

REPORT OF GENERAL PURPOSES AND LICENSING COMMITTEE

(Meeting held 21 July 2008)

1. FLEXIBLE RETIREMENT FOR ALL EMPLOYEES – INCLUDING MEMBERS OF THE LOCAL GOVERNMENT PENSION SCHEME (REPORT B) (MINUTE NO. 4)

The Committee considered the proposal for a Flexible Retirement Policy following changes to the Local Government Pension Scheme (LGPS) from 6 April 2006 which introduced a new retirement category of 'Flexible Retirement'.

In light of these changes authorities within Hampshire have been reviewing their retirement policies. The Council currently has an early retirement policy in place for redundancy, early retirement on efficiency grounds and ill health grounds. However, the Council does not currently have a policy on Flexible Retirement.

Her Majesty's Revenue and Customs (HMRC) amended its overriding rules for all pension schemes from 6 April 2006, allowing scheme members to receive their pension benefits while continuing in employment. This meant that from age 50 'Flexible Retirement' could be taken, with the payment of accrued pension benefits, if the employer consented to the hours of employment or responsibility (grade) being reduced and the release of the accrued pension benefits.

Also if a person was granted flexible retirement between the ages of 55 and 65 and the 'rule of 85' (service and age in complete years totalling 85) was not satisfied, their pension benefits would be reduced. For those aged over 60, there would be no cost to the employer as no strain on the Pension Fund was incurred. For those aged between 55 and 60, there would be a cost to the authority to cover the strain on the pension fund.

However, the employer could choose to waive the reduction in pension benefits, either in whole or in part. By doing so it must make a payment to the Pension Fund to cover the fund strain.

If the person was aged between 55 and 60 and satisfies the rule of 85, or would do so before age 60, there would be a cost to the employer to cover the strain on the Pension Fund. If the employer consents to flexible retirement in this case, the employee would receive unreduced benefits.

If the person was over 60 and satisfies the rule of 85, there would be no strain on the Pension Fund so there was no cost to the employer and the employee would receive unreduced benefits. The employee must still seek the employer's consent for flexible retirement in this instance.

A person could remain in the LGPS following flexible retirement and accrue further benefits in the continuing employment. They could continue in employment until they achieved the Council's normal retirement age, at which point the normal retirement process would be initiated.

The Committee recognised that there were benefits to both the employer and employee of flexible retirement. For the employer, flexible retirement enabled retention of valuable experience and knowledge which would otherwise be lost if an employee were to retire or leave. And for the employee it enabled a step down towards retirement and allowed them to make a gradual adjustment to life.

The implications for a service, in particular the impact from a person's reduction in working hours or level of responsibility, would be considered in all cases. The Council should ensure that every request for flexible retirement was considered by taking account of the whole range of relevant business factors, rather than just on cost factors alone.

Flexible retirements would be approved by the Head of Service for all employees however for Head of Service and Executive Management Team these would need to be approved by the Cabinet.

The Flexible Retirement Policy would be reviewed regularly by Executive Management Team and Industrial Relations Committee.

The Committee supported the proposal.

RECOMMENDED:

That the Council agree that the proposed Flexible Retirement Policy be adopted with effect from 1 August 2008.

**Cllr L R Puttock
CHAIRMAN**