**LGPS 2014 Discretion Policies**

**Discretions Policies for Scheme Employers in England and Wales from 1 April 2014**

**1) Regulation 31 ‐ whether to grant extra annual pension of up to £6,500 (figure 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.**

Scheme employers should, prior to 1 April 2014, already have prepared and published a policy on granting extra pension of up to £5,000 under the 2008 Scheme (in accordance with the LGPS (Administration) Regulations 2008). Employers may, therefore, wish to simply carry forward their basic existing policy, but suitably amended to refer to the LGPS Regulations 2013 and the increased limit of £6,500\*.

The facility for employers to grant extra ‘augmented’ membership of the Pension Scheme ceases after 31 March 2014. It should also be noted that any extra annual pension granted by an employer would be subject to an actuarial reduction where, other than in a case of ill health retirement, that extra pension is drawn before the member’s Normal Pension Age(NPA)\*\* (including where the pension is being paid on redundancy or business efficiency grounds).

\*The figure of £6,500 will be increased each April under the Pension (Increase) Act 1971 \*\* NPA means the employee’s individual State pension age at the time the employment is terminated, but with a minimum of age 65

**LBBD policy:**

i) Increase of Pension during employment or upon leaving will only be granted with the prior approval of the Chief Finance Officer and only where there is a clear financial or operational advantage to be gained by the Authority by so doing.

**2)** **Regulations 16(2)(e) and 16(4))d) whether, where an active Scheme member wishes to purchase extra annual pension of up to £6,500\* (figure at 1 April 2014) by making Additional Pension Contributions (APCs), the employer can choose to (voluntarily) contribute towards the cost of purchasing that extra pension via a Shared Cost Additional Pension Contribution (SCAPC) or Regulation 17 (1) Shared Cost AVC (SCAVC)**

\*The figure of £6,500 will be increased each April under the Pension (Increase) Act 1971

LBBD policy:

1. The Authority will not establish a Shared Cost Additional Pension Contribution scheme for any of its employees unless there is a clear financial or operational advantage to be gained by the Authority by so doing.
2. That there will be no change to the Council’s existing policy on SCAVC

**3) Regulation 30(6) whether 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:**

This provision enables an employer to grant permission for an employee who is aged 55 or over to receive payment of the pension benefits they have built up and continue working for the Council with less pay.

Our current policy is to consider all requests for flexible retirement from staff who are aged 55 or over provided that the employee has a permanent reduction in hours of at least 40% or reduction in grade of at least 2 grades. The present policy states that all requests for flexible retirement must be approved as stated in the policy.

In addition, there is discretion 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.

Scheme employers should, prior to 1 April 2014, already have prepared and published a policy on flexible retirement for flexible retirements under the 2008 Scheme (in accordance with the LGPS (Administration) Regulations 2008). Employers may, therefore, wish to simply carry forward their basic existing policy, but suitably amended for post 31 March 2014 flexible retirement to reflect the above provisions. Employers should also note that the strain cost of any such retirements would need to be met by the employer and paid into the Pension Fund at the appropriate time.

**LBBD policy:**

1. A request for flexible retirement will only be accepted in accordance with the provisions outlined in the corporate policy if there is a clear financial or operational advantage for the Authority in so doing.
2. Waiving of actuarial reductions and the application of 85 year rule protections in such cases will be considered only where there is a clear financial or operational advantage in so doing and must be approved by the Chief Finance Officer.

**4) Whether, to ‘switch on’ the 85 year rule protections to members who choose to voluntarily draw their benefits on or after age 55 and before age 60, under [paragraph 1(1)(c) of Schedule 2 to the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014].**

Employees aged between 55 and 59 will no longer need their employer’s permission to retire and receive immediate payment of their pension benefits.

Where the employer does not agree to switch on the rule of 85 protections, the benefits would be subject to reduction in accordance with actuarial guidance issued by the Secretary of State.

Employers can also exercise discretion to waive actuarial reductions that would be applied under regulation 30(5).

If the employer does agree to switch back on the 85 year rule, the employer will have to meet the cost of any strain on fund resulting from the payment of benefits.

**LBBD policy:**

i) Waiving of actuarial reductions and the application of 85 year rule protections will be considered only where there is a clear financial or operational advantage to the Authority in so doing.

**5) Regulation 30(8) ‐ whether to waive any actuarial reductions that would otherwise apply under Regulation 30(5) and Regulation 30(6) i.e.**:

a) for active members voluntarily retiring on or after age 55 who 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, whether to:

‐ waive on compassionate grounds, any actuarial reduction that would otherwise be applied to benefits accrued before 1 April 2014

‐ waive, in whole or in part (on any grounds), any actuarial reduction that would otherwise be applied to benefits accrued after 31 March 2014

Employers should also note that the strain cost of any such retirements would need to be met by the employer and paid into the Pension Fund at the appropriate time.

Please note there is no definition in the regulations of ‘compassionate grounds’.

**LBBD policy:**

i) Waiving of actuarial reductions and the application of 85 year rule protections will be considered only where there is a clear financial or operational advantage in so doing.