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Introduction

Cambridgeshire County Council is committed to providing choice and flexibility to employees making the transition from working life to retirement. In compliance with the Local Government Pension Scheme (LGPS) regulations, the Council offers employees the right to request flexible retirement. This policy explains what is meant by the term flexible retirement and outlines the Council's procedure for dealing with flexible retirement requests.

What is Flexible Retirement?

Flexible Retirement provides an opportunity for an employee to make a more gradual transition from working life to retirement. Under the Council's Flexible Retirement Policy, an eligible employee may;

- a) request to take a permanent reduction in hours in the same role or request to move to an associated role with a downgrading of duties, responsibility and grade; and
- b) request immediate payment of the pension benefits built up prior to the reduction/move.

If both requests are granted, an employee will be able to continue working, whilst drawing his/her pension. An employee can also continue paying into the LGPS in the 'reduced' job and build up further benefits in the Scheme.

As an example, an employee could request to reduce his/her hours from 37 per week to 29.6 hrs per week or less (must be a reduction of at least 20% in working hours). If the request is granted the employee's hours will reduce and he/she will be able to draw upon the pension benefits he/she has accrued to date. Whilst drawing these pension benefits, he/she will be able to continue paying pension contributions in the 'reduced' role.

The Council views flexible retirement as a valuable way of retaining the skills and knowledge of experienced employees.

Due to the associated costs involved in drawing an early pension, the decision to grant flexible retirement must be made by a Service Director.

Who can request Flexible Retirement?

To be eligible to make a request for flexible retirement an employee must be aged **55 or over** and have 3 or more months' membership of the LGPS. He/she must also meet the following qualifying conditions:

- have at least 2 years' continuous service with the Council; and
- not be subject to disciplinary or work performance procedures;
- have been working in his/her existing post at the current grade and hours continuously for at least 12 months; and
- must be proposing one of the flexible retirement options (see below).

Employees who meet the eligibility criteria have the right to **apply for Flexible Retirement. Applications will be considered on a case by case basis.**

Where an employee is not a member of the LGPS and is consequently unable to draw pension benefits, this policy will not apply. Employees in this position should refer to the Council's policy on flexible working.

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Flexible Retirement Options

Where an employee meets the above criteria, he/she can propose one (or both) of the options below:

To take a reduction in hours (must be at least a 20% reduction and, if this option is requested only, the reduction in hours must be in the same role).

AND/OR

b) To move to an associated role* with a substantial downgrading of duties, responsibility and grade.

*An associated role is defined as a lower graded role within the same department or service. The lower graded role must be at least 2 grades lower than the employee's substantive post.

Employees on Scale 1B or below will not be eligible to apply to move to an associated role, but may apply for a reduction in hours of at least 20%.

Normally, where an employee is in a job family or on a linked grade, he/she will need to take a drop of 2 grades below his/her current grade, e.g. If a post is graded Scale 5-S02 and the employee is on Scale 6, he/she would need to consider roles on Scale 4 or below.

Where a 2-grade drop is insufficient to take an employee outside of the grading of his/her current post, a drop of more than 2 grades will be required, e.g. an employee on Scale 6, occupying a post graded Scale 4-6, would have to consider roles on Scale 3 or below.

An employee will be required to take a greater reduction in hours or grade if the pension estimate that is obtained following application for flexible retirement indicates that the employee's pension benefits PLUS the reduced salary will exceed his/her current salary. This will be discussed with the employee at the point that the estimate is received and he/she will be given the opportunity to decide whether or not to continue with the application.

Meeting the Cost of Flexible Retirement

When an employee is granted early payment of pension benefits, there are costs to the pension fund for early payment of pension, which must be recovered. Depending on the employee's age and length of scheme membership these costs will be met by either (or both) of the following:

- a) By the employer in the form of capital costs.
- OR
- b) By the employee by way of reduction for early payment to his/her pension benefits, i.e. the employee's pension is reduced to reflect the cost of early payment.

There are complex rules governing how much pension an employee will be paid. Broadly, the longer the employee has paid into the pension scheme and the older he/she is, the less likely he/she is to have his/her pension payments reduced because they are being paid sooner than the Council's normal retirement age of 65. However, if the employee is less than age 60, it is likely that the Council will have to make capital cost payments to the pension fund in order to facilitate the employee's flexible retirement. In addition, when changes were made to the LGPS pension regulations from 1 October 2006, transitional arrangements were put in place for existing members. Therefore, protection arrangements apply to some people.

It is important that employees contact HR to request a pension estimate before proceeding with an application for flexible retirement so that they can make an informed decision (see application procedures below).

Application Procedures

The LGPS Regulations provide an employee with the right **to request** flexible retirement, not the right **to take** flexible retirement. Approval must be given by the relevant Head of Service **and** Service Director.

Step 1: Written Application

Before making a request for flexible retirement, employees are advised to contact HR to obtain a pension estimate based on the date the employee wishes to take flexible retirement. Please note that the Pension Service will not respond to requests made direct to them by individual employees. The estimate provided will show details of any early payment reduction that would be applied to the member's benefits if the request for flexible retirement is granted. In addition, details of any capital costs to be borne by the service will be provided. The HR team will retain details of any capital costs, as this information is made available to the Line Manager only and will not be shared with the employee.

All figures are based on the employee's age and length of scheme membership at the provisional date of retirement. If the actual flexible retirement date is different the figures may vary, and therefore they should only be used as an indication of possible costs.

If the employee wishes to proceed he/she must complete the Flexible Retirement Application form and return it to his/her line manager, copied to the relevant Head of Service. If the employee does not wish to proceed with an application, he/she should advise HR accordingly, so that any paperwork they are retaining, e.g. information regarding capital costs, can be destroyed.

The Application form is broken down into six sections:

Section A - asks the employee to confirm his/her personal details.

Section B - asks the employee to confirm which option they are applying for, i.e. a reduction in hours in the same role or a move to an associated role.

Section C - (applicable to those requesting a reduction in hours) asks the employee to indicate his/her proposed working pattern and consider any problems that are likely to arise from the proposed arrangement.

Section D - (applicable to those requesting to move to an associated role) asks the employee to confirm the role (or type of role) he/she is interested in moving to and to outline the key skills he/she would bring to the role.

Section E – asks the employee to present his/her business case for flexible retirement.

Section F – is the employee's declaration that the information he/she has provided is full and accurate.

The employee must complete section C and/or section D together with all other sections in full so that his/her request can be given proper and full consideration.

Step 2: Consideration by the Line Manager and Head of Service

The line manager will initially discuss the employee's application with the relevant Head of Service to seek an initial view, i.e. whether support is likely to be given to the application. If the employee has obtained a pension estimate prior to making the application, the line manager will be able to obtain details of any capital costs from the HR Team. The line manager must arrange to meet the employee to discuss his/her application **within 28 days** of its receipt.

The meeting should be used as an opportunity to review the employee's application and to discuss the proposals in more detail. Consideration should be given also as to whether the employee is open to alternative arrangements, e.g. if the employee has requested a reduction in hours, he/she may be willing to move to an associated role if the reduction in hours cannot be accommodated. Likewise, he/she may have requested more than a 20% reduction in hours, which is more than can be accommodated. Therefore, alternative hours could be discussed.

The line manager will write to the employee **within 10 working days** of the meeting, using the template response letter, to confirm whether the application is or is not supported, subject to the (Service/Corporate) Director's sign off.

Supporting a Request

If support is given to the employee's application, but the employee has not yet requested a pension estimate, an estimate will need to be obtained at this point.

Once the pension estimate has been received, the line manager will share the prospective pension benefit information, but not any capital cost details, with the employee. At this point, the employee must advise his/her line manager whether he/she still wishes to proceed with the application.

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Turning Down a Request

An application for flexible retirement may be turned down for a number of reasons. Whilst this list is not exhaustive, the following reasons would be considered appropriate grounds to turn down a request:

- There is no shortage of skills/knowledge within the service area, e.g. if the employee was to leave the organisation, his/her skills would be easy to replace. Therefore, there is less of a business case to grant flexible retirement in order to retain the individual.
- The arrangement would result in a detrimental impact on service delivery, e.g. the service cannot accommodate the request, because service delivery relies on the employee undertaking his/her current job at his/her current hours.
- It is not practical to re-organise work among existing employees/recruit additional employees.
- The cost is prohibitive - A flexible retirement request may be turned down where the costs are prohibitive i.e. to grant flexible retirement would not represent value for money. Applications will be considered on a case by case basis, taking into account service area budgets and any implications for future service delivery if the application for flexible retirement is approved.

Line managers should seek advice from HR before turning down any requests.

Step 3: Consideration by the Director

Upon agreement from the Head of Service, the line manager will present the business case for flexible retirement to the relevant (Service/Corporate) Director. The business case will be put together by the line manager and signed off by the Head of Service, and must include the capital costs of flexible retirement and state from which budget these costs are to be met.

The (Service/Corporate) Director will then consider the case and confirm his/her decision in writing to the employee **within 28 days**, using the template response letter. Where an application is refused, the employee will be informed of the reason. Please refer to the paragraph 'Turning Down a Request'.

Right of Appeal

Employees have the right of appeal where an application is turned down. If the line manager/Head of Service has turned down the request, the right of appeal is to the relevant (Service/Corporate) Director. If the (Service/Corporate) Director has turned down the request, the right of appeal is to the relevant Executive Director.

If an employee wishes to appeal he/she should write to the relevant person **within 14 days** of receiving the written decision, stating clearly the grounds for the appeal.

The employee will be called to an appeal hearing **within 14 days** of receipt of his/her appeal notification. The time and place of the meeting will be agreed with the employee and he/she has the right to be accompanied by a trade union representative or a work colleague of his/her choosing.

An appeal hearing may not be necessary, where the (Service/Corporate) Director/ Executive Director (within the 14-day period) upholds the appeal and writes to the employee to confirm his/her agreement to the proposals.

Where an appeal hearing is held, the (Service/Corporate) Director/ Executive Director must confirm the decision of the appeal hearing to the employee, in writing, within **14 days** of the hearing.

Where the decision is to uphold the appeal and to agree the employee's proposals, confirmation of the changes and their effective date will be given.

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Where the decision is to dismiss the appeal and to refuse the employee's proposals, the (Service/Corporate) Director/Executive Director will set out the grounds on which this decision has been based.

The decision of the appeal hearing is final, i.e. there is no further right of internal appeal.

Where an employee's application has been refused, he/she is entitled to make a subsequent application. This must be at least **12 months** after the original application was refused.

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Step 4: Implementation

Implementation will depend on the arrangement agreed.

Employee reducing hours

The reduction in hours will take effect from the date specified on the employee's application (or on a date agreed with the line manager). The HR Team will notify the Pensions Service in advance, so that early payment of pension benefits can be arranged.

Under the Flexible Retirement Policy, the 'reduced' role will be deemed a new role. Therefore, the HR Team will issue a new contract of employment to the employee and he/she will be brought into the Pension Scheme automatically from the start of the new contract. If the employee wishes to opt out of the scheme, he/she must complete the relevant 'opt out' forms and return these to the Pension Service as soon as possible. An employee can opt out of the pension scheme at any time, but will be entitled to a refund of contributions only if he/she opts out within 3 months of joining the scheme.

Employee moving to an Associated Role

If the employee has requested to move to an associated role, the (Service/Corporate) Director's decision to grant flexible retirement will be conditional upon the employee being appointed to a suitable vacancy within 12 months, i.e. within 12 months of the decision being confirmed in writing.

If the employee does not find a suitable vacancy within 12 months, he/she will need to re-submit an application for further consideration. At this point a revised pension estimate should be sought.

An employee seeking an associated role **must** apply for posts alongside other candidates and go through the appropriate selection process. To support the employee in finding a suitable role, the HR Team will place him/her on the assisted redeployment list. This means that he/she will have:

- access to a copy of the Council's internal vacancy list; and
- the offer of support from HR, i.e. to undertake a skills audit, provide guidance on application form completion and to offer interview training/practice.

Employees will not be given prior consideration for roles. However the HR Team/Recruitment Team will alert employees on the assisted redeployment list of any vacancies that they might be interested in applying for.

Individual services/departments may wish to agree a process of communicating any forthcoming 'internal' vacancies to employees seeking an associated role under the flexible retirement policy.

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If, having secured an associated role, the employee wishes to opt out of the pension scheme in respect of that employment, he/she must complete the relevant opt out form and return these to the Pension Service as soon as possible. An employee can opt out of the pension scheme at any time, but will only be entitled to a refund of contributions if he/she opts out within 3 months of joining the scheme.

Where an employee is appointed to a lower graded role under the Flexible Retirement Policy, there is an expectation that he/she will be appointed at the top of the new salary scale/grade.

Employees moving from one linked graded post to another will not receive automatic increments/incremental progression in their new role. This will be a condition of flexible retirement, which the employee signs up to when he/she submits an application.

Salary and Pension Payments in the Reduced Role

In addition to salary payments in the reduced role, employees who are flexible retired will receive a pension paid on Cambridgeshire's pension payroll. Salary payments will continue to be made on either the Admin or Education payroll - see monthly pay dates. However, pension payments will be made via the pension payroll on the last working day of the month.

Review of Arrangements

Once an employee has taken a reduction in hours or moved to an associated role, he/she will be unable to revert back to the previous hours or role. Therefore, managers should monitor and review the arrangement on a regular basis. Any issues arising from the arrangement should be dealt with as part of day-to-day line management.

Implications of Flexible Retirement on Redundancy Pay and Ill Health Pension Award

Employees should be aware that taking flexible retirement might have an impact on any future redundancy or ill health pension award payments that they might receive. Employees are advised to contact the Pension Service for further information.

Making a Further Request

An employee may decide, at a later stage, to apply for a further reduction in hours (must be a reduction of at least 20% of the hours at that time) or request to take a further downgrading of duties, responsibility and grade. An employee must follow the process above when submitting a further application. A further application cannot be made until an employee has been working at his/her current hours or in his/her/current role for at least 12 months.

Review and Monitoring

The members of Directorate Management Team (PPDMT) and Corporate Joint Panel (CJP) will be responsible jointly for monitoring the implementation and effectiveness of this policy.

This policy will be kept under review and amendments may be agreed in light of issues raised/identified and/or in response to any legal/statutory issues or other collective agreements.

Further Information

All policies and procedures form part Council employees' terms and conditions of employment and therefore care should be taken with their application.

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Information on how to apply this policy is available from your HR contact.
Contact the Employee Relations Team to give feedback on this policy.