



# Local Government Pension Scheme 2014

## Statement of Policy on discretions for:

**\*\*Employer Name: Cheltenham Borough Council**

**\*\*Applicable/Operative Date: June 2014**

**\*\*Completed/Authorised By:Julie McCarthy**

**\*\*Position: HR Manager**

**\*\*Date Completed: XX July 2014**

**Signed:.....**

**\*\* PLEASE ENTER ABOVE DETAILS, which will be replicated onto each page of the document when it is printed, and complete the declaration below. Once completed and printed, please ensure the Policy is signed by a person suitably authorised to do so \*\***

The Local Government Pension Scheme Regulations require an Employer to prepare and keep under review, a written statement of its policy in relation to the exercise of its discretion under a number of provisions of the Regulations.

Similarly, there are a number of discretions under the Regulations which although not specifically requiring a written policy, would benefit from employers doing so, thereby demonstrating and ensuring a fair and consistent approach amongst its scheme members

This template document has therefore been prepared to assist employers in preparing a "Policy Statement". A brief description of each discretion has been included together with confirmation of whether a written policy is "Compulsory" or "Recommended".

## General Information

In formulating its policies, a scheme employer should have regard to the extent to which the exercise of the discretions could lead to a serious loss of confidence in the public service;

A Scheme employer **must** send a copy of its policy statement to the administering authority (Gloucestershire County Council) and **must** ensure that a copy is published and easily accessible to all of its eligible Scheme employees.

A Scheme employer **must** keep its statement of policy under review and make such revisions as are appropriate following a change of its policy. Where a revision to the statement is made, a Scheme employer **must** send a copy of its revised statement to the administering authority before the expiry of one month beginning with the date that any such revision is made and **must** ensure that a copy is published and easily accessible to all of its eligible Scheme employees.

## Notes regarding this document

Together with the description of each required policy, the relevant Regulation is provided, as per the key below.

- The Local Government Pension Scheme Regulations 2013 **(R)**
- The Local Government Pension Scheme (Transitional Provisions and Savings) Regulations 2014 **(TP)**
- The Local Government Pension Scheme Regulations (Benefits, Membership and Contributions) Regulations 2007 (as amended) **(B)**
- The Local Government Pension Scheme Regulations 1997 (as amended) **(L97)**
- The Local Government Pension Scheme Regulations 1995 (as amended) **(L95)**

**Statement of Policy about exercise of discretionary functions in relation to the Local Government Pension Scheme**

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**PART A – Formulation of COMPULSORY policies in accordance with the 2014 Local Government Pension Scheme Regulations**

**1. Award of Additional Pension (Regulation 31 (R))**

Whether to award (*at full cost to the employer*)

- (a) an active member, or
- (b) a member who was an active member but dismissed by reason of redundancy, or business efficiency, or whose employment was terminated by mutual consent on grounds of business efficiency,

additional annual pension of, in total (*including any additional pension purchased by the Scheme employer under Regulation 16*) not more than the additional pension limit of £6,500 (*value of limit @ 1<sup>st</sup> April 2014*).

In the case of a member falling within sub-paragraph (b) above, the resolution to award additional pension must be made within 6 months of the date that the member's employment ended.

**1. The Council will not apply this discretion**

**2. Additional Pension Contributions (Regulation 16 (R))**

Whether to fund in whole or in part, any arrangement entered into by an active scheme member to pay additional pension contributions by way of regular contributions in accordance with Regulation 16(2)(e), or by way of a lump sum in accordance with Regulation 16(4)(d).

**2. The Council does not fund an employees APCs**

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**3. Flexible Retirement (Regulations 30(6) & 30(8) (R) and 11(2) (TP))**

Whether to permit an active member who has attained the age of 55, to reduce their working hours, or grade and subsequently:

- (i) **\*\*whether to consent to flexible retirement and the immediate payment of all or part of the retirement pension to which the member would be entitled in respect of that employment and**
- (ii) **whether to waive, in whole or part and at the employers own cost, any actuarial reduction which would otherwise be applied to the benefits taken on flexible retirement before Normal Pension Age (NPA)**

**\*\* there may be direct costs to the employer where consent is given to the early payment of benefits before the members NPA**

**3.(i) The Council agrees to consider any application for flexible retirement and immediate release of pension benefits will be determined on a case by case basis, depending on the circumstances of the employee and the efficiency of the service (business case).**

**3. (ii) A decision to waive any actuarial reduction will only be considered where there will be a financial or other benefit to the employer.**

**4. Switching on the “Rule of 85” rule (Schedule 2 – paragraph 2(2) (TP))**

**\*\* Whether, as the “Rule of 85” 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 between age 55 and 60, to switch the “Rule of 85” back on for such members.**

**\*\* there will be direct costs to the employer where the “Rule of 85” is switched back on for such members.**

**4. The Council confirms that any decision to ‘switch on’ the 85 year rule will only be considered where there will be a financial or other benefit to the employer.**

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### **5. Waiving actuarial reduction for members retiring on or after age 55 and before Normal Pension Age (other than on Flexible Retirement) (Regulation 30(8) (P) and Schedule 2 – paragraph 2(3) (TP)**

\*\* 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, and who were:

not members of the LGPS before 1 October 2006 [Group 4 members], whether to:

- waive on compassionate grounds, any actuarial reduction that would otherwise be applied to benefits, if any, 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

members of the LGPS before 1 October 2006 and will be 60 or more on 31 March 2016 [Group 1 members], whether to:

- waive on compassionate grounds, any actuarial reduction that would otherwise be applied to benefits accrued before 1 April 2016, 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

members of the LGPS before 1 October 2006 and will not be 60 or more on 31 March 2016 and will not attain age 60 between 1 April 2016 and 31 March 2020 [Group 3 members], 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

members of the LGPS before 1 October 2006 and will not be 60 or more on 31 March 2016 but will attain age 60 between 1 April 2016 and 31 March 2020 [Group 2 members], whether to:

- waive on compassionate grounds, any actuarial reduction that would otherwise be applied to benefits accrued before 1 April 2020, 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 will be direct costs to the employer where actuarial reductions are waived*

### **5. A decision by the Council to waive any actuarial reduction will only be considered where**

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there will be a financial or other benefit to the employer.

## **PART B – Formulation of RECOMMENDED policy in accordance with the Local Government Pension Scheme Regulations 2013**

### **6. Contribution Banding (Regulations 9(1) & 9(3) (R))**

\*\* How 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).

*\*\* Where a scheme member is "rebanding", the Scheme employer must inform the member of the revised contribution rate and the date from which it is to be applied.*

**6.(i) The Council will imake changes to employee contribution rates throughout the year from the effective date of any permanent change in employment or material change to the rate of pensionable pay received, and**

**ii) The Cuncil will consider making a change in employee contribution rates where the employee requests a review as a result of a permanent change in employment or material change in pensionable pay.**

### **7. Additional Voluntary Contributions (Regulation 17(1) (R))**

Whether, how much, and in what circumstances 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 entered into before 1 April 2014.

**7. The Council will not apply this discretion.**

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**8. Merging of Deferred Member Pension Accounts with Active Member Pension Accounts (Regulation 22(7)(b) & 22(8)(b) (R))**

Whether 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)

**8. The Council will not extend the 12-month deadline.**

**9. Inward Transfers of Pension Rights (Regulation 100(6) (R))**

Whether, with the agreement of the Pension Fund 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.

**9. The Council will not extend the 12-month deadline**

**10. Assumed Pensionable Pay (Regulation 21(5) (R))**

Whether or not, 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

**10. The Council confirms, should this need arise, this regulation will be dealt with on a case by case basis.**



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THE FOLLOWING ARE 'OLD' PROVISIONS RELATING TO "NON ACTIVE" SCHEME MEMBERS (I,E WHO HAVE ALREADY LEFT YOUR EMPLOYMENT AND ARE ENTITLED TO DEFERRED BENEFITS UNDER PREVIOUS REGULATIONS).

**PART C – Formulation of COMPULSORY policy in accordance with Regulation 66 of the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007**

**11. Choice of early payment of pension (where left employment between 01/04/2008 and 31/03/2014) (Regulation 30(2) & (5) (B))**

- (i.) \*\* Whether to grant applications from deferred members who left between 01/04/2008 and 31/03/2014, the early payment of deferred pension benefits on or after age 55 and before age 60
- (ii.) \$\$ Whether, on compassionate grounds, to waive any actuarial reduction that would normally be applied to deferred benefits which are paid before age 65

*\*\* there may be direct costs to the employer where consent is given to the early payment of benefits before age 60*

*\$\$ there will be direct costs to the employer where actuarial reductions are waived*

**11.(i) The Council agrees to consider any application to retire aged between 50-59 years of age (as of 01 April 2010 min age 55) New employees from April 08 are not included in these protection arrangements and minimum age is 55. The Council's consent to immediate release of pension benefits will be determined on a case by case basis depending on the circumstances of the deferred member. All such retirements will be subject to the 'rule of 85' incorporating all amendments made in 2006 Amendment Regulations and Transitional Protections for existing members with regard to actuarially reduced benefits.**

**11.(ii) The Council will not apply this discretion**

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**12. Choice of early payment of pension (where left employment between 01/04/2008 and 31/03/2014) for a suspended tier 3 ill health pensioner (Regulation 30A(3) & (5) (B))**

- (i) \*\* Whether to grant applications from a suspended Tier 3 Ill Health member who left between 01/04/2008 and 31/03/2014, the early payment of deferred pension benefits on or after age 55 and before age 60
- (ii) \$\$ Whether, on compassionate grounds, to waive any actuarial reduction that would normally be applied to a previously suspended Tier 3 Ill Health member, which are paid before age 65

*\*\* there may be direct costs to the employer where consent is given to the early payment of benefits before age 60*

*\$\$ there will be direct costs to the employer where actuarial reductions are waived*

**12.(i) The Council's consent to grant applications from a suspended Tier 3 Ill health member as described above will be determined on a case by case basis depending on the circumstances of the deferred member.**

**12.(ii) The Council in consultation with GOSS HR and the section 151 Officer may exercise this discretion on compassionate grounds whether benefits paid under Regulation 30 are actuarially reduced on a case by case basis, depending on the circumstances of the employee**

**PART D– Formulation of COMPULSORY policy under the Local Government Pension Scheme Regulations 1997**

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**13. Early payment of Deferred Benefits (where the member left employment between 01/04/1998 and 31/03/2008) (Regulation 31 (2) & (5) (L97))**

- (i.) \*\* Whether to grant applications from deferred members who left between 01/04/1998 and 31/03/2008, the early payment of deferred pension benefits on or after age 50<sup>(see note below)</sup> and before age 60
- (ii.) \$\$ Whether, on compassionate grounds, to waive any actuarial reduction that would normally be applied to deferred benefits which are paid before age 65

*\*\* there may be direct costs to the employer where consent is given to the early payment of benefits before age 60*

*\$\$ there will be direct costs to the employer where actuarial reductions are waived*

**NOTE**

*Benefits paid on after 50 and before age 55 will be subject to an HMRC unauthorised payments charge under the Finance Act 2004 and, where applicable, an unauthorised payments surcharge under that Act, and a Scheme sanction charge on any benefits built up after 5<sup>th</sup> April 2006*

**13.(i)(i) The Council agrees to consider any application to retire, from employees aged 50 – 59 years (as of 2010 min age is 55) New employees from April 08 are not included in these protection arrangements and minimum age is 55. The Councils consent to the immediate release of pension benefits will be determined on a case by case basis, depending on the circumstances of the employee and the efficiency of the service. All such retirements will be subject to the 'rule of 85' incorporating all amendments made in 2006 Amendment Regulations and Transitional Protections for existing members, with regard to actuarially reduced benefits.**

**13.(ii) The Council notes the discretion and confirms that it will not normally make use of this discretionary power.**

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**PART E – Formulation of COMPULSORY policy under the Local Government Pension Scheme Regulations 1995**

**14. Early payment of Deferred Benefits on Compassionate grounds (where the member left employment before 01/04/1998) (Regulation D11 2(c) (L95))**

\*\* Whether to grant applications from deferred members who left before 01/04/1998, the early payment of deferred pension benefits on compassionate grounds (without actuarial reduction) on or after age 50<sup>(see note below)</sup> and before age 65

\*\* *there may be direct costs to the employer where consent is given to the early payment of benefits before age 65*

**NOTE**

*Benefits paid on after 50 and before age 55 will be subject to an HMRC unauthorised payments charge under the Finance Act 2004 and, where applicable, an unauthorised payments surcharge under that Act, but there will be no Scheme sanction charge*

**14. The Council will not apply this discretion.**

**DISCLAIMER:**

**THIS TEMPLATE DOCUMENT IS NOT AN EXHAUSTIVE LIST OF EMPLOYER DISCRETIONS UNDER THE LGPS; IT COVERS THOSE THAT ARE COMPULSORY AND THOSE WHICH WE, AS THE SCHEME ADMINISTRATORS, FEEL WOULD BENEFIT EMPLOYERS FROM MAKING A DECISION ON.**