



## Flexible Retirement Policy

### Contents

- [1. Introduction](#)
- [2. Scope](#)
- [3. Definitions](#)
- [4. Roles and Responsibilities](#)
- [5. Rules regarding Flexible Retirement:](#)
- [6. Application for Flexible Retirement](#)
- [7. Appeals against the decision to refuse a request for flexible retirement](#)
- [8. Other information](#)
- [9. Further Guidance](#)
- [10. Policy Review](#)

### 1. Introduction

This procedure outlines the process for employees wishing to undertake flexible retirement (i.e. draw some or all of their pension benefits) before age 65/66 whilst continuing to work for the Council.

### 2. Scope

This procedure applies to all Council employees who are members of the Local Government Pension Scheme (LGPS).

### 3. Definitions

**Flexible Retirement:** The right of any member of the LGPS to undertake flexible retirement is contained within LGPS regulations. The earliest date that this can be applied for is age 55. However costs to the Employer and/or reductions to the

employee's pension benefits may apply in certain circumstances – these are described in more detail later in this document.

**Normal Pension Age:** In the LGPS is linked to State Pension Age (but with a minimum of age 65/66). You can choose to retire and draw your pension from the LGPS at any time from age 55 to 75, provided you have met the 2 years vesting period in the scheme. If you choose to take your pension before your Normal Pension Age it will normally be reduced, as it's being paid earlier. If you take it later than your Normal Pension Age it's increased because it's being paid later. You must draw your benefits in the LGPS before your 75th birthday.

**State Pension Age:** This is the earliest age you can receive the state basic pension. From December 2018 to October 2020 this



increases from 65 to age 66 for both men and women.

Date of Birth	New State Pension Age
6 December 1953 – 5 October 1954	In the range 65-66
After 5 October 1954	66

**85-year rule:** The ‘rule of 85’ was introduced in 1998, If an employee’s age and length of membership in the scheme totaled 85 there would be no reduction in benefits.

Where an employee age 60 or more could retire early at no cost to the employer and without reductions to their benefits (Some employees may have ‘Rule of 85’ protections which may offset some of the reductions). Employees aged 50+ but less than 60 still need employers consent to draw their pension benefits even if they meet the 85-year rule. The 85-year rule is being phased out between 2016 and 2020.

The ‘rule of 85’ was removed from the regulations on 1 October 2006. However there are transitional provisions.

A number of protected categories for employees now exist and the rule of 85 is still applied to some or all of your service, depending on your age and membership. The protections cover many but not all scheme members.

You can check with Your Pension Service if you qualify for the ‘rule of 85’

Active members on 30th September 2006 retained some protections against the removal of the 85 year rule. In their case;

- Benefits in respect of membership before April 2008 will be calculated in accordance with the 85 year rule.

- For members aged 60 before 1st April 2020 benefits in respect of membership between April 2008 and March 2020 will be tapered, with greater protection given to those who would achieve the 85 year rule earlier.

#### 4. Roles and Responsibilities

##### Employees:

- 1) Check with either HR or LGPS as to their own circumstances and State Pension/Normal Pension Age dates.
- 2) Contact HR and complete paperwork at least one month prior to flexible retirement date.

##### HR:

- 1) Will provide confirmation of State Pension/Normal Pension Age where requested.
- 2) Will complete paperwork associated with retirement upon completion of termination form from Department.

Departmental Directors: Must complete termination and new starter details showing revised terms by the agreed deadline dates for that particular payroll.

#### 5. Rules regarding Flexible Retirement:

The flexible retirement provisions do not specify by how much an employee must reduce their hours and there is also nothing in the regulations which state whether the reduction needs be a permanent reduction in hours, therefore as little as a 1 hour reduction will qualify.

Employees may request to take all or only part of their pension benefits.

An employee can also take flexible retirement more than once.



Once an employee starts their flexible retirement you will be automatically enrolled back in to the LGPS unless you choose to opt out.

## 6. Application for Flexible Retirement

Applications for Flexible Retirement will follow three processes dependant upon age/service and State Pension/Normal Pension Age dates.

1) Applicants aged 55 – 59 will definitely incur a cost for the Council and as such all applications should follow the Councils' published ER process. Employees should seek the support of their Senior Manager/Budget holder before making a formal application. The application should include a note upon the qualifying criteria the employee intends to use i.e. actual reduction in number of hours or new lower grade as these savings maybe taken into account by the panel making the decision.

2) Applicants aged 60 – 64 who do not meet the 85-year rule but who would like the Council to meet the cost of their potential pension reduction should follow the ER process at 1) above. Failure to do so may result in the Flexible Retirement being agreed but the employee may be faced with substantial reductions to their pension benefits (lifetime reductions apply) in line with the shortfall to their ERD date. e.g reductions of between 23-24% apply where an employee "retires" 5 years early.

N.B. It must be recognised that many of the applications made under 1) and 2) above will fail as little or no savings for the Council accrue particularly as many employees only seek to reduce their hours marginally and the costs associated with early release can be substantial.

3) Applicants aged 60 – 64 who either meet the 85-year rule and/or are prepared to suffer the reductions may apply directly to their Manager as no costs will apply to the Council.

N.B. Employees who are 60+ and who do not meet the 85-year rule and would suffer reductions to their pension benefits should discuss this option carefully before going ahead. The reductions that will apply to the pension benefits are lifetime reductions and yet by continuing to work the employee is actually completing the service that would otherwise have stopped or reduced the amount lost. Also if the employee fails to re-join the LGPS scheme they will lose the life cover but if they do re-join they will have to work to age 65/66 or suffer a 2nd reduced pension upon retirement.

N.B. The 85 year rule was removed with effect from October 2006 and is being phased out between 2016 and 2020. Active members on 30th September 2006 retained some protections against the removal of the 85 year rule. In their case;

- Benefits in respect of membership before April 2008 will be calculated in accordance with the 85 year rule.
- For members aged 60 before 1st April 2020 benefits in respect of membership between April 2008 and March 2020 will be tapered, with greater protection given to those who would achieve the 85 year rule earlier.

## 7. Appeals against the decision to refuse a request for flexible retirement

Appeals made against a decision taken by the ER panel should follow the normal appeal process that exists within the ER policy.



An employee may appeal the decision of his Manager/budget holder to refuse a flexible retirement request by appealing in writing to their Department Director.

The needs of the service will always be the prime consideration in any decision and there is no further right of appeal following this decision.

### 8. Other information

Pension retirement figures are only produced following a formal retirement and receipt of a termination form and hence flexible retirements are achieved by termination of the original post and a new contract/starter to set up the post on the revised terms.

Employees can calculate their own pension benefits due at retirement by logging in or registering for My Pension Online via the Your Pension Service website.

### 9. Further Guidance

If you require further advice regarding the application of this policy and guidance please contact the HR Advice Line on 01254 585905 or email [hradvice@blackburn.gov.uk](mailto:hradvice@blackburn.gov.uk)

You can find further information by visiting the Your Pension Service Website and referring to the Retirement guide, [www.yourpensionservice.org.uk/local-government-scheme/members-active-deferred-pensioner/guides-leaflets-and-forms/](http://www.yourpensionservice.org.uk/local-government-scheme/members-active-deferred-pensioner/guides-leaflets-and-forms/)

### 10. Document Control

<b>Approving Body</b>	LJNCC (Council)
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<b>Review Period</b>	Every 3 years (unless there is a change to the organisation or statutory legislation, whichever is sooner)