

Flexible Retirement:

A Snapshot of Employer Practices 2006

Commissioned by the
Department for Work and Pensions

Produced by the Employers Forum on
Age (EFA) and IFF Research Ltd

age**partnership**group
Targeting Employers®



Age Partnership Group (APG)

This research is one of a number of projects commissioned by the DWP on behalf of the APG as part of the National Guidance Campaign (NGC).

The APG was formed in 2002 and consists of 19 national organisations representing different aspects of employers' needs, for example, small business representatives, trade unions, HR and personnel managers, local government, other government departments, accountancy, insurance and training organisations. There are separate groups representing England, Scotland and Wales.

The NGC aims to raise employers' awareness of, and ability to adopt practical information and guidance on age diverse employment practices, including flexible employment and retirement opportunities, in order to increase the recruitment, selection, promotion, training and retention of older employees prior to the implementation of age legislation in October 2006.

You can view the Age Partnership website at www.agepositive.gov.uk/agepartnershipgroup

Legislation

In March 2006, the Employment Equality (Age) Regulations 2006 were published. The regulations are the last major stage of the European Employment Directive and will come into effect on the 1st October 2006.

The regulations prohibit age discrimination in employment and vocational training. They apply to individuals of all ages in work, seeking work or looking to access vocational training and to all employers, and to all providers of vocational training and vocational guidance (including further and higher educational institutions).

The regulations can be viewed on the Department of Trade and Industry website at www.dti.gov.uk/employment/discrimination/age-discrimination/index.html

Disclaimer

This report has been commissioned to provide top tips and information only. Responsibility for the views expressed in this report rests solely with the authors. The members of the Age Partnership Group (APG) and the Department for Work and Pensions (DWP) do not accept responsibility for the views of the authors.

Acknowledgement

We would like to thank all employers and individuals who kindly gave their time and expertise to the project, by participating in the case studies, by taking part in the workshop or offering comment and support throughout the project.



Content

Section One: Summary and Introduction	4
--------------------------------------------------------------	----------

Section Two: Flexible Retirement - Overview of employer policies and practices	5
-------------------------------------------------------------------------------------------------------	----------

- Definition of Flexible Retirement
- Flexible retirement policy options
- Barriers, issues and solutions
- Overcoming managers' concerns about managing the performance of older employees
- Successfully communicating available options to all staff
- Overcoming individuals' or union concerns that employees will be 'forced' to stay in work
- Overcoming concerns that older employees would block promotion opportunities for younger staff
- Communication between HR and pension funds
- Managing employee expectations

Section Three: Top Tips and Checklist for employers	9
----------------------------------------------------------------------------	----------

Checklist for employers wishing to deliver flexible retirement options to employees

- First Steps
- Next Steps

Section Four: Employers' views on Age Regulations and Tax Simplification (April 2006)	11
--------------------------------------------------------------------------------------------------------------	-----------

Employers' views on Age Regulations

- Retirement Age (NRA): Age Regulations will make any normal retirement age (NRA) less than 65 generally unlawful (unless objectively justified).
- Performance Management
- Succession Planning
- 'Right to Request'/Duty to Consider

Employers' views on Tax Simplification (April 2006)

- What options will employers offer employees?
- How and when information should be communicated to staff

Section Five: Employer Case Studies	14
------------------------------------------------------------	-----------

- BT
- B&Q
- Marks & Spencer plc
- Hertfordshire County Council
- First Group
- HSBC
- BAA

Appendix A:	32
Research methodology	

Appendix B:	33
Case study interview topic guide	

Appendix C:	36
Topic guide for workshop	

Appendix D:	38
Workshop participants	

Flexible Retirement: A Snapshot of Employer Practices 2006

Section One: Summary and Introduction

The Government is looking at ways to enable older people to remain in the workplace longer. Encouraging employers to develop flexible retirement policies is one of the ways the Government is seeking to achieve this change. Flexible retirement policies enable people to work longer by providing flexibility over retirement dates and the hours and/or type of work employees undertake.

In April 2006, changes were made to HMRC regulations, which for the first time give employers, particularly those with defined benefit (DB) occupational pension schemes, the option to allow employees to draw their pension whilst remaining in employment with them. The changes also increase the minimum age at which employee pension benefits may be drawn from 50 to 55 (due to come into effect in 2010). Both will impact on flexibility in retirement.

In addition, Age Regulations are being introduced on 1st October 2006. These regulations introduce new concepts such as a default retirement age of 65 (no employer will be able to retire individuals before 65 - unless they can objectively justify the practice), a 'duty to consider' working beyond retirement age (in order to encourage/formalise a process whereby employers offer employees the opportunity to keep working) and a requirement on employers to offer the same terms, conditions and benefits to employees who continue to work after normal retirement age (as enjoyed by employees before 65).

These Age Regulations will bring significant changes to the way employers manage the end of people's working lives and may well have unintended consequences, as well as positive impacts on current and future flexible retirement practices.

Some of the flexible retirement policies offered to date may in fact prove discriminatory, particularly where flexibility is only offered to specific age groups. It is likely many employers will take a cautious approach to flexible retirement in the immediate future; at least until employers are clear on what they can and cannot do with reference to the Age Regulations. Unfortunately this could take some time, as the case law to determine what is and isn't lawful in this area will need to be established by tribunal decisions.

In 2005, the Employers Forum on Age (EFA) was commissioned by the Department for Work and Pensions (DWP) on behalf of the Age Partnership Group (APG) to investigate:

- The perceived implications of the new regulatory framework among a select group of employers
- The barriers (and potential solutions) to developing and implementing a flexible retirement policy

The findings from the research, summarised in this document, include a practical guide (a checklist) for employers who may wish to take advantage of the proposed HMRC rule changes in order to deliver flexible retirement options for their employees. A small number of case studies illustrating how some large employers developed (or are in the process of developing) flexible retirement policies are available in Section Five of the report.

This study follows on from a larger scale, but less in depth, review conducted in 2002 (Flexible Retirement: A snapshot of large employers initiatives, 2002), which investigated the existing and developing flexible retirement policies being adopted by large employers at that time. This publication can be viewed or downloaded from the Age Positive website at www.agepositive.gov.uk.

More specifically, this new study involved:

- Developing seven case studies, outlining the experiences of large employers who have introduced or are considering introducing flexible retirement policies. These case studies are based on interviews conducted with key representatives from the HR and/or the pensions department in each organisation.
- Conducting a workshop to explore the barriers and solutions to developing a flexible retirement policy, particularly in light of forthcoming changes in legislation. The half-day workshop involved employees, pension experts and representatives from the DWP and HMRC.

A full account of the methodology of the study can be found in Appendix A.

Please note: The findings of the report are for information only and do not constitute any form of advice, recommendation or representation by the participating employers, by the author of the report, by the Age Partnership Group or the Department for Work and Pensions. You should always take professional advice on any specific financial, pension or legislative changes you intend to make. Additionally, although all information was correct at the time of the project, the information will become less accurate with time and will evolve following changes in legislation and in the ongoing development of company policies and practices.

Section Two: Flexible Retirement – Overview of employer policies and practices

Definition of Flexible Retirement

For the purposes of this research, flexible retirement may consist of one or any combination of the following:

- Flexibility over the date of retirement
- A gradual reduction in the working week just before or after NRA (Normal Retirement Age)

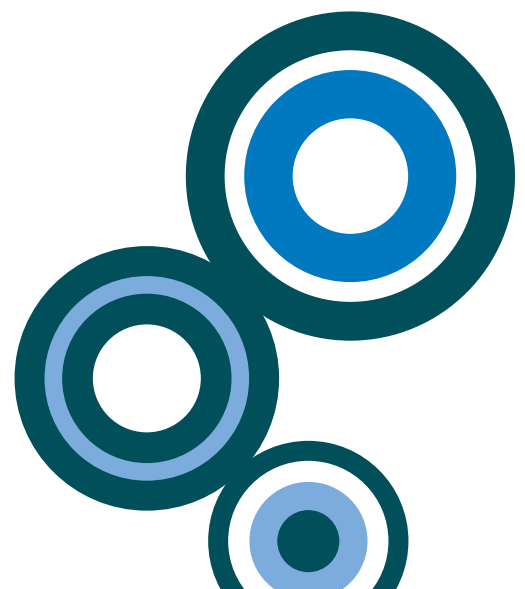
- A reduction in the intensity of employment (downshifting) just before or after NRA

Flexible retirement policy options

The majority of employers selected to take part in this research had well established flexible retirement policies in place. One was considering introducing a flexible retirement policy, and one was in the process of implementing planned changes. All the employers were large national/international companies.

In terms of the options available to employees, almost all offered flexibility over the date of retirement. Those that did have a fixed retirement date were likely to accept applications to work beyond this on an ad hoc basis.

For many of the employers that took part in this research, flexible retirement policies were developed as a natural extension to other work/life balance policies, with some stating that there were in fact no options available solely to those approaching retirement, just flexible working options that were available to all. Indeed, as discussed in more detail later, some employers felt that developing options specifically for those approaching retirement would not be compatible with the new age discrimination legislation. The majority offered some form of flexible working in the run up to retirement or thereafter, most typically the option of part-time working.



Several had introduced policies offering downshifting options, but had so far seen little take-up of these due to employees not wishing to take reduced responsibility, which may in part be due to the impact on income. It is hoped that the HMRC rule changes will give greater freedom of choice to individuals wishing to work longer.

Other options available included opportunities to take sabbaticals, undertake community or voluntary work or to work on an 'annualised hours' contract. However, each of these was offered by only a minority of firms.

Barriers, issues and solutions

Employers were asked to identify barriers that they encountered when developing or implementing a flexible retirement policy. While the majority faced some challenges, it was noted that the benefits of introducing a flexible retirement policy in terms of retention of skills, reduced recruitment costs and the filling of skills-shortage vacancies by opening up a wider pool of potential recruits, were perceived to far outweigh the costs of implementing the policy.

Most employers had found that the HMRC rules that were in existence when they were developing and implementing their policies had limited the flexible retirement options they were able to offer employees. These are not referred to in detail here, as the changes to HMRC regulations should alleviate the majority of these barriers.

There were, however, two key barriers identified that were common to the majority of participating employers:

Overcoming managers' concerns about managing the performance of older employees

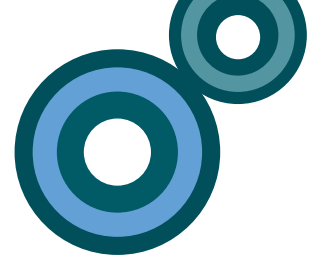
Most employers that participated in the research stated that at some point in the process they had had or would have to counter the concerns of managers who felt that raising or removing the normal retirement age would make it difficult to get rid of employees who were under-performing.

All employers felt the need to ensure they had an effective performance management system in place, underpinned by effective appraisals in combination with clearly defined job roles and objectives. Several employers found that the solution involved educating managers that an older employee's performance and capability should be assessed in exactly the same way as a younger employee's. Making managers (more) aware of flexible retirement policies and providing training in undertaking performance reviews (including using older employee scenarios) was seen to be a valuable part of developing flexible working options.

Some employers stated these concerns were allayed once the policies were in practice; they also felt that employees 'know' when they are ready to retire and found that instances of an employee requesting to stay on when there were capability issues were rare or non-existent. However, participating employers recognised that, in most cases, this had not been fully tested, as most people working beyond retirement were still relatively young. Most employers were confident that existing performance management systems would be effective.

Managers' concerns about managing the performance of older employees were seen by some as part and parcel of the wider issue of negative assumptions and misconceptions about older employees. HR found the solution involved





disseminating research done by the EFA, DWP or others, which disproves these assumptions, or to wait until the policies were in place whereby managers would observe the benefits of a mixed workforce for themselves.

In the long term, post-implementation, it was seen to be necessary to foster an inclusive culture within the organisation to ensure that flexible retirement is seen as the norm. It was felt that having transparent policies and investing in education of staff on diversity issues would help realise this change over time.

Successfully communicating available options to staff

Almost all participating employers experienced some level of difficulty in communicating policy changes to staff; this included ensuring that employees were aware of the new flexible working and retirement opportunities available to them.

For some employers, difficulties arose when trying to ensure that staff understood the options available to them, with many companies noting that employees found it particularly difficult to understand the distinction between retirement age and pension age.

Employers felt the increased flexibility offered by flexible working (and pension simplification) made decisions for employees more complex. With a wider range of options, employers wanted to ensure that employees made the right decision for them.

Employers were reviewing what information was helpful to provide to staff and when it was best to provide it. Some employers also had concerns over possible liability issues when trying to explain options to employees. For many of the employers interviewed, take-up of flexible retirement options had been lower than expected, which some attributed to communication difficulties resulting in low awareness or understanding among employees.

Employers found the following methods of communication successful:

- Talking to the pension department and communications team well in advance to thrash out a way of communicating options that were easily understood by employees and free of jargon.
- Distributing booklets, leaflets or newsletters, or disseminating information regarding flexible working options on an intranet. Some employers also set up a helpline for employees that had queries after reading the information.
- Ensuring that key groups such as those in HR, senior managers and the pensions department were fully informed and trained to deal with any changes. This ensured that when the changes were rolled out, they could deal confidently with queries from staff when they arose.
- Suggesting that employees sought independent financial advice when making decisions about flexible working options in the run-up to retirement. This was either done during a pre-retirement course, via the intranet or mentioned to employees on an ad hoc basis by managers. Doing this helped employers circumnavigate issues of liability while ensuring that employees were aware of the potential complexity of the issue.
- Appointing some managers as 'champions' and then using these champions to cascade information down to employees via presentations or workshops. This was felt to be particularly useful in disparate multi-sited organisations where awareness of HR policies or practices may vary from site to site.

Most employers noted the administrative burden and associated cost implications that communicating the changes to employees would entail. However, employers felt that educating staff about pensions, and effectively communicating new options was part and parcel of being a responsible employer.

This administrative burden includes a requirement for employers to communicate the range of options available to employees, deal with queries, respond to and process requests and provide information for decision making.

Some employers highlighted that having up-to-date, comprehensive employee records helped to minimise costs, although even with these in place additional costs could still be incurred. However, most participating employers felt that these additional costs were not excessive and were more than compensated for by the benefits that flexible retirement options brought.

Other barriers that were mentioned by some employers include:

Overcoming individuals', or union concerns that employees will be 'forced' to stay in work

Employers overcame union concerns that flexible retirement policies would force people to continue working (rather than enabling them to choose to do so) through discussion and by using examples of 'real' individuals who had chosen to continue working. These examples outlined why these individuals had opted to stay in work.

In one case, this approach was supported by other evidence, which demonstrated that the policies were there for the benefit, not the detriment of the employees. The example identified a case where a number of employees had been forced to move to a competitor company. The company had not altered their policy and the individuals found that the HMRC regulations did not allow them the financial flexibility they required to continue working post-retirement age as they had been used to with their original employer.

Overcoming concerns that older employees would block promotion opportunities for younger staff

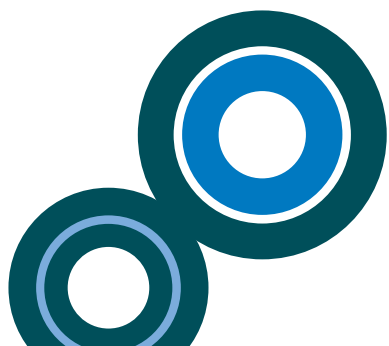
Some employers mentioned that individuals had expressed concerns that raising or removing the NRA would bring about promotion 'blocking' (preventing younger employees from advancing within an organisation). These employers felt that over time they would be able to demonstrate that this was not an issue, and that the benefits of having a mixed age workforce (including the mentoring of younger employees by older) would allay these concerns.

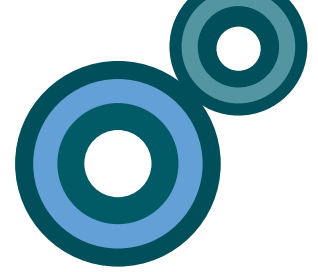
Communication between HR and pensions funds

Some participating employers found that poor communications between HR and pension fund managers were a stumbling block when developing their policies. Some found that pension fund managers were reluctant to make changes to the scheme to meet HR requirements. The issues surrounding flexible retirement and pensions are obviously complex and it was felt necessary for HR to fully understand the boundaries and implications of particular policies before they could adequately communicate these to managers or employees. The solution was found to be more frequent contact between HR and pension fund managers, with the ultimate aim of fostering a greater understanding of each other's needs. Those employers that had not encountered these sorts of barriers tended to involve pension representatives at the earliest stages of discussion.

Managing employee expectations

Some employers expressed concerns about their inability to offer all flexible working options to everyone and the need to manage employee expectations. These employers felt that it would be necessary to make explicit in all communications that not all options were necessarily available to all and that individual negotiation would be required.





Section Three: Top tips and checklists for employers

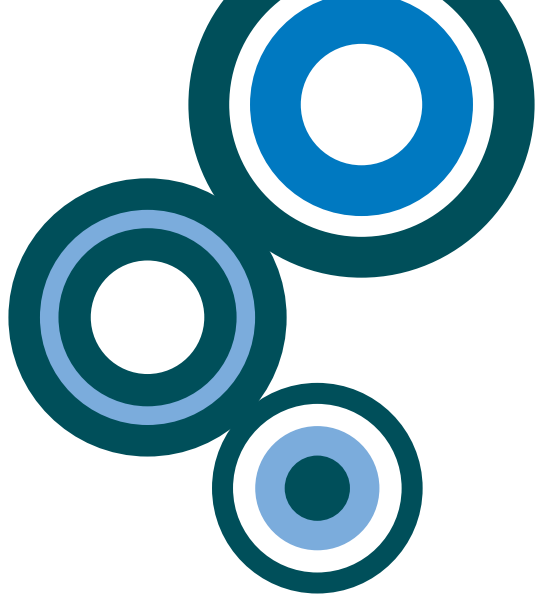
Checklist for employers wishing to deliver flexible retirement options to employees

The following checklist brings together the approaches taken when developing and implementing a flexible retirement policy from all participating case study employers plus wider input obtained during the workshop. It also includes hints and tips in delivering effective policies suggested in retrospect.

Employers stated that developing and implementing a flexible retirement policy took a minimum of six months. The most time-consuming phase involved understanding the options available within the pensions framework. Once the details of the policy were decided and approved, most employers noted that implementation was a relatively quick process.

First Steps

- ✓ Investigate the organisation's pension scheme rules. Open communication channels between HR and the pension department to discuss exactly what is possible at the outset.
 - ✓ Decide which flexible retirement options should be offered, for example, decide if flexible working options will form part of your policy.
 - ✓ Investigate existing operations and the culture of your organisation. In the light of Age Regulations, establish whether your normal retirement age will be raised or removed? Look at examples of best practice in other organisations.
 - ✓ If flexible working options are to be offered only to those approaching retirement, it may be discriminatory under the Age Regulations not to extend these to all staff.
 - ✓ Establish if flexible retirement options can be aligned with work-life balance policies that are available to all.
- ✓ Establish a business case for introducing flexible retirement. Determining how your organisation will benefit from this will be necessary in persuading buy-in from senior management or key stakeholders.
 - ✓ Investigate potential take-up of various options by analysing your workforce (in terms of demographics and turnover); consider conducting a survey of employees.
 - ✓ Investigate all options and implications (including pension scheme implications) of the proposed policy on employees and the organisation. You may need to consider the risks or implications of a flexible retirement policy on insurance, PHI and occupational health risks. Seek external advice to help with this, such as an HR or pensions consultant.
 - ✓ Consider whether the flexible retirement policy necessitates any changes to the pension scheme rules or administration. Specific questions to be resolved include whether staff will be allowed to continue contributing to their pension. If an employee is a member of a defined benefit scheme things tend to be more complex. Agree whether staff can take part of their pension (rather than all or none).
 - ✓ Estimate the cost of offering flexible retirement policies, including increased pension and insurance costs, plus potential cost savings in such areas as recruitment and training.
 - ✓ Get senior management or key stakeholders involved at an early stage, as this will probably mean fewer revisions to the policy down the line.
 - ✓ Consult widely about the potential options as soon as possible. This could be done through setting up an internal working group to discuss and refine the policy. This could include HR, union/staff representatives, financial representatives, lawyers (internal and/or external), an actuary, pension representatives, line managers, occupational health representatives, the insurance department and key stakeholders.



Next Steps

- ✓ Review existing appraisal and performance management systems. These may need to be enhanced or amended to ensure that they can be used to effectively manage (non) performance and reviewed to ensure they are in line with the new Age Regulations.
 - ✓ Have a strong performance management framework and clearly defined job roles and objectives. The performance of an older employee should be managed in exactly the same way as a younger employee; having these systems in place will counteract concerns of line managers about what to do if an older employee is under-performing.
 - ✓ Review contracts of employment to incorporate flexible retirement policies.
 - ✓ Consider how the policy will be communicated to a) line managers and b) employees. This is likely to be one of the most costly parts of the process.
 - ✓ Talk to the communications department; the culture of the organisation and current communication systems will determine the best method and media of communication to an extent. Communication channels to consider include: pre-retirement courses; dedicated helplines; newsletters or booklets; presentations to staff; intranet sites.
 - ✓ Include FAQs and hints and tips in your communication information about issues to consider and where to go for further information.
- ✓ Once the policy has been communicated to employees, be prepared to answer all their questions about the financial implications of flexible retirement. You may wish to urge them to seek independent financial advice or develop/purchase a web-based tool, which will help employees calculate their pension. Informing and/or training key HR, pensions and senior management representatives will enable them to deal with queries from employees.
 - ✓ Consider providing training to help overcome possible resistance and misconceptions about older employees. Provide evidence - disseminating research done by EFA, DWP and other organisations may be useful.
 - ✓ If possible, provide additional or refresher training on carrying out effective appraisals and performance management - this may be particularly useful and timely.
 - ✓ Promote your organisation's stance on older employees in a clear and transparent way. In time this will contribute to the policies becoming embedded within the culture of the organisation.
 - ✓ Consider appointing some line managers as 'champions'. These champions could be trained and educated in the issues surrounding flexible retirement and could then cascade this information down to others via in-house workshops or presentations.
 - ✓ Set up systems for monitoring the impact of your flexible retirement policies. Being able to prove the business benefits of the policy will help allay any concerns held by managers.
 - ✓ The pension department should review information provided to employees on an ongoing basis. In the run-up to retirement consider which information you want to provide to employees - both generally and in responding to specific requests or queries in order to help them make decisions about their retirement.

Section Four: Employers' views on Age Regulations (October 2006) and Tax Simplification (April 2006)

Employers' views on Age Regulations

Normal Retirement Age (NRA): The Age Regulations will make any normal retirement age (NRA) less than 65 generally unlawful (unless objectively justified).

Some of the participating employers currently have NRAs of 60, and plan to raise or remove their retirement ages. The employers interviewed for this research were well aware of the forthcoming Age Regulations and were anticipating the impact on retirement ages.

Most recognised the business benefits raising the NRA would bring (similar to those associated with flexible retirement). Most employers aspired to the complete removal of their retirement ages in order to create an environment where employees would be able to work for as long as they (and their employer) wanted to. However, they recognised this may take some time to deliver.

One or two employers were considering raising (or have raised) their NRA to 70 rather than 65, as they felt this would provide greater flexibility and would be more in line with the age at which they believe employees would be looking to retire in future. Others already had an NRA of 65 or above (or had removed retirement ages altogether) and therefore had less to do to comply with the Age Regulations.

For most employers, increasing NRA will require significant changes to occupational pension schemes. A number of employers have chosen to leave their normal pension age (NPA) at 60 and separate NPA and NRA. When this research was conducted employers had not yet considered the cost implications of allowing employees in their pension schemes to continue to accrue benefits as they continued working. Some employers plan to increase their NPA (to 65). However, this has

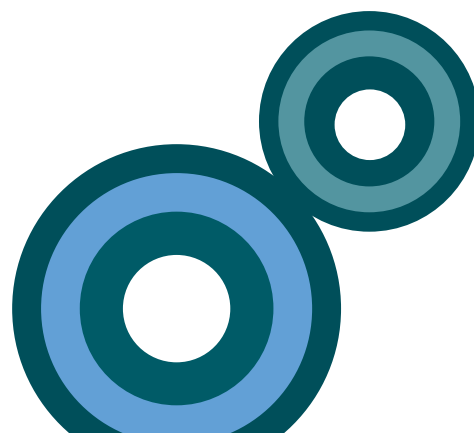
potentially negative implications for employee relations as it may adversely affect employees retiring between 60 and 65 and is likely to be controversial.

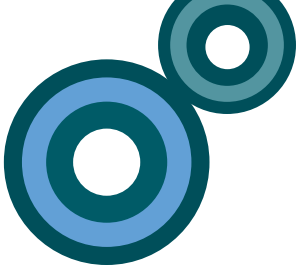
Some employers felt raising/removing NRA will generate similar concerns amongst line managers and staff to those raised by the introduction of flexible retirement policies i.e. managing poor performance and promotion blocking etc.

Performance Management: To prepare for the Age Regulations, several employers plan to review their performance management frameworks. This was something that they planned to do anyway as part of the development and implementation of their flexible retirement policies (as discussed earlier in this report). In these circumstances employers did not see investing in performance management as an additional burden.

Succession Planning: The employers interviewed that had removed, or were considering removing retirement age altogether felt that the impact on succession planning needed to be investigated further. In particular felt that processes would need to be put in place to compensate for the loss of the 'natural marker' that an NRA offers. These processes may in reality be easy to implement e.g. an informal chat with employees at a set age (such as 60 years old), or building discussions about future plans into annual appraisals.

'Right to request'/'Duty to consider': Most of the employers that already offered employees an option to apply to continue working beyond their existing retirement age, did so on a relatively ad hoc and unstructured basis. In these





circumstances each case was individually evaluated. Where organisations did have more formal procedures, these closely matched the proposed 'duty to consider' approach. Most noted that this policy rarely became problematic and in their experience most employees seemed to know when they were ready to retire. Cases where an employee had been refused an application to work beyond retirement age on performance grounds were rare or non-existent. In light of this, participating employers did not have a problem with the principle of the new 'duty to consider' policy designed in the Age Regulations to encourage employers to extend working life.

That said, participating employers were concerned that complying with the new retirement process (right to request/duty to consider) could be time-consuming and resource intensive. Some employers also felt that the process may inhibit flexibility and encourage employers to be more cautious than prior to the introduction of the Age Regulations.

Employers' views on the tax simplification changes to pensions (April 2006)

Employers participating in this research welcomed the tax simplification changes to pensions because they believed it would help facilitate the introduction of many of the flexible working options they wish to offer. However, all noted significant resource implications in bringing the changes into effect and in informing employees.

A pension manager commented: "Pension simplification is anything but simple".

Most participating employers were still in the process of considering how to manage the increased number of options on offer to an employee post-April 2006. These considerations can be summarised as:

- 1) What options will employers offer employees?
- 2) How and when information should be communicated to staff?

What options will employers offer employees?

Most employers are still considering:

- Whether employees in a defined benefit scheme will be able to draw part of their pension and continue working. Due to the administrative burden, some employers are opting to allow employees to draw their pension only once (i.e. taking the full pension or nothing). Other employers are considering allowing employees to draw down pension benefits a couple of times.
- Whether employees that do not draw their pension benefits will be allowed to continue to make contributions to their pension scheme.
- Whether employees that continue working beyond NPA can continue to contribute to DB schemes (assuming they have not already achieved the full entitlement).
- Whether they want to review pension scheme admissions policy to allow new joiners over the pension scheme's NPA to join the scheme.
- Whether employees should be compensated if they continue to work without drawing their defined benefit pension.

In the meantime, most employers are reviewing their pension schemes, and the planned changes they wish to make to ensure that they comply with the Age Regulations.

Almost all employers felt the time and resources spent working through these decisions, combined with the administrative systems set up etc. were complex and expensive.

How and when information should be communicated to staff

The majority of participating employers recognised that the challenge of effectively communicating the proposed pension rule changes to staff was a substantial task. Employers were concerned by the current lack of knowledge and understanding of pension issues amongst their employees, and feared that employees given a variety of options may make poor decisions.

Employers participating in this research felt a responsibility towards ensuring that their employees were as well informed as possible.

Employers were also concerned over the potential for mixed messages where information was delivered from a number of sources (i.e. other than the employer). At the same time employers did not wish to give financial advice directly to employees.

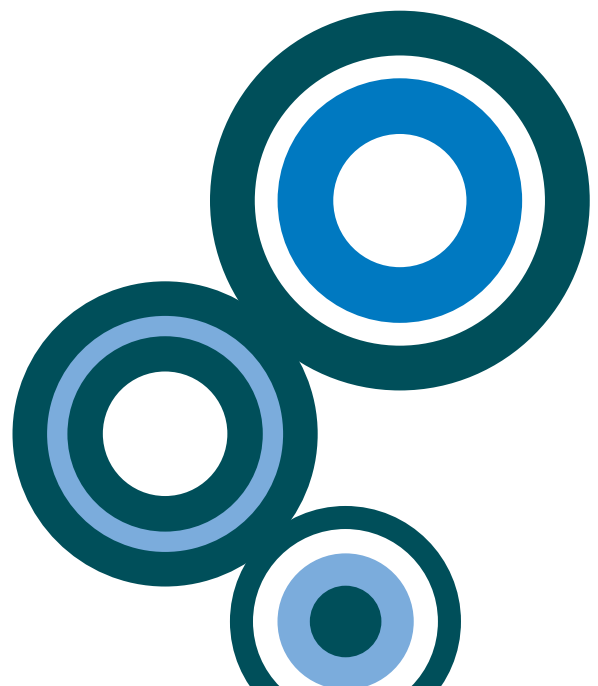
Some of the communication routes employers had taken (or were planning to take) to educate employees about their new pension options include:

- Developing booklets, newsletters, presentations, pension road shows and helplines to educate employees about the impending changes/options available.
- Putting administrative systems in place to notify employees about their options and to respond to requests for information when assessing their options (previously this only needed to happen once).
- Developing a web-based pension calculation tool for employees to use.
- Encouraging employees to seek independent financial advice when making choices about their pensions.

- Identifying those employees for whom the lifetime allowance may be an issue. Employers were then writing to these members of staff to inform them of the changes and the implications, in some cases offering presentations or the provision of independent financial advice.

There were a number of other concerns employers identified, including:

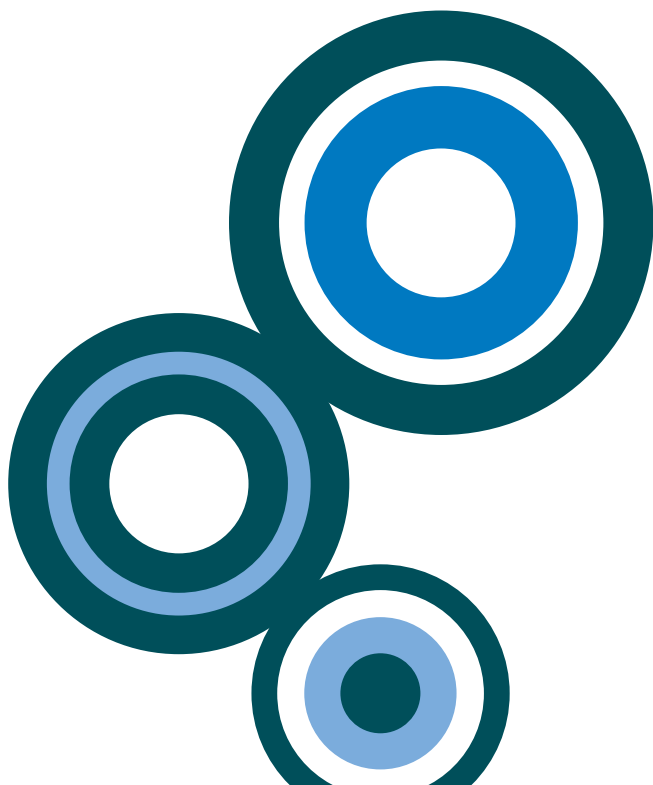
- Life insurance - obtaining life insurance cover for staff working beyond 65 was identified as an issue. Typically insurance companies will not provide cover for people over 65. For employers with schemes that self-insure, this was not felt to be a significant problem, although it would increase costs. Other employers would need to discuss this with their insurance providers.
- Running DB and DC schemes for the same employee - where employees had achieved the maximum contribution with a DB scheme and were now contributing to a DC scheme with the same employer, the problem of 'double benefits' had emerged (e.g.) 'death in service' and 'widow's pension'. Employers were still considering how best to deal with this issue, though it was only likely to affect a small number of employees.



- Lifestyle Funds - one employer with an automatic 'opt in' on their DC scheme and a 'default fund' for those who did not specify a particular fund for the monies to be invested in was concerned that this may no longer be possible. Default funds work most effectively if there is a fixed retirement date. They were checking this out.

Employers welcomed pension simplification because it will help them deliver many of the flexible working options they offer or wish to offer. However, employers now recognise that adapting schemes to take advantage of the new flexibility (and communicating these changes to employees) has significant time and cost implications. Most employers hadn't decided how far to take the new flexible options and the comments and views expressed in this report represent a 'work in progress'.

Employers were in a similar position with the Age Regulations. The need to ensure that their flexible retirement options are now in line with the new laws has in some cases slowed the development and introduction of their flexible retirement policies.



Section Five: Employer Case Studies

Please note: The findings of the report provide top tips and information only and do not constitute any form of advice, recommendation or representation by the participating employer, by the author of the report, by the Age Partnership Group or the Department for Work and Pensions. You should always take professional advice on any specific financial, pension or legislative changes. Additionally, although all information was correct at the time of the project, the information will become less accurate with time and will evolve following changes in legislation and in the ongoing development of company policies and practices.

BT

Policy status: Introduced February 2001
Employees: 101,000 in the UK (110,000 worldwide)

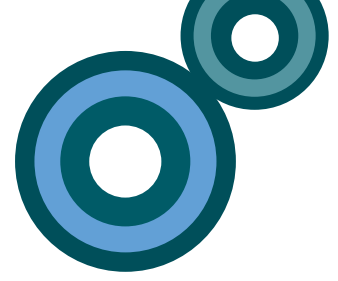
BT is one of the world's leading communications companies. Its principal activities include local, long distance and international communications services, Internet services and IT solutions.

What is BT's flexible retirement policy?

BT has taken a proactive approach to employing older workers, pre-empting the forthcoming age legislation; their flexible retirement policy is part of broader arrangements for flexible working, which are offered to all employees. These flexible working arrangements include alternative attendance patterns, home working, part-time working and job sharing.

The flexible retirement options that BT offers are:

- **Wind Down** which offers employees an opportunity to go part-time or job share
- **Step down** which enables employees to reduce their work commitments by taking a position with a lower responsibility



- **Time Out** which allows employees to take full-time or part-time sabbaticals (encouraging individuals to take up opportunities for further education, travel etc.)
- **Helping Hands** which encourages employees to take up volunteering or community work
- **Ease Down** which allows employees to gradually reduce working hours and/or responsibilities particularly in the last 12 months prior to leaving BT

BT believes these flexible retirement options form a natural part of its portfolio of work/life balance initiatives and presents them to employees as such. This ensures flexible options are open to all regardless of age, which is something HR sees as important not just to comply with the new Age Regulations but to ensure effective engagement with the whole workforce.

How was BT's flexible retirement policy developed?

BT's flexible retirement policy was initially developed as an add-on to existing flexible working arrangements, and was specifically designed to address the organisation's early retirement culture. BT felt it could no longer sustain an average age of retirement at 52, which had become the 'norm' and the business wanted to develop specific initiatives to encourage and assist staff in working longer.

Policy development followed a series of discreet steps, some running concurrently. These were:

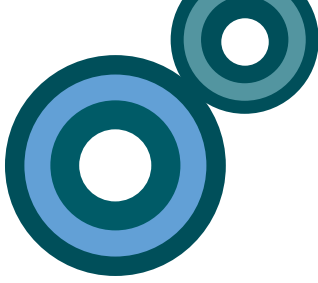
- **Making a business case:** A basic business case was drawn up. The case for the policy at BT centred on the need to maintain the motivation and commitment of skilled older workers, when early leaving packages were becoming less prevalent in order to meet its current and future manpower requirements, rather than recruiting new people. BT argued this approach would be more cost-effective and had an advantage because it both cut

the loss of skilled and experienced staff and reduced the costs associated with recruiting and training new employees. This case was presented to the Executive Committee for approval.

- **Brainstorming options:** The policy was initially developed by brainstorming possible flexible working options and establishing what might be useful and/or beneficial for those approaching retirement.
- **Commissioning formal research:** Exploring policy options was followed up by more formal research into the impact sudden retirement has on an individual's well-being. This research concluded that a more gradual retirement process was beneficial for employees and this evidence proved helpful in ensuring business and employee buy-in.
- **Checking the pension scheme(s):** Once potential policy options were agreed, these were discussed extensively with the pension team, who worked jointly with the HR department throughout the development of the policy - they and the pension scheme trustees recognised the value of introducing flexible retirement for both BT and pension scheme members. The pension department's priority was to investigate whether flexible retirement options would necessitate any changes to scheme rules or administration, and whether there would be any additional costs.

In reality, BT's pension team found few changes were actually required to the pension scheme(s).

Pre-1989 members of the defined benefit scheme were already allowed to draw pension from 60 onwards and to continue working beyond pensionable age, and the new flexible retirement policy didn't affect this. Minor modifications were made to the pension scheme for newer members.



No changes were required to the defined contribution scheme.

From April 2006, employees will be able to draw their pension at any time after age 50 (55 from 6 April 2010) and continue working for the company. This was not previously permitted under the pre-6 April 2006 HMRC legislation.

BT has also decided that members of the defined benefit scheme will need to decide whether to draw their pension in full or not. They will not be allowed to draw part of their pension due to the extra administrative costs involved, although they will be able to draw their AVC funds to provide early retirement benefits whilst continuing to accrue main scheme benefits.

Members of the defined contribution plan will be able to draw the funds provided by their own contributions to provide retirement benefits whilst continuing to contribute to the plan and receive matching company contributions.

- **Involving employees:** BT's unions were actively involved in all stages of the development process.

Overall the policy took 15 months to develop and implement. Developing the options was the most time-consuming part of the process, as well as checking out the implications of policy changes on the pension scheme. The latter was made more complicated by the fact that BT has four different pension schemes.

Once agreement was reached it took only a matter of five to six weeks to put the policy in place, but this was helped by the existing broader work/life balance programmes already available and the fact appraisal procedures did not need amending.

How was BT's flexible retirement policy implemented?

To ensure all employees were aware of the policy and encouraged to take up flexible

options, BT developed a comprehensive communication strategy, which included:

- Communicating the flexible working/retirement options to all employees as part of the communications campaign for 'NewStart'. This communications campaign included HR briefings and seminars and workshops as well as communication via the intranet and People News (a fortnightly online staff newsletter)
- The creation of two websites, available to all employees, outlining the policy
- Additional guidance for line managers and HR staff on the options available to assist them in implementing the new policy and answering staff queries
- Workshops for all HR staff to provide information and training for them on the new policy, so that they could more effectively support line managers

One of the key learning points BT established from introducing a flexible retirement policy was that all employees needed to be better informed about pensions generally. With increasing choice over when and how to end working life, BT recognised that it was important that employees understood the implications of taking up the different retirement options, particularly on their pension. It was acknowledged that not all flexible retirement options would be beneficial to all individual employees. To address this, a note about the possible impact on pensions was put on the website below each of the five options and BT employees are encouraged to seek financial advice before taking up any of the options.

BT still has issues to address in relation to 'retirement', particularly in the light of the new age discrimination legislation and their plans to remove the concept of a 'retirement age' altogether. These include:

- **Managing competence:** One of the key concerns of line managers is their ability to deal with staff that can no longer fully perform their role. BT believes that, in the main, people will know when to stop working, but is currently reviewing its procedures for dealing with circumstances where performance becomes an issue to ensure these work effectively regardless of the age of the person involved.
- **Employees' perception that the retention of older workers will block promotion opportunities:** It is probably too early to determine whether this will be an issue, but BT is confident this will be disproved over time.

Conclusion

In 2003, as part of a major review of retirement policy to prepare for 2006 age legislation, BT's HR department surveyed employees to estimate how many would wish to work beyond 60 and 'how' they would want to do this. This survey showed that, despite the flexibility on offer, most people who wished to work beyond 60 still wished to work full-time, and that although there was some interest in part-time working it was not as high as expected. This helped address ongoing concerns that line managers might face difficulty in offering flexibility to everyone.

Fear that a flexible retirement policy would raise unrealistic expectations amongst BT's employees have also proved unfounded, helped in some part by BT's existing working styles and culture. The fact that 70% of BTs workforce already work flexibly has meant managing flexibility in retirement has not proved any more problematic than managing any other type of flexible working.

Although BT has no formal processes in place to monitor uptake of specific initiatives, the success of the policy is evident from the increase in the proportion of staff aged 50+ (this has nearly doubled from 13% in 2001 to 25% in 2005). BT feels the introduction of its flexible retirement

policy has been successful and is confident that HMRC rule changes and the removal of BT's normal retirement age at 60 will encourage a further shift towards working for longer.

B&Q

Policy Status: Introduced in 1989

Employees: Approximately 38,000

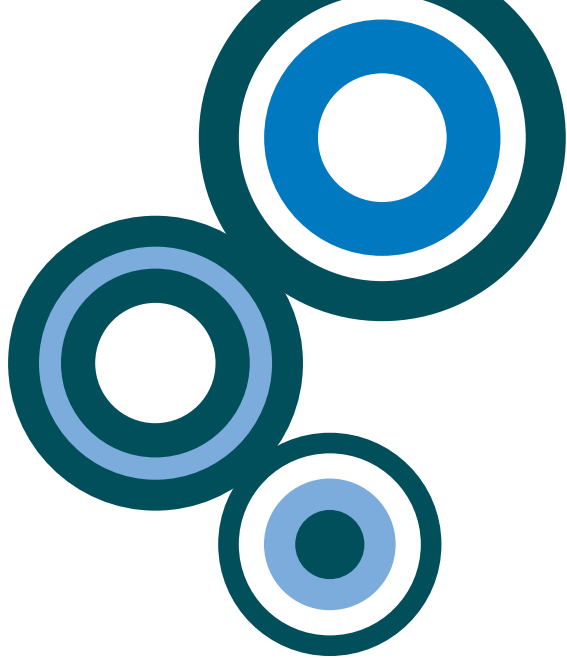
B&Q, a company within the Kingfisher Group, is the largest home improvement and garden centre retailer in the UK and Europe and the third largest in the world. They have over 340 stores worldwide, and offer over 45,000 products for homes and gardens. Over three million customers shop with B&Q weekly.

What is B&Q's flexible retirement policy?

B&Q were one of the first organisations to offer flexible retirement and no longer have a fixed retirement age. Since 1989 employees have been able to continue working beyond age 60. B&Q see their retirement policy as an extension of their flexible working arrangements, which are available to all employees who have worked within the organisation for more than six months. They have also removed any upper age limit on recruitment

Flexible options are considered in terms of both job roles and working arrangements and phased or partial retirement is available to all employees.





B&Q's policy has evolved over time. In 1999 the requirement that employees working after 60 had to work on fixed-term contracts only, renewable every two years, was removed. This allows employees to continue working without any need to renew their contract for as long as they wish.

Since 2001, there has been little significant change to the policy, as it works well. One more recent change is improved communication to employees approaching their 60th birthday. The payroll and pensions departments automatically contact employees prior to their 60th birthday (B&Q's current pension scheme NRA) and let them know about the options available to them (i.e. that they can continue working, draw their pension and retire or draw their pension and continue working).

How was B&Q's flexible retirement policy developed?

B&Q developed their policy to simplify working post 60, as more and more employees opted to continue working. The pre-1989 system, where contracts had to be terminated and employment had to be re-started on a two-year fixed contract, with a two-week gap between stages, proved not only a frustration for employees and managers, but also an administrative burden. Employees who had actually worked for the company for a long period of time were classified as leavers and then as new joiners. This made staff turnover statistics much higher than they should have been.

The Employment Relations Team took responsibility for developing the new simplified approach and for promoting the new policy throughout B&Q, using literature such as brochures, policy and recruitment documents, the intranet and staff briefings. The payroll department also played a role, communicating directly on an individual basis just prior to each employee's 60th birthday.

Looking back, HR identified the key steps taken in developing their policy over time. These were:

- **Making the business case:** B&Q's policies are based on a solid and proven business case for valuing older workers. In 1989, as part of a trial to prove the business case, the retailer opened a store in Macclesfield staffed entirely by over 50s and found that profits were higher by 18%, staff turnover was six times lower, there was much less short-term absenteeism, and 59% less shrinkage (wastage, theft and breakage) compared with other stores. Alongside these benefits, customer perception of service improved, and the skill base of the workforce base increased.
- **Consultation:** HR consulted with interested parties at all levels (ranging from key stakeholders and the board to employees, the payroll department, and the pensions team). The company has an employee consultation and feedback forum called GrassRoots. The GrassRoots committee makes suggestions on employment issues and considers ideas produced by the business. They were a useful source of feedback from employees across the age spectrum and at different levels in the company.
- **Performance management:** Some B&Q managers were concerned about performance management and the damage that a lack of capability could do to the business. As with other employers who faced similar arguments, HR were able to prove this is largely a misconception, and that there was no evidence

to suggest that there were any more capability issues amongst the over 60s than the rest of the staff. But to overcome this concern, capability processes were re-examined and tightened up, as well as occupational health processes (which has proved of wider benefit as incapacity can affect workers of all ages).

- **Cost/benefit analysis:** The costs of delivering flexible retirement were felt to be comparatively small, particularly in the context of savings made in terms of the (often multiple) administration of fixed-term contracts, as well as greater employee retention. Adjustments were also made with respect to life assurance so that those employees who are not in the pension scheme or opt out can still be covered. This was a small cost but felt to be acceptable in terms of the advantages that offering this benefit to employees brings.
- **Research:** As the policy has developed extensive research was conducted externally. This involved establishing what was possible and feasible with respect to pension arrangements and looking at general market practices and exploring what competitors were doing. Considerable discussion with employees of all ages was also carried out to increase understanding of how they wanted to 'retire', and their needs in terms of flexibility throughout their careers. Legal advice was also sought around issues such as whether arrangements could be changed retrospectively, although it was found that this was not possible.
- **Communication:** Abolition of the upper age limit i.e. the retirement age, the need to renew fixed-term contracts every two years, and new flexible working policies were finalised and communicated to the business as a whole without problems although HR encountered enormous difficulty in explaining the different options available to employees who were members of the pension scheme before and

after 1989 (due to pre-April 2006 pension legislation). Overall B&Q made it a policy to discuss openly (and at an early stage) changes to retirement policies with employees and this internal transparency helped ensure that communicating the changes was a fairly smooth process.

B&Q also make it a policy to share their experiences with other companies who may need support in recognising business benefits or in formulating good age-based employment policies of their own.

B&Q are keen to continue to progress their policies and seek ways to become even more flexible as the needs of the business and its employees change. One area that they will examine in the light of the changes to pension and age discrimination regulations is whether allowing pension contributions beyond the age of 60, would encourage even more employees to stay on, and if the benefits this would bring to the business would outweigh the costs of allowing this to happen.

How was B&Q's flexible retirement policy implemented?

The introduction of B&Q's flexible retirement policy was smooth, supported by robust capability systems put in place to counter concerns about performance management. Initially managers were also worried about succession planning and predicting recruitment needs but this has not proved to be an issue. However, B&Q do recognise this may be due to the fact that the retail environment in which they operate is perhaps less sensitive in terms of succession planning than





some other sectors (a large proportion of staff are employed in non-managerial roles). It is worth noting that to date, those on higher wages account for the greatest proportion of employees choosing to extend their working life.

Appraisal systems, both at the company's Store Support Office and within stores, now include discussion of future intentions and how the company envisages the individual progressing. This supports B&Q's flexible retirement policy. This aside, working practices have remained very similar since implementation.

Conclusion

B&Q are fully committed to a flexible working policy for all ages and due to their early introduction, have seen positive results from embedding flexible policies into the culture of their organisation. They believe establishing a strong 'business case' for a flexible retirement policy and constantly referring back to it during the process of policy development is central to success.

Communication is also critical and the fact that B&Q has had a clear and positive (and very public) stance towards older workers for a number of years has helped in ensuring their flexible retirement policy is a success. B&Q already has a workplace culture where it is completely normal for people to work beyond what would sometimes be considered the age for retirement and of those staff reaching 60, 30% stay on.

B&Q's experience is important, particularly the fact that they have found many employees choose to stay on because they enjoy their work and the social opportunities it provides, rather than from financial necessity.

Marks & Spencer Plc

Policy Status: Implemented 2001

Employees: 60,000 in the UK

Marks & Spencer (M&S) is a multiple retailer in the UK, with a history of more than 100 years' trading and an established reputation for quality, value and service. In recent years the company has experienced difficult trading conditions and regaining its leading position is an overriding corporate objective. M&S have a strong tradition of Corporate Social Responsibility (CSR) and this is integral to how they do business.

What is M&S's flexible retirement and working post 65+ policy?

M&S introduced their Older Workers Policy in 2001, and the Flexible Retirement Policy was launched in 2006. The Older Workers Policy was born out of an awareness of a general shift in public opinion towards retirement, planned new age legislation and the impact of changing workforce demographics. M&S were keen to retain and attract skilled staff irrespective of age. The new Flexible Retirement Policy has been possible through changes to pension rules from April 2006.

Flexible retirement options have always been available to employees, who have been able to retire at any time they choose from age 50. The main features of the policy are:

- All employees may continue working beyond NRA. Such requests are approved if there are vacancies at their chosen store; and
- All employees from 50 may continue to work and draw their pension. Requests to work part-time in addition to this are accommodated wherever possible, subject to business requirements.

New employees over 65 do not currently join the company's pension scheme, but this is under review.

How was M&S's flexible retirement policy developed?

The idea for the policy initiated in the Employer Relations Department and is part of a continued commitment to offering maximum flexibility to all employees.

M&S's approach to developing their flexible retirement policy was:

- **Project status** Originally the policy was developed as a 'project' within the Employer Relations Department.
- **Consulting stakeholders** As the 'project' developed, discussions were held with the pensions and insurance departments, occupational health representatives and other key stakeholders.
After some discussion a briefing paper was drafted, which was then ratified by the Pension Fund Trustees, the HR leadership team and the executive directors. Compiling the briefing papers and obtaining senior level approval was the lengthiest phase of policy development.
- **Policy drafting** Once sign-off for the project had been obtained, the Employer Relations team was charged with drafting the policy in partnership with key stakeholders.
- **Benchmarking against competitors** During policy development M&S conducted a benchmarking exercise against their main competitors and sought examples of good practice in these organisations. Groups such as the British Retail Consortium and CBI, as well as M&S's own network links such as the Retail Equality Group, provided help in this. These network links helped M&S to talk directly to key competitors and share experiences and good practice. Equivalent discussions through the Pensions Retail Group also took place.
- **Generating line manager buy-in** was one of the most challenging elements in developing the policy due to concerns over the

performance of older workers. Line managers were predominantly worried about how they would handle a situation where a 65-year-old worker wanted to continue working when a manager did not perceive them to be fit enough. HR colleagues provided briefings to discuss and allay these concerns, stressing that performance management should be approached in an identical way for workers of all ages.

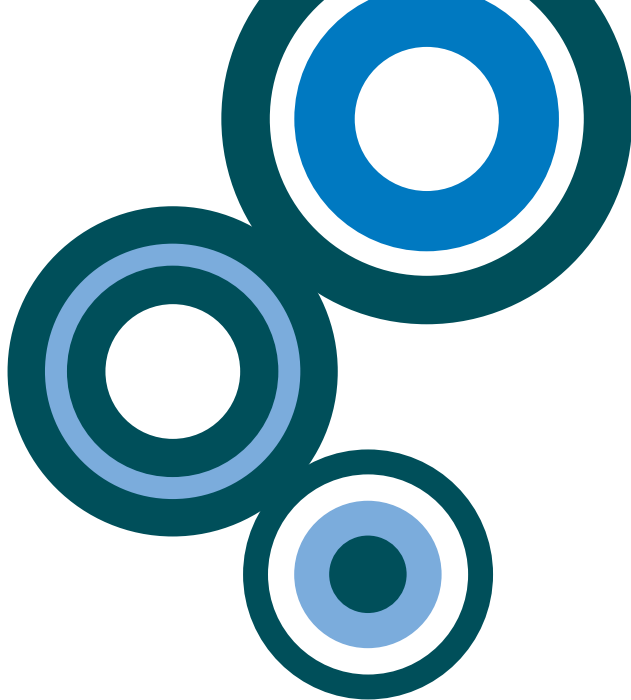
Since the policy has been introduced, M&S hasn't had any negative feedback from managers; this suggests the policy has not created any problems for those managing employee performances.

In 2005 over 1000 employees over the age of 65 were employed at M&S, compared with just 20 in 2002.

Employer Relations believe they gained distinct advantage by 'doing the leg work up front' and engaging key stakeholders early on in the development phase. Taking time early on in the development phase to understand what key stakeholders want, and then involving them as often as possible when the policy was being written has reaped rewards. The team felt that this approach has not only ensured the policy is fit for purpose, but has also meant that internal stakeholders were more likely to communicate the policy to line managers.

M&S perceive the costs of developing the policy to be fairly minimal, involving just a one-off time cost for those in the policy team and certain key stakeholders.





How was M&S's flexible retirement policy implemented?

Implementing M&S's flexible retirement policy was relatively simple. The changes required to working practices were minimal as the policy allows employees to continue working beyond 65 and no amendments to existing performance or appraisal systems were necessary. But introducing the policy did require M&S to educate managers that performance management should be approached in exactly the same way irrespective of an employee's age.

To date the opportunity to continue to work at 65+ and enjoy flexible retirement has been welcomed by both employees and managers. The ER team hasn't received any complaints from employees unable to continue working, which suggests the processes put in place are working well.

M&S's Flexible Retirement Policy is communicated to employees via the employee handbook and is accessible via the HR portal on the company's intranet.

When introducing the policy M&S identified the key problem employees have in differentiating between pension age and retirement age; they became aware of this specifically when some employees expressed concern that the new flexible retirement policy meant that they would not be allowed to retire when they wanted to. M&S attribute this to a wider issue of a general lack of understanding of pensions.

To try to address this, M&S has:

- Reviewed and amended the style and tone of all literature to ensure it is accessible (this is seen as crucial in effectively communicating changes to employees).
- Introduced a pension newsletter directing employees to a dedicated pensions helpline. This has been well received by employees and M&S now hope to turn it into a regular (annual) publication.
- Put in place a dedicated pension 'helpline' which will be marketed through the newsletter.

Conclusion

M&S continue to be committed to flexible retirement and see it as an integral feature of the company's "Life Style Initiatives" (work/life balance options). The process of implementing and establishing the policy has been both easy and successful.

Hertfordshire County Council

Policy Status: Implemented 2004

Employees: Approximately 30,000

Hertfordshire County Council provides many vital services, such as caring for elderly and vulnerable people, children and families; it provides schools, libraries and the Fire and Rescue Service; it enhances the countryside, plans future transport and housing developments and maintains roads in the whole of Hertfordshire.

What is Hertfordshire County Council's flexible retirement policy?

Hertfordshire County Council (HCC) offers a wide range of flexible working options, outlined in the Council's 'Flexible Working Directory'. These options have long been available to HCC employees and can be used at any stage of employment, including the lead-up to retirement.

Similarly, bespoke pre-retirement courses and the provision of independent financial advice have been offered to those approaching retirement for some time.

In 2004, the council implemented a specific flexible retirement policy:

- The concept of a flexible retirement period of five years was introduced, raising the council's NRA from 65 to 70;
- Employees wishing to extend their service beyond 65 years are required to submit a form to their line manager indicating the period they wish to extend their service for. The line manager then considers the request in conjunction with the HR department;
- Besides the flexible working options offered to all employees, those approaching or working beyond the NRA of 65 also have the option of 'winding down' - i.e. applying for a different or lower graded post.

Fundamental to the policy is the requirement that managers must manage employees approaching retirement in the same way they would manage any employee with respect to assessing performance.

How was Hertfordshire County Council's flexible retirement policy developed?

The council's flexible retirement policy took no longer than six months in total to develop and involved:

- **Developing a business case** For HCC, recruitment needs were the key business driver. Line managers were the key instigators for change; they wanted the flexibility to be able to recruit employees over 65 in specific skills-shortage areas (such as social work) and recognised the need to retain knowledge and skills within the organisation. Line managers worked in partnership with the Human Resources Department to develop an approach.

- **Good practice research** The HR department took the lead in contacting the EFA and PPMA to seek advice. They then collated examples of good practice from public and private sector organisations around the country.
- **Creation of an internal focus group** set up with the aim of examining the council's own culture and possibilities within the existing pension scheme. The focus group included tax representatives, line managers, members, councillors, and representatives from the internal legal department. Trade unions were an integral part of this group.

Once the policy had been agreed, the HR board and Cabinet passed it.

The development of the policy was not perceived to be a particularly costly process given the anticipated business benefits associated with increasing the NRA. Although no exact figures were available, the financial benefits of a reduction in labour turnover, recruitment and training costs were seen to far outweigh the cost of implementing the policy, which was largely confined to HR resource time (as opposed to direct costs).

The council also felt that researching good practice in other organisations had helped them reduce resource costs because it meant they avoided 're-inventing the wheel'. (They felt this was one of the most helpful parts of the development process.)





The main difficulties associated with introducing the new flexible retirement arrangements were:

- **Inter-relationship with pensions**

The key challenge in policy development (and lengthiest phase of the process) was finding a compromise between the flexible retirement policy the council would have liked to offer and what was possible within the IR rules governing occupational pensions. As the council's pension scheme was originally designed for an employee to retire at 65, on their final salary, it was totally incompatible with some of the flexible working options the council would have liked to offer (such as downgrading).

In light of these restrictions, it took the council some time to work out which flexible retirement options it would be worth offering to employees, and the implications of offering options which were not financially beneficial with respect to pensions. They eventually decided that rather than rethinking the policy, they would continue to offer all options, even those which might have a negative impact on pension provision, but that they would qualify these with a 'health warning' for employees about the possible adverse impact on their pensions.

In practice they have found that employees are understandably wary of meddling with their pensions and take-up of options that may affect their pension is low.

- **Performance management** HCC also needed to counteract concerns of managers about handling performance assessments of older workers. Some managers were worried about how they would manage a situation where an employee is no longer fit to work, but wishes to carry on. There were some specific concerns about particular job roles, such as PSV drivers whose jobs involve carrying people; some managers felt that extra health

checks should be introduced for employees in these job roles who wish to work beyond 65.

The council found that disseminating research done by the EFA and others on absenteeism and sickness rates among older people challenged the misconceptions and negative assumptions held by some managers.

With respect to health checks for older workers, the council's stance was that if this was not a legal requirement then there was no need, and that education and training was needed to reinforce the policy that older workers should not be treated differently. While these concerns voiced by managers did necessitate discussion, the council did not perceive them to be a barrier to implementation. The council found that 'selling' the benefits of allowing employees to work beyond 65 was an effective tool in changing the attitudes of managers.

How was Hertfordshire County Council's flexible retirement policy implemented?

Implementation was a relatively easy process, with existing appraisal systems already in place to support the flexible retirement policy.

HCC put in place a policy for monitoring the impact of flexible retirement policies. This enabled the HR team to demonstrate the 'value added' from raising the NRA and avoided the policy being seen as just 'more HR activity'.

Furthermore, being able to prove the business case by disseminating information on reduced turnover, the filling of skills-shortage vacancies and reduced recruitment costs, enabled HR to tackle the concerns of skeptical managers.

HCC see effective communication as central to successful implementation of the policy and this didn't just involve disseminating information on the policy; it also involved a major culture change programme designed to tackle negative stereotypes of older workers and increase

interest amongst council employees in working for longer. Fostering a culture where employees welcome extended working and age diversity was seen as essential to the policy's success.

To help to do this the HR team has commissioned a 'trainer's toolkit' to cover the behaviours and language necessary to ensure inclusion and appreciation of diversity. The toolkit is still currently under development (start 2006) but is expected to involve interactive and practical elements and to be subject to ongoing reviews. Ultimately HR plan to roll out the toolkit to all staff via appointed 'diversity champions'.

HCC believe ongoing communication over the flexible retirement policy will be essential to its success, and although awareness is high among those approaching retirement age within the council, they do recognise individual employees may be unaware of the options. HCC constantly seeks ways to communicate the existence of the policy more fully to all staff, this includes listing flexible retirement options as part of the employee benefit package.

Conclusion

Overall, the council has found the take-up of flexible retirement and working beyond 65 lower than anticipated. They attribute this to the fact that employees nearing retirement age will already have a fixed idea over the age at which they will retire. HCC feel this will gradually change over time, as future cohorts of employees develop a different and more flexible mindset about retirement age. As such they are not disappointed about current retention rates of retiring employees, but accept that cultural change takes time and needs to be supported by training and education of all employees. Their view is a flexible retirement policy only really impacts on retention rates in the long term, and initially 'employees won't be clamoring to take it up'.

One area where the council's flexible retirement policy has had more of an immediate effect is in enabling HCC to fill skills-shortage vacancies by recruiting older workers (since implementing the flexible retirement policy in 2004 the council has recruited 332 starters over the age of 65 into skills-shortage positions, especially key workers in areas such as social care).

Hertfordshire County Council is committed to offering flexible working to employees of all ages and has identified that in reality the key barrier to the successful implementation of flexible working/retirement policies is less about practical policy changes - which can often be comparatively simple - and much more about effecting a change in workplace culture and people's attitudes to extending working life.

FirstGroup

Policy Status: Introduced in 2002 for South of England and Wales UK Bus employees. Rolled out to UK Bus employees country-wide 2004

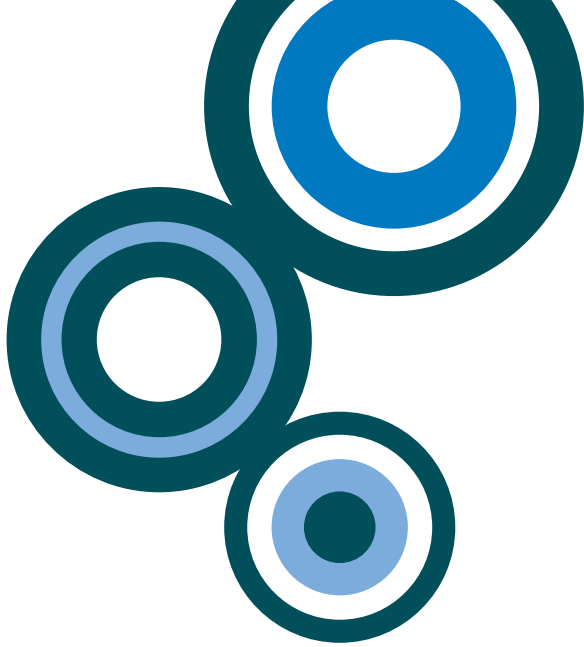
Employees: Approximately 25,000 in the UK Bus division

FirstGroup is the largest bus operator in the UK, and carries 2.8 million passengers daily. UK Bus employs over 25,000 people and operates in 40 towns and cities across the UK as well as offering services in rural areas.

What is FirstGroup's flexible retirement policy?

FirstGroup offers a 'flexible decade' option, which focuses on allowing employees aged between 60 and 70 to work more flexibly. This dovetails with flexible pension scheme options.

The rules of FirstGroup's defined benefit UK Bus Pension Scheme allow members to draw a pension at any point from the age of 60, subject to three months' notice. If a member draws pension between 60 and 65, it is reduced, but the terms are more generous than those normally offered to employees opting for early retirement.



Employees can continue to accrue pension up to the age of 70. This is intended to help those who may not have made adequate provision to build up a more substantial pension for their retirement.

While FirstGroup has not yet measured the impact of the flexible decade option formally, take-up amongst those aged over 65 has been greater than anticipated.

The policy has also enabled FirstGroup to recruit people who have been forced to leave competitor firms aged 65. FirstGroup has no maximum age for employment.

From April 2006 employees will be able to work and draw their pension at the same time without having to beak service. This creates the opportunity for employees to work on a part-time basis and use pension income to supplement their reduced pay.

A key objective of FirstGroup's flexible working/retirement policies is to enhance its effectiveness in retaining valued older employees' experience and also to remove the 'cliff edge' impact of retirement.

How was FirstGroup's flexible retirement policy developed?

FirstGroup developed its policy as a response to:

- The fact that over 40% of its UK Bus employees were aged 50 or over
- In anticipation of problems likely to be generated by an increasingly ageing workforce

- To improve motivation and retention amongst older employees.

Many of the company's older employees had been with UK Bus for between 10 and 20 years and the company wanted to look at ways to make the working lives of this large group of employees more appealing, and avoid future staffing problems as far as possible. Flexibility was seen as critical.

Part-time working has proved appealing to drivers in their 60s. In particular, FirstGroup has found this led to improved motivation and enjoyment of work and better work/life balance for some of the older workers.

The Director of Recognition and Reward took the lead on the flexible decade option. Discussions with trade unions and management were a key element of the development process as there were concerns among them that retention of older workers could block opportunities for younger employees, and that allocating the more desirable shifts to older employees could lead to the loss of newer joiners. There were also fears that the policy could effectively 'force' people to stay in work and that this was unhealthy.

To help address these concerns, FirstGroup used real examples of employees who did wish, or need, to work on. This proved very effective in persuading managers and trade union representatives how the flexible decade option could help improve retention, cut recruitment costs and address the needs and wishes of older workers.

How was FirstGroup's flexible decade policy implemented?

In an industry where employees traditionally work long hours and shifts, a key challenge in implementing flexible working policies is changing

long-held views on the nature of working life within the industry and fostering perceptions that it is possible to work part-time and still be a committed and effective employee.

To gain buy-in to the flexible decade option, First Group:

- Briefed managers within each operating company within the business on the option.
- Agreed its introduction UK-wide with trade unions as part of the process of agreeing the introduction of a single UK Bus Pension Scheme.

The company found using evidence to banish pre-conceptions and help people focus on benefits (rather than possible pitfalls) worked well, particularly since many of the problems managers associated with retaining older employees have either failed to materialise, or are often not as bad as feared. Some managers, for example, were worried that retaining older employees could alienate younger workers because shifts were traditionally arranged on seniority (i.e. the longer serving/older employees taking the first pick of the shifts they wished to work). In practice, this hasn't been a problem.

Conclusion

FirstGroup believes its flexible working/retirement policy delivers competitive advantage and is key to retaining employees of all ages. It is committed to assisting employees with financial information throughout their working lives and changing the working culture to embrace more flexible working and embed the distinction between flexible retirement and 'working till you drop'.

FirstGroup believes its experience shows that innovative working practices can deliver, even in very traditional industries.

HSBC

Policy status: under consideration

Employees: approximately 51,500 in the UK

With headquarters in London, HSBC is one of the largest banking and financial services organisations in the world. HSBC's international network comprises of around 9,700 offices in 77 countries and territories in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa. HSBC provides a comprehensive range of financial services including personal financial services, commercial banking and investment banking and markets.

What flexible retirement policy is HSBC considering introducing?

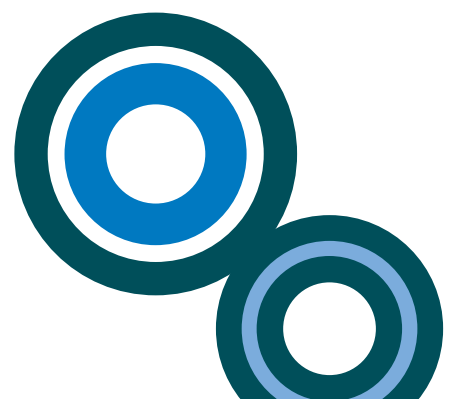
HSBC is considering introducing flexible retirement as part of the broader arrangements for flexible working which it already offers to all employees.

The existing flexible working arrangements include:

- **key-time working**
- **term-time working**
- **job sharing**
- **compressed working**
- **staggered working**

It is hoped that HSBC's flexible retirement policy will provide employees with the opportunity to choose when they want to retire and whether they wish to 'wind down' to retirement by going part-time.

The aim is to include these flexible options as part of the existing flexible working programme.





HSBC wants:

- To employ a more age diverse workforce by retaining older employees in the bank. (At present about only 9% of the workforce are aged 50+.) HSBC is keen to increase the age diversity of its workforce in order to both better reflect the bank's customer base and changing work/life patterns.
- To have a mixed and more flexible workforce, which HSBC believes will have a positive impact on staff motivation and the service offered to customers.
- To improve retention and reduce staff turnover and associated recruitment and training costs.

The development of these flexible retirement options is being considered carefully in the light of the forthcoming legislation on age discrimination, the Pensions Act and the Finance Act.

How is HSBC's flexible retirement policy being developed?

This policy will be developed as a fundamental part of existing flexible working arrangements, but aims specifically to encourage and assist staff in working longer.

In order to kick start general age policy development, a working group was set up in 2005 under the auspices of the Diversity team. The working group still sits and includes representatives from the Employee Relations Team, Pensions, Performance Management, Diversity, Occupational Health, Rewards and Benefits, Learning and Development, the bank's HR Service Centre called HR Connect and other HSBC entities, including, **first direct** and Marks and Spencer Money. A number of work-streams are being established and this will include a dedicated work-stream responsible for managing the implementation of flexible retirement.

To date, the work undertaken has included:

- **Reviewing all existing HR policies** to determine whether and how they might be brought into line with the forthcoming age legislation. This covers a wide range of different policies from rewards and benefits and occupational health to recruitment, appraisals and training provision;
- **Understanding what competitors** are offering in this area;
- **Commissioning research** to examine what the age profile of the organisation will look like in 2025 compared with that of the UK and in the light of changing age and working patterns;
- **Pension scheme changes** Establishing what changes, if any, will be required to the pension scheme(s) and the nature and cost of these changes. This review has also taken account of possible changes arising from other impending legislative change, in particular pension tax simplification;
- **Conducting a number of focus groups** across the organisation to obtain an understanding of the non-financial related factors that colleagues consider as they change the way in which they work when approaching retirement. This will assist the bank in tailoring any propositions to ensure requirements of the workforce are both met and exceeded.

The next steps will be:

- To determine what changes to existing employment policies are required;
- Preparation of a business case for introducing flexible retirement options outlining suggested revisions/additions to the current flexible working policy and the business rationale for these.

The changes will then be implemented and communicated via a dedicated intranet, staff circulars and workshops.

The key issues that HSBC feels it is likely to face in implementing these procedures are largely cultural and include:

- Encouraging people to want to work longer (currently the majority of HSBC employees retire in their early 50s and relatively few employees are over 60, the current normal retirement age);
- Managing employees' expectations on the flexibility available (recognising the difficulties managers may face in offering all options to everyone);
- Overcoming managers' concerns about managing the performance of older workers (if they are felt to be no longer up to the job);
- Overcoming employees' concerns that the retention of older workers will block promotion opportunities within the organisation.

HSBC will seek to address these issues in the way it implements and communicates any changes to all policies. In doing this, it will be able to draw heavily on existing resources including:

- The company intranet
- Circulars for announcing and providing details of the changes to employment policies/benefits
- A team of HR professionals (HR Connect) who can work with line managers to assist them in implementing any changes.

Conclusion

HSBC believes that both the Pensions Act and age legislation presents many opportunities and will assist the organisation in maximising age diversity and encouraging and assisting colleagues to work longer.

BAA

Policy status: Phase 1 was introduced in 2005, Phase 2 currently being introduced

Employees: c. 11,000 in the UK (12,000 worldwide)

BAA is a world-leading airport company. They own and operate seven UK airports and have management contracts or stakes in 12 airports outside of the UK. The UK airports alone serve over 133 million passengers per annum and 1,700 aircraft depart from them daily. In addition, the company sees itself as a world-leading developer and manager of airport retailing.

What is BAA's flexible retirement policy?

Originally BAA had a contractual retirement age of 60 (55 for employees in fire-fighting roles). However, two changes were introduced in 2005 to give BAA's older employees more flexibility as they approach retirement. These are:

- **Staying On** As of December 2004, BAA employees have the absolute right to continue in employment (and to continue to accumulate pension rights) until the age of 65 (or 60 for those in fire-fighting roles) if they wish to.
- **Winding Down** Employees aged over 55 are offered part-time working options. The hours on offer are subject to mutual agreement to protect the fluctuating needs of the business. Employees taking up this option continue to accrue pension rights on a pro-rata basis.





The other options that are currently being introduced include:

- **Stepping Down** By mutual agreement, employees will be able to take up a lower-grade position for up to two years before retirement. For pension purposes, their final salary will be considered as the highest over the previous three years.
- **Retiring & Coming Back** Subject to a business need, employees will be able to retire, draw their pension and return to work on a new contract within three months of departure (either full or part time). The new contract will not include pension rights since it is not possible to join the pension scheme after the age of 60. This option will give employees the opportunity to take a short break from employment for travel etc.
- **Retiring & Returning on a Seasonal Register** Subject to business need, employees will be able to retire, draw their pension and return to work within three months on a seasonal register. They will be required to work a minimum number of hours on an 'annualised hours' contract but can volunteer for additional hours at short notice to cover staff absence and unusual peaks in passenger numbers.

While overall BAA feel a more 'flexible' approach to retirement better reflects their equal opportunities policy and core values, this policy has been developed specifically with the aim of delivering:

- A reduction in recruitment and training costs
- A reduction in inefficiencies caused by the time taken to arrange security clearance for new staff
- The alleviation of recruitment problems likely to result from an increasingly ageing population
- The retention of skills and experience

- Greater flexibility to help to cover peaks in customer flow (on a daily and annual basis) through a greater number of staff on flexible contracts
- Improved staff morale and loyalty
- Greater diversity in the workplace and a wider pool of talent
- A more accurate reflection of their customer profile
- Some protection for the final salary pension fund, as life expectancy continues to rise.

It is intended that the flexible retirement policy will be reviewed to ensure it adheres to the forthcoming changes in age legislation.

How was BAA's flexible retirement policy developed?

Before deciding on the detail of their flexible retirement policy, BAA carried out internet research to find out what other organisations were offering in terms of flexible retirement. Those flexible retirement options that seemed most relevant were used to create a short-list of options for BAA to consider.

A 'Working Group' was then put together to develop the policy. This consisted of HR representatives from each of the seven airports, trade union representatives as well as individuals from the employment policy, legal, equal opportunities, reward and recognition, pensions, contracts and recruitment and IT teams.

In total, BAA's flexible retirement policy took 18 months to develop. It took a relatively long time because of the number of different individuals who needed to be consulted, and because of some difficult negotiations with the unions (in some cases, it wasn't possible to discuss flexible retirement with BAA's unions until other issues had been resolved). Inevitably, more pressing business matters also took priority and this created further delays.

As the policy was developed a number of questions and potential problems were raised. These had to be addressed and overcome.

The key problem areas were:

- **Performance management:** BAA needed to ensure performance management systems were in place to ensure the performance of older workers was managed in the same way as other employees (in the past older workers had in some circumstances been 'allowed' to under-perform in the run-up to retirement). There was concern over the administration costs associated with this, but HR countered this objection by arguing that retirement should never be a substitute for performance management and all employees' performance should be managed properly.
- **Back-dating:** BAA debated whether flexible retirement options should be 'back-dated' so that they were offered to those who had retired recently. Eventually it was agreed that as 'back-dating' is not offered on other benefits there wasn't a strong argument for back-dating this policy either.
- **Health & Safety:** Questions were raised over the Health & Safety implications of employing older workers and BAA is currently investigating these issues in more depth. To date this has not proved to be an issue.
- **Cost:** HR had to counter arguments over the cost of implementing flexible retirement and successfully argued the policy would be cost neutral, as savings in recruitment and training would far outweigh the costs of individuals accruing additional pension benefit.

How was BAA's flexible retirement policy implemented?

The two elements of BAA's policy that were introduced first were relatively easy to implement because the pension scheme system was already set up to allow people to continue to contribute and accrue benefits until 65 (as this had been the normal retirement age up to 1983).

Actually informing BAA employees on BAA's plans in terms of flexible retirement was not so easy, particularly since few BAA employees are accessible through electronic means. Presentations about BAA's intentions around flexible retirement and Q&A fact sheets were given to line managers for them to disseminate information to their teams. In addition, articles were published in the staff magazine Airwaves.

The response from BAA's employees, to date, has demonstrated how easily misunderstandings about flexible retirement policies can occur; some employees have been concerned that they would be 'forced' to work to 65 rather than having new options to continue working if they wish to.

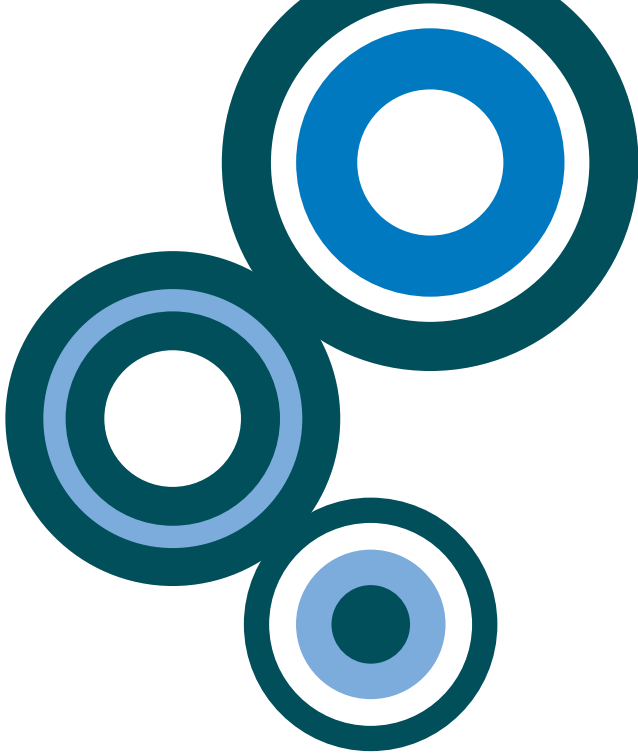
Work is currently progressing on a booklet for employees, which will contain a Q&A section based on the questions that have been received to date.

Details of flexible retirement options will also be included in retirement courses that BAA runs at regular intervals.

BAA's flexible retirement policy is still in its very early stages so it is difficult to tell what levels of uptake are likely to be. However, one airport reported that of the 14 individuals who were likely to reach 60 in the next few months, 11-12 were interested in staying on.

Monitoring systems have been put in place to ensure that information about the age at which people retire and whether or not they take up one of BAA's flexible retirement options is collected. This information will enable BAA to assess the success of the policy further down the line.





Conclusion

BAA has developed its flexible retirement policy for a combination of business and ethical reasons. The primary purpose of the policy is to shift retirement ages up to 65 from the current level of 60 on a voluntary basis by giving employees more choice about how they manage the end of their working life. The anecdotal response from employees to date has been reasonably positive and, once flexible retirement options have been in place for a number of years, BAA look forward to having more concrete data to enable them to better evaluate the impact of their policy.

Appendix A: Research methodology

This research was commissioned by the Department for Work and Pensions (DWP) to investigate the impact of the new Inland Revenue regulations on pensions and forthcoming age legislation on employers' flexible retirement policies. It also sought to provide a practical guide for employers wishing to set up such policies.

This study follows on from a larger-scale study conducted in 2002 (Flexible Retirement: A snapshot of large employers' initiatives, 2002), which investigated the flexible retirement policies adopted by large employers.

More specifically, this study involved:

- Developing six case studies outlining the experiences of large employers who have introduced or are considering introducing flexible retirement policies. These case studies looked in some detail at how the policies were developed and implemented. They also examined the changes which have been made or are being considered in the light of the new regulations and any problems these are likely to cause.
- Conducting a workshop to explore the barriers and solutions to developing a flexible retirement policy, particularly in light of forthcoming changes in legislation.

Research methodology

The research commenced in April 2005 and was completed in March 2006.

Employers invited to take part in the research were drawn from membership of the Employers Forum on Age (EFA); others were DWP Age Positive Champions. Some had taken part in the earlier study.

The case studies were selected to cover (as far as possible) different industries and the private and public sector, as well as those who had already implemented flexible retirement policies and those who were still at the development stage.

The case studies were based on conducting up to two interviews with each organisation with a key representative from the HR and/or pensions department. These in-depth interviews were conducted face to face and lasted about an hour.

The topics covered during the interview included:

- Details of the flexible retirement policy, including any recent or proposed changes;
- How the flexible retirement policy was developed;

- How the flexible retirement policy was implemented and promoted;
- The impact of the policy;
- The main issues associated with the implementation of the policy;
- The impact of the new IR regulations and forthcoming age legislation.

A copy of the topic guide used can be found in Appendix B.

A half-day workshop was also conducted to explore the key steps involved and the barriers and solutions to developing a flexible retirement policy, particularly in the light of the new IR regulations and forthcoming age legislation. A copy of the topic guide used is provided in Appendix C. The workshop involved employers, pension experts and representatives from the DWP and HMRC. A full list of the participants is given in Appendix D.

Appendix B: **Case study interview topic guide**

Thank you for agreeing to take part in this valuable piece of research. The aim of the research is to further understanding about the flexible retirement practices and procedures which employers have in place and the extent to which these will be impacted on by the upcoming changes in regulations governing retirement.

Ultimately, the findings from this research will be used to help and guide employers who are looking to adjust their employment policies in preparation for the new legislation. They will be presented as case studies as part of a report on how the issues and barriers to developing and implementing flexible retirement policies can be overcome, and feed into the development of a policy checklist to guide employers through implementing new flexible retirement policies.

If there is anything you wish to say that you do not want to be attributed to you in the case studies, please let us know.

Background

IF TAKEN PART IN PREVIOUS RESEARCH

1) In your previous case study interview we understood that you had flexible retirement policies in place, and the nature of these was [SUMMARISE PREVIOUS POLICIES].

Has your flexible retirement policy changed or been amended since 2001?

IF POLICIES HAVE CHANGED

2) Could you describe what changes or amendments have been implemented?

What motivated or necessitated the changes?

When did you implement these policies?

Have they been successful?

IF POLICIES HAVE NOT CHANGED

Have any changes or amendments been considered?

If so, why did you decide against them?

ASK ALL

3) Have you introduced any practices or procedures to support your flexible retirement policy since 2001?

If so, what are these?

When were they implemented?

Have they been successful?

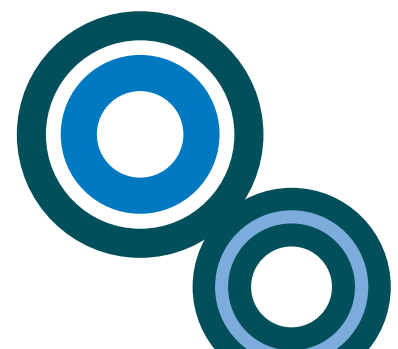
Probe:

Flexible working options?

Retraining or re-skilling of employees for new positions?

Counselling or workshops for employees approaching retirement?

Appraisal procedures?





IF HAVE NOT INTRODUCED NEW PRACTICES/PROCEDURES

Have you considered any new procedures or practices to support your retirement policy? If so, why were these rejected?

IF DID NOT TAKE PART IN PREVIOUS RESEARCH - OTHERS GO TO INSTRUCTION ABOVE 5

4) Could you describe your flexible retirement policy, and any aspects that are still being considered or being put into practice at the moment?

Developing the policy

ASK ALL

5) How was your flexible retirement policy developed?

Could you talk me through the stages involved?

Probe:

Who was involved?

How was it communicated to staff at the time?

How long did it take to develop the policy; what were the most time-consuming aspects?

6) IF NOT ENOUGH INFO GLEANED AT Q5

One reason for conducting this piece of research is to assist those who may be only just starting to attempt to set up flexible retirement policies. If you had to advise another company on how to do this, what would you describe as the key steps?

Who should they involve in the process?

Who else would they need to speak to (internally and externally)? (This could be external advisors such as experts or lawyers, unions, or internal such as senior management, staff etc).

7) Did you encounter any problems when developing the policy?

If so, what were these and how were they overcome. What advice would you give to other employers in a similar position?

Any hints or tips?

What advice would you have for SMEs who were about to begin the process of developing a flexible retirement policy?

8) Do you have any feel for what the costs of this process were/will be?

Where in the process do you feel the costs of flexible retirement will be felt most/where do feel you have encountered the greatest costs so far?

PROBE: the extent to which costs are one-off/ongoing and whether they are predominantly time or money expenses?

Implementation

ASK ALL

9) Has the introduction of flexible retirement policies in recent years necessitated any changes to working practices?

What sort of changes were there and how easy/successful has making them proved?

Probe: How have changes been communicated/monitored/maintained?

10) With hindsight, what have been the main challenges or difficulties involved in introducing your flexible retirement policies?

What were these?

Have you overcome these?

How did you overcome these?

How could they have been avoided?

PROBE IF NECESSARY:

Resistance from members of staff?

Employees? Pension issues?

Administrative difficulties?

Communication difficulties?

Financial burdens on the business?

11) Is there anything that you would do differently if you had the chance to begin the process of designing and implementing your policies again?

Impact

ASK ALL

12) What has the uptake of different retirement options been like?

Have some options been more popular than others?

What proportion of those who have reached NRA over the last few years have taken some form of flexible retirement option?

13) Do you have any quantifiable or anecdotal evidence of the impact of your flexible retirement policy on your business or on your employees to date?

Can you provide us with some of this evidence?

PROBE: If the impact is quantifiable, how was it measured and what were the results?

14) Have there been any additional or unexpected outcomes from implementing flexible retirement policies?

IF SO: what are they? Probe for details.

The Draft Regulations

15) I now just want to ask you a few questions about the impact that the proposed changes to legislation around age discrimination are likely to have on your business. I'm referring here to the changes put forward in the DTI 'Coming of Age' paper. This paper suggests that 'normal retirement ages' of under 65 will generally be outlawed?

What sort of effect will this have on your business?

What is the current normal retirement age within the organisation?

IF NRA IS 65 OR OVER

16) How long has this been the case?

What were the reasons for increasing it?

Have any practical difficulties been encountered?

And if so, how have they been overcome?

Have you seen any business benefits to having a higher retirement age?

IF UNDER 65

17) Will you change your NRA, or seek to justify continuation with the lower age?

How great a problem would it be to change the retirement age to 65?

Do you anticipate any barriers or difficulties in implementing these changes?

IF SO: What will they be and what procedures will you have to follow to make the necessary changes? Probe:

Would there be any difficulties with your occupational pension scheme?

What would be the practical considerations of making this change?

Do you think that making this change will benefit your organisation? IF YES: How?

ASK ALL

18) The draft legislation also details a 'duty to consider' procedure. Employers will be obliged to seriously consider any request to work beyond the normal retirement age. Employers will need to write to employees at some point between 12 and six months prior to their expected retirement date and tell them that they can put in a request to work beyond this date. If they do make such a request at any point up to six weeks before the retirement date then this has to be considered seriously. A meeting must be held and the employee informed of the outcome within two weeks. The employee would then have a further two weeks to appeal against the decision.





How does this compare to your current procedures?

Can you describe what you have in place currently to arrange a suitable retirement date and look at possibilities for working beyond the normal retirement age?

IF CURRENT PROCEDURE NOT SIMILAR

How great a problem will it be to implement this amended procedure?

Will there be practical implications in making this change?

Do you anticipate any barriers or difficulties in implementing these changes?

IF SO: What will they be and what procedures will you have to follow to make the necessary changes? Probe:

IF SIMILAR PROCEDURE IN PLACE

How long have you had these procedures in place? Did introducing them cause any problems?

Can you give examples of circumstances under which retirement age has and hasn't been extended?

How do you judge when to allow retirement age to be extended?

How long would retirement be extended for at a time (i.e. would you agree to review the situation in six months, a year, or would the employee continue working indefinitely?)

ASK ALL (IF NOT MENTIONED SPONTANEOUSLY)

Have you, or do you expect to, encounter any problems in aligning your flexible retirement policies with age legislation and duty to consider procedures?

What are these?

How are you/will you respond to them?

ASK ALL

19) The simplification of pension rules that the Inland Revenue is proposing would mean that pension benefits may be paid once an employee reaches normal minimum pension age, even if they continue to work.

Do you feel that this will be an easy or difficult change to implement?

Will there be practical difficulties in making this change and do you anticipate any barriers or difficulties in putting this into place?

How will they be overcome?

Who would you need to talk to about these issues (probe if necessary: Pensions Manager/Trustees of the scheme)?

And what information would you need to provide to get changes considered and ultimately approved?

Will this change have benefits for your business?

Is this something that would have been helpful for your organisation to be able to do in the past?

Closing Section

ASK ALL

20) Is there anything you are planning to change in terms of your retirement policies aside from what we have already discussed?

21) Has reading the draft regulations made you feel differently about your company's policies and procedures around retirement?

22) What advice do you have for other organisations that may not currently have flexible retirement policies in place?

Appendix C: Topic guide for workshop

Introduction

Explain purpose: to develop checklist to guide other employers in developing and implementing flexible retirement policies and explore impact on these policies of new legislation - notably the age discrimination legislation and duty to consider procedures and simplification of pension rules.

Explain process

- Group introductions

DWP/HMRC presentations

- Views, comments
- Issues arising

Impact of new legislation

Outlawing of normal retirement ages below 65

- What effect have on their business
- Benefits
- Drawbacks/problems likely to encounter
- How have/could these be tackled

Probes:

- Changes to pension scheme- to allow people to work beyond retirement age
- Those with existing rights to retire at 50
- Those in FS scheme already built up full entitlement to pension by retirement age
- If person continues to work and doesn't draw FS pension should they be compensated

Duty to consider procedure

- How does this compare with current procedures
- What changes will they need to make
- Practical implications of making these changes
- Drawbacks/problems
- How have/could these be tackled

Probes:

- Managing competence/appraisal reviews
- Succession planning
- Health and safety issues
- Insurance

Simplification of pension rules

- How easy/difficult will these be to implement
- What changes will you need to make
- Practical implications of making these changes
- Drawbacks/problems
- How have/could these be tackled

Probes:

- Whether person can continue to contribute to FS scheme
- Whether person can draw part of pension (and if part any proportion or only round amounts e.g. 50%)
- Life-time allowances

- Provision of information to employees
- Life insurance

Is there still a need for further Government intervention/legislation/guidelines to help successfully deliver flexible retirement?

Checklist for employers wishing to develop and implement flexible retirement policies

Explain producing checklist for smaller employers (medium to large) - assumption: firm with 500 staff and occupational pension scheme

What options might policy offer?

- Flexible working options
- Retraining or re-skilling for new positions
- Counselling or workshops for employees approaching retirement

What procedures need to put into place to support these policies?

- Job descriptions
- Appraisal and review procedures
- Performance procedures

What are the key stages in developing these policies (try and assign order for each activity)?

- What happens first
- Who starts the ball rolling
- What happens next
- At what stage require board approval (in principle)

Who should be involved in developing policies?

- Which departments, unions/staff associations; external advisers
- At what stages would they be involved
- Other useful sources of information/advice

How should new policies be communicated to staff?

- What are key messages that need to be communicated
- Different messages for different groups



How long would policy take to develop?

- What are the most time-consuming aspects
- What are likely to be the most difficult aspects/where are problems most likely to arise
- Resistance from employees, managers
- Pension issues
- Administration difficulties
- Financial burdens on business
- Communications difficulties
- How can these best be overcome
- Hints and tips - prevent problems or sort them if they occur

What sorts of measures should be put in place for monitoring and reviewing effectiveness of policies?

- What sorts of outcomes should be monitored /measured
- In what other ways can you assess whether working effectively

What impact will the legislative changes we discussed earlier have on smaller firms - any problems more/less likely to experience?

- What should they be starting to think about/do as a result of these legislative changes
- Hints and tips
- Where to go for advice

Appendix D: Workshop participants

B&Q Margarita McNee

BT Becky Mason

BT Leslie Huss-Smickler

Co-operative Group Liz Upton

Co-operative Group Faz Musa

DfES Beverley Davis

DWP Suzanne Walker

DWP David Johnson

DWP Christine Ashdown

GlaxoSmithKline Jacky Weller

HBOS Lucy Roach

HM Revenue and Customs Angela Walker

HM Revenue and Customs Alexandra Stevens

HSBC Elaine Bromberg

HSBC Mike Palmer

Eversheds Hugh Gittins

RWE Npower Plc Stephen Clark

Shell Alison Broomfield

Transport for London Stephen Golden

Mayer, Brown, Rowe & Maw Joanna Myerson

IFF Isabel Hopkins

IFF Katie Carter

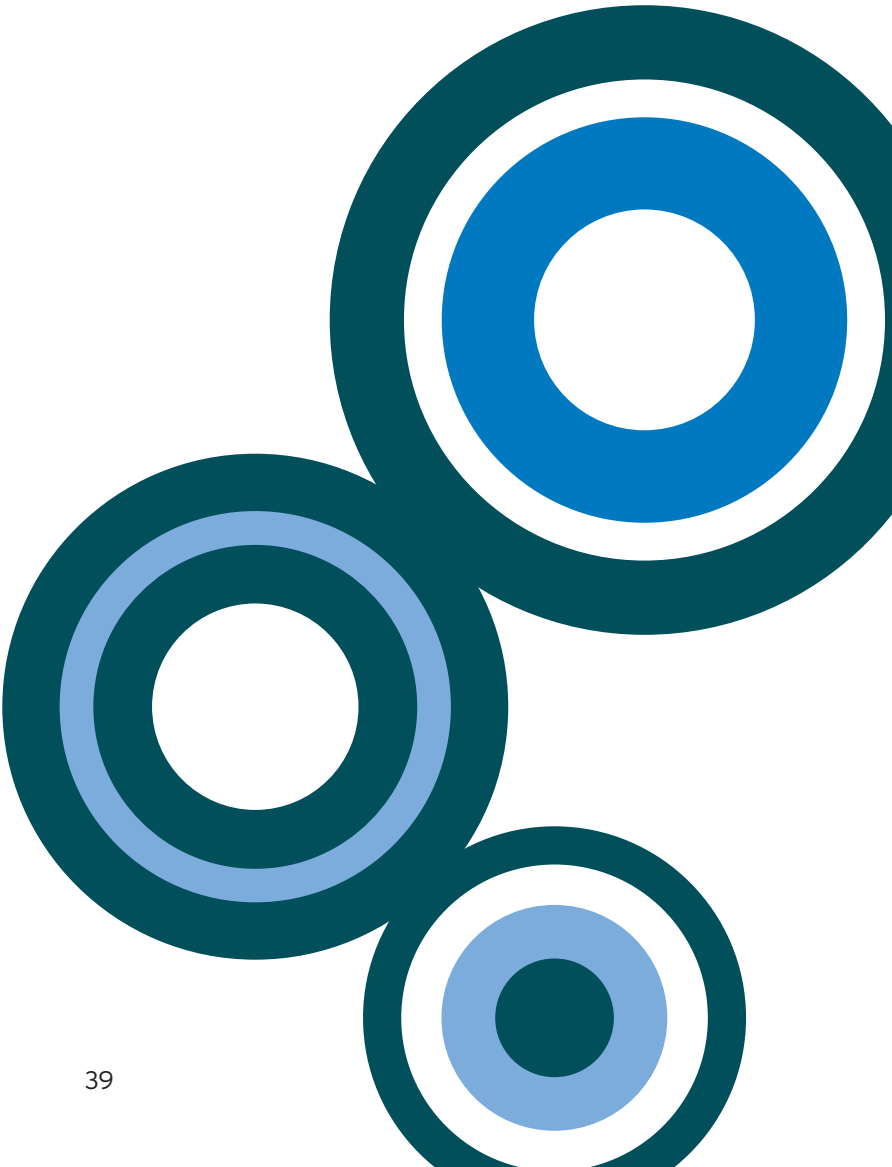
IFF Lorna Adams

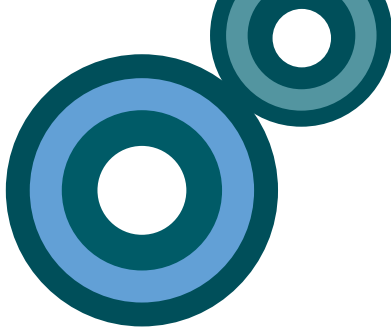
IFF Karen Bunt

EFA Sam Mercer

EFA Ian Brown

EFA Freda Line





Members of the Age Partnership Group

Members of the Age Partnership Group, listed below, support and endorse the Be Ready campaign.

for England

Acas
Association of British Insurers (ABI)
Association of Chartered Certified Accountants (ACCA)
The British Chambers of Commerce (BCC)
Chartered Institute of Personnel and Development (CIPD)
Chartered Management Institute
Confederation of British Industry (CBI)
Department of Trade and Industry (DTI)
Department for Work and Pensions (DWP) - Chair
Employers Forum on Age (EFA)
EEF, the manufacturers' organisation
Federation of Small Businesses (FSB)
HM Revenue & Customs (HMRC)
Institute of Directors (IOD)
Improvement and Development Agency (IdeA)
Local Government Employees (LGE)
National Association of Pension Funds (NAPF)
Public Sector People Managers Association (PPMA)
Small Business Service (SBS)
Trade Union Congress (TUC)

for Scotland

Acas Scotland
A City for All Ages
Bank of Scotland
Better Government for Older People in Scotland
Careers Scotland
CBI Scotland
Department for Work and Pensions (DWP) - Chair
Equal Opportunities Commission, Scotland
Falkirk Council
FirstGroup plc
Help the Aged, Scotland
Highlands & Islands Enterprise
Highlands & Islands Equality Forum
Jobcentre Plus, Scotland
John Reid & Associates
Quality Scotland
Royal Bank of Scotland
School of Management, Edinburgh University
Scottish Chambers of Commerce
Scottish Council for Voluntary Organisations
Scottish Enterprise
Senior Studies Institute, Strathclyde University
South Lanarkshire Council
STUC
The Scotland Office
The Scottish Executive
3D Wheel Ltd

for Wales

Acas Wales
ACCA Wales
Age Alliance, Wales
Age Concern Cymru
The Chamber of Commerce
CBI Wales
Department for Work and Pensions (DWP) - Chair
Federation of Small Businesses, Wales
Genesis, Wales
Help the Aged in Wales
Jobcentre Plus, Wales
Menter a Busnes
PRIME-Cymru
Prospect Wales
Wales Social Partners Unit
Welsh Assembly Government
Welsh Local Government Association

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