



# Pensions Policy

Renewal:  
October 2017

## **PENSIONS POLICY**

### **1.0 Objective**

1. This policy outlines the various pensions' schemes that are administered by Shropshire Housing Group, including the designated Scheme for automatic enrolment which is the Social Housing Pension Scheme Defined Contributions Scheme. It is a legal requirement for the Group to provide this Scheme. The Policy is intended to provide an overview of the schemes and outline the Group's and employees' responsibilities. The Group cannot by law offer pensions' advice. Employees need to contact the pensions providers direct when seeking advice be it the Pensions Trust for Social Housing Pension Scheme (SHPS) or the Shropshire County Pension Fund for the Local Government Pension Scheme.

### **2.0 Roles and Responsibilities**

#### **2.1 The Responsibilities of Managers**

Managers have a statutory duty to ensure that all employees approaching pensionable age are informed of the options open to them as detailed in the Group's Retirement Guidelines via the medium of monthly one-to-ones. They are also required to be aware of the flexible retirement and ill health retirement provisions. HR and Finance teams will provide managers with support as necessary to enable them to do this.

#### **2.2 The Responsibilities of Employees**

2.2.1 Employees meeting the eligibility criteria will be automatically enrolled into the SHPSDC Scheme and will have 6 weeks in which to opt out should they wish to do so. All other employees are responsible for deciding whether or not they wish to opt in to the statutory Automatic Enrolment Scheme or to become a member of the Groups' pension scheme upon completion of their probationary period. Transfer in of previous scheme membership is only available to the SHPS Defined Contribution Scheme. Any employee wishing to join the Groups' Defined Benefits pension scheme should contact the HR Department in the first instance.

2.2.2 Employees are responsible for informing their Managers of any retirement plans so that the Company can make provision in terms of support and replacement of the individual and post. This should be done ideally 3 months prior to their intended retirement. They are also responsible for following the relevant processes outlined below in respect of pension transfers, early retirement or flexible retirement.

### **3.0 Pension Schemes**

#### **3.1 Joining the Pension Scheme and Contribution Rates**

3.1.1 New members of staff joining the organisation after 1<sup>st</sup> May 2014 will be automatically enrolled in the SHPSDC Scheme providing they meet the relevant eligibility criteria and unless they chose to opt out of the Scheme within 6 weeks of enrolment. Staff are also able to join the Social Housing Pension Scheme (SHPS) CARE 1/80<sup>th</sup> scheme

following satisfactory completion of their probationary period. This scheme is administered by the Pensions Trust. The Group will contribute 5% towards the pension Scheme.

3.1.2 Employees' pension contribution rates will be based on the age bands listed in Table 1 at Appendix 1

## **3.2 Existing Pensions**

3.2.1 The Group have a number of pension schemes which are in existence but are no longer available to new employees. Members of the pension scheme prior to 31 Mar 2010 were able to join one of the schemes listed in Table 2 at Appendix 1.

3.2.2 The Local Government Pension Scheme (LGPS) is not currently offered by SHG as a pension option for employees (came into effect 31 Mar 2010). However we do have employees in this scheme who joined prior to 31 Mar 2010. Shropshire County Pension Fund administers the LGPS. For those employees who joined the scheme prior to that date the terms remain extant. The contribution rate for this scheme depends upon how much you are paid as detailed in Table 3 at Appendix 1.

## **4.0 Working Beyond Age 65**

### **4.1 Job applicants over the age of 65**

There is no upper age restriction for job applicants to the Group. Where a job applicant aged 65 or over is appointed they will receive the standard contractual terms which apply to the post.

### **4.2 Existing employees working beyond age 65**

4.2.1 In line with The Equality Act 2010 the Group does not apply a compulsory retirement age and an employee can continue in their post beyond the age of 65 if they wish to do so.

4.2.2 Performance of all employees will continue to be reviewed through the normal monthly 1-2-1s and annual performance appraisal mechanisms. When being assessed no employee should be treated differently because of their age.

4.2.3 Employees will be treated in accordance with the Groups' Retirement Guidelines which are available on the HR Sharepoint page.

## **5.0 SHPS – Finer Details**

### **5.1 Early Retirement - SHPS**

5.1.1 For SHPS schemes it is possible to take early retirement from age 55 even if employees choose to continue working. Employees may be able to take pension benefits between ages 50 and 55 if they have a Protected Pension Age and have left employment or at any age if retiring on grounds of ill-health (subject to approval). The pension in such circumstances will usually be lower than at Normal Pensionable Age (NPA) as it will be

reduced to allow for the fact that pensions paid early are expected to be paid for longer. Further details are available in the SHPS Guide for Members by contacting the Pensions Trust.

## **5.2 Early retirement on the Grounds of Ill Health - SHPS**

5.2.1 Provided there is satisfactory medical evidence that an individual will continue to be unable to work again in any capacity a pension can be paid immediately regardless of age. Guidance on eligibility will be provided by the Pensions Trust and a doctor will be required to provide medical evidence for consideration by the Trust. The ill-health pension will be calculated on the benefit structure(s) an employee has been a member of, the period of membership up to the date of retirement, plus an additional amount of service equal to half of the perspective service that the employee would have completed from that date to age 60.

5.2.2 If a pension starts early due to ill-health, an employee still has the option to take a Pensionable Commencement Lump Sum. If a pension is awarded under these provisions the SHPS Pensions Committee will monitor any earnings an individual receives and may adjust a pension if an individual is later able to take other employment. The Committee may periodically request updated medical evidence on the state of an individual's health and has the discretion to reduce or suspend a pension if eligibility changes. Full details are available by contacting the Pensions Trust Helpline.

## **5.3 Flexible Retirement – SHPS**

In most cases members are able to take part of their pension whilst continuing to work. If they wish to do so they can remain a member of the Scheme and accrue further pension benefits. Exceptions to this are ill-health retirements, and from those members with a Protected Pension Age who retire before age 55. The option to draw some pension is only available once in a 12-month period. Enquiries in the first instance should be directed to the SHPS Administration Team at the Pensions Trust on 0113 234 5500.

## **5.4 Employees in the SHPS who continue to work beyond 65**

Employees over the age of 65 can continue as a member and contribute to the scheme until their 75<sup>th</sup> birthday. Benefits must be paid from age 75 even if employment continues beyond that age. As a result of working beyond 65 the pension from the Scheme at age 65 will be increased by a late retirement factor and an individual will receive additional benefits based on the pension earned after age 65.

# **6 LGPS – Finer Details**

## **6.1 LGPS 2014 Regulations - Discretions**

6.1.1 Following the introduction of LGPS 2014 there have been a number of significant changes that have arisen. Some of the key areas are flagged in the subsequent paragraphs. One significant change is that under the Local Government Pension Scheme (LGPS) Regulations employers are now required to formulate, publish and keep under review a policy statement in relation to the exercise of a number of discretions under the LGPS.

## **WHY ARE THERE ANY DISCRETIONS IN A STATUTORY SCHEME?**

Excerpt from Local Government Association 2014 – Understanding Employer Discretions and Policies:

*The Local Government Pension Scheme for England and Wales is, of course, a statutory pension scheme, that is to say that its rules are laid down under Act of Parliament. Even so, the regulatory framework has never been rigid but rather there has been scope for regional and local variances and accountability.*

*In answering a parliamentary question in July 1997, Ms Armstrong said of the (then) new regulations “They provide less central control of pension arrangements, increase the scope of local decision-taking and offer improved flexibility in pension provision”. The appropriate Government Department at the time said that the Local Government Pension Scheme Regulations 1997 provided a modernised legal framework and gave local government employers greater scope to manage pension scheme benefits.*

*So, in 1997, the keyword was flexibility, with more options and choices open to both the employee and the employer. Subsequent to then we saw HMRC “simplification” in 2006, the “New Look” LGPS in 2008 and now the introduction of a CARE scheme “LGPS2014” from April 2014. Over the years we have seen flexibilities increased on both the employee and employer sides. Increased flexibility requires increased effort of course and so both employing and administering authorities have seen an increase in time spent administering the scheme.*

In total there are 107 discretions within the scheme, many of which do not apply to the Group and only 15 of which require the Group to have a clear policy statement on whether or not the discretion is to be applied. Only 14 are included in the tables at Annex A as one no longer applies as it was spent on 30 Sep 14. Further information regarding the remaining discretions can be found in the Local Government Association booklet “Understanding Employer Discretions and Policies” a copy of which is available on the HR Sharepoint page or on-line at [www.lgpsregs.org](http://www.lgpsregs.org)

### **6.2 Early Retirement - LGPS**

From 1<sup>st</sup> April 2014 employees who are members of LGPS2014 can elect to retire and receive LGPS benefits from age 55 onwards. Those employees drawing their pension prior to NPA may receive a reduced rate to take account of early payment and the fact that the pension will be payable for longer. There are exceptions and these are detailed in full in the LGPS2014 Guide Booklet available via the intranet or from the HR office.

### **6.3 Early retirement on the grounds of Ill Health - LGPS**

6.3.1 With effect from 1<sup>st</sup> April 2014, a three tiered ill health retirement scheme applies.

6.3.2 Once you have been a member of the scheme for 2 years you can receive your retirement benefits at any age if your employer terminates your employment on grounds of ill health and you satisfy the conditions for an ill health retirement.

6.3.3 If you have been in the scheme for a period of two years and providing your employer agrees you could receive your pension benefits before you reach normal pension age, if you satisfy the certain conditions. An Independent Registered Medical Practitioner (IRMP) provides an opinion to your employer on whether you are permanently unable to do your job because of illness and whether you satisfy the following conditions:

- That as a result of ill-health or infirmity of mind or body is permanently incapable of discharging efficiently the duties of the employment the member was engaged in.
- As a result of ill-health or infirmity of mind or body is not immediately capable of undertaking any gainful employment.

6.3.4 The amount of the retirement pension that you receive if you satisfy the condition is determined by which of the 3 benefit tiers applied to your degree of incapacity. The tier you qualify for is made by your employer after they have obtained an opinion from an IRMP. The 3 tiers that may be awarded are:

- **Tier 1 Ill Health Retirement Benefit** – If you have no reasonable prospect of being capable of obtaining gainful employment before age 65, ill health benefits are based on the membership you would have had if you had stayed in the Scheme until age 65.
- **Tier 2 Ill Health Retirement Benefit** – If you are unlikely to be capable of obtaining gainful employment within 3 years of leaving, but you may be capable of doing so before 65 then ill health benefits are based on your membership built up to leaving plus 25% of your prospective membership from leaving to age 65.
- **Tier 3 Ill Health Retirement Benefit** – If you are likely to be capable of obtaining gainful employment within 3 years of leaving, or before 65 if earlier, ill health benefits are based on your membership at leaving. Payment of these benefits will be stopped after 3 years, or earlier if you are in gainful employment or become capable of getting such employment.

6.3.5 Gainful employment means paid employment for not less than 30 hours in each week for a period of not less than 12 months. If you are part-time, any extra membership awarded due to ill-health retirement will be reduced to reflect your part-time hours at leaving, disregarding any reduction in hours due to your illness.

6.3.6 If you were in the LGPS on 31 March 2008 and were aged 45 or over on that date, there are protections to ensure your ill health retirement benefits are no less than they would have been under the Scheme as it applied before 1 April 2008.

## **6.4 Flexible Retirement – LGPS**

6.4.1 Rather than continuing in your job to your NPA or beyond you may wish to consider the possibility of flexible retirement. From age 55, if you reduce your hours or move to a less senior position, and provided you have met the 2 years vesting period in the scheme and your employer agrees, you can draw some or all of the pension benefits you have built up and continue working, helping you ease into retirement.

6.4.2 If you wish to apply for a flexible retirement then this request must be made to your employer. If your employer agrees to flexible retirement then you would have to draw:

- all of the benefits that relate to any pre 1 April 2008 membership, plus
- all, none or some of the benefits that relate to your membership from 1 April 2008 to 31 March 2014, plus
- all, none or some of the benefits that relate to your pension built up from 1 April 2014, plus
- any additional benefits including added years, additional pension being purchased either through APCs/SCAPCs or ARCs, additional pension awarded by your employer and any AVCs (should you choose to draw these).

6.4.3 If you take flexible retirement before your NPA your benefits are calculated to the date of the flexible retirement and will normally be reduced for early payment.

6.4.4 If you take flexible retirement after your Normal Pension Age your benefits will be increased to reflect late payment.

6.4.5 If your employer agrees to flexible retirement you can still draw your wages / salary from your job on the reduced hours or grade and continue paying into the LGPS, building up further benefits in the scheme. If you do not wish to continue paying into the LGPS after flexibly retiring you must opt out of the LGPS. If you do not opt out your LGPS membership will continue automatically in your job on the reduced hours or grade. If want to ensure that no pension contributions are deducted immediately after flexibly retiring, you should give your employer advance notice of this, i.e. before the flexible retirement takes place. It is important, however, that you should not specify an opting out date earlier than the reduction in hours/grade or you may invalidate the flexible retirement.

6.4.6 If you are thinking of flexibly retiring you should contact Shropshire County Pension Fund for a quotation of the benefits payable or log into your Pension Account online.

## **6.5 Employees in the LGPS who continue to work beyond 65**

Employees over the age of 65 can remain in the scheme to the eve of their 75<sup>th</sup> birthday and their LGPS benefits earned up to age 65 will be increased to compensate for their late payment. Benefits must be paid from age 75 even if employment continues beyond that age.

## **7.0 Transferring of Pensions**

The only Scheme which allows the transfer in of other pensions scheme benefits is the SHPSDC.

## **8.0 Monitoring and Review**

8.1 Human Resources will work with managers to monitor the application of this policy. The Group may review any aspect of the procedure in the light of changing circumstances at any time, in consultation with employees.

8.2 The policy will be reviewed at regular intervals in conjunction with changes to legislation and any changes to the regulations as informed by the Pensions Trust or LGPS that may impact upon it. The policy will be reviewed no later than 3 years after its implementation.

## 9.0 Further Advice

9.1 Advice and information on the Local Government Pension Scheme (LGPS2014) is available from the Pensions team who can be contacted on 01743 252130 or at [pensions@shropshire.gov.uk](mailto:pensions@shropshire.gov.uk). Further useful information can also be found at <https://shropshirecountypensionfund.co.uk> and <http://www.lgps2014.org>

9.2 Advice and information on the Social Housing Pension Scheme (SHPS) CARE 1/80<sup>th</sup> Defined Benefits Scheme is available from the Pensions Trust on 0113 234 5500 or at [enquiries@thepensiontrust.org.uk](mailto:enquiries@thepensiontrust.org.uk). Further useful information can be found at [www.shps.org.uk](http://www.shps.org.uk) or [www.thepensiontrust.org.uk](http://www.thepensiontrust.org.uk)

9.3 Advice and information on the Social Housing Pension Scheme Defined Contributions (SHPSDC) is available from The Pensions Trust on 0845 072 6780, **Email:** [smarterpensions@iltgroup.com](mailto:smarterpensions@iltgroup.com). Further useful information can be found at <http://www.shpsdc.org.uk/home.aspx>

**ANNEX A TO**  
**SHG PENSIONS POLICY**  
**DATED OCT 2014**

**LOCAL GOVERNMENT PENSION SCHEME REGULATIONS**

The following table includes all the employer discretions that are subject to a written policy under the Local Government Pension Scheme Regulations 2013 [prefix **R**] and the Local Government Pension Scheme (Transitional Provisions and Savings) Regulations 2014 [prefix **TP**] and details SHG's policy decision in relation to each discretion.

<b>Employer Discretion</b>	<b>Regulation</b>	<b>SHG Policy Decision</b>
Whether, how much, and in what circumstances to contribute to a shared cost Additional Pension Contribution (APC) scheme.	<b>R16(2)(e) &amp; R16(4)(d)</b>	<b>Yes</b> – A member can pay APCs to buy any or all of the 'lost' pension for a period of authorised unpaid leave of absence. Where they make their election within 30 days of returning to work the employer shall pay 2/3 <sup>rd</sup> of the cost of the shared Additional Pension Contribution <b>No</b> – Should the employee choose to make a one off contribution in order to buy a set amount of additional pension SHG will not contribute towards the cost of purchasing such pension on a voluntary basis.
Whether all or some benefits can be paid if an employee reduces their hours or grade (flexible retirement)	<b>R30(6) &amp; TP11(2)</b>	<b>Yes</b> – as per current practice. Likely to have a cost neutral impact
Whether to waive, in whole or in part, actuarial reduction on benefits paid on flexible retirement	<b>R30(8)</b>	<b>No</b> – due to the significant financial impact such action would result in.
Whether to waive, in whole or in part, actuarial reduction on benefits which a member voluntarily draws before normal pension age	<b>R30(8)</b>	<b>No</b> – due to the significant financial impact such action would result in.
Whether to "switch on" the 85 Year Rule for a member voluntarily drawing benefits on or after age 55 and before age 60.	<b>TPSch 2, para 2(2)</b>	<b>No</b> – as per current practice due to financial impact of switching on rule. If switched on SHG would pick up any strain on Fund cost, if not scheme member meets the strain. ( <b>Note:</b> If staff meet the rule of 85 from age 60 the Group has no choice and the rule is automatically applied.)
Whether to waive, on compassionate grounds, the actuarial reduction applied to benefits from pre 1/4/14 membership where the employer	<b>TPSch 2, para 2(3)</b>	<b>N/A</b> – See as per decision made to "switch off" above.

has “switched-on” the 85 Year Rule for a member voluntarily drawing benefits on or after age 55 and before age 60.		
Whether 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 p.a.)	R31	No – due to significant cost.

The following table includes all the employer discretions subject to a written policy under the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (as amended) [prefix **B**] and details SHG’s policy decision in relation to each discretion:

Employer Discretion	Regulation	SHG Policy Decision
Whether to grant application for early payment of deferred benefits on or after age 55 and before age 60 ( <b>Note:</b> refers to members who have left employment)	B30(2)	<b>Yes</b> – as per current practice and subject to confirmation that there is no impact on the business i.e. such an action is cost neutral.
Whether to waive, on compassionate grounds, the actuarial reduction applied to deferred benefits paid early under B30	B30(5)	<b>Yes</b> as per current practice on a case by case basis only. This will incur additional cost to the business in the form of picking up the pension strain.
Whether to grant an application for early payment of a suspended tier 3 ill health pension on or after age 55 and before age 60	B30A(3)	<b>Yes</b> – subject to confirmation that there is no impact on the business i.e. such an action is cost neutral.
Whether to waive, on compassionate grounds, the actuarial reduction applied to benefits paid early under B30A	B30A(5)	<b>Yes</b> as per current practice on a case- by-case basis only. This will incur additional cost to the business in the form of picking up the pension strain.

The following table includes the employer discretions subject to a written policy under the Local Government Pension Scheme Regulations 1997:

<b>Employer Discretion</b>	<b>Regulation</b>	<b>SHG Policy Decision</b>
Grant application from a post 31.3.98 / pre 1.4.08 leaver or from a councillor for early payment of benefits on or after age 50/55 and before age 60	31(2)	<b>No</b> – for grant application from a post 31 Mar 98/pre leaver 1 Apr 08 due to cost <b>N/A</b> – re councillor payment
Waive, on compassionate grounds, the actuarial reduction applied to benefits paid early for a post 31.3.98 / pre 1.4.08 leaver or a councillor leaver	31(5)	<b>No</b> – for grant application from a post 31 Mar 98/pre leaver 1 Apr 08 due to cost <b>N/A</b> – re councillor payment
Councillor optants out and pre 1.4.08 employee optants out only to get benefits paid from NRD if employer agrees	31(7A)	<b>N/A</b> – re councillor optants <b>No</b> – for pre 1 Apr 08 employee optants due to cost.

## APPENDIX 1 TO SHG PENSIONS POLICY

**Table 1 (Re para 3.1.2) – Social Housing Pension Scheme (SHPS)  
From 1 May 2014**

Employees					Employer
	Average	Age Bands			
		<30	31-39	>40	
SHPS CARE 1/80 <sup>th</sup>	6.9%	5.3%	6.3%	7.3%	7.1%
Defined Contribution	Minimum of 1% increasing year by year with a requirement that there should be a minimum contribution of 3% by 1 Oct 18.				5%
Auto enrolment Defined Contribution	Minimum: 1% to 30/9/17 2% 1/10/17 to 30/9/18 3% 1 Oct 18 onwards				1% to 30/9/17 3% 1/10/17 to 30/9/18 5% 1 Oct 18 onwards

A booklet providing full details of each scheme are available from the HR Department or by visiting the website at [www.thepensiontrust.org.uk](http://www.thepensiontrust.org.uk) or [www.shps.org.uk](http://www.shps.org.uk) Any advice concerning any of the SHPS schemes should be sought from the Pensions Trust by contacting them on 0845 608 5252 or email: [enquiries@thepensiontrust.org.uk](mailto:enquiries@thepensiontrust.org.uk)

**Table 2 – (Re para 3.2.1) Extant Pension Schemes (no longer available)**  
(Contribution rates detailed effective from May 2014):

Employees					Employer
	Average	Age Bands			
		<30	31-39	>40	
Final Salary 1/60 <sup>th</sup>	8.5%	7.5%	8.5%	9.5%	10.3%
SHPS CARE 1/60 <sup>th</sup>	6.9%	5.9%	6.9%	7.9%	10.6%

**Table 3 – (Re para 3.2.2) – Local Government Pension Scheme**

	Salary	Percentage
1	Upto £13,500	5.5%
2	£13,501 - £21,000	5.8%
3	£21,001 - £34,000	6.5%
4	£34,001 - £43,000	6.8%
5	£43,001 - £60,000	8.5%
6	£60,001 - £85,000	9.9%
7	£85,001 - £100,00	10.5%
8	£100,001 - £150,000	11.4%
9	£150,001 or more	12.5%

The employer, SHG, pays a contribution as determined by the fund actuary. Every 3 years they carry out an independent review to calculate how much SHG should contribute to the

Scheme. A booklet providing the full details of this scheme is available from the HR office or by visiting the website: [www.shropshirecountypensionfund.co.uk](http://www.shropshirecountypensionfund.co.uk)  
For those members in scheme who require advice you should contact the pensions helpline: (01743) 252130 or email: [pensions@shropshire.gov.uk](mailto:pensions@shropshire.gov.uk)