

**Pension Discretions  
Resources Committee 7 April 2015**

**RECOMMENDED**

- (i) that Ilminster Town Council adopts a policy of taking all decisions on a case by case basis in relation to pension discretions as detailed in the Local Government Pension Scheme Regulations 2008 (except Regulation 3) and the Local Government Pension Scheme Regulations 2013 (except Regulation 9) and LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 and**
- (ii) on each occasion such a decision is required the Town Council will take into account all possible known risks and implications for the Town Council.**
- (iii) With regard to Regulation 3 of Local Government Pension Scheme Regulations 2008 & Regulation 9 of the Local Government Pension Scheme Regulations 2013 “determining employee contribution rate” that the contribution rate band will be changed as appropriate whenever a pay change occurs**

**Introduction**

1. All employers who participate in the Local Government Pension Scheme are required to formulate a discretions Policy in accordance with Regulation 66 of the Local Government Pension Scheme (Administration) Regulations 2008 and Regulation 60 of The Local Government Pension Scheme Regulations 2013.
2. The policy must be published and kept under review and a copy provided to all employees who are members of the pension scheme.

**Background Information**

3. At the Town Council meeting on 30 July 2013 it was resolved that for the purposes of the Local Government Pension Scheme Regulations 2008 (with the exception of Regulation 3) that a policy would be adopted regarding pension discretions of taking decisions on a case by case basis and, for the purposes of Regulation 3, “determining employee contribution rate” that the contribution rate band will be changed as appropriate whenever a pay change occurs.
4. This report provides the mechanism for reviewing the Town Council’s Discretions Policy with regard to the Local Government Pension Scheme Regulations 2008. Appendix 1 to this report contains the discretions and options previously considered.
5. New Local Government Pension Scheme Regulations became applicable from 1 April 2014 and a decision is required on the Town Council’s Policy regarding the following discretions:

- *Regulation R16 (2)(e) & R 16 (4) (d)* Shared Cost Additional pension Scheme  
 An employer can choose to pay for or contribute towards a members Additional pension Contract via a Shared Cost Additional pension Contract (SCAPC)
- *Regulation R (17) (1) & TP 15(1) (d) & A25 (3)* Shared Cost Additional Voluntary Contribution Arrangement  
 An employer can choose to pay for or contribute towards a member's Additional Voluntary Contribution arrangement entered into on or after 1 April 2014 via a shared cost AVC.  
 An employer can choose to pay for or contribute towards a member's Additional Voluntary Contribution arrangement entered into before 1 April 2014 via a shared cost AVC.
- *Regulation 22* Aggregation of deferred benefits  
 Employers may extend the 12 month option period for a member to elect that deferred benefits should not be aggregated with a new employment  
 Employers may extend the 12 month option period for a member to elect that deferred benefits should not be aggregated with an ongoing concurrent employment
- *Regulation R30(6) & TP11(2)* Flexible Retirement  
 Employers may allow a member from age 55 onwards to draw all or part of the pension benefits they have already built up while still continuing in employment. This is provided the employer agrees to the member either reducing their hours or moving to a position on a lower grade. In such cases pension benefits will be reduced in accordance with actuarial tables unless the employer waives reduction on compassionate grounds or a member has protected rights.
- *Regulation R30 (8)* Waiving of Actuarial Reduction  
 Employers have the power to waive, on compassionate grounds, the actuarial reduction (in whole or part) applied to members benefits paid on the grounds of flexible retirement.  
 Employers may also waive, on compassionate grounds, , the actuarial reduction (in whole or part) applied to members benefits for deferred members and suspended tier 3 ill health pensioners who elect to draw benefits on or after age 60 and before normal pension age.  
 Employers also have the power to waive, in whole or in part, the actuarial reduction applied to active members benefits when a member chooses to voluntarily draw benefits on or after age 55 and before age 60.
- *Regulation TP Sch 2* Power of employing authority to "switch on" the 85 year rule.  
 An employer can choose whether to "switch on" 85 year rule for members who voluntarily retire on or after age 55 and before age 60.  
 An employer can also chose to waive, on compassionate grounds, the actuarial reduction applied to benefits for a member voluntarily drawing benefits on or after age 55 and before age 60.
- *Regulation R31* Power of Employing Authority to Grant Additional Pension  
 An employer can choose to grant additional pension to an active

member or within 6 months of ceasing to be an active member by reason of redundancy or business efficiency (by up to £6,500\* per annum) (\*the figure of £6,500 will be increased each april under Pensions Increase orders)

- *Regulation R100* Time limit for acceptance of transfer value  
An employer may extend the normal time limit for acceptance of a transfer value beyond 12 months from joining the LGPS
6. The Regulations require that in preparing or reviewing and making revisions to its policy, an employing authority must have regard to the extent to which the exercise of any of the functions in accordance with its policy could lead to a serious loss of confidence in the public service and be satisfied that the policy is workable, affordable, and reasonable having regard to foreseeable costs.
  7. Peninsula Pensions who administer the LGPS for the Town Council have issued a briefing note of points for employers to consider when setting policies, this is attached as Appendix 2 to the report.

### **Background papers**

- Peninsula Pensions Guidance Notes On employers Discretions Policy
- NALC Financial Briefing, LGPS 2014 Discretions – Statement of Policy F09-14
- Town Clerk report to Ilminster Town Council Staffing Committee, 9 July 2013

Report prepared by the Town Clerk, 6 April 2015