



Pensions & Flexible Retirement, Retirement Policy

The policy applies to all Council employees that are currently active or deferred members of the Local Government Pension Scheme.

Janet Hugill
Corporate Services Manager
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Introduction and Background

All employees of the Town Council are eligible to participate in the Local Government Pension Scheme, which is a defined benefit pension scheme.

A defined benefit pension scheme is one where the scheme rules define the benefits payable to members independently of the contributions payable, and the scheme may be funded or unfunded.

The Administering Authority for the Local Government Pension Scheme in County Durham is Durham County Council.

Durham County Council operates the scheme in accordance with the various pensions regulations as follows:

- Local Government Pension Scheme (Administration) Regulations 2008
- The Local Government Pension Scheme (Transitional Provisions and Savings) Regulations 2014
- The Local Government Pension Scheme Regulations 2013.

Employers and employees participating in the Pension Scheme will pay contributions and receive benefits in accordance with the requirements of these regulations and the rules and requirements of the Local Government Pension Scheme.

Employers' and employees' contributions are determined by the Pension Fund actuary on a triennial basis and are set to meet 100% of the liabilities of the Fund, in accordance with the relevant Government regulations.

The Council's contribution towards participating employee's pensions is currently set at 19.1% of pensionable pay for the period 2017/18 to 2019/20. Employees' contributions currently range from 5.5% to 8.5% of pensionable pay depending upon the level of salary.

Further information about the Durham County Local Government Pension Scheme including the various rules and regulations, membership details, contribution rates and benefits payable are available from the Pensions Department at Durham County Council, County Hall, Durham, DH1 5UE.

The Council needs to have in place a Retirement and Pensions Policy, because the Local Government Pension Scheme Regulations require each Employing Authority to formulate, publish and keep under review a policy statement in relation to the exercise of a number of discretions which employers can use under the Scheme.

There are many discretions which local government employers may exercise, but the regulations require that all LGPS employers must have a policy on the following five discretions:

- Whether to grant additional annual pension of up to £6,500 per annum (figure as at 1st April 2014) to an active scheme member, or within six months to a member whose employment was terminated on the grounds of redundancy or business efficiency
- Where a scheme member wishes to purchase additional annual pension of up to £6,500 (figure at 1st April 2014) by making Additional Pension Contributions (APC's), to voluntarily contribute towards the cost by making either a regular or lump sum additional pension contribution to member's account (part or whole funding this), via a Shared Cost Additional Pension Contribution
- Whether to allow the rule of 85 to be 'switched on' and grant application for early payment of benefits, to members who would normally meet the rule but who will not if they voluntarily draw their benefits from age 55 to 59 (for both active and deferred members)
- Whether to permit flexible retirement for staff aged 55 or over, allowing all or some pension benefits to be paid if a member wishes to reduce their working hours and/or grade and continue to work, and whether to waive some or all of any actuarial reduction that would apply on the flexible retirement
- Whether to waive, in whole or in part, actuarial reduction on benefits when a scheme member voluntarily draws their pension benefits before their Normal Pension Age, for both active and deferred members and those on suspended tier 3 ill health retirements.

Purpose of the Policy

The purpose of this policy is to set out the Council's position in respect of the above areas of employer discretion in relation to the Local Government Pension Scheme, and, most importantly for Council staff, in relation to the consideration of flexible and early retirement requests. The aims of the policy are to:

- Provide a summary of the Local Government Pension Scheme regulations regarding employer discretions
- Put in place a standard procedure for employees wishing to make an application for employer discretion in relation to the Local Government Pension Scheme or for early or flexible retirement
- Make clear the Council's policy on managing requests for early or flexible retirement and other employer discretions
- Set out the principles and criteria by which the Council will assess requests for early or flexible retirement and other employer discretions.

Equalities Statement

Peterlee Town Council are committed to the removal of all barriers preventing access to our services arising from age, disability, gender reassignment, marriage & civil partnership, pregnancy & maternity, race, religion & belief, sex or sexual orientation.

Council Pensions Policy

The policy applies to all Council employees that are currently active or deferred members of the Local Government Pension Scheme.

The policy has been largely based on and is consistent with the Durham County Council policy on employer discretions.

It can, therefore, be assumed that the Council's policy in relation to any non-statutory discretion not already covered by this policy will be in line with the County Council policy.

It is also important to note that this Policy is not a substitute for the statutory requirements of the LGPS.

This policy will be reviewed at least every five years or as required by law.

The key considerations in preparing this policy were as follows:-

1. Cost and value for money – all requests for employer discretion will be considered against the key issue of affordability
2. Operational requirements - all requests for employer discretion will be considered taking into account the operational requirements of the service in question
3. Anti-discrimination laws – all requests for employer discretion will be considered taking into account all applicable anti-discrimination laws and will be applied fairly and consistently.

The Council's Policy on each of the required employer discretions is set out in the following sections of the Retirement Policy.

Granting Additional Pension to a Member

This discretion applies to whether the Council wishes to grant additional annual pension of up to £6,500 per annum (figure as at 1st April 2014) to an active scheme member, or within six months to a member whose employment was terminated on the grounds of redundancy or business efficiency.

The Council's policy on the above is that it will only consider exercising this discretion where it is in the Council's financial and operational interests to do so.

Shared Cost Additional Pension

Contributions

This discretion applies where a scheme member wishes to purchase additional annual pension of up to £6,500 (figure at 1st April 2014) by making Additional Pension Contributions (APCs), the Council wishes to voluntarily contribute towards the cost by making either a regular or lump sum additional pension contribution to a member's account (part or whole funding this), via a Shared Cost Additional Pension Contribution.

The Council's policy on the above is that it will only consider exercising this discretion where it is in the Council's financial and operational interests to do so.

Rule of 85

The Rule of 85 is a feature of the Local Government Pension Scheme under which an employee who is aged over 55 can retire if the employee's age and length of service, together total 85. This feature can benefit the employee and the employer.

This discretion applies to whether the Council wishes to allow the rule of 85 to be 'switched on' and grant application for early payment of benefits, for members who would normally meet the rule but who will not if they voluntarily draw their benefits from age 55 to 59 and applies for both active and deferred members.

The Council's policy on the above is that it will only consider exercising this discretion where it is in the Council's financial and operational interests to do so.

Waiving Actuarial Reductions on Early Retirement, Flexible Retirement and Ill Health Retirement

This discretion applies to whether the Council wishes to waive, in whole or in part, actuarial reduction on benefits paid when a scheme member voluntarily draws their pension benefits before their Normal Pension Age, and applies for both active and deferred members and those on suspended tier 3 ill health retirements.

The Council's policy on the above is that it will only consider exercising this discretion where it is in the Council's financial and operational interests to do so.

Flexible Retirement Policy

The Local Government Pension Scheme allows scheme members who are aged 55 or over to request 'flexible retirement' whereby the scheme member can, with their employer's consent, reduce their hours or grade, and elect to have their pension benefits be paid to them whilst they remain in employment. It also has the advantages that it can:

- Enable the Council to retain or attain a balanced age profile within the workforce
- Enable the transfer of skills/knowledge
- Offer the opportunity of better succession planning
- Facilitate the retention of skills, knowledge and contacts
- Offer an acceptable solution to staff who are currently a blockage to promotion or reorganisation
- Help alleviate burn-out and stress
- Improve morale
- Offer the flexibility and productivity associated with part-time working

Assist staff to:

- Ease down into retirement
- Make a gradual adjustment to life without paid employment
- Gradually break free of the routine and habits of work
- Keep mentally/physically active

There are therefore two options available to employees wishing to apply for flexible retirement:

- Appropriate and manageable reduction in working hours and,
- Reduction in grade and / or reduced responsibilities

Under the second option, an employee could also apply for a lower graded post if a suitable post was available and vacant. The Council will consider applications for flexible retirement on an individual basis. Decisions will be made on the merits of each case and will be considered primarily in the following context:

- The proposed reduction in hours or grade required to facilitate flexible retirement must be compatible with the operational requirements of the service in question; and,
- A flexible retirement request which causes a cost to the Council (including a except in exceptional circumstances).

Exceptional circumstances for the purposes of the consideration of flexible retirement requests are defined as follows:

- Circumstances where it is considered in the best interests of the Council to pay the cost and where there are sound financial reasons for doing so
- Or on the grounds of compassion, where in the opinion of the Council the special factors surrounding the application, along with the appropriate supporting evidence provided, justify granting the request, subject to the Council's ability to meet the cost.

In considering the operational requirements of the Council, the following will be considered in coming to a decision on flexible retirement requests:

- Additional costs to the service area and Council
- Effect on ability to meet service and customer needs
- Ability to reorganise work amongst existing employees
- Ability to recruit additional or replacement staff
- Impact of service quality and performance
- Sufficiency of work during periods the employee wishes to work

Where an application for flexible retirement is approved based upon a reduction in grade, the associated variation in duties and responsibilities will be incorporated in a revised job

description. The change will constitute a permanent change to the contract of employment and a new written statement of particulars will be issued to the employee.

Requests from the employee for further changes to terms and conditions will only be considered as part of an additional application for a variation to the terms of the approved flexible retirement. This will be considered in the context of the operational requirements of the Council and the provisions of the pension regulations.

All decisions on flexible retirement will be properly communicated to employees, including specific details of the reasons for the decision made.

Early Retirement Policy

The Local Government Pension Scheme also allows employers discretion regarding early retirement requests.

However, this section of the policy is intended to provide some further guidance for staff as to how the Council will consider early retirement requests made by employees.

Please note that early retirement on the grounds of redundancy would be considered under the provisions of the Council's Redundancy Policy.

The Council will consider applications for early retirement on an individual basis.

Consideration will be initially by the Council's senior management team, and if supported, will be reported to and considered by the Council's Special Sub Committee.

Decisions will be made on the merits of each case and will be considered in the following context:

- The request for early retirement must be compatible with the operational requirements of the service in question
- A request for early retirement which causes a cost to the Council (including any request to waive some or all of the actuarial reductions that apply) would normally be refused except in exceptional circumstances.

Exceptional circumstances for the purposes of the consideration of early retirement requests are defined as follows:

- Circumstances where it is considered in the best interests of the Council to pay the cost and where there are sound financial reasons for doing so; or,
- On the grounds of compassion, where in the opinion of the Council the special factors surrounding the application, along with the appropriate supporting evidence provided, justify granting the request, subject to the Council's ability to meet the cost.

In considering the operational requirements of the Council, the following will be considered in coming to a decision on early retirement requests:

- Additional costs to the Council
- Effect on ability to meet service and customer needs
- Ability to reorganise work amongst existing employees
- Ability to recruit additional or replacement staff
- Impact on service quality and performance.

All decisions on early retirement will be properly communicated to employees, including specific details of the reasons for the decision made.

Application Procedure

To apply for a Local Government Pension Scheme discretion including a request for flexible or early retirement, an employee must submit a formal request in writing to their line manager in the first instance.

Making an application does not give an employee automatic right to the discretion or to early or flexible retirement.

However, the Council will give proper consideration to all requests in line with the criteria set out in this Policy.

The line manager will arrange to meet with the employee to discuss any requests in more detail and consider whether it can be accommodated. This meeting should take place within 2 weeks of the request being made.

The line manager will then consider the request and make a recommendation to the senior management team as to whether the request can be accommodated whilst safeguarding the operational requirements of the service in question.

The Senior Management Team will then consider the line manager's recommendation and make a final decision based on the criteria set out in the Policy and make a recommendation to the Council's Special Sub Committee for consideration and approval.

Employees can only make an application for early or flexible retirement once in any twelve month period.

If an employee wishes to withdraw an application for early or flexible retirement, they must do so in writing to their line manager.

As outlined above, employees should be aware that in relation to flexible retirement applications, any approved changes to working hours or grade will be treated as a permanent change to contract and there will be no right to revert to the former working arrangements.

Appeals

An employee has fourteen calendar days from receiving notification of any rejection to set out their grounds for an appeal in writing.

Appeals will be considered by the Council's Appeals Sub Committee.

Financial Implications for Staff

The Town Council does not provide financial advice regarding applications for flexible or early retirement. In considering flexible and early retirement requests, employees are strongly advised to seek independent financial advice and obtain estimates of future benefits from the Pensions Department at Durham County Council.

Complaints

If an employee has a complaint regarding the application of this policy can be raised using the Council's Complaints Procedure.

The Retirement Process

The information on this page aims to explain the retirement process from the point of handing in your notice to your employer (active members) or requesting release of your deferred benefits.

Active members

Please read the following guidance which aims to explain when an active member is able to retire and the impact this has on their pension benefits. [When can I retire?](#)

The process

Step:

1. Hand in your notice to your employer. Benefits can not be paid if you are still in employment, however there are certain exceptions (read for guidance about flexible retirement LINK). Your required period of notice will be in your contract.
2. Once your notification of retirement has filtered through your employers internal procedures and been finalised a 'notification of leaver' form is sent to Durham Pension Fund (the fund) to begin the retirement process.
Please note: 'the fund' are unable to act until official notice from the employer is received.
3. The Pensions Team also require a calculation of your final pay from your Employer. Without this information 'the fund' are unable to carry out any calculations and provide the scheme member with an illustration of benefits due. Most employers do not submit this information until after the employee has received their final salary payment.
4. Once in receipt of the leaver notification and pay calculation the Pensions Team will begin the retirement process. This involves several data accuracy checks on the pension record. A pension benefit calculation will then be produced using the pay figures supplied by the Employer. Once authorised this illustration of benefits is sent to the individual along with a number of forms to complete and return. Any delay in submission of this paperwork will affect the ability of 'the fund' to put benefits in to payment.
5. Once the paperwork is returned, the necessary checks will be carried out to ensure that everything has been filled in correctly. Quite often forms are returned

incomplete which then need sending back to the individual before pensions can be paid. Please take care when completing retirement paperwork and ensure all parts are completed fully and accurately.

Once 'the fund' are satisfied that they have all of the information required to complete the retirement, a final calculation will be processed. After the calculation has been authorised the pension can be put into payment and any lump sum paid (if applicable).

6. A final letter is sent to the scheme member, giving details of when payment of the annual pension will begin (plus notification of any arrears due) and when the member can expect to receive payment of the lump sum into their bank account.

What can delay payment of my retirement benefits

A number of factors can cause a delay in 'the fund' being able to process a retirement and make payment:

- The employer being late to send a notification of retirement to 'the fund' will affect the time taken to process the case
- Late receipt of pensionable pay information or inaccurate information submitted. In either case 'the fund' needs to ensure they have all of the required information and what has been supplied is accurate before any calculations can be processed.
- Software errors. Occasionally the administration software will find errors on a file or with a calculation which requires rectification from our software providers. Depending on the urgency of the case 'the fund' will make a decision to either wait for the 'fix' or to perform a manual calculation. Both scenarios may cause a delay.
- Delay in the member returning the retirement paperwork **or** forms returned are incomplete. As long as the forms are returned promptly by the member and are filled in correctly the turn around in finalising the case and making payment is really quick. If 'the fund' are required to chase up submission or send out replacement forms due then delays will be incurred.

Deferred Retirement

Please read the following guidance which aims to explain when deferred benefits are due for payment and possible reductions incurred if benefits are released early. [When can I have my pension?](#)

The process

Step:

1. Your deferred pension will be increased each year in line with the Consumer Price Index (CPI) and you will receive a statement from 'the fund' on 31st August informing you of the new value of pension and lump sum. The statement will also include the date at which your benefits can be paid without any early retirement reductions.
2. It is policy for 'the fund' to contact you in the month prior to your unreduced payment date with paperwork to be completed in order for you to claim your retirement benefits. You will not be sent any claim forms earlier than this date unless you initiate the request yourself.
3. Once you have reached age 55 you can claim your deferred benefits early. If you choose to do this, early retirement reductions will be applied to your pension and lump sum. Rather than contact 'the fund' requesting an illustration of benefits you can perform your own estimate on this portal. It is company policy to only provide one estimate per 12 months. By doing it yourself you can produce multiple estimates based on different dates - this will help you find a date which best suits your circumstances. Follow this link to use the [Retirement Quote](#)
4. As soon as the retirement process has been initiated by the deferred member the relevant calculations will be performed by 'the fund'. These calculations will go through the same checking/authorisation stages as an active retirement and once approved an illustration of benefits will be sent to the member along with a retirement pack to complete.
5. Upon receipt of the returned paperwork 'the fund' will ensure that all forms are returned and are completed correctly. If any forms are found to be completed incorrectly, they will be returned, which can cause delays in payments being made.

6. As soon as 'the fund' is satisfied all paperwork is present and correct, a final calculation will be processed and arrangements made to pay the annual pension and lump sum. A letter will be sent to the member informing them of payment dates and amounts.

7. The case will then be closed. Notification of inflationary increases will be sent to the member each April following completion of the pension increase exercise.

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FORM S20: NOTIFICATION OF LEAVER OR OPT-OUT



Durham County Council Pension Fund

EMPLOYER

Please forward the completed form to Pensions once the leaving date is known.

Post to: Pensions, County Hall, Durham DH1 5UL: Email: pensions@durham.gov.uk

Member Details

Full name		Mr	Mrs	Miss	Ms	Other
Address						
		Postcode				
Job title		Payroll number				
Service area		National Insurance number				
Date of birth		Date of leaving or opting out of this post				

Reason for leaving

Please tick appropriate boxes below ✓

Resignation/Opted out*	*delete as appropriate					
End of fixed term contract						
Dismissal						
Death						
Ill health retirement	Tier 1		Tier 2		Tier 3	
Leaver age over 55	Normal Pension Age					
	Late retirement					
	Early retirement					
Employer wishes to waive reductions	This will result in a cost to the employer					
Redundancy or business efficiency	Age less than 55			Age over 55		
Flexible retirement						
Other						

Additional information

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Employer Authorisation

Completed by	Signed	Position
Date	Telephone No.	



Durham County Council Pension Fund

Pensionable Pay Information

Final Pay - 2008 scheme definition: The pensionable remuneration for the year ending at the date of leaving or either of the two previous years if greater.		
Please identify any amounts included in the above figure which do not represent normal pay.		
2014 Scheme Membership Please supply information in respect of current tax year.	Main Section Date from: Date to:	50/50 Section Date from: Date to:
Cumulative pensionable pay – 2014 scheme definition: The pensionable pay for the current tax year from 1 April to leaving date	Main Section	50/50 Section
Cumulative Additional Pension Contributions (APCs) paid in respect of this employment by the employee		
Cumulative Additional Pension Contributions (APCs) paid in respect of this employment by the employer		
Pension Contributions paid in the current tax year	Main Section	50/50 Section
Hours worked		
Married women and widows: Has the employee ever paid reduced rate National Insurance contributions prior to their 60 th birthday.		
Annual rate of pay at date of leaving		
Are there any further payments of salary due for this employee?		
Early retirement: How much additional service has been granted?		
Redundancy payment £		

Additional information

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Employer Authorisation

Completed by	Signed	Position
Date	Telephone No.	

What is pensionable pay?

LGPS 2014

An employee's pensionable pay is the total of:

- All the salary, wages, fees and other payments paid to the employee, and
- Any benefit specified in the employee's contract of employment as being a pensionable emolument.

But an employee's pensionable pay does not include:

- Any sum which has not had income tax liability determined on it.
- Any travelling, subsistence or other allowance paid in respect of expenses incurred in relation to the employment.
- Any payment in consideration of loss of holidays.
- Any payment in lieu of notice to terminate a contract of employment.
- Any payment as an inducement not to terminate employment before the payment is made.
- Any amount treated as the money value to the employee of the provision of a motor vehicle or any amount paid in lieu of such provision.
- Any payment in consideration of loss of future pensionable payments or benefits.
- Any award of compensation (excluding any sum representing arrears of pay) for the purpose of achieving equal pay in relation to other employees.
- Any payment made by the Scheme employer to a member on reserve forces leave.
- Returning officer, or acting returning officer fees other than fees paid in respect of:
 - Local government elections.
 - Elections for the National Assembly for Wales
 - Parliamentary elections, or
 - European Parliamentary elections.

LGPS 2008 - as above, but excludes overtime and certain payments in respect of additional hours