

<b>Committee:</b> Local Government Pensions Board – For Information	<b>Dated:</b> 8 February 2021
<b>Subject:</b> Flexible Retirement	<b>Public</b>
<b>Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?</b>	People have equal opportunities to enrich their lives and reach their full potential. We have access to the skills and talent we need.
<b>Does the Flexible Retirement Opportunity require capital spending?</b>	<b>Y</b>
<b>If so, how much?</b>	Subject to take-up
<b>What is the source of Funding?</b>	Central Risk
<b>Has this Funding Source been agreed with the Chamberlain's Department?</b>	<b>Y</b>
<b>Report of:</b> Joint Report of the Director of HR and the Chamberlain	<b>For Information</b>
<b>Report author:</b> Caroline Reeve – Senior HR Business Partner	

### Summary

At the Local Government Pensions Board on 5<sup>th</sup> October 2020, Members asked for an assurance that the Flexible Retirement Opportunity would be cost neutral to the Local Government Pension Fund. This report sets out the process which ensures that there is no adverse financial impact on the Pension Fund.

### Recommendation

Members are asked to:

- Note the report.

### Main Report

#### Flexible Retirement Opportunity - Impact on Local Government Pension Fund

1. Employees who meet the agreed criteria and elect to take their pension benefits under the flexible retirement opportunity will receive unreduced accrued benefits when they commence their flexible retirement. The latest they can commence their flexible retirement is 30<sup>th</sup> September 2021, subject to agreed criteria.
2. As these members of the Pension Fund will access their pension benefits earlier than assumed, the Pension Fund will start paying pensions earlier than expected,

and for longer. At the same time, the Fund will cease to receive the employer and employee contributions associated with these individuals earlier than expected. In most cases this will result in a shortfall in the level of funding needed to pay the pension benefits (commonly referred to as “pension strain”). An actuarial calculation is carried out for each individual to accurately determine the value of any pension strain.

3. It is the employer’s responsibility to meet pension strain costs, not the Pension Fund’s. Therefore, the City Corporation (as the employer) will fully reimburse the Pension Fund for any associated pension strain costs arising from the flexible retirement round.
4. The associated pension strain costs for each individual who has accepted flexible retirement, are transferred to the Pension Fund on a monthly basis.
5. The uptake of flexible retirement is voluntary and numbers may change as not all employees who express an interest will proceed with the opportunity. Each flexible retirement, however, is provided with an estimated cost at the outset and then confirmation of the exact cost upon retirement.

## **Conclusion**

6. The flexible retirement opportunity offered to employees will result in a pension strain cost to the Local Government Pension Fund. Any such pension strain will be met by the City Corporation through the transfer of funds by the Chamberlain at appropriate intervals as outlined in this report.

Caroline Reeve  
Senior HR Business Partner  
Corporate HR

T: 020 7332 3231  
E: [caroline.reeve@cityoflondon.gov.uk](mailto:caroline.reeve@cityoflondon.gov.uk)

Kate Limna  
Corporate Treasurer  
Chamberlain’s Department

T: 020 7332 3952  
E: [kate.limna@cityoflondon.gov.uk](mailto:kate.limna@cityoflondon.gov.uk)