

## **Local Government Pension Scheme – Regulations and Discretions**

### **Background**

At two corporation meetings in July 1998 and April 2003 the Governors endorsed policies relating to major and minor discretionary issues with regard to the Local Government Pension Scheme. All staff in membership of the LGS scheme were subsequently notified of these discretions as all member organisations are required to do, as are new members of staff who are eligible to join this scheme. These discretions do not apply to staff in membership of the Teachers Pension Scheme.

New regulations in 2008 were introduced for the LGS pension scheme. These discretions supersede the discretions already publicised by the City of Bristol College, which were agreed in 1998 and in 2003.

### **Requirements**

There is a statutory obligation of Scheme Employers to forward a copy of their published policies on discretions under the LGPS Regulations to the Avon Pension Fund. The Avon Pension Fund is administered by BANES.

Discretions on which employers must make Policies and publish such policies.

Each employer must prepare a written statement of its policies in relations to the exercise of its functions under the following benefit regulations:

- Regulation 12 (power of employing authority to increase total membership of active members)
- Regulation 13 (power of employing authority to award additional pension)
- Regulation 18 (flexible retirement)
- Regulation 30 (choice of early payment of pension)

The policy statement when agreed by the Board of Governors, will be communicated to staff and sent to the Avon Pension Fund.

### **Recommendation**

That the policy on LGPS discretions be adopted.

## **LGPS Discretions – Further Clarification**

A clarification of each of the above discretions are as follows:-

### **Regulation 12 – Power of employer to increase total membership of an active member**

Regulation 12 replaces regulation 52 of the Local Government Pension Scheme Regulations.

Regulation 12 allows an employer to resolve to increase the total membership of a member who is currently paying contributions to the scheme. The members increase in membership under this regulation (including additional membership in respect of different employments) must not exceed 10 years.

The previous regulations gave the power to increase membership by up to 6 2/3 years; this is now increased to 10 years.

It is not anticipated that this provision would be used in many cases. Many organisations are not including this discretion but a few are agreeing this in exceptional circumstances.

**The recommendation is that the College will not normally make use of this discretion, because of its cost to the College and the consequent ability to offer it to all staff.**

### **Regulation 13 – Power of employer to award additional pension**

Regulation 13 replaces regulation 67 of the Local Government Pension Scheme Regulations.

Regulation 13 allows an employer to resolve to reward a member additional pension of not more than £5,000 a year payable from the same date as his/her pension payable under any other provisions of the benefits regulations.

It is not anticipated that this provision would be used in many cases. Many organisations are not including this discretion but a few are agreeing this in exceptional circumstances.

**The recommendation is that the College does not intend to reward staff in this way in the foreseeable future.**

### **Regulation 18 – Flexible Retirements**

Regulation is a new regulation of the Local Government Pension Scheme Regulations.

A member who has attained the age of 55 and with their employers consent reduces their hours that they work, or the grade that they are employed, may make a request in writing to the Avon Pension Fund to receive all or part of their benefits under the benefits regulations. However, payment of the benefits cannot be made without the employer's consent.

If the benefits are reduced in accordance with guidance issued by the Government Actuary, the employer may agree to waive, in whole or in part, any such reduction.

The minimum retirement age is 55 for new scheme members from 1<sup>st</sup> April 2008. For members of the scheme on 31<sup>st</sup> March 2008 the minimum retirement age will be aged 50 up until the 31<sup>st</sup> March 2010. After this date the minimum retirement age will be 55.

Employer agreement for the change to contractual terms is required as well as consent to release the pension benefits early. There is a cost for early payment of pension benefit, which would need to be considered in each case. The cost is either covered by actuarial reduction of the pension benefits or by payments from the employing authority, depending upon the circumstances of each case.

**The recommendation is that the College will not normally make use of this discretion, where there is a cost to the College and the consequent ability to offer it to all staff.**

**Consideration may be given to agreeing to changes in contract on exceptional compassionate grounds, subject to no cost to the College.**

### **Regulation 30 – Choice of early payment of pension**

Normal retirement age is 65. Employees aged 55 or over can retire before aged 60 with their employer's consent, with an actuarial reduction to benefits applying (or those members aged 50 up to 31<sup>st</sup> March 2010, who were members on or before 31<sup>st</sup> March 2008). The employer can agree to waive the actuarial reduction on compassionate grounds.

From the age of 60, employees can choose to retire before the normal retirement age without the employers consent and with the actuarial reduction of benefits applying. In exceptional circumstances the employer could agree to waive the actuarial reduction on compassionate grounds.

Agreeing to requests for early retirement can be a useful employment strategy in certain circumstances. Early retirement under this regulation would be for reasons not covered by other regulations or employment policies. Employees who leave on the grounds of redundancy, efficiency or ill health receive their pension benefits immediately under different regulations.

**The College will consider waiving actuarial reductions on compassionate grounds but each case will be considered on its merits.**