



RECEIVED

3 - AUG 1998

FILTON TOWN COUNCIL

ELM PARK | FILTON | SOUTH GLOUCESTERSHIRE | BS12 7PS

Town Clerk : John Lucena

Tel/Fax: 0117 969 8298

Mr A G Worth
Compliance Officer
Avon Pension Fund
P0 Box 9, Floor 3 South
Riverside, Temple Street
Keynsham BS31 1FX

your reference: TSY/AGW

31 July 1998

Dear Tony

Discretions under the new LGPS Regulations

Further to the above, I can confirm that my Council have passed a resolution to adopt the policy recommendations detailed in your letter 13th July (brief copy attached). A copy of the Minutes is available if required.

Thank you for your help in this matter.

Yours sincerely

Janice Webb
Filton Town Council

**EMPLOYERS DISCRETIONS
LOCAL GOVERNMENT PENSION REGULATIONS 1997**

Discretion B

Regulation 31 - Permitting the early release of pension benefits of members who leave voluntarily between the ages of 50-59.

Explanation and Comment

1. Any employee who is between the ages of 50 and 60 and leaves employment may under this new discretion, apply for the early release of his/her pension benefits. It is open to the employer to decide whether or not to release the pension benefits. If the employer agrees and the sum of the employee's age and pensionable service is 85 or more, then under the Rule of 85 pension benefits are paid without abatement. If the employee does not satisfy the 'Rule of 85', pension benefits will be actuarially abated unless the employer decides to waive the abatement on compassionate grounds.

2. There will be an increased cost to the pension scheme of paying benefits early without reduction. The Actuary to the Avon Pension fund estimates that the cost of agreeing to all requests for the early release of benefits could be in the order of 2.5% of pensionable pay, although it clearly will depend on how many requests are received, and at what age.

3. Having regard to the estimated costs, it is recommended that applications for early retirement should normally be accepted only in cases where it can be demonstrated as being in the Council's best interests. This might be, for example, where a redundancy situation does not exist but a vacancy might facilitate a restructuring, changes in working practice or a better mix of skills. The exception might be where an employee applies on compassionate grounds, for example, in order to give up work to deal with a compelling domestic situation

Recommended policy

It is recommended that:

applications for early release of benefits from employees between the ages of 50 to 59 inclusive will only be accepted in cases where it can be demonstrated as being in the Council's best interest; or where there are compassionate grounds for the early release of pension benefits. All applications will be considered by the Parish.

**EMPLOYER DISCRETIONS
LOCAL GOVERNMENT PENSION SCHEME REGULATIONS 1997**

Discretion C

Regulation 52 - The ability to grant additional service to members leaving local government employment at or after age 50.

Explanation and comment

1. This will allow discretion for the employer to augment (increase) at retirement an employee's service within the pension scheme as an alternative to granting "added years" outside the scheme under the Discretionary Payments Regulations (DPR)1996. It will also allow the employer to augment an employee's service in circumstances where the Director of Planning Regulations do not apply.

2. "Added years" may only be granted in cases of retirement by reason of redundancy or efficiency and where the employee is 50 years or over and has at least 5 years service. However, augmentation may be granted irrespective of age, service or reason for leaving.

3. The maximum number of years which may be granted by way of augmentation is 6 2/3 but, depending on service, may not exceed limits imposed by the Pension Schemes Office.

4. For the employee, because augmentation is within the pension scheme, the augmentation lump sum payment is wholly tax free whereas an "added years" lump sum is treated as compensation and may be taxed if the total of compensation payments, including redundancy and pay-in-lieu, exceed £30,000.

5. For the employer, however, the fact that augmentation is within the pension scheme means that the projected cost must be discharged by an "up front" capital payment to the Pension Fund (unlike "added years" which are paid for by the employer on a £ for £ basis as the costs arise). Augmentation is, therefore, more difficult to finance.

Recommended policy**It is recommended that:**

the Council notes the new discretion to augment an employee's pension benefits on retirement but has no intention to make general use of this discretionary power but may wish to consider its use in exceptional cases in the future.

**EMPLOYER DISCRETIONS
LOCAL GOVERNMENT PENSION SCHEME REGULATIONS 1997**

Discretion D

Regulation 53 - The ability to grant additional service to members within 6 months of joining the scheme.

Explanation and comment

1. This already exists as a management incentive to attract key people with scarce skills from outside local government. However, in such cases a pay enhancement might be preferable.
2. Whilst particular cases may occur in the future where the use of this policy may be worth considering, its use is unlikely to be warranted on a general basis and may give rise to equalities claims.

Recommended policy

It is recommended that:

the Council has no intention to make general use of the discretionary power to augment an employee's service within 6 months of joining the scheme but may wish to consider its use in exceptional cases in the future.

**EMPLOYER DISCRETIONS
LOCAL GOVERNMENT PENSION SCHEME REGULATIONS 1997**

Discretion E**Regulation 67 - A shared cost additional voluntary contribution (SCAVC) arrangement.****Explanation and comment**

1. In common with other occupational pension schemes, the LGPS must offer members a facility to make Additional Voluntary Contributions (AVCs). The present facility is through an AVC scheme provided by Equitable Life Assurance Company. The Council makes no financial contribution to this scheme.
2. The ability to set up a shared cost AVC arrangement is seen as providing the opportunity for individual employers to introduce more flexible pension arrangements for their employees.
3. The UKSC suggests that it could be used in particular to attract key people into local government and could be less expensive than augmenting their benefits. Alternatively it could be useful as a component of the remuneration package in the context of a reorganisation and restructuring of pay scales.

Employers could, for example, consider sharing the cost of increasing the lump sum death benefit up to the legal limits or, more radically perhaps, sharing with those employees who would stand to benefit, the cost of providing adult partners pensions. The potential costs could be significant and employers will doubtless bear that in mind in considering this discretion as there is no explicit ceiling contained within the Regulation.

Recommended policy**It is recommended that:**

the Council does not intend to set up a Shared Cost AVC scheme in the foreseeable future.