

# City Academy Bristol

How the City Academy Bristol (CAB) exercises discretion under the Local Government New Look Pension Scheme (LGPS) 2007

## Introduction

Employees of CAB are entitled to join the Local Government Pension Scheme other than any Teachers who are eligible to join the Teachers Pension Scheme (which is a separate pension scheme, broadly comparable to the LGPS). The LGPS is an excellent occupational pension scheme which is administered in our area by Bath & North East Somerset Council and is called the Avon Pension Fund. CAB and its Trade Unions encourage employees to take advantage of the opportunity to join the LGPS.

The general framework of the LGPS is determined nationally by the Department of Communities and Local Government and is set out in legislation. This covers all major aspects of the scheme such as

- Who can join;
- Contribution rates;
- Type and level of Benefits;
- When benefits are payable or can be claimed.
- What happens to a leaver's accrued benefits.

Within the legislation, there is provision in specific areas for the employer to exercise discretion over the entitlements of its current or past employees. The employer must publish a written statement of how it intends to exercise such powers.

This document summarises how CAB has decided to exercise its discretionary powers and the Council's policies in relation to pension matters.

## Inward transfers of pension rights – Regulation 83(8):

If a scheme member wishes to transfer pension rights into the LGPS he/she must opt to do so within 12 months of joining the LGPS. Only in exceptional circumstances will a longer period be allowed so long as there is no known reason or prospect of the employee having access to their pension within the next 12 months.

## Contribution Bands

Employees are to pay contributions according to the following table based on their whole-time equivalent pensionable pay (salary plus contractual payments) as follows.

Band	Range (2008/09)	Contribution Rate
1	£0 - £12,000	5.5%
2	more than £12,000 – £14,000	5.8%
3	more than £14,000 – £18,000	5.9%
4	more than £18,000 – £30,000	6.5%
5	more than £30,000 – £40,000	6.8%
6	more than £40,000 – £75,000	7.2%
7	more than £75,000	7.5%

These bands will be enhanced by the cost of living (Retail Price Index) each year. Employees will be reassessed at the 1 April annually to determine any re-allocation to a new band is necessary.

For ease of administration and implementation and to ensure a fair and consistent transition to the new rates, CAB, has determined the following arrangements will apply for 2008/09.

- a. Existing Scheme members will be placed into one of the above bands on the basis of their actual pensionable pay as at 1 April 2008.
- b. New joiners to the Scheme on or after 1 April 2008 will be placed into a band based on their known pensionable salary as at their date of joining the Scheme.
- c. Scheme members, who have an increase in salary part way through the year as a result of a change in post or regrading that takes them into a higher band, will be moved into the higher band.
- d. Scheme members, who have a decrease in salary that places them in a lower band, will be moved to the lower band. This will not apply to someone who has a reduction in salary through working fewer hours as their whole-time equivalent pay will not have changed.
- e. In both c) and d) the changes will be effective from the date of the change in pensionable pay.
- f. The contribution band for a part-time employee will be assessed with reference to their whole-time equivalent pay, normally based on a 37 hour week.
- g. Term-time members will be placed in a band based on their full-time equivalent term-time pay (not grossed up to 52 weeks pay). Staff should be aware that those who choose, perhaps because of family commitments, to only work during term times is a part-time employee and will be allocated to a contribution on that basis.

### Power of employing authority to increase total membership of active members (Benefits Regulation 12)

Increasing (i.e. augmenting) total membership is a power which employers may use, for example, to attract scarce people with key skills from outside local government. CAB has no intention of making a general use of this power but may wish to consider its use in exceptional cases in the future.

### Power of employing authority to award additional pension (Benefits Regulation 13)

With the exception of early retirements, which are explained below, CAB has no intention of making use of this power in the foreseeable future.

Members of the Avon Pension Fund may choose to enhance their pension benefits by purchasing additional pension up to a maximum of £5000 (in multiples of £250) by paying Additional Regular Contributions (ARCs). The Council already makes a significant contribution to the Avon Pension Fund for its employees as determined by an independent Actuary.

### Early retirement discretions

Normal retirement age under the LGPS is 65 years and benefits are paid automatically from this age. Individuals who choose to retire at any time from age 60 years may elect to receive their accrued pension benefits early. However, unless the member has protected benefits under the "rule of 85", their pension benefits will be actuarially reduced.

Persons under the age of 60 will only gain access to their pension benefits early under the following circumstances:

- Permanent ill-health (any age);
- Voluntary retirement with the approval of CAB (age 50 or over, age 55 from 1 April 2010 and new joiners from 1 April 2008) ;
- Compassionate Grounds (age 50 or over, age 55 from 1 April 2010 and new joiners from 1 April 2008);
- Redundancy (age 50 or over, age 55 from 1 April 2010 and new joiners from 1 April 2008);
- Retirement in the interests of efficiency (age 50 or over, age 55 from 1 April 2010 and new joiners from 1 April 2008)

A brief description of each of these routes is set out below, highlighting the discretions which CAB may exercise. These are complex situations and it is essential that any individual who may possibly be involved in one of them seeks early and detailed advice from their Manager, HR Manager and the Avon Pension Fund.

### Permanent ill-health

If an Occupational Health Doctor certifies that an employee is “**permanently incapable of discharging efficiently the duties of their relevant local authority employment because of ill-health or infirmity of mind or body and, if so, whether that condition is likely to prevent the employee from carrying out other gainful employment within a reasonable time of leaving local government employment or, as the case may be, before reaching normal retirement age (NRA, which is 65 years)**”, the employee will be entitled to the immediate payment of their accrued pension benefits, without abatement, together with additional benefits as laid down in the LGPS regulations. There are no specific age restrictions on an ill-health retirement, however members must have retired by the day before their 75<sup>th</sup> birthday.

### Voluntary early retirement between the ages of 55 and 59 (Benefits Regulation 30)

An employee aged 55 or over (50 until 31 March 2010, age 55 from 1 April 2010 and new joiners from 1 April 2008) but not yet 60, who wishes to voluntarily resign, may apply to CAB for approval to the early payment of accrued pension benefits. CAB has decided that such applications will only be accepted where it can be demonstrated as being in CAB's interests or where there are compassionate grounds for the early release of pension benefits.

If CAB agrees to permit early retirement with the immediate payment of pension benefits for reasons other than compassionate, an actuarial reduction will be applied to the person's accrued pension benefits. (For employees born before 1 April 1956, if the sum of their age and pensionable service is 85 or more, pension benefits are paid without an actuarial reduction for early payment, if they retire before 1 April 2016.)

If the CAB agrees on compassionate grounds, the accrued pension entitlement is paid without an actuarial reduction for early payment, but with no augmentation or enhancement.

As a general rule, CAB will only agree to the early release of pension benefits on compassionate grounds if it can be demonstrated that the person is unable to continue working or resume employment due to circumstances outside of their control, for example to look after and care for a dependant spouse. Financial reasons alone will not normally be considered sufficient grounds for the early release of benefits.

## Redundancy

If CAB terminates an employee by reason of redundancy, the employee, if aged 55 (50 until 31 March 2010, age 55 from 1 April 2010 and new joiners from 1 April 2008) or over, becomes automatically entitled to the immediate payment of accrued pension benefits without any reduction for early payment.

In addition, CAB has decided not to grant any additional pension (Benefits Regulation 13)

As regards the Redundancy payment, CAB has decided that all employees with 2 or more years service, will receive a redundancy payment based on actual earnings and equal to the number of weeks pay required under the Employment Rights Act.

## Flexible Retirement (Benefits Regulation 18)

An employee who is aged 55 or over (50 until 31 March 2010, age 55 from 1 April 2010 and new joiners from 1 April 2008), can request CAB to allow him/her to access pension benefits whilst still remaining employed by CAB.

This would only be in situations where the employee wishes to reduce hours and/or move to a lower graded post, and must be agreed by CAB.

Flexible Retirement is aiming to assist a more gradual move into retirement over a period of years, by allowing an employee to work fewer hours and/or in a less demanding job, whilst at the same time drawing their pension. This may be of benefit to the employee, and also CAB in terms of retaining the services of the employee.

The key factors in this scheme are:-

The acceptability to the employee of the level of pension he/she would receive.

The willingness of CAB to agree to the specific flexible retirement requested.

The CAB's policy on Flexible Retirement is that an application will only be approved where:-

There are no pension costs to CAB arising from the employee's flexible retirement. (Pension estimates for Flexible Retirement from Avon Pension Fund will reflect this policy).

The Flexible Retirement will provide benefits to the CAB, for example financial savings or the facilitation of organisational or staffing changes and will not result in any detriment to the level of service.

IF the request is to work reduced hours, CAB's assessment must be that there would be no operational problems caused, or recruitment difficulty anticipated, in making up the reduced hours.

IF the request is for a move to a lower graded post, this would be subject to an appropriate vacancy arising and the operation of CAB's normal recruitment procedures in filling the post.

Given the above policy, it is anticipated that in practice Flexible Retirement is likely to be more applicable to those employees aged 60 and where there is no "strain on the fund" pension costs to CAB.

Forfeiture of pension rights after conviction of employment-related offences - Regulation 72, 73, 74 & 76 – Administration Regulations

There are provisions whereby If a scheme member is convicted of, and ceases employment as a result of, an offence in connection with his/her employment which was gravely injurious to the State or liable to lead to a serious loss of confidence in the public service, the employer can apply to the Secretary of State for the issue of a forfeiture certificate. If a certificate is issued the employer may direct that any of the person's rights be forfeited. The council reserves the right to exercise this discretion in wholly exceptional circumstances.

Ex-employees

CAB ex-employees who have Deferred Benefits which are preserved benefits in the Avon Pension Fund, may apply to the CAB for the early release of their benefits by reason of permanent ill-health or on compassionate grounds. Such applications are dealt with on the same basis as for current employees. However, in the case of permanent ill-health the pension scheme does not provide for benefits to be enhanced as it does for current employees.

<i>Useful contacts</i>	
<i>Avon Pension Fund</i>	<i>01225 – 477000</i>
<i>CAB HR</i>	<i>01179 - 542829</i>
<i>CAB Payroll</i>	<i>01179 - 542803</i>