**LOCAL GOVERNMENT PENSION SCHEME EMPLOYER DISCRETION POLICY**

**INTRODUCTION**

The Local Government Pension Scheme (LGPS) is a statutory scheme. The rules and regulations governing the scheme are laid down under Act of Parliament.

There are some provisions of the Scheme that are discretionary. Discretionary powers allow employers such as the Upper Beeding Parish Council (UBPC) to choose how, or if, they apply certain provisions.

Some statements of policy in respect of certain Scheme Regulations are compulsory (Mandatory) as in the main they can carry significant cost implications for a Scheme employer and this is the minimum policy requirement made of Scheme employers. However, it is generally recognised that there is considerable value in Scheme employers making statements of policy in respect of other Scheme Regulations where discretion is available to them for ease of administration and consistency of approach even though it is not compulsory to do so (Non-Mandatory).

**Purpose of this document**

This document aims to summarise the discretions UBPC exercises as an employer in relation to the Local Government Pension Scheme and has been updated to reflect the regulations.

**Scope**

These policy statements apply to all employees of UBPC employees eligible to join the scheme

The Local Government Pension Scheme (LGPS) in England and Wales was amended from 1 April 2014 so that benefits for service after 31 March 2014, build up on a defined benefit career average revalued earnings (CARE) basis, rather than on a defined benefit final salary basis.

The provisions of the CARE scheme, together with the protections for members’ pre 1st April 2014 final salary rights, are contained in the Local Government Pension Scheme Regulations 2013 [SI 2013/2356] and the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 [SI 2014/525].

Scheme employers participating in the LGPS in England or Wales must formulate, publish and keep under review a statement of policy on all mandatory discretions (or where the discretion is non-mandatory, are recommended to) which they have the power to exercise in relation to members of the CARE Scheme and earlier schemes.

**MANADATORY DISCRETIONS**

Whether to grant extra annual pension?

Whether, at full cost to the Scheme employer, to grant extra annual pension of up to £6,822 (figure at 1 April 2018) to an active member or within 6 months of leaving to a member whose employment was terminated on the grounds of redundancy or business efficiency [regulation 31 of the LGPS Regulations 2013].

**Policy Statement:**

UBPC would not normally consider awarding additional membership or pension.Awarding additional pension may be used in exceptional circumstances and only where there is likely to be significant benefits to the Parish Council and would require approval from the Parish Council.

Whether to share the cost of purchasing additional pension (SCAPC)?

Whether, where an active member wishes to purchase extra annual pension of up to £6,822 (figure at 1 April 2018) by making additional pension contributions (APCs), to voluntarily contribute towards the cost of purchasing that extra pension via a shared cost additional pension contribution (SCAPC) [regulations 16(2)(e) and 16(4)(d) of the LGPS Regulations 2013].

**Policy Statement:**

A shared cost additional pension scheme is where the Parish Council makes additional voluntary contributions as well as the employee. UBPC does not intend to exercise this discretion.

Whether to permit flexible retirement?

Whether to permit flexible retirement for staff aged 55 or over who, with the agreement of the Scheme employer, reduce their working hours or grade [regulation 30(6) of the LGPS Regulations 2013] and, if so, as part of the agreement to permit flexible retirement: whether, in addition to the benefits the member has accrued prior to 1 April 2008 (which the member must draw), to permit the member to choose to draw all, part or none of the pension benefits they accrued after 31 March 2008

and before 1 April 2014, and / or all, part or none of the pension benefits they accrued after 31 March 2014 [regulations 11(2) and 11(3) of the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014], and whether to waive, in whole or in part, any actuarial reduction which would otherwise be applied to the benefits taken on flexible retirement before Normal Pension Age (NPA) [regulation 3(5) of the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014, regulation 18(3) of the LGPS (Benefits, Membership and Contributions) Regulations 2007 and regulations 30(6) and 30(8) of the LGPS Regulations 2013].

**Policy Statement:**

An active member can request to take partial/flexible retirement. UBPC will consider requests on a case by case basis. It has a cost attached to it and a business case must be made setting out reasons for supporting the flexible retirement. Flexible retirement lets you continue working on reduced hours or reduced grade. Depending on when your membership of LGPS commenced and subject to certain qualifying criteria determines whether you draw all, part or none of accrued pension benefits.

To be eligible to make a request for Flexible retirement under LGPS regulations an employee must satisfy all the following criteria:

Active member making contributions to LGPS

Aged 55 or over

Have 3 months or more pensionable service in LGPS

Take at least 20% reduction in current hours or salary

Whether to ‘switch on’ the 85 year rule (always excludes flexible retirement) upon the voluntary early payment of deferred benefits?

The scheme now allows an employee to retire from age 55 without the need for our consent. However if you retire between 55 and 60 and had protection under what is called the “85 year rule” (i.e. if you add your age and length of service in whole years and this equates to 85) this will not automatically apply in full and your benefits might therefore be subject to actuarial reduction as you will be receiving them earlier than you would have done. The regulations allow us as your employer to ‘switch on’ the 85 year rule.

**Policy Statement:**

As the Parish Council would have to meet the cost of ‘switching on’ the 85 year rule if you chose to retire between age 55 and 60, UBPC will not make use of the discretion to switch on the 85 year rule in any circumstances due to additional cost which the Parish Council would have to meet. The consideration for waiving on compassionate grounds the reductions referred to in relation to the 85 year rule will not be given.

Whether to waive upon the voluntary early payment of benefits, any actuarial reduction on compassionate grounds or otherwise (excluding flexible retirement)?

For active members voluntarily retiring on or after age 55 and before Normal Pension Age, who elect under regulation 30(5) of the LGPS Regulations 2013 to immediately draw benefits, and for deferred members and suspended tier 3 ill health pensioners who elect under regulation 30(5) of the LGPS Regulations 2013 to draw benefits (other than on ill health grounds) on or after age 55 and before Normal Pension Age

All Scheme members will have a date from which their benefits are expected to be released, referred to as Normal Retirement Date (NRD)

Where benefits are paid from an earlier date than NRD the pension benefits have to be paid for longer and in order to reflect this extended payment period, benefits are reduced so that less is paid over a longer time

Therefore, if a Scheme employer takes a decision to waive or reduce that actuarial reduction, they have to pay an amount to the Pension Fund to ensure that the Pension Fund does have sufficient funds to pay those benefits to the member. This is often referred to as a capital or strain cost.

Scheme employers have to be very careful when considering whether or not to waive any actuarial reduction and must always take into account the possible costs to be applied when deciding whether or not to allow an employee to receive their benefits early.

**Policy Statement:**

To consider each application on its merits subject to the financial implications for the employer.

**NON-MANDATORY DISCRETIONS**

Whether to, how much and in what circumstances to contribute to a shared-cost Additional Voluntary Contribution (SCAVC) arrangement?

**Policy Statement**

A shared cost AVC scheme is where the UBPC contributes AVCs as well as the employee. The UBPC does not intend to exercise this discretion.

Whether to extend the time limit for a member to elect to purchase additional pension by way of a shared cost additional pension contribution (SCAPC) upon return from a period of absence?

**Policy Statement**

UBPC does not fund in whole or part an employee’s APC and therefore does not exercise this discretion.

Whether to extend the 12 month time limit for a member to elect to transfer pension rights from another registered pension scheme into the Scheme?

A request from an active member to transfer former pension rights from a previous pension arrangement into the Local Government Pension Scheme must be made in writing to the administering authority and the Scheme Employer before the expiry of 12 months beginning with the date on which the employee first became an active member in LGPS.

**Policy Statement**

UBPC considers 12 months a sufficient time period.

Whether to extend the 12 month time limit for a member to elect not to aggregate Post 31 March 2014 (or combination of Pre April 14 & Post March 14) deferred benefits?

**Policy Statement**

UBPC considers 12 months a sufficient time period.

Whether to include a regular lump sum payment when calculating assumed pensionable pay (APP)?

**Policy Statement**

UBPC will decide on a case by case basis whether or not this should be included in the assessment of your assumed pensionable pay. Each case will be assessed on its merits.

Whether, subject to qualification, to substitute a higher level of pensionable pay when calculating assumed pensionable pay (APP)?

**Policy Statement**

UBPC will decide on a case by case basis whether to substitute a higher level of pensionable pay when calculating APP, having had regard to the level of pensionable pay received by the member in the previous 12 months [regulations 21(5A) and 21(5B) of the LGPS Regulations 2013]. Although this discretion is NEW, its effective date is backdated to 1 April 2014 by way of regulation 7 of the LGPS (Amendment) Regulations 2018.

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