

HAMPSHIRE COUNTY COUNCIL**Decision Report**

Decision Maker:	Employment in Hampshire County Council
Date of Decision:	22 March 2012
Decision Title:	Flexible Retirement Policy for non teaching staff
Decision Reference:	3761
Report From:	Director of Human Resources and County Treasurer

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1. Executive Summary

- 1.1 This paper seeks approval for amendment of the Flexible Retirement policy and pension discretionary policy statement for non teaching staff. It is proposed that requests for flexible retirement involve a minimum reduction in salary (either through reduced hours or responsibility) of 40 per cent unless there is no Pension Fund strain cost, in which case some flexibility might be applied at the discretion of the employer.

2. Contextual information

- 2.1 In November 2006 this committee approved a Flexible Retirement policy and Pension policy statement, following changes to the Local Government Pension Scheme (LGPS) in April 2006 which enabled scheme members to receive their pension benefits while continuing in employment.

In summary, the policy is:

- All requests for flexible retirement will be considered
- Approval will only be given if it is in the County Council's interests to do so
- A request should typically involve a reduction in salary of 40 per cent either through reduced hours or level of responsibility (grade)
- The County Council will not provide replacement employment for the reduction in pay
- All costs falling on the County Council as an employer must be affordable and within existing cash limits
- The waiving of pension benefit reductions will only be considered in exceptional circumstances

- Flexible retirements will be approved by:

(a) For all Chief Officers and HM Grades where there is either a Pension Fund strain charge or exceptionally the salary reduction is less than 35%, the Executive Member for Policy and Resources.

(b) In other cases where there is a Pension Fund strain charge or exceptionally the salary reduction is less than 35%, the relevant Chief Officer and the County Treasurer and the Director of Human Resources.

(c) In all other cases the relevant Chief Officer.

The policy and governance arrangements are reflected in Hampshire County Council's Pension Policy Statement with governance also covered by the Governance matrix for changes of pay within EHCC.

- 2.2 Costs are incurred in relation to Flexible Retirement when:
- a person is between the ages of 55 and 60 and satisfies the LGPS 'rule of 85' before age 60, in which case the employer must make an additional payment to the pension fund
 - reduced pension benefits (which occur when the person is between the ages of 55 and 65 and has not satisfied the 'rule of 85'), do not fully offset the strain on the pension fund, in which case there will be a fund strain to be paid by the employer
- 2.3 The number of flexible retirements is relatively low. In 2010/11 there were 19 flexible retirements, 5 of which involved a reduction in hours of less than 40%, for which there were no associated Pension Fund charges. These cases have however highlighted that requests have been made that would incur a cost to the Council.

3. Considerations

- 3.1 Flexible retirement is offered according to the employer's discretions policy as the LGPS does not require a minimum reduction in hours or grade. Pension costs, in addition to the operational requirements of the service, are a key consideration and fall to the employer.
- 3.2 Flexible retirement enables retention of valuable experience and knowledge which would be lost if an employee were to retire or leave.

4. Proposal to amend the Flexible Retirement Policy and Pension policy statement

- 4.1 To enable a consistent criteria to be applied for consideration of flexible retirement requests, it is proposed that:
- a request should involve a reduction in salary of 40 per cent either through reduced hours or level of responsibility (grade), unless there

is no Pension Fund strain cost in which case some flexibility could be applied at the discretion of the employer.

- governance arrangements are amended appropriately:

Flexible retirements will be approved by:

- a) For all Chief Officers and grades H and above where there is either a Pension Fund strain charge or the salary reduction is less than 40%, the Executive Member for Policy and Resources
 - b) In other cases where there is a Pension Fund strain charge or the salary reduction is less than 40%, the relevant Chief Officer and the County Treasurer and the Director of Human Resources
 - c) In all other cases the relevant Chief Officer
- the Pensions Statement of Decisions and Policy, which outlines the Council's discretionary policy, is amended to reflect this change, as indicated by the highlighted text:

Flexible Retirement (Regulation 18)

HCC **may** consent to pension benefits being paid under the flexible retirement policy to an employee over the age of 55 (or age 50 for employees who have been in the LGPS since 31 March 2008, leaving before 31 March 2010), who requests this, provided their remuneration is reducing by **40 per cent** through either a reduction in contractual hours or grade **or the reduction is less than 40% and does not incur a Pension Fund charge**. In addition, agreement must be obtained from The Executive Member for Policy and Resources, or the Chief Officer and the Director of Human Resources and the County Treasurer, whichever is appropriate under the policy, that it is in the Council's interest having regard to the requirements of the service, and that any Pension Fund charge for paying benefits early is affordable in each case.

5. Recommendations

5.1 That Employment in Hampshire County Council Committee approve:

- a) the amendments to the Flexible Retirement policy and governance arrangements as summarised at 4.1
- b) the revised wording for the Statement of Decisions and Policy as set out at paragraph 4.1 of the report.

**CORPORATE OR LEGAL INFORMATION:
Links to the Corporate Strategy**

This proposal does not link to the Corporate Strategy but requires a decision to enable a consistent approach in the consideration of flexible retirement requests.

Other Significant Links

Links to previous Member decisions:		
<u>Title</u>	<u>Reference</u>	<u>Date</u>
Flexible retirement policy for non teaching staff	R1103122756	10/11/2006

Section 100 D - Local Government Act 1972 - background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

<u>Document</u>	<u>Location</u>
None	

IMPACT ASSESSMENTS:

1. Equalities Impact Assessment:

The proposed changes to the Flexible Retirement policy will apply to all non teaching HCC staff who are members of the LGPS and, subject to that, is available to all staff irrespective of gender, race, disability or religion.

2. Impact on Crime and Disorder: N/A

3. Climate Change:

- a) **How does what is being proposed impact on our carbon footprint / energy consumption? N/A**
- b) **How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts? N/A**