



AGENDA ITEM: 11

NORTH WALES FIRE AND RESCUE AUTHORITY

18th June 2007

Local Government Pension Scheme – Flexible Retirement

Report by Ken Finch, Treasurer to the Authority and Dawn Docx, Assistant Chief Officer (Finance & Procurement)

Purpose of Report

- 1.** To advise Members of a change in Regulations as to when pension benefits may be paid to support and control staff who are members of the Local Government Pension Scheme
- 2.** To seek approval to a proposed policy statement on the exercise of the Fire and Rescue Authority's direction in this regard

Introduction

- 3.** Flexible retirement is a concept that exists in a number of organisations but is relatively new in the public sector. It has been recognised that the "cliff edge" of here today/gone tomorrow in respect of retirement is not necessarily good for an employee or an employer. A flexible approach can assist with the employee adjusting to their future, whilst an employer can benefit from a period of succession planning and a transfer of knowledge.
- 4.** Potential financial consequences of a payment to the Pension Fund can be offset by savings that may accrue through reduced hours of work and/or reduced salary grade.



Background

- 5.** Before the introduction of The Local Government Pension Scheme (Amendment) (No2) Regulations 2006 – Flexible Retirement, retirement benefits could not be paid to a person before they retired from employment. The new Regulations provide for the concept of “flexible retirement” within the Local Government Pension Scheme (LGPS) and local authorities are required to formulate and keep under review their policy with regard to flexible retirement.
- 6.** The Regulations mean that an employee who is a member of the LGPS and who is over the age of 50 can apply in writing to change the nature and intensity of their work and receive accrued pension benefits and build up further benefits within the Scheme (where appropriate) whilst continuing in employment. This would help them ‘ease’ into retirement.
- 7.** The change may be:
 - a reduction in hours
 - changes in duties resulting in a reduction in grade

The change must meet the needs of the Service and it is at the Authority’s discretion whether to approve an application or not.

- 8.** The rationale behind this innovation is to allow for the removal of the “cliff edge” which is a feature of current arrangements where, typically, a person’s life changes overnight from full-time to zero employment. Even where retirement has been eagerly anticipated, such sudden change can be a traumatic experience. Similarly, for the employer, the loss of “corporate knowledge”, which can occur with the complete and immediate departure of an employee whose knowledge and expertise has been relied upon, can have an adverse effect on service from which it could take some time to recover.



Background *(continued)*

- 9.** Flexible retirement, therefore, is viewed as having potential benefit for both employee and employer.
 - for the employee, in that it provides a period of adjustment from full-time work to retirement via part-time working (and/or less pressured work on a reduced salary grade)
 - for the employer, in that it affords a transitional period to provide for succession planning/orderly handover which could also include restructuring aimed at achieving efficiency savings
- 10.** Employees who partially retire on this flexible basis are entitled to their accrued pension and lump sum subject to actuarial reduction. Employees who were contributing to the Scheme before 1 October 2006 may have some protection if they take flexible retirement between the age of 60 and 65. However, if they retire flexibly between 50 and 59 their pension benefits will be reduced to reflect the early payment. The Authority will not waive this reduction.
- 11.** The Service would continue to fund any 'earliness cost' to the Pension Fund but it should be noted that savings may accrue from reduced hours/reduction in grade which could offset such costs.

Recommendation

- 12.** To approve the Statement of Policy in respect of Flexible Retirement set out in Appendix A, subject to finalisation of consultation with representative bodies.