



PENSIONS DISCRETION POLICY

1. Introduction

1.1 There is a legal requirement for the Council to publish a policy statement on its approach to specified pensions discretions. The policy also sets out the Council's approach to other discretions.

2. Policy

2.1 The policy addresses the discretions available to the Council under the Local Government Pension Scheme (LGPS) Regulations.

3. Aims/Principles

3.1 To operate pensions discretions in a way that is fair and equitable to employees and that manages the liabilities of the pension fund in the overall interests of its members and of the Council.

4. Scope/Application

4.1 The Policy applies to all Council employees who are eligible for membership of the Local Government Pension Scheme.

4.2 The exercise of discretions outside the general approach detailed in Appendix 1 will be subject to a decision of the Council or of a Committee or Panel with appropriate delegated powers.

5. Definitions

5.1 Augmentation: an employer may resolve to increase the total membership of an active [LGPS] member, up to 10 additional years.

5.2 Active member: an employee who is currently a member of the Council's Pension Scheme.

5.3 Deferred member: an employee or former employee who has benefits in the Council's pension scheme from an earlier period of service.

6. See also:

6.1 Retirement and redundancy policy

| Version | Date Created | Date Approved by Neston Town Council |
|---------|--------------|--------------------------------------|
| 2 | 3 June 2010 | 15 June 2010 |

Reviewed April 2017

| | | |
|--|--|-------------------------|
| | | Amended 12.02.13 |
|--|--|-------------------------|

Appendix 1(Policy on Pensions Discretions)

APPROACH TO THE USE OF PENSIONS DISCRETIONS

1. Regulation 12 - Power to increase total membership of active members (augmentation of service)

Explanation - An employer may resolve to increase the total membership of an active member. The maximum that can be awarded, including additional membership from different employers, is 10 years. The award is funded by a payment made by the employer to the pension fund.

1.1 **Policy** - The Council has agreed to adopt this provision to enable redundant employees to purchase additional service with any additional redundancy payment over and above the payment made under the Statutory Redundancy Scheme.

1.2 The power to increase total membership will not be used other than after approval of the circumstances by Full Council. Trade Unions will be advised.

2. Regulation 13 - Power to award additional pension (of up to £5,000 per year)

Explanation - An employer may resolve to award a member with an additional pension of not more than £5,000 p.a. payable from the same date as their pension. The additional pension may be paid in addition to any membership awarded under Regulation 12 and the same funding requirement applies as under that regulation.

2.1 **Policy** - This power will not be used, other than after approval of the circumstances by Full Council. Trade Unions will be advised.

3. Regulation 18 - Flexible retirement

Explanation - This discretion allows members to "wind down" towards full retirement by receiving immediate payment of their accrued pension whilst continuing in employment. A member who is age 55 or over (age 50 if they make an election before 31 March 2010) may, with their employer's consent, reduce their hours and/or grade and receive all or part of their pension without retiring. If payment occurs before age 65 the benefits are actuarially reduced but the employer may waive part or the whole of the reduction with the cost of this being paid to the pension fund.

3.1 **Policy** - This may be agreed where an employee reduces their hours by at least one fifth, and/or their pay grade by at least two grades. Approval must be granted in conjunction with the change in contract and will take account of the Council's overall best interests and value for money.

3.2 Where pension is released under this discretion, it will be on an actuarially reduced basis where the current Pension Scheme Regulations allow for this.

4. Regulation 30 - Choice of early payment of pension

Explanation - Leavers before age 60 may, with the consent of their employer, choose to receive their benefits from age 55 (age 50 if they make an election before 31 March 2010). The benefits are actuarially reduced (unless they are in the protected "85 year rule" group) but the reduction may be waived on compassionate grounds. The cost of paying unreduced benefits early is paid by the employer to the pension fund.

4.1 **Policy for Active Members** - Early release of pension to an active employee will only be approved where the Council is satisfied that such release represents value for money, or is on compassionate grounds. The Council will release

benefits on compassionate grounds in full for active members.

- 4.2 **Policy for Deferred Members** - Early release of pension to a former employee will only be approved where the Council is satisfied that such release is on compassionate grounds.

5. Regulation 3 - Contributions payable by active member

Explanation - Employers will determine the contribution rate to be paid by employees at commencement of membership based on their whole-time equivalent pensionable pay and in accordance with the table (bands increased by RPI each April) in this regulation.

Where there has been a permanent material change to a member's pensionable pay in the course of a financial year, the employer may re-determine the contribution rate to be applied.

- 5.1 **Policy** - Employees will be allocated to a contribution band once a year from 1st April and this will only change if their contract changes permanently (i.e. a promotion or downgrading). Any other changes to pay will be taken into account when the band is reviewed on the following 1st April.

6. Regulation 16 - Re-employment and rejoining deferred members

Explanation - Where a deferred member becomes an active member again before becoming entitled to the immediate payment of retirement benefits in respect of his former membership, he may elect to have his former membership aggregated with his current active membership.

An election must be made in writing to the member's appropriate administering authority before the expiry of the period of 12 months, beginning with the date that he again became an active member (or any such longer period as his employer may allow).

- 6.1 **Policy** - An employee may elect to aggregate current and previous periods of membership within 12 months of current membership commencing. Extensions to the 12 month period will not normally be allowed, although sympathetic consideration will be given where the current employment is initially temporary.

7. Regulation 22 - Applications to make absence contributions

Explanation - Where members have been absent without pay due to maternity leave, industrial dispute or an authorised leave of absence they have 30 days from returning to work or termination of employment to opt to pay the relevant contributions to enable the membership to count. Employers have the discretion to extend the 30 day period from the end of the absence for a person to apply in writing to make contributions.

- 7.1 **Policy** - An employee may elect within 30 days of notification of an unpaid absence to make up the lost contributions. Extensions to the 30 day period will not normally be allowed, other than after approval of the circumstances by Full Council. Trade Unions will be advised.

8.0 Regulation 83 - Inward transfer of pension rights

Explanation - A person who becomes an active member who has relevant pension rights may request their fund authority to accept a transfer value for some, or all, of his former rights. An election must be made in writing before the expiry of the period of 12 months, beginning with the date that he became an active member (or any such longer period as his employer may allow).

- 8.1 **Policy** - An employee may elect to transfer rights from a previous pension scheme within 12 months of joining the LGPS. Extensions to the 12 month period will not normally be allowed, although sympathetic consideration will be

given where the employment is initially temporary.

9. Regulation 20 - Early leavers – ill health

Explanation - The Council can award one of three tiers of ill health benefits to employees at any age. Before doing so the case must be referred to an Independent Registered Medical Practitioner (IRMP) who will provide an opinion and medical certificate as to whether or not the employee is permanently incapable of undertaking the duties of their employment and whether they have a reduced likelihood of obtaining any gainful employment before age 65.

Neston Town Council approves to grant early payment of a suspended Tier3 Ill Health Pension Regulation 30A (3) of the LGP Benefits, Membership and Contributions Regulations 2007, by way of incorporating the following discretion which is in two parts:

The first part is:

Whether to release benefits early to employees who have left local government with an entitlement to a tier three ill-health pension which has since been suspended and who apply for early payment on or after age 55 and before age 60.

And the second part is:

Where suspended tier three benefits are released in the above circumstances, whether or not to waive, on the grounds of compassion, any reductions that would otherwise apply to the member's pension and lump sum.

9.1 **Policy** – The Council may, after approval of the circumstances award one of the three tiers of Ill health pension benefits.

11. Regulation 31 - Early payments of deferred pension – ill health

11.1 Requests from former employees with deferred benefits who seek early release of their pension on the grounds of ill health will be considered in accordance with the guidance issued by the Department of Communities and Local Government.