Flexible retirement, early retirement and redundancy policy

1. Policy statement

The City Council believes that, used appropriately, early retirement and flexible retirement can be helpful in supporting services to achieve workforce plans to meet Council objectives.

Early retirement is one of a range of options to consider and is not to be viewed as an automatic right or a response to difficult management challenges.

This policy has been developed to ensure that decisions are taken in accordance with employment legislation and the Local Government Pension Scheme (LGPS) Regulations and with full regard to achieving solutions that are workable, affordable and reasonable and take account of the foreseeable costs.

This policy will apply to all non-teaching employees.

2. Normal retirement age

The Council’s normal retirement age is 65. For employees who are active members of the LGPS at 1 October 2006, normal retirement date (i.e. the date at which an
employee’s pension can be paid without reduction and without capital cost to the Council) is now age 65.

Under LGPS regulations, employees who have at least three months membership of the LGPS can elect to receive their annual pension and lump sum at age 60, without the Council's consent, and at no capital cost to the Council. If the employee elects to receive their benefits before their normal retirement date the benefits will be reduced to reflect the costs of the pension coming into payment early, subject to transitional protection arrangements.

### 3. Redundancy

Employees aged 18 and over will receive a redundancy compensation payment based on the provisions of the Employment Rights Act 1996 (ERA), as updated by the Employment Equality (Age) Regulations 2006. This payment will be calculated using a formula set out which comprises a defined number of weeks’ pay based on age and continuous service at the date when employment is terminated.

The calculation will be on the basis of an employee’s actual week’s pay, rather than the statutory limit.

The calculation will be based on continuous local government service with any other local authority or employer covered by the Redundancy Payments Modification Order.

In addition to the redundancy compensation payment specified above, employees aged 55 or over whom have at least three months membership of the LGPS will receive immediate payment of an unreduced pension and lump sum based on their accrued contributory service at the date their employment is terminated.

Applications for early retirement on the grounds of redundancy will be determined by the relevant Strategic Director in consultation with the Strategic Director, Customer and Support Services.
4. Early retirement

Employees aged between 55 and 59 with at least three months’ membership of the LGPS may seek the Council’s consent to retire early.

Where such a request is approved, the employee will be eligible to receive immediate payment of pension and lump sum, though this will be reduced to reflect the actuarial costs of the Council’s decision to allow benefits to be paid earlier than the employee’s normal retirement age.

The actuarial reduction will depend on the age of the employee and length of membership of the LGPS, and will be in accordance with the transitional protection arrangements laid down in the Local Government Pension Scheme (Amendment) (No 2) Regulations 2006.

Where an employee seeks Council consent to retire early on these grounds, the Council will assess the request on its merits, taking into account the circumstances, such as capitalised costs of early retirement, impact on service, potential for service improvements, skill shortage issues etc.

Early retirement on these grounds will be determined by the relevant Strategic Director in consultation with the Strategic Director, Customer and Support Services.

5. Early retirement in the interest of efficiency

Employees aged 55 or over who have at least three months’ membership of the LGPS who are granted early retirement in the interests of the efficiency of the service will be eligible to receive immediate payment of an unreduced annual pension and lump sum based on their accrued contributory service at the date their employment is terminated.

In approving early retirement on these grounds, the Council will assess each case on its merits, taking into account the capitalised costs of early retirement, the efficiency savings that will accrue impact on service, potential for service improvements, etc.

Early retirement on these grounds will be determined by the relevant Strategic Director in consultation with the Strategic Director, Customer and Support Services.
6. Discretionary compensation

It is recognised that there may be certain circumstances where additional enhancements may be required, for example to facilitate organisational change that will lead to service improvements or to support major restructures or service reviews that will require staffing reductions.

Where appropriate, consideration will be given to enhancing the standard terms in accordance with The Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006.

In such circumstances, proposals will be determined by the relevant Strategic Director in consultation with the Strategic Director, Customer and Support Services, and the Head of Finance, and approved by the Workforce Panel.

7. Flexible retirement

This is a discretionary provision which allows employees aged 55 or over who have at least three months’ total membership of the LGPS to seek the Council’s consent to flexible retirement.

The purpose of flexible retirement is to enable a managed transition to retirement and enables an employee to access accrued pension benefits whilst either reducing working hours or by moving to a lower graded job.

Where such a request is approved, the employee will receive immediate payment of pension and lump sum, though these will be subject to an actuarial reduction, subject to transitional protection arrangements.

In exceptional circumstances, the reduction to the pension and lump sum may be waived in whole or in part on compassionate grounds.

Where an employee seeks Council consent for flexible retirement, the following factors must be considered:

- There should be a minimum 50% reduction in working hours proposed.
- The capitalised cost of early release of pension for employees under 60 must be funded by the Directorate within 5 years.
• The operational impact must be considered e.g. the ability to reorganise work or recruit additional staff.
• Impact on service delivery, including recruitment and retention issues, service continuity etc.
• The extent to which possible alternatives have been considered e.g. flexible working provisions.

The overall aim should be to achieve a 50% reduction in salary either by stepping down to a lower grade; reduction in hours or a combination of the two.

Requests for flexible retirement will be determined by the relevant Strategic Director in consultation with the Strategic Director, Customer and Support Services.

It is acknowledged that there may be occasions where flexible retirement may assist in achieving organisational change and in longer-term workforce planning. In addition, it may be that flexible retirement can be offered as a reasonable adjustment in cases of ill-health.

In such cases, the Council reserves the right to apply its discretion according to the circumstances and any such proposals will be determined by the relevant Strategic Director in consultation with the Strategic Director, Customer and Support Services.

Note: The purpose of flexible retirement is to enable a managed transition to full retirement within a 2 year period and enables an employee to access accrued pension benefits whilst either reducing working hours or by moving to a lower graded job. It should therefore be noted that the reduction in hours and/or grade will be a permanent change to the employee's employment contract and no future increase will be permitted during the 2 year transition to full retirement.
8. Additional Approval

In accordance with the supplementary guidance on openness and accountability in local pay issued by the Secretary of State in February 2013 any severance packages with a value in excess of £100,000 must be approved by Full Council before they are agreed.

9. Review arrangements

Operation of this policy will be kept under review by the Assistant Director, Human Resources and a report will be presented to the Workforce Panel at the end of each financial year.