decide not to draw immediate benefits, the benefits would normally become payable at age 65 but you can defer payment beyond that age, although benefits must be paid by age 75. If benefits are deferred beyond age 65 they will be increased accordingly to reflect late payment.