

PENSION EMPLOYER DISCRETIONS

Scheme employers are **required** to have a policy in relation to five specific discretions. These are:

1. To grant extra annual pension of up to £6,500 (figure as at 1 April 2014) to an active Scheme member or within 6 months of leaving to a member whose employment was terminated on the grounds of redundancy or business efficiency
2. Where an active Scheme member wishes to purchase extra annual pension of up to £6,500 (figure as at 1 April 2014) 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)
3. To permit flexible retirement for staff aged 55 or over who, with the agreement of the employer, reduce their working hours or grade 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, 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)
4. As the 85 year rule does not (other than on flexible retirement) automatically apply to members who would otherwise be subject to it and who choose to voluntarily draw their benefits on or after age 55 and before age 60, to switch the 85 year rule back on for such members. Where the employer **does not do so**, then:
 - if the member has already met the 85 year rule, the member's benefits are to be reduced in accordance with actuarial guidance issued by the Secretary of State (with the benefits from any pre 1 April 2008 membership for members who will not be 60 or more on 31 March 2016, and benefits from any pre 1 April 2016 for members who will be 60 or more on 31 March 2016, which would not normally have been subject to an actuarial reduction nonetheless being subject to a reduction calculated by reference to the period between the date the benefits are drawn and age 60, or
 - if the member has not already met the 85 year rule, the member's benefits are to be reduced in accordance with actuarial guidance issued by the Secretary of State (with the reduction on that part of the member's benefits subject to the

85 year rule being calculated by reference to the period between the date the benefits are drawn and age 60, or the date of attaining the 85 year rule, whichever is the later), and

- the employer can exercise a discretion to waive actuarial reductions (at cost to the employer)

5. To waive any actuarial reductions i.e. :

a) for active members voluntarily retiring on or after age 55 who elect to immediately draw benefits, and for deferred members and suspended tier 3 ill health pensioners who elect to draw benefits (other than on ill health grounds) on or after age 55, who were **not** members of the LGPS before 1 October 2006, whether to:

- waive on compassionate grounds, any actuarial reduction that would otherwise be applied to benefits accrued before 1 April 2014, and / or
- waive, in whole or in part (on any grounds), any actuarial reduction that would otherwise be applied to benefits accrued after 31 March 2014

b) for active members voluntarily retiring on or after age 55 who elect to immediately draw benefits, and for deferred members and suspended tier 3 ill health pensioners who elect to draw benefits (other than on ill health grounds) on or after age 55, who **were** members of the LGPS before 1 October 2006 and who **will** be 60 or more on 31 March 2016, whether to:

- waive on compassionate grounds, any actuarial reduction that would otherwise be applied to benefits accrued before 1 April, and / or
- waive, in whole or in part (on any grounds), any actuarial reduction that would otherwise be applied to benefits accrued after 31 March **2016**

c) for active members voluntarily retiring on or after age 55 who elect to immediately draw benefits, and for deferred members and suspended tier 3 ill health pensioners who to draw benefits (other than on ill health grounds) on or after age 55, who **were** members of the LGPS before 1 October 2006 and who will **not** be 60 or more on 31 March 2016 and will **not** attain age 60 between 1 April 2016 and 31 March 2020, whether to:

- waive on compassionate grounds, any actuarial reduction that would otherwise be applied to benefits accrued before 1 April 2014, and / or
- waive, in whole or in part (on any grounds), any actuarial reduction that would otherwise be applied to benefits accrued after 31 March 2014

d) for active members voluntarily retiring on or after age 55 who elect to immediately draw benefits, and for deferred members and suspended tier 3 ill health pensioners

who elect to draw benefits (other than on ill health grounds) on or after age 55, who **were** members of the LGPS before 1 October 2006 and who will **not** be 60 or more on 31 March 2016 but **will** attain age 60 between 1 April 2016 and 31 March 2020, whether to:

- waive on compassionate grounds, any actuarial reduction that would otherwise be applied to benefits accrued before 1 April, and / or
- waive, in whole or in part (on any grounds), any actuarial reduction that would otherwise be applied to benefits accrued after 31 March **2020**

There are a number of other discretions which Scheme employers may exercise under the LGPS Regulations 2013 (see the full list at <http://www.lgpsregs.org/index.php/guides/pdfarchive>). There is, however, no requirement to have a written policy in respect of these but there are five in respect of which it would perhaps be appropriate for Scheme employers to have a written policy in order that members can be clear on the employer's policy on these matters.

- i. To contribute to a shared-cost Additional Voluntary Contribution (SCAVC) arrangement entered into on or after 1 April 2014 and whether, how much, and in what circumstances to continue to contribute to any shared cost Additional Voluntary Contribution (SCAVC) arrangement that the employer had entered into before 1 April 2014
- ii. With the agreement of the administering authority, to permit a Scheme member to elect to transfer other pension rights into the LGPS if he / she has not made such an election within 12 months of joining the LGPS
- iii. To extend the 12 month time limit within which a Scheme member who has a deferred LGPS benefit in England or Wales following the cessation of employment (or cessation of a concurrent employment) may elect not to have the deferred benefits aggregated with their new LGPS employment (or ongoing concurrent LGPS employment) if the member has not made an election to retain separate benefits within 12 months of commencing membership of the LGPS in the new employment (or within 12 months of ceasing the concurrent membership)
- iv. The pension contribution band to which an employee is to be allocated on joining the Scheme, and at each subsequent April, will be determined and the circumstances in which the employer will, in addition to the review each April, review the pension contribution band to which an employee has been allocated following a material change which affects the member's pensionable pay in the course of a Scheme year (1 April to 31 March)
- v. When calculating assumed pensionable pay when a member is:
 - on reduced contractual pay or no pay on due to sickness or injury, or

- absent during ordinary maternity, paternity or adoption leave or during paid additional maternity, paternity or adoption leave, or
- absent on reserve forces service leave, or
- retires with a Tier 1 or Tier 2 ill health pension, or
- dies in service

to include in the calculation the amount of any 'regular lump sum payment' received by the member in the 12 months preceding the date the absence began or the ill health retirement or death occurred. A 'regular lump sum payment' is a payment for which the member's employer determines there is a reasonable expectation that such a payment would be paid on a regular.

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