

Report to:	Governance Committee
Date of meeting:	25 June 2024
By:	Chief Operating Officer
Title:	Flexible Retirement
Purpose:	To seek the Governance Committee's agreement to the introduction of a Flexible Retirement policy to support the retention of skills and promote effective workforce succession planning, whilst providing greater flexibility for staff in their approach to retirement.

RECOMMENDATIONS

The Governance Committee is recommended to recommend the County Council to agree:

- 1) the implementation of a flexible retirement scheme for employees (excluding those on Teaching terms and conditions); and**
 - 2) that the Local Government Pension Scheme Employer Discretions Policy is updated accordingly as set out in paragraph 2.7.**
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1 Background

1.1 The County Council previously operated a flexible retirement scheme for LGPS members which ceased in 2012. The scheme enabled an employee from age 55 to reduce their hours or move to a lower paid role, whilst accessing a proportion of their pension benefits to offset the reduction in salary.

1.2 The scheme was intended to provide employees greater flexibility in their approach to retirement and mitigate the 'cliff edge' effect of the now abolished compulsory retirement age of 65 years. It was also designed to support the business needs of the organisation by maintaining skill retention, and supporting effective succession planning.

1.3 The abolition of the default retirement age on 1st October 2011 prompted a policy review and consequently the scheme ceased due to several coinciding key factors mainly:

- the abolition of the compulsory retirement age at 65 years lessened the need for the scheme particularly with other available flexible working options, and a voluntary redundancy scheme in operation. It also created some uncertainty around the end date of a flexible retirement arrangement and therefore its implied value and cost effectiveness;
- the scheme was not considered to meet the business needs of the council based on the recruitment context at that time. In particular, following the 2007 financial crisis there were more skilled recruits available and less need to retain existing employees; and
- the rule of abatement restricting earnings applied, which made the scheme less appealing. Abatement no longer applies (except in the cases of tier 3 ill health retirement only).

1.4 The Council's recruitment context has changed significantly. We are now experiencing an increasingly competitive recruitment environment where it is more difficult to attract and retain skilled employees. This warrants a greater focus on meeting the needs of a maturing workforce.

1.5 The rise in cost of living is also likely to have an impact on financially viable options for flexible working as staff approach retirement age. A maturing workforce, particularly those with

caring responsibilities, are more likely to want to consider a financially balanced decision around flexible working.

1.6 A benchmarking exercise has shown that many authorities have continued to successfully operate a flexible retirement scheme despite a fluctuating economic and social climate, and the legislative change in 2011.

2 Supporting information

2.1 This report proposes the reintroduction of a flexible retirement scheme that facilitates a permanent reduction in an employee's contractual hours or grade (for example an internal role transfer at a lower grade) whilst accessing their pension benefits.

2.2 The scheme would be underpinned by the following key principles. A flexible retirement arrangement must:

- accompany a mutually agreeable reduction in contractual working hours or grade and therefore pay;
- be beneficial to the service and sustainable for ongoing business continuity; and,
- present no additional cost to the organisation (for example, in relation to waiving pension reductions for early access to benefits).

2.3 Employees would need to discuss and agree a business case with their manager, demonstrating how the arrangement would support the business needs of the service. HR would provide guidance for managers to ensure the process was managed appropriately and consistently. In approving requests, managers would need to consider the sustainability of an ongoing flexible retirement arrangement, bearing in mind that there is no expectation of a default retirement age or obligation to determine an end date.

2.4 In terms of a minimum reduction in contractual hours, it is recommended that this is at least 20%. This is broadly in line with other authorities who report a minimum percentage reduction between 20% - 50%. It is worth noting that as part of the policy review undertaken in 2012, managers reported that a 20% reduction was not enough to make an effective saving, enable the backfilling of the reduced hours, or effectively plan for succession. It is therefore propose that whilst any policy includes a 20% reduction in hours as a minimum, the service determines the appropriate minimum reduction in the context of business needs including retention of skills, experience, and succession planning. The reduction in contractual hours should be understood to be a permanent reduction.

2.5 If agreed, to support the implementation of the scheme, a communications plan will be drawn up to provide information and details for managers and staff on the scheme, the key points and the application process.

2.6 The scheme is not expected to incur any cost to the organisation. As stated above, it is expected that the Council would not waive any actuarial reduction and/or "strain" cost for early access to an employee's pension. This has been made clear in the draft Policy, a copy of which is attached as Appendix 1. Set against this background, the key consideration in relation to approval is around the needs of the service and business impact. As such, the draft scheme proposes that the authority to approve flexible retirement requests sits at Assistant Director level.

2.7 Provision to allow an active member who has attained the age 55 or over to reduce their working hours or grade and receive immediate payment of all or part of their their retirement pension is contained within the The Local Government Pension Scheme (LGPS) regulations – R30(6) and TP11(2). At present, the Council's Local Government Pension Scheme Employer Discretions Policy notes that the Council does not operate a Flexible Retirement Policy. If a Flexible Retirement Scheme is agreed to be implemented, the local discretions will be updated to reflect this.

3. Conclusion

3.1 A flexible retirement scheme can form an additional financially viable option to ESCC's existing suite of flexible working options for staff approaching retirement age. In circumstances where business needs can continue to be met by a flexible retirement arrangement, the scheme can retain

skills and help services plan resources into the future. A flexible retirement scheme has the potential to provide a degree of security and stability for both employees and services particularly in the context of a changing operating environment.

3.2 The Governance Committee is therefore recommended to recommend the County Council agrees:the implementation of a flexible retirement scheme for employees (excluding those on Teaching terms and conditions) and that the Local Government Pension Scheme Employer Discretions Policy is updated accordingly.

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