

Flexible & Phased Retirement Policy

People Management

January 2020

Introduction

We (Carmarthenshire County Council) are committed to providing more choice and flexibility to you (our employees) if you wish to make a gradual adjustment from work into retirement or stay in work beyond Normal Pension Age (NPA), making your transition from working life to retirement an enjoyable one.

We recognise that attracting and retaining a well-trained, well-motivated, flexible and mixed age workforce, with a wide range of skills and experience, is essential to the provision of quality services.

This policy sets out how you can work with your manager to achieve flexibility for as you approach retirement.

In keeping with legislation, we have not operated a compulsory retirement age for our employees since 1 October 2011.

Scope

This policy applies to all employees who are active members of the Local Government Pension Scheme (LGPS) but excluding support staff and teachers employed by locally managed schools where the governing body will determine the policy and unattached teachers who are not active members of the Teachers' Pension Scheme (TPS).

Unattached teachers who are active members of the TPS should refer to the section of the policy which applies to them.

This policy should also be read in conjunction with our [Employer Discretionary Policy](#).

It should also be read in conjunction with our [Redeployment Policy](#) which offers support to employees who are 'at risk' of losing their employment.

If you are not a member of the LGPS or TPS and wish to make a request reduced working hours please refer to our [Flexible Working Policy](#).

Key Points

- Flexible/phased retirement is a planned approach to retirement that involves a voluntary reduction in hours and/or move to a lower graded post and at the same time allowing access to accrued pension benefits.
- There is no automatic right for you to work on reduced hours or grade, whilst drawing pension benefits. However, all such requests will be considered in a reasonable manner.
- It is necessary to obtain the relevant approval in line with the our [Retirement Business Case procedure](#).

- If you have been an active member of the LGPS/TPS for at least **2 years** or have transferred previous pension rights into the scheme, can consider the possibility of Flexible/Phased Retirement.
- You may voluntarily draw your LGPS/TPS pension benefits without a reduction on attaining Normal Pension Age (NPA).
- You must seek our agreement to draw your pension benefits at the earliest from the age of 55 whilst continuing to work on reduced hours or in a job on a lower salary.
- Pension benefits must be drawn, at the latest one day before reaching the age of 75.
- Guidance for LGPS members on the 85-year rule is provided at **Appendix 1**
- Guidance for TPS members on phased retirement is provided at **Appendix 2**

What is Normal Pension (NPA) Age?

The NPA for the purposes of the LGPS is the same as the State Pension Age (SPA), although there are other options to retire earlier or to continue working, within the LGPS regulations. You can check your state pension age by visiting the government website at: www.gov.uk/calculate-state-pension

NPA for the purposes of TPS is explained in **Appendix 2** due to changes to the scheme that will come into effect on 1st April 2015.

What is flexible/phased retirement?

Flexible/phased retirement enables you to access your LGPS/TPS pension (actuarial reductions may apply) and phase into retirement by:

- reducing your working hours; and/or
- moving to a job on a lower salary

Alternatively, you can request to continue to work on reduced hours or grade and decide not to access any pension benefits until NPA, when there would be no actuarial reductions.

What are the benefits of having a flexible/phased retirement policy?

This is a change from retiring at a specified age to a much more flexible approach so that you can plan, financially and socially, and make a gradual adjustment from work into retirement.

It also benefits us as we are able to retain experienced staff with valuable skills and enabling better succession planning.

Eligibility for flexible/phased retirement

If you are a member of the LGPS/TPS¹ you may, from the age of 55, approach your line manager regarding an application for flexible/phased retirement. It will be important for you to consider your proposed working pattern, how the change will impact on you financially, including your pension benefits and the impact your request may have on the service. It will help your manager if you include in your application your solution to any potential negative impact on service delivery as a result of accommodating a reduction in working hours/grade.

It is also your line manager's responsibility to carefully consider an application for flexible/phased retirement and examine how the flexible/phased retirement application and desired working pattern can be accommodated within a service area or function. Where the request cannot be supported your line manager should explore alternative options with you which may be mutually agreeable.

Where the application can be supported your line manager must present a retirement business case which must be approved in relation to both:

- reduction in hours and/or grade; and
- early payment of the pension benefits.

The business case should include details of the impact on service delivery and the benefit to your Department as well as to yourself and any associated costs. The following criteria must be satisfied:

- You must be employed by us on a permanent contract of employment; and
- For LGPS members it is recommended that there should be a reduction in hours of at least 20% or a reduction in grade. We will consider all applications taking into account all financial and service delivery issues on a case by case basis.
- For TPS members please refer to **Appendix 2**.

In all cases, including where you request a gradual reduction in hours over a period of time, the business case should detail the proposed reductions in hours; the dates of the reduction and the proposed final retirement date at the outset. This is to ensure succession planning.

Where a flexible/phased retirement application and the subsequent business case demonstrate a cost to us, the business case must clearly set out the cost and service benefits of agreeing the application. It is your manager's responsibility to ensure that the business case provides all the information required.

There is no trial period for flexible retirement under the LGPS and, once it has been agreed, the decision cannot be reversed, because of the direct impact upon the pension benefits. There can be no reversal of the decision to reduce the number of hours whilst still in the same post.

For phased retirement under TPS the reduction must be for a minimum period of 12 months.

¹ Non LGPS/TPS Members should refer to the Flexible Working Policy

Conditions of Service

If you reduce your hours in the same job, all the conditions of your contract of employment will be retained, pro rata part time, including recognition of continuous service for purposes of annual leave and sick pay, and for employment rights such as redundancy payments.

If you start a new job, you will receive a new contract of employment and, provided local government service is continuous without a break, this will be recognised for purposes of annual leave and sick pay, and for employment rights, such as redundancy payments.

Financial implications of flexible/phased retirement

The annual pension and lump sum retirement grant (if applicable) are paid with effect from the date of flexible/phased retirement and Additional Voluntary Contributions (AVC's) may be accessed if you choose too.

After taking flexible retirement you may contribute to the LGPS in the new or part time job and start an additional pension that will be accessed when they finally retire. It is important to note that the new local government pension record is a separate pension accrual. This means that the previous service (relating to the pension put into payment as a result of flexible retirement) will not count as accrued service in respect of the later benefits.

If you are taking phased retirement under TPS please refer to **Appendix 2**.

You are responsible for obtaining your own independent financial and pension advice as the Council is not able to provide this but the following information might be helpful:

- Flexible/phased retirement will have the effect of reducing salary and partially replacing this with pension benefits. Depending on the level of salary reduction and the amount of accrued pension benefits, the overall level of income received during the period of flexible/phased retirement, or at the eventual date of retirement from the Council, might be less than that received by continuing to work in the original contract until the LGPS/TPS normal pension age or beyond;
- the pension is treated as taxable income and will, therefore, be subject to income tax deductions, in the same way as your salary;
- on reaching state pension age, you might become entitled to state pension benefits over and above your LGPS/TPS pension benefits. You are advised to seek advice from the relevant government department.

Pension reduction & implications

The amount of pension benefits awarded under flexible/phased retirement is calculated in the same way as for voluntary early retirement (LGPS) or actuarially adjusted benefits (TPS). Pension benefits will be subject to a reduction if they are drawn before the LGPS/TPS deemed NPA.

You may remain in the pension scheme and accrue a second pension (LGPS) or continue to accrue additional pensionable service (TPS) based on your reduced hours/grade. These

benefits will become payable without actuarial reduction at NPA, or anytime thereafter should you choose to remain working beyond NPA but must be accessed at least 1 day before your 75th birthday. You will be covered for all pension benefits such as ill health retirement and death in service. You can also purchase Additional Pension Contributions or pay Additional Voluntary Contributions.

Waiving the pension reduction

The LGPS regulations allows us as your employer the discretion to waive the pension reduction. This will only be possible in **exceptional circumstances** in accordance with our Employer Discretionary Policy. Your manager must seek advice from the HR team before proceeding with any flexible retirement application where it is proposed that we will bear the cost of the pension reduction and the reasons for doing so must be set out clearly within the Business Case.

In the event that the we agree to waive the pension reduction and the flexible retirement application is approved, should you subsequently submit your resignation; voluntarily increase your hours of work or apply for another job within the Authority prior to the agreed retirement date, we reserve the right to recover from you the full cost of the actuarial strain incurred.

Flexible Retirement Applications Procedure

Applications will be processed as follows:

- you can review your current pension information via Pension Online via www.dyfedpensionfund.org.uk or www.teacherspensions.co.uk;
- you make a formal request in writing to your line manager outlining the reduction in hours or grade requested and proposed dates;
- your line manager will arrange a mutually convenient time to discuss the application with you;
- your line manager will confirm if the application can be supported subject to the approval of the Flexible Retirement Business Case;
- your line manager will contact the HR Team to obtain actuarial strain pension figures for the business case and to provide actual pension figures for you;
- you will confirm with your line manager if you wish to proceed with your application on receipt;
- your line manager completes the Flexible Retirement Business Case and submits for approval to your Head of Service or Director in accordance with the Retirement Business Case Guidelines.

Once approved

- for reduced working hours: your line manager must confirm the variation in working hours and commencement date to the HR Employee Services Team;
- for a reduction in grade: you should apply for suitable vacancies in accordance with the our Recruitment and Selection policy or if eligible, the Redeployment Policy where you are deemed 'at risk. Once successful in being offered/redeployed in an alternative post, you should seek confirmation of the pension benefits payable. If you wish to proceed with the application final approval must be sought from the existing

Head of Service who will be required to finalise the Flexible Retirement Business Case for approval in accordance with agreed procedures.

Flexible/Phased Retirement is discretionary on our part and therefore there is no right of appeal where an application is not approved.

However, where an application cannot be supported by your line manager they should seek advice from the HR Team in advance of confirmation to you to ensure that the case has been reasonably considered and to explore any potential alternative solutions.

Ensuring Equality of Treatment

This policy must be applied consistently to all employees irrespective of race, colour, nationality (including citizenship), ethnic or national origins, language, disability, religion, belief or non-belief, age [subject to statutory regulations], sex, gender identity and expression, sexual orientation, parental, marital or civil partnership status, pregnancy or maternity.

If you have any equality and diversity concerns in relation to the application of this policy and procedure, please contact a member of the HR Team

If you require this information in an alternative format (for example large print), please contact People Management on Ext: 6184 or email PMBusinessSupportUnit@carmarthenshire.gov.uk

Appendix 1

LGPS 2014 ALL Wales Pension Fund Factsheet

85-year Rule

When can I retire?

The Normal Pension Age (NPA) under the Local Government Pension Scheme (LGPS) 2014 is linked to your State Pension Age (SPA)¹, with a minimum age of 65. However, you may voluntarily retire from age 55, but your benefits may be actuarially reduced to take account of early payment before your NPA.

What is the 85 Year Rule?

The 85-year rule is a test to assess whether a member's benefits would be reduced, if they retire before their NPA. If a member's age plus their Scheme membership (both measured in whole years), added up to 85 or more, their benefits were **NOT** reduced. If the rule was NOT satisfied, a full reduction was applied to a member's benefits.

When was the 85 Year Rule removed?

On 1 October 2006, the 85-year rule was removed from the Regulations. If you were an active member as at 30 September 2006, some or all of your membership will still be protected by the 85 Year Rule. If you were covered by the 85 Year Rule, it will continue to apply from 1 April 2014. However, if you joined the LGPS on or after 1 October 2006, the 85 Year Rule will NOT apply to your circumstances.

Am I protected under the 85 Year Rule?

If you were an active member as at 30 September 2006 and choose to retire before your NPA, having met the 85 Year Rule, you will have some form of protection.

If you were **born on or before 31 March 1956**, all benefits built up to 31 March 2016 will be protected in full. Benefits from 1 April 2016 will be reduced for the period from your date of leaving to your SPA.

If you were **born on or between 1 April 1956 and 31 March 1960**, all benefits built up to 31 March 2008 will be protected in full, **BUT** benefits built up between 1 April 2008 and 31 March 2020 will be reduced on a 'tapered' basis for the period from your date of leaving to age 65 (the normal retirement age under the 2008 Scheme). Any benefits built up after 1 April 2020 will be reduced in **FULL** for the period from your date of leaving to your SPA.

If you were **born on or after 1 April 1960**, all benefits built up to 31 March 2008 will be protected in full, **BUT** benefits built up from 1 April 2008 until your date of leaving will be reduced in **FULL**. For membership from 1 April 2008 to 31 March 2014, the reduction will be for the period from your date of leaving to your 65th birthday. Your membership from 1 April 2014 will be reduced for the period from your date of leaving to your SPA.

How much of a 'reduction' will apply?

Your benefits will be reduced in accordance with guidance issued by the Government Actuary's Department (GAD). The period from your date of leaving to the appropriate retirement age will be measured in years and days, therefore the percentage reduction will be amended for part years. (Factors as at 08/01/2019).

Years Early	Annual Pension Reduction	Automatic Lump Sum Reduction
0	0%	0%
1	5.1%	2.3%
2	9.9%	4.6%
3	14.3%	6.9%
4	18.4%	9.1%
5	22.2%	11.2%
6	25.7%	13.3%
7	29.0%	15.3%
8	32.1%	17.3%
9	35.0%	19.2%
10	37.7%	21.1%
11	41.6%	21.1%
12	44.0%	21.1%
13	46.3%	21.1%

Will the 85 Year Rule apply if I retire from age 55?

With the introduction of the LGPS 2014 from 1 April 2014, you are able to voluntarily retire from age 55 (without your Employer's consent). If you do choose to voluntarily retire between age 55 and 60, any 85 Year Rule protections will **NOT** automatically apply and your benefits will therefore be reduced in **FULL**. However, if you choose to retire on or after age 60, any 85 Year Rule protections **WILL** apply. The ability to apply the 85 Year Rule to voluntary retirement between age 55 and 60 is at the discretion of your Employer. Your Employer will have a policy on this matter.

What if I am made redundant or have to retire on the grounds of efficiency?

If you are made redundant by your Employer or if you have to retire on the grounds of efficiency and you are aged 55 or over, your benefits will come into payment immediately **WITHOUT** reduction.

Further Information

This factsheet gives general guidance only. For further information, please contact:
Tel: **01267 224 043** Email: **pensions@carmarthenshire.gov.uk**

Appendix 2

Phased Retirement for members of the Teachers' Pensions Scheme

If you are an unattached-teacher you may want to continue working while drawing some of your accrued pension benefits.

Phased retirement under the TPS allows you to decide how much of your accrued pension benefits to take, up to a maximum of 75% of total benefits. Please note that this is not the same as 75% of the available benefits at each phased retirement event. If you take 75% of your benefits at your first phased retirement, then a subsequent phased retirement will look at the new benefits, i.e. those already accrued at the point of the first retirement and the new accrual during the phased retirement and take 75% of those benefits minus the 75% already taken to calculate the 'Additional Pension' to be paid under the second phase of the retirement award. If members have accrued final salary and career average benefits, they don't have to access both sets of benefits when they take phased retirement, i.e. they could choose to only take up pension from their final salary pension or vice versa. They can, of course, choose to take benefits from both, subject to the maximum 75%.

Phased retirement is a practical option, if some simple guidelines are followed.

If an unattached teacher requests phased retirement

1. Your Pensionable Salary must reduce by at least 20%, compared to their previous six months earnings, for a minimum of 1 year following the date of phased retirement, e.g. this could be because your hours have reduced, or you have taken up a post of lesser responsibility (and hence lesser salary).
2. You may take phased retirement and following a break in service start a new appointment in a support role in an educational establishment, such as a classroom assistant. The new appointment can be with the same or a different employer but must be within six months of the previous job ceasing.
3. You may take phased retirement if you have a break in employment provided it is not more than six months of the previous job ceasing.
4. The application form for phased retirement must be signed by the employer responsible for the new working arrangement and must be made within three months of you taking up employment.
5. Protected members can take a maximum of two phased retirements before finally retiring. Career average members can take up to three phased retirements before finally retiring, but only two before age 60.

However, from April 2015 changes to the Teachers' Pension Scheme will affect some teachers interested in taking phased retirement. It is strongly advised to consult the Teachers' Pensions website for up to date information prior to making a request.

You can obtain an application form from the secure member area, '[My Pension Online \(MPO\)](#)'. As you are required to complete a number of questions and options you must take care in checking that you have correctly completed all the relevant sections. You can assess your options, with respect to converting pension to a lump sum, e.g. using the modellers available on 'My Pension Online'.

You'll be required to confirm:

- your proposed phased retirement date;
- the start date and the new salary that will be paid; and
- details of service and salary since your last service update or from a date requested by Teachers' Pensions.

If there is any delay in providing the information you may not receive your benefits at your retirement / payable date. Applications should be submitted at least three months before the proposed retirement date, but any application received more than six months from the retirement will be rejected. This is because service and salary details can change in the intervening period.

Normal Pension Age (NPA) for TPS?

The NPA for the purposes of the TPS depends when you joined the scheme. If you've only been a member of the TPS Scheme since 1 January 2007 you will have a Normal Pension Age (NPA) of 65.

However, if you were a member of the Teachers' Pension Scheme before 1 January 2007 then your normal pension age will be 60 – provided you haven't had a break in service of more than five years.

If you had a break of more than five years, your NPA remains at 60 for service up to the end of the break in service, but it will be 65 for any future service. In pension terms you'll be classed as a 'member with mixed service'.

Please note changes to NPA effective from 1st April 2015: There is no change to members' final salary normal pension age from 1 April 2015. With effect from 1 April 2015 members' career average normal pension age will be equal the state pension age (SPA) or 65 where that is higher. Employees can check their state pension age by visiting the government website at: www.gov.uk/calculate-state-pension

For the latest information please visit www.teacherspensions.co.uk