



## Local Government Pension Scheme Policy (Employer Discretions)

### Introduction

Employees from Off the Record Bath & North East Somerset (OTR) are currently entitled to join the Avon Pension Fund which is a Local Government Pension Scheme (LGPS). As a voluntary organisation we are extremely fortunate for staff to be able to join the Avon Pension Fund, an excellent occupational pension scheme administered by Bath & North East Somerset Council.

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 OTR has decided to exercise its discretionary powers and the organisation's policies in relation to pension matters.

### Inward Transfers of Pension Rights

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	£12,001 – £14,000	5.8%
3	£14,001 – £18,000	5.9%
4	£18,001 – £30,000	6.5%
5	£30,001 – £40,000	6.8%
6	£40,001 – £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<sup>st</sup> April annually to determine if 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, OTR 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.

### **Additional Regular Contributions (ARCs)**

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).

### **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 the organisation (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 OTR 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 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 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 OTR 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 OTR for approval to the early payment of accrued pension benefits. OTR has decided that such applications will only be accepted where it can be demonstrated as being in the organisation's interests or where there are compassionate grounds for the early release of pension benefits.

If OTR 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 OTR 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 OTR 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 OTR 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, OTR has decided not to grant any additional pension.

As regards the Redundancy payment, OTR has decided that all employees must have completed at least two years continuous service to be eligible for consideration for a statutory redundancy payment. Payment is determined by age and length of service and calculations are limited in law by a maximum weekly earnings value. The rate from February 2006 was £290 for each year of service and the figure will be reviewed each year by central government. Statutory redundancy payment will be calculated applying the DTI Ready Reckoner - this facility is available on the Department of Trade and Industry website – <http://www.dti.gov>. OTR only operates a statutory redundancy scheme with no other enhanced packages.

## **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 OTR to allow him/her to access pension benefits whilst still remaining employed by OTR.

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 OTR.

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 the organisation 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 OTR to agree to the specific flexible retirement requested.

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

- There are no pension costs to OTR 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 OTR, 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 OTR 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 OTR's normal recruitment procedures in filling the post.

## **Ex-Employees**

OTR ex-employees who have Deferred Benefits which are preserved benefits in the Avon Pension Fund may apply to OTR 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.

<b><i>Useful Contacts</i></b>	
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