



Boroughbridge High School and King James's School Federation

## POLICY STATEMENT

# LGPS Early Retirement Policy

Policy last reviewed by North Yorkshire Council	September 2019
Policy ratified by Governors	September 2024
Next Policy review due	September 2026
Staff Lead	HR Advisor

### Significant Revisions Since Last Review

### New Federation Policy

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## **1. Introduction**

- 1.1 There are a number of circumstances when retirement benefits may be paid before normal retirement age, either when an employee leaves employment with the Council or remains employed on a reduced basis. This policy details the Council's arrangements for members of the Local Government Pension Scheme in the following areas:
- Voluntary early retirement
  - Redundancy/Business efficiency
  - Flexible retirement
- 1.2 Retirement on the grounds of ill-health is covered by the attendance management policy.
- 1.3 Early retirement can be an attractive option for employees as they may be able to access their pension benefits early. Early retirement may also have benefits to the Local Authority or schools when redesigning and restructuring services. However, there can be costs associated with the early release of pension (known as pension strain) which must be accounted for in any decision-making process.
- 1.4 Further information regarding the application and approval process, including forms and template letters, is available in the LGPS Early Retirement Policy Guidance. Separate guidance is available for corporate employees and school based employees.

## **2. Scope**

- 2.1 This Policy applies to all County Council's employees, including those within maintained schools for whom NYCC is the employer, who have membership of the Local Government Pension Scheme (LGPS).
- 2.2 The normal age at which retirement benefits become payable (without a reduction) for most NYCC employees is their State Pension Age. However, due to pension scheme changes over time some longer serving staff may have an earlier normal retirement date. The provisions of this policy will only apply to employees who have reached the age of 55 at the date when the retirement takes place.
- 2.3 The regulations governing the application of the Local Government Pension Scheme require each employer to determine how certain discretionary provisions of the scheme will be applied. The statement of North Yorkshire County Council's policy on the exercise of these discretions is contained in the LGPS Employer Discretion Policy and the relevant sections of this early retirement policy are based on these stated discretions.
- 2.4 To become entitled to pension benefits, members must have a period of active service called the vesting period. The vesting period for the LGPS is 2 years, however, it can be met before 2 years in certain circumstances<sup>1</sup>.

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<sup>1</sup> For further information regarding vesting periods please see <https://lgpsmember.org/more/vesting.php>.

### **3. Voluntary Early Retirement**

- 3.1 Voluntary early retirement takes place when an employee chooses to leave employment and draw their pension benefits on or after their 55<sup>th</sup> Birthday but before their normal retirement age. In such cases, pension benefits are normally actuarially reduced to offset the cost of being paid for a longer period.
- 3.2 Any member of the Local Government Pension Scheme who has attained the age of 55 and meets the 2 years' vesting period, can elect for the early payment of pension benefits on retiring from the Council. Returning to work for a relevant employer following voluntary early retirement may result in a reduction or cessation of pension benefits.
- 3.3 The early payment of such benefits will, where possible, be actuarially reduced so as to maintain a cost neutral position for the Council. The NYCC Employer Discretion Policy states that the Council will not waive any discretionary actuarial reduction on benefits paid arising out of voluntary early retirement.
- 3.4 Employer approval is not required for voluntary early retirement, however, employees will need to give their normal contractual notice of their intention to retire.

### **4. Redundancy/Business Efficiency**

- 4.1 Where an employee, who is aged 55 and meets the 2 year vesting period, is made redundant or dismissed on the grounds of business efficiency, then their main pension benefits are payable immediately without any early retirement reductions. In the case of redundancies, this would apply to both voluntary and compulsory redundancy situations.
- 4.2 Any pension strain costs arising out of potential redundancies must be explored as part of the planning stage within a redundancy process. In cases of voluntary redundancy for corporate employees, written agreement must be obtained from the relevant member of the Management Board before being approved. In cases where the pension strain costs exceed £20k approval by the Chief Executive is required.
- 4.3 Within schools, voluntary redundancy requests may be approved by the Headteacher/ Governing Body in line with that school's delegation arrangements. However, where the delegated budget has been withdrawn/where schools have an Interim Executive Board, voluntary redundancy requests may only be approved by the Director of CYPS.
- 4.4 In cases of compulsory redundancy, written approval from a member of Management Board or Headteacher/Governing Body is not required as the release of pension benefits arises as a result of the redundancy dismissal decision. Pension strain costs will, however, be considered as part of the redundancy planning process and may be included as one of a range of redundancy selection criteria.
- 4.5 Retirement on the grounds of business efficiency will only be applied in exceptional circumstances and where it is possible to identify an increase that can be achieved in the operating efficiency of the Authority's services. Such retirements will be at the discretion of the Chief Executive, following a recommendation from a member of the Council's Management Board (recommendation from Director of CYPS for school based employees). The

scheme may only be applied to cases where an employee is dismissed on grounds of efficient exercise, or where termination is of mutual consent between the employee and employer.

- 4.6 Members of the LGPS under the age of 55, who are made redundant, will have their pension benefits deferred.

## **5. Flexible retirement**

- 5.1 Flexible retirement provisions allow employees aged 55 and above to apply to receive some pension benefits yet continue to work for the Authority in a reduced capacity. Applications for flexible retirement can be made by staff who will be 55 at the start of the proposed flexible retirement, but less than 75.
- 5.2 The purpose of the scheme is to enable employees' greater choice about the way the manage the transition from work to retirement. The scheme may also enable the Council and schools to retain, for longer, employees with vital skills and knowledge who may otherwise retire from employment.
- 5.3 Employees applying for flexible retirement must reduce their earnings on a permanent and significant basis. Where flexible retirement is agreed, the employee will be required to continue working in this reduced capacity until their full retirement from the employment of the Council.
- 5.4 The requisite permanent and sustained reduction in earnings can be achieved, for example:
- through a request to reduce hours in current post e.g. from 5 days to 3 days
  - by appointment to another role on a lower grade or reduced hours or both (minimum one whole grade reduction)
- 5.5 An application for flexible retirement which involves a variation of the employee's working hours in their current post may be classed as an application for flexible working. If this is the case, it will be considered in line with the statutory provisions of the Flexible Working Policy.
- 5.6 Relief contracts and fixed term contracts do not guarantee a 'permanent and significant' reduction in hours. Employees, therefore, are not permitted to flexibly retire onto relief contracts.
- 5.7 Employee's wishing to apply for flexible retirement do not have any redeployment rights and, when applying for lower graded or part-time roles, will have to do so in open competition with all other applicants.
- 5.8 Employees may choose to take some or all of their accrued benefits, as allowed by LGPS regulations, though these will be paid on a reduced basis. However, there may still be a strain cost to the Council associated with the early release of pension benefits. It is, therefore, vital that pension strain costs are requested from the pension fund prior to any agreement or approval being given.

- 5.9 Where there is no resultant cost, applications for flexible retirement can be agreed by the relevant Assistant Director or Head of Service. Applications where there is a pension strain cost, can be approved by a Member of the Management Board, except where the cost exceed £20k when approval by the Chief Executive is required. All requests for school based employees can be approved by the Director of CYPS, except where the cost exceeds £20k in which case approval by the Chief Executive is required. Requests or recommendations in respect of the Chief Executive or the Chief Officers will be considered by Members in accordance with the County Council's Constitution.
- 5.10 Employees will be contractually enrolled into the LGPS in their new or amended role following their flexible retirement and can accrue further pension benefits whilst they remain with NYCC. Should an employee subsequently take alternative employment with another employer, which provides access to the LGPS, then their pension will be subject to abatement.

## **6. Appeals**

- 6.1 Employees may only appeal against a decision to refuse a variation to working arrangements which constitutes a flexible working request (see paragraph 5.5 above). This will be considered under the Hearing and Appeals Procedure.