









LONDON BOROUGH OF SOUTHWARK PENSION FUND

FLEXIBLE RETIREMENT →





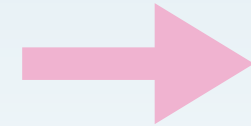
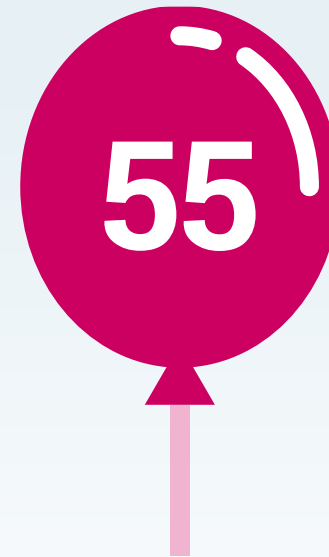
We will be covering:

-  Background
-  What flexible retirement means
-  Why it's good
-  Things to consider
-  The process
-  Will benefits be reduced?
-  Early retirement reductions
-  Help and advice



BACKGROUND

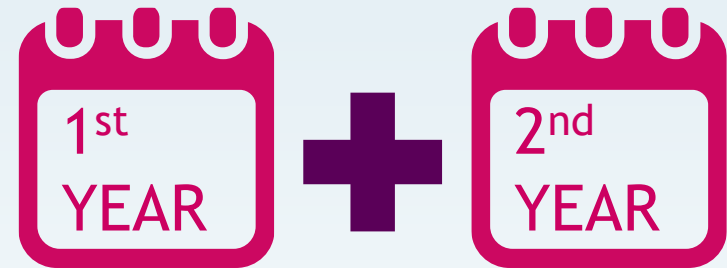
- The Turner Commission recommended the decision to allow flexible retirement.
- Each authority has the discretion to allow employees from the age of 55 years old to apply for it.
- It's important to note that a business case must be made to demonstrate that service delivery can be maintained.
- Therefore, it's not an automatic right of the employee to be granted approval of flexible retirement.





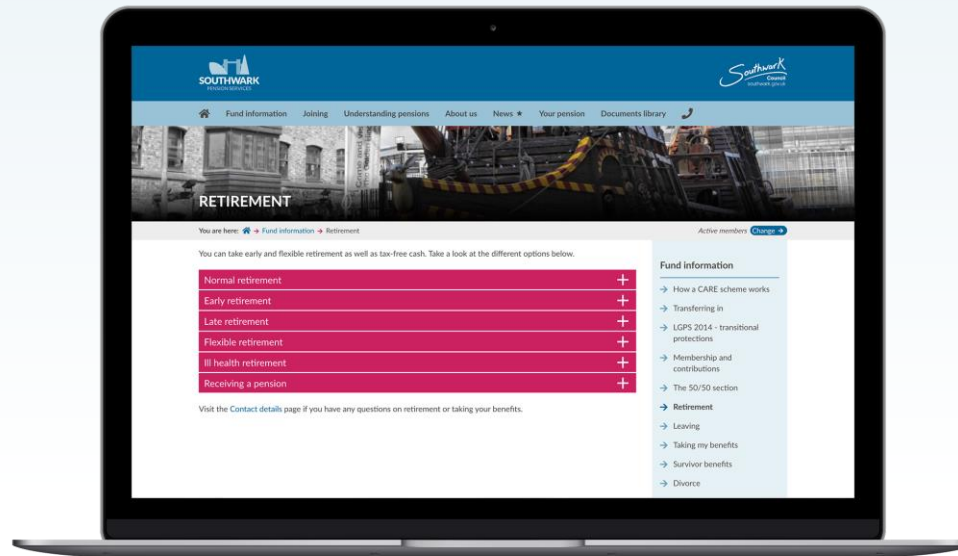
WHAT FLEXIBLE RETIREMENT MEANS

- It's the first stage of gently easing into retirement.
- Subject to the employer's consent, a member can reduce their working hours or move to a less senior position provided they meet the two-year vesting period in the Scheme.
- They can take some or all of the pension benefits that have been built up.





- The employer must have a flexible retirement policy.
- If the employer agrees, the member can still receive their salary from their job but on reduced hours or grade and continue to pay into the LGPS, building up further benefits in the Scheme.



Visit www.southwarkpensions.co.uk/fund-information/retirement
and click on Flexible retirement for more.



WHY IT'S GOOD

- Enables employees to have a smoother transition from work into retirement.
- Removes the 'cliff edge' of going from working full time to not working at all.
- Some people struggle to adjust, especially in this difficult financial climate.
- Encourages retention of key experienced employees who might leave their employer, take their pension and take up employment elsewhere.





THINGS TO CONSIDER

- Extra costs associated with employees that receive the early payment of benefits (with pre 2008 service) while still working.
- Potential costs incurred if the employee is made redundant as continuous service will continue from the original start date within local government provided there hasn't been a break in service (of no more than one complete week - Monday to Friday).
- The employee may have an Additional Voluntary Contribution (AVC) plan that they want to disinvest and claim at the same time as flexible retirement.

PRE 2008 SERVICE





THINGS TO CONSIDER cont...

- Possible impact on service delivery where an employee has reduced their hours from full time to part time.
- Any additional costs that may arise in association with recruiting and training new employees to bridge the gap in working hours as a result of an employee taking flexible retirement.
- Loss of savings to the Fund as a result of allowing an employee to receive immediate payment of benefits. Ordinarily, they would have been expected to retire beyond their earliest eligible retirement date.





THE PROCESS

1

Employee is considered for flexible retirement ideally three months before they intend to receive their benefits.

2

Line manager contacts HR to discuss the likelihood and impact to the service should the business case be agreed.

3

The business case is submitted to HR by the line manager with a proposed flexible retirement date and details of reduction of hours or grade.

4

HR submits a copy of the business case to the pensions team to request a flexible retirement estimate.

5

Pensions admin calculates the estimate and completes the relevant section on the business case before returning to HR.

6

HR seeks a decision from the relevant Head of Service.



7 If the decision isn't approved, HR will write to the employee to inform them.

8 If the decision is approved, the business case should be signed and dated by the employee, HR and Head of Service. A copy is then returned to the pensions team to progress the actual flexible retirement, by sending the employee a letter detailing benefits payable, options available and forms to complete.

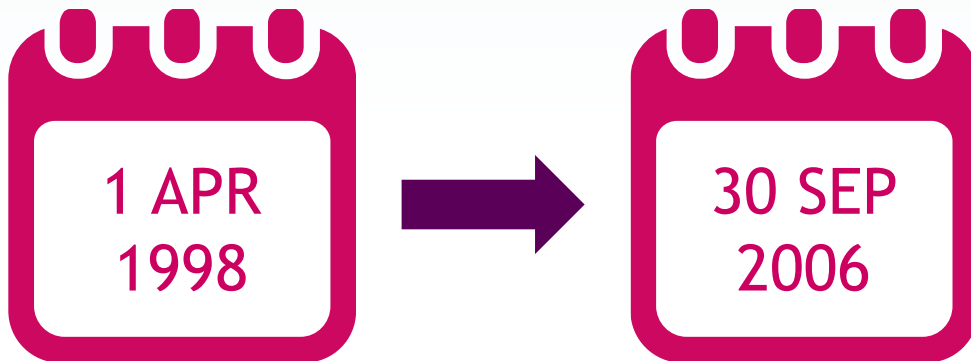
9 Employee completes the forms and provides additional required documentation (e.g. birth/marriage/civil ceremony/divorce certificates) and chooses the required benefit option.

10 Pensions admin ensures the documents are completed correctly and then will set up and pay the benefits accordingly. If there is a delay for whatever reason, the pension will be backdated to the flexible retirement date and arrears will be paid.



WILL BENEFITS BE REDUCED?

- If an employee takes flexible retirement before their Normal Pension Age (NPA), the benefits will be reduced for early payment of pension benefits. This depends on how early they're taken.
- If you were a member of the LGPS at any time between 1 April 1998 and 30 September 2006, some or all of the benefits that are paid early could be protected from the reduction if you are a Rule of 85 protected member. Learn more at www.lgpsmember.org/more/eightyfive.php





WILL BENEFITS BE REDUCED? cont...

- If an employee receives their flexible retirement payment, then the benefits won't be subject to a reduction or suspension for re-employment whilst they're employed by the employer that allowed them to take flexible retirement.
- If an employee takes flexible retirement after their NPA, the pension will be increased for each day the payment of the pension is delayed beyond their NPA. This reflects the late payment of benefits.



EARLY RETIREMENT REDUCTIONS FOR 2020

Number of Years Paid Early	Pension reduction	Lump sum (for membership to 31 March 2008)
0	0%	0%
1	5.1%	2.3%
2	9.9%	4.6%
3	14.3%	6.9%
4	18.4%	9.1%
5	22.2%	11.2%
6	25.7%	13.3%
7	29.0%	15.3%
8	32.1%	17.3%
9	35.0%	19.2%
10	37.7%	21.1%
11	41.6%	N/A
12	44.0%	N/A
13	46.3%	N/A

These reductions can be reviewed and amended from time to time by the Government Actuaries Department (GAD)

