



Flexible retirement

For employees who would like to move gradually into retirement by reducing their hours of work or by moving to a position with fewer responsibilities on a lower grade, there is an option known as Flexible Retirement.

It is possible under current scheme regulations for members to receive the payment of their pension benefits to date and continue to work in that employment (working fewer hours or drawing on a lower salary / wage for example).

What is the criteria for Flexible Retirement?

To be eligible for flexible retirement the following criteria must all be met:

- The employee must be aged 55 or over.
- They must have at least 2 years membership in the scheme* (or have transferred money in from another scheme).
- They must have employer consent to reduce their working hours or grade and therefore retire on the grounds of Flexible Retirement.

*If they joined the scheme on or before 31st March 2014, they would only need to attain 3 months membership to qualify.

What is meant by Employer Consent?

In accordance with scheme regulations, each Employer must have a policy which specifies whether they will consider member applications for Flexible Retirement. An Employer must consider the impact on service delivery and any potential costs involved, which may lead to an unsuccessful application.

What benefits are payable if a member takes flexible retirement?

They will receive an annual pension (paid per calendar month) and an automatic tax-free lump sum if they were a member of the scheme on or before 31st March 2008. If not, they will only receive an annual pension, but they will have the option of exchanging part of their pension (subject to HMRC limits) for tax-free cash when they retire. This is known as Commutation.

If they take flexible retirement before their Normal Pension Age, their benefits may be reduced because of early payment. If an employee is granted Flexible Retirement from 60, any 85 Year Rule protection they may have* (if they joined the Scheme on or before 30th September 2006) will automatically apply and their benefits will not be reduced. The ability to apply the 85 Year Rule between age 55 and 60 is at the discretion of employers and should be documented in an employer's discretion statement. If switched on a strain cost will be payable.

Employers have discretion to waive all or part of the reduction - which will result in costs to the employer. Employers must set out their policy in a published discretions statement.

If the member retires on one post and re-starts in a different post with the same employer after a gap of a day or more, this does not technically come under the title of flexible retirement. If they are 55 or over, they are free to retire this way regardless of what your discretions policy states about flexible retirement, as this is effectively just a standard retirement.

Does a member have to take all of their benefits when taking flexible retirement?

The benefits that can be taken on flexible retirement need to be divided into four sections:

1. The total (whole-time equivalent) period of membership up to and including 31st March 2008, excluding any relevant service arising from items listed in 4. below, but including any transferred in service and employer augmentations (pre-2008 service)
2. The total (whole-time equivalent) period of membership from 1st April 2008 up to 31st March 2014, excluding any relevant service arising from items listed in 4. below, but including any transferred in service and employer augmentations (2008-2014 service)
3. The total benefits arising from membership between 1st April 2014 and the date of flexible retirement, excluding any relevant service arising from items listed in 4. below, but including any transferred in service and employer augmentations (post-2014 service)
4. Additional benefits including:
 - a) Service under added years contracts where the election occurred before 1st October 2006;

- b) Service under added years contracts where the election occurred on or after 1st October 2006;
- c) AVCs that commenced before 13th November 2001;
- d) AVCs that commenced on or after 13th November 2001;
- e) Additional pension contracts

Percentage draw down

Members who elect to take flexible retirement must take all their benefits relating to pre-2008 service. Members may elect to draw-down part of, or all or none of, their benefits relating to 2008-2014 service and their post-2014 service.

A member who elects to take flexible retirement must cease contributions under type 4 a) or c) arrangements and the resulting benefits must be taken on flexible retirement.

Can employees still contribute to the LGPS?

Having received the payment of their retirement benefits, they will be able to re-join the Scheme in their continuing employment, building up further scheme benefits.

The role of the employer

Step 1

When flexible retirement is being considered you should first request an estimate from our administration team. For cases where you are using discretion to provide unreduced benefits it is preferable to start this process as early as possible, so that our administration team can provide an estimate of costs.

You can request an estimate by completing the form LGPS RET1.

Standard form - [access form here](#)

Editable form - [access form here](#)

On receipt of this form, we send an estimate of pension directly to the employer within 15 working days.

Step 2

You should share the information provided with your employee so they can look at the options available to them and decide on whether to go ahead with flexible retirement.

Step 3

Once retirement has been agreed you need to send us a further form – LGPS RET2.

Standard form - [access form here](#)

Editable form - [access form here](#)

The details will be used to provide, direct to the employee's home address, a provisional estimate of benefits and a pre-retirement pack giving details of the options available. We provide this information within 7 working days. The employee needs to complete the claim form and send this straight to us, so we know how they want to proceed.

Step 4

Finally, once you have liaised with our employee and retirement is confirmed, you should complete the LGPS 9A form. You must provide final pay figures as this is what we will use to process the retirement.

Standard form - [access form here](#)

Editable form - [access form here](#)

We have 5 working days to complete the retirement process once all documentation has been received from both the employer and employee. Please note that we cannot process the retirement until the early retirement date has been reached.

Step 5

For flexible retirement cases paid without a reduction between ages 55 and 60 or if any early retirement reductions have been waived, a strain cost will be payable by the employer. We will issue an invoice to the employer after we have finalised the early retirement claim (you will be asked to provide your PO number).

Other information

LGPS website – [Taking your pension](#)

LGPS full scheme guide (page 44) – [access guide here](#)

Further support

Email: employer.engagement@eastsussex.gov.uk

This factsheet is one of a series put together by East Sussex Pension Fund to help support employers with processing key tasks.



Employer Toolkit...

Pointing you in the right direction

You can view the full employer toolkit at:

[Employer Toolkit | East Sussex Pension Fund](#)