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Flexible Retirement **Scheme**

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1. POLICY STATEMENT

The Council is committed to providing more choice and flexibility to employees who wish to gain better work life balance as individuals move towards retirement. Employees for example may wish to either reduce their hours or take a position at a lower grade. However in order to enable them to do this they may wish to access their pension benefits to supplement their income from these changes.

2. FLEXIBLE RETIREMENT

Whilst the normal retirement age of 65 no longer exists, employees still have the ability to access their pension benefits at age 65 years. Therefore, employees will still be advised of the ability to retire at age 65 and access their benefits but the onus will be on the employee to notify the Council to that effect. If no notification is received then the Council will assume that the employee wishes to work past age 65.

Flexible Retirement occurs where an employee draws their pension at any time on or after age 55 but wishes to carry on in employment in some form.

3. APPLICATION PROCEDURE

Applications can only be made by employees who have reached their earliest retirement age and who are members of the Local Government Pension Scheme (LGPS) and have at least three months total membership or have brought a transfer value into the LGPS.

The applicant would be required to accept a permanent reduction in either their hours or grade to be considered. It would be expected that the applicant would be requesting a role of at least one grade lower than they are currently or at least a 20% reduction in hours.

The employee must send the Flexible Retirement Application Form (see Appendix 1) to their employing Service Director, at least three months but not more than six months before their proposed retirement date.

Following consultation with Human Resources, the Director will consider whether:

- there is no detrimental effect on service delivery as a consequence of a reduction in the post;
- the arrangement will not effect the workload of team members.
- there is available alternative work at the lower grade;

If the Director is of the view that the request is potentially beneficial to the Council then a formal request for pension figures will be made to the Pension Section who will highlight any potential cost to the service area.

On receipt of the pension information, a review will take place and the employee will be advised whether or not their application has been approved.

If formal approval is given then the Service Director will notify Human Resources who will:

1. Write and confirm the details of the reduction to the employee
2. Notify payroll and pensions of the date of the contractual change and whether the employee wishes to continue to make pension contributions (please refer to point 6 below).

The payment of pension benefits to the employee will take effect from the date of the reduction in hours or grade.

4. REDUCTIONS TO PENSION BENEFITS

If the scheme member joined the LGPS after 30th September 2006 and decides to take flexible retirement after age 60 but before age 65, their pension and lump sum will be reduced for early payment. However if the scheme member was a contributor on 30th September 2006, some or all of their benefits that are paid early could be protected from reduction if they are a protected member.

Scheme members who take flexible retirement before age 60, whether they are protected members or not, will have their benefits reduced for early payment.

5. EMPLOYER DISCRETION

The regulations attached to the LGPS allow the Council the discretion to determine whether reductions should apply to all or part of any benefits. If the Council agrees to waive the reductions that would be applied to a scheme member's benefits then additional costs would have to be made into the pension fund by the relevant service area. In regard to discretion, each request will be on a case by case basis.

6. **PENSIONS IMPLICATIONS**

Even though the employee has accessed their pension benefits as part of the Flexible Retirement, they can if they so wish to elect to continue to pay pension contributions but this in essence would be a new pension record based on the reduction in hours or grade.

Employees should be aware that a reduction in hours or grade prior to normal retirement age may also affect an employee's ill-health benefits or redundancy and compensation payments if they retire on health grounds or are made redundant.

Employees should be mindful of the decisions they have to take before the date when their pension becomes payable and the tax implications of those decisions. Any tax liability incurred by such decisions is for the employee to resolve with Her Majesty's Revenue & Customs (www.hmrc.gov.uk)

In all cases where employees receive pension benefits whilst working, they must seek advice as to how flexible retirement will affect their net pay and pension entitlement. This is important, as an employee's pension will normally be actuarially reduced if paid before age 65. In addition, any job held while in receipt of pension benefits may attract a higher rate of tax. The employee may seek pay figures from Human Resources via their employing Service Director and is encouraged to seek independent financial advice prior to pursuing flexible retirement.

RHONDDA CYNON TAF COUNCIL

TO:

FLEXIBLE RETIREMENT APPLICATION - OVER 55 AND MEMBER OF LOCAL GOVERNMENT PENSION SCHEME

APPLICATION FORM

I wish to make an application for Flexible Retirement under the provisions of the above Scheme. The particulars you require to consider my application are given below.

As part of my application, I acknowledge that I have to accept either a permanent reduction in either my hours (at least a 20% reduction) or grade to be considered.

I confirm that I wish to:

- Reduce my current contractual hours of to .
- Reduce my current grade.

() – please tick one of the boxes above*

I also confirm that I wish/do not* wish to pay pension contributions on my reduction in hours or grade.

() – delete as appropriate*

FULL NAME:

ADDRESS:

STAFF NOS:

DATE OF BIRTH:

DATE CONTINUOUS SERVICE COMMENCED:

WORKPLACE:

EMPLOYEE SIGNATURE:

DATE: