



*Sevenside Housing Policies & Procedures*

REPORT AND  
SEVERNSIDE HOUSING

**LOCAL GOVERNMENT PENSION SCHEME (LGPS)  
DISCRETIONS POLICY**

APPROVED 2 FEBRUARY 2016

## **Summary**

This report makes recommendations for Severnside Housing on discretions to be exercised under:

- i) the LGPS Regulations 2013 from 1 April 2014 in respect of members of the Career Average Revalued Earnings (CARE) scheme,
- ii) earlier LGPS Regulations in respect of former employees who were members of the LGPS and who left prior to 1 April 2014,
- iii) the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006 and earlier compensation regulations,

## **2. Background**

In March 2011, the Independent Public Service Pensions Commission, chaired by Lord Hutton, published its final report of the review of public service pensions. The report made clear that change was needed to “make public service pension schemes simpler and more transparent, and fairer to those on low and moderate earnings”.

As a result, it was decided that the Local Government Pension Scheme (LGPS) should be reformed so that, from 1 April 2014, benefits accrue on a Career Average Revalued Earnings (CARE) basis rather than on a final salary basis.

The provisions of the CARE scheme, together with the protections for members’ accrued pre 1 April 2014 final salary pension rights, are contained in the Local Government Pension Scheme Regulations 2013 and the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014.

As a result of the changes, Severnside Housing is legally required to formulate, publish and send to the LGPS pension fund administering authority, a written Statement of Policy on certain discretions under the LGPS which Severnside Housing has the power to exercise on and from 1 April 2014 in relation to members of the CARE scheme:

- i) under the LGPS Regulations 2013 from 1 April 2014 in respect of members of the Career Average Revalued Earnings (CARE) scheme,
- ii) under earlier LGPS Regulations in respect of former employees who were members of the LGPS and who left prior to 1 April 2014,
- iii) under the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006 and earlier compensation regulations,

Any amended policy must be published and sent to the LGPS pension fund administering authority within one month of the date the revisions to the policy were made.

### **3. Consultation**

Sevenside Housing is not required to consult with recognised union(s) when Sevenside Housing intends to adopt new, or change existing, discretionary policies. However, it was considered appropriate to give advance notification to recognised union(s) that this report would be considered by Sevenside Housing's Executive Team.

### **4. Effective date of policies**

The policies on discretions, to be exercised under the LGPS Regulations 2013, takes immediate effect from the date Sevenside Housing agrees the policies.

Any change to the policies on existing discretions to be exercised under the LGPS Regulations in respect of former employees who were members of the scheme, and who left pre 1 April 2014, take immediate effect from the date Sevenside Housing agrees the policies.

Any change to the discretions exercised under the Discretionary Compensation Regulations cannot take effect until one month after the date Sevenside Housing publishes a statement of its amended policy.

Key differences between the 2008 and 2014 Local Government Pension Schemes

	New LGPS 2014	LGPS 2008
<b>Scheme Basis</b>	<b>Career Average Revalued Earnings</b>	<b>Final Salary</b>
<b>Proportion of pensionable pay each year which counts towards pension</b>	<b>1/49<sup>th</sup></b>	<b>1/60<sup>th</sup></b>
<b>Pay which counts towards pensions</b>	<b>Actual annual salary including other contractual payments, non-contractual overtime and additional hours</b>	<b>Full-time equivalent pay for part-time staff and excluding non-contractual overtime additional hours</b>
<b>Contribution flexibility</b>	<b>May opt to pay 50% contributions for 50% of pension benefit for limited period</b>	<b>Only topping up benefits available</b>
<b>Normal Pension Age (age benefits can be paid unreduced)</b>	<b>Equal to the individual members' State Pension Age (minimum age 65)</b>	<b>65</b>
<b>Qualifying period for entitlement to benefits</b>	<b>2 years</b>	<b>3 months</b>
<b>Earliest Retirement Age (the earliest age benefits can be paid without employer consent but with a reduction applied)</b>	<b>55</b>	<b>60</b>

**COMPULSORY DISCRETIONS (1 to 5)**

<p><b>Table A: Discretions to be exercised on and after 1 April 2014 under the LGPS Regulations 2013 in relation to active scheme members and members who cease active membership after 31 March 2014</b></p>	<p><b>Sevenside Housing policy</b></p>
<p>1. Whether, at full cost to Sevenside Housing, to grant extra annual pension of up to £6,675 (figure at 1 April 2015) to an active scheme member or, within 6 months of leaving, to a member who is dismissed by reason of redundancy or business efficiency or whose employment is terminated by mutual consent on the grounds of business efficiency.</p>	<p><b>Sevenside Housing will not make use of the discretion to grant extra annual pension of up to £6,675 (figure at 1 April 2015) to an active scheme member or, within 6 months of leaving, to a member who is dismissed by reason of redundancy or business efficiency or whose employment is terminated by mutual consent on the grounds of business efficiency except in exceptional circumstances where Sevenside Housing considers it is in its financial or operational interests to do so. Each case will be considered on the merits of the financial and / or operational business case put forward.</b></p>
<p>2. Whether, where an active scheme member wishes to purchase extra annual pension of up to £6,675 (figure at 1 April 2015) by making Additional Pension Contributions (APCs), Sevenside Housing will voluntarily contribute towards the cost of purchasing that extra pension via a Shared Cost Additional Pension Contribution (SCAPC)</p>	<p><b>Sevenside Housing will only voluntarily contribute towards the cost of purchasing extra pension via a Shared Cost Additional Pension Contribution (SCAPC) in two situations. Firstly, where:</b></p> <ul style="list-style-type: none"> <li>- <b>an active scheme member returns from a period of authorised leave of absence,</b></li> </ul>

	<p>and</p> <ul style="list-style-type: none"> <li>- the member does not, within 30 days of returning from the leave of absence, make an election to buy-back the amount of pension 'lost' during that period of leave of absence, and</li> <li>- the member subsequently makes an election to do so whilst an active member and it can be demonstrated that the reason for the member missing the original 30 day deadline was because the member had not been made aware of that deadline, and</li> <li>- the election is made no more than 3 months after the member returns from the period of leave of absence or such longer period as Severnside Housing may deem reasonable in any individual case.</li> </ul> <p>A decision on whether the member meets the above criteria (and on whether the 3 month period referred to should be extended in any individual case) will be taken by the Chief Executive or Resources Director and, where it is agreed that the conditions are met, Severnside Housing will be required to contribute 2/3rds of the cost of buying back the 'lost' pension via a SCAPC.</p>
3. Whether to permit flexible retirement for staff aged 55 or over	<b>Severnside Housing will carry forward their</b>

<p>who, with the agreement of Severnside Housing, reduce their working hours or grade and, if so, as part of the agreement:</p> <ul style="list-style-type: none"> <li>- whether, in addition to the benefits the member has accrued prior to 1 April 2008 (which the member must draw if flexible retirement is agreed), to permit the member to choose to draw <ul style="list-style-type: none"> <li>• all, part or none of the pension benefits they accrued after 31 March 2008 and before 1 April 2014, and / or</li> <li>• all, part or none of the pension benefits they accrued after 31 March 2014, and</li> <li>• whether to waive, in whole or in part , any actuarial reduction which would otherwise be applied to the benefits taken on flexible retirement before Normal Pension Age (NPA).</li> </ul> </li> </ul>	<p><b>existing policy (this forms part of the Pensions &amp; Retirement Policy dated June 2015 under Flexible Retirement) whereby employees, who are members of the LGPS, may request a reduction in their hours (minimum 30%), or move to a less senior position (minimum drop of 1 grade level), and also draw some or all of their pension benefits whilst continuing to work.</b></p> <p><b><u>Waiver of any actuarial reduction on flexible retirement</u></b>  <b>Where flexible retirement is agreed, the benefits payable will be subject to any actuarial reduction applicable under the Local Government Pension Scheme Regulations and the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014. Severnside Housing will only waive any such reduction, in whole or in part, where it considers it is in its financial or operational interests to do so. Each case will be considered on the merits of the financial and / or operational business case put forward, and will require the approval of the Chief Executive or Resources Director, including, where the reduction is only to be waived in part, approval for the amount of reduction to be waived.</b></p>

4. Whether, as the 85 year rule does not (other than on flexible retirement – see 3 above) automatically apply to members who would otherwise be subject to it and who choose to voluntarily draw their benefits on or after age 55 and before age 60, to apply the 85 year rule to such voluntary retirements.

**Sevenside Housing will not agree to apply the 85 year rule where members choose to voluntarily draw their benefits on or after age 55 and before age 60 except in circumstances where Sevenside Housing considers it is in its financial or operational interests to do so. Each case**

- will be considered on the merits of the financial and / or operational business case put forward, and
- will require the approval of the Chief Executive or Resources Director.

5. For:

i) active members voluntarily retiring on or after age 55 and before Normal Pension Age who elect under regulation 30(5) of the LGPS Regulations 2013 to immediately draw benefits, and

ii) deferred members and suspended Tier 3 ill health pensioners who elect under regulation 30(5) of the LGPS Regulations 2013 to draw benefits (other than on ill health grounds) on or after age 55 and before Normal Pension Age who:

- were not members of the LGPS before 1 October 2006 [Group 4 members], whether to:
  - i) waive on compassionate grounds, any actuarial reduction that would otherwise be applied to benefits, if any, accrued before 1 April 2014, and / or
  - ii) waive, in whole or in part (on any grounds), any actuarial

**i) Where members choose to voluntarily draw their benefits on or after age 55, and before Normal Pension Age, Sevenside Housing will consider to waive in whole, or in part, any actuarial reduction that would otherwise be applied to their benefits, except in circumstances where Sevenside Housing considers it is not in its financial or operational interests to do so, or there are compelling compassionate reasons for not doing so.**

**Each case**

- will be considered on the merits of the financial and / or operational business



reduction that would otherwise be applied to benefits accrued after 31 March 2014

- were members of the LGPS before 1 October 2006 and will be 60 or more on 31 March 2016 [Group 1 members], whether to:

i)waive on compassionate grounds, any actuarial reduction that would otherwise be applied to benefits accrued before 1 April 2016, and / or

ii)waive, in whole or in part (on any grounds), any actuarial reduction that would otherwise be applied to benefits accrued after 31 March 2016

- were members of the LGPS before 1 October 2006 and will not be 60 or more on 31 March 2016 and will not attain age 60 between 1 April 2016 and 31 March 2020 [Group 3 members], whether to:

i) waive on compassionate grounds, any actuarial reduction that would otherwise be applied to benefits accrued before 1 April 2014, and / or

ii)waive, in whole or in part (on any grounds), any actuarial reduction that would otherwise be applied to benefits accrued after 31 March 2014

- were members of the LGPS before 1 October 2006 and will not be 60 or more on 31 March 2016 but will attain age 60 between 1 April 2016 and 31 March 2020 [Group 2 members], whether to:

i)waive on compassionate grounds, any actuarial reduction that would otherwise be applied to benefits accrued before 1 April 2020, and / or

ii)waive, in whole or in part (on any grounds), any actuarial reduction that would otherwise be applied to benefits accrued after 31 March 2020

**case put forward, or**

- **will be considered on the merits of the compassionate case put forward, and**
- **will require the approval of the Chief Executive or Resources Director including, where the reduction is only to be waived in part, approval for the amount of reduction to be waived**

## **OTHER DISCRETIONS CONSIDERED**

<p>6. Whether, how much, and in what circumstances to contribute to a shared-cost Additional Voluntary Contribution (SCAVC) arrangement entered into on or after 1 April 2014 and whether, how much, and in what circumstances to continue to contribute to any shared cost Additional Voluntary Contribution (SCAVC) arrangement entered into before 1 April 2014.</p>	<p><b>Sevenside Housing would not generally exercise this discretion, except in exceptional circumstances where Sevenside Housing considers it is in its financial or operational interests to do so. Each case will be considered on the merits of the financial and / or operational business case put forward and will require the approval of the Chief Executive or Resources Director.</b></p>
<p>7. Whether to extend the 12 month time limit within which a scheme member, who has a deferred LGPS benefit in England or Wales following the cessation of an employment (or cessation of a concurrent employment) after 31 March 2014, may elect not to have the deferred benefits aggregated with their new LGPS employment (or ongoing concurrent LGPS employment) if the member has not made an election to retain separate benefits within 12 months of commencing membership of the LGPS in the new employment (or within 12 months of ceasing the concurrent membership).</p>	<p><b>Sevenside Housing chooses not to exercise this discretion. As the LGPS scheme has been closed to new employees since April 2010, this is no longer relevant.</b></p>
<p>8. Whether, with the agreement of the Pension Fund administering authority, to permit a Scheme member to elect to transfer other pension rights into the LGPS if he / she have not made such an election within 12 months of joining the LGPS.</p>	<p><b>Sevenside Housing chooses not to exercise this discretion. As the LGPS scheme has been closed to new employees since April 2010, this is no longer</b></p>

<p>9. How the pension contribution band/rate to which an employee is to be allocated will be determined on joining the Scheme and at each subsequent April, and the circumstances in which the employer will, in addition to the review each April, review the pension contribution band/rate to which an employee has been allocated consequent upon a material change which affects the member's pensionable pay in the course of a Scheme year (1 April to 31 March).</p>	<p><b>relevant.</b></p> <p><b>Sevenside Housing's policy is to allocate a member to a contribution rate on 1 April each year only, based on:</b></p> <ul style="list-style-type: none"> <li><b>a) the employee's salary as at 1 April each year</b></li> <li><b>b) the employee's actual basic pensionable salary per annum</b></li> <li><b>c) the current advertised banding levels in force each year</b></li> </ul> <p><b>Sevenside Housing will notify all members of their contribution rate being applied, in April each year, for the current financial year. Sevenside will also notify all members of their right of appeal.</b></p>
<p>10. Whether or not, when calculating assumed pensionable pay when a member (other than a returning officer) is:</p> <ul style="list-style-type: none"> <li>- on reduced contractual pay or nil pay on due to sickness or injury, or</li> <li>- absent during ordinary maternity, paternity or adoption leave or paid shared parental leave, or during paid additional maternity or adoption leave (other than any part of that leave where the pensionable pay received is greater than the assumed pensionable pay for that part of the leave period), or</li> <li>- absent on reserve forces service leave, or</li> <li>- retires with a Tier 1 or Tier 2 ill health pension, or</li> </ul>	<p><b>In assessing Assumed Pensionable Pay (APP) Sevenside Housing will include in the calculation any 'regular contractual lump sum payments' subject to the approval of the Chief Executive or Resources Director.</b></p>

<p>- dies in service to include in the calculation the amount of any 'regular contractual lump sum payment' received by the member in the 12 months preceding the date the absence began or the ill health retirement or death occurred.</p>	
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<p><b>Table B: Discretions to be exercised on and after 1 April 2014 under the LGPS Regulations in relation to scheme members who ceased active membership between 1 April 2008 and 31 March 2014</b></p>	<p><b>Sevenside Housing policy</b></p>
<p>1. Whether to grant applications for the early payment of deferred pension benefits, on or after age 55 and before 60, on grounds other than permanent ill health.</p>	<p><b>Where a former scheme member who left the scheme between 1 April 2008 and 31 March 2014 requests early release of deferred benefits on or after age 55 and before age 60 (on grounds other than permanent ill health), approval will only be considered on compassionate grounds. Each case will be considered on its merits and will be subject to the approval of the Chief Executive or Resources Director. Subject to entry 2 below, the benefits payable in such circumstances will be subject to any actuarial reduction applicable under the relevant LGPS Regulations.</b></p>

<p>2. Whether on compassionate grounds to waive any actuarial reduction that would normally be applied to deferred benefits which are paid before age 65.</p>	<p><b>Sevenside Housing will consider an application to waive, on compassionate grounds, any actuarial reduction that would normally be applied to deferred benefits which are paid before age 65. Each case will be considered on its merits and will be subject to the approval of the Chief Executive or Resources Director.</b></p>
<p>3. Whether to grant applications for the early payment of a suspended Tier 3 ill health pension, on or after age 55 and before age 60, on grounds other than permanent ill health.</p>	<p><b>Where a former scheme member who left the scheme between 1 April 2008 and 31 March 2014 requests early release of deferred benefits on or after age 55 and before age 60 (on grounds other than permanent ill health), approval will only be considered on compassionate grounds. Each case will be considered on its merits and will be subject to the approval of the Chief Executive or Resources Director. Subject to entry 4 below, the benefits payable in such circumstances will be subject to any actuarial reduction applicable under the relevant LGPS Regulations.</b></p>
<p>4. Whether, on compassionate grounds, to waive any actuarial reduction that would normally be applied to any suspended Tier 3 ill health pension benefits which are brought back into payment before age 65.</p>	<p><b>Sevenside Housing will consider an application to waive, on compassionate grounds, any actuarial reduction that would normally be applied to a suspended Tier 3 ill health pension which is brought back into</b></p>

	<p>payment before age 65. Each case will be considered on its merits and will be subject to the approval of the Chief Executive or Resources Director.</p>
<p><b>Table C: Discretions to be exercised on and after 1 April 2014 under the LGPS Regulations in relation to scheme members who ceased active membership between 1 April 1998 and 31 March 2008</b></p> <p>1. Whether to grant applications for the early payment of pension benefits, on or after age 50 and before age 60, on grounds other than permanent ill health.</p>	<p><b>Sevenside Housing policy</b></p> <p>Where a former scheme member who left the scheme between 1 April 1998 and 31 March 2008 requests early release of deferred benefits on or after age 50 and before age 60 (on grounds other than permanent ill health), approval will only be considered on compassionate grounds. Each case will be considered on its merits and will be subject to the approval of the Chief Executive or Resources Director. Subject to entry 2 below, the benefits payable in such circumstances will be subject to any actuarial reduction applicable under the relevant LGPS Regulations.</p>

<p>2. Whether, on compassionate grounds, to waive any actuarial reduction that would normally be applied to deferred benefits which are paid before age 65.</p>	<p>Sevenside Housing will consider an application to waive, on compassionate grounds, any actuarial reduction that would normally be applied to deferred benefits which are paid before age 65. Each case will be considered on its merits and will be subject to the approval of the Chief Executive or Resources Director.</p>
<p><b>Table D: Discretions to be exercised on and after 1 April 2014 under the LGPS Regulations in relation to scheme members who ceased active membership before 1 April 1998</b></p> <p>1. Whether to grant applications for the early payment of deferred pension benefits, on or after age 50 and before age 65, on compassionate grounds.</p>	<p><b>Sevenside Housing policy</b></p> <p>Where a former scheme member who left the scheme before 1 April 1998 requests early release of deferred benefits on or after age 50 and before age 65 on compassionate grounds, the case will be considered on its merits and will be subject to the approval of the Chief Executive or Resources Director.</p>
<p><b>Table E: Discretions to be exercised under the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006</b></p> <p>1. Whether, to base a redundancy payment on an employee's actual week's pay, where this exceeds the statutory week's pay limit, currently £475 per week (as at 6 April 2015).</p>	<p><b>Sevenside Housing policy</b></p> <p>Sevenside Housing's Redundancy Policy will base a redundancy payment on an employee's actual week's pay, where this exceeds the statutory week's pay limit.</p>

<p>2. Whether, to make a termination payment (inclusive of any redundancy payment) of up to a maximum of 104 weeks' pay to employees whose employment is terminated on the grounds of redundancy or efficiency of service.</p>	<p><b>Sevenside Housing will carry forward their existing policy.</b></p>
<p><b>Table F: Discretions to be exercised under the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000</b></p> <p>1. How any surviving spouse's or civil partner's annual compensatory added years pension is to be apportioned, where the deceased person is survived by more than one spouse or civil partner</p>	<p><b>Sevenside Housing policy</b></p> <p><b>Sevenside Housing will consider this discretion if it is in its financial or operational interests to do so. Each case will be considered on the merits of the financial and / or operational business case put forward.</b></p>
<p>2. Whether, if the spouse or civil partner of a person who ceased employment before 1 April 1998 remarries, enters into a civil partnership or cohabits after 1 April 1998, the normal annual compensation suspension rules will be disapplied i.e. the spouse's or civil partner's annual compensatory added years pension will continue to be paid.</p>	<p><b>Sevenside Housing will consider this discretion if it is in its financial or operational interests to do so. Each case will be considered on the merits of the financial and / or operational business case put forward.</b></p>
<p>3. Whether, where a spouse's or civil partner's annual compensatory added years pension is suspended as a result of remarriage, entering into a new civil partnership or cohabitation, the spouse's or civil partner's annual compensatory added years pension should be reinstated after the end of the remarriage, new civil partnership or cohabitation.</p>	<p><b>Sevenside Housing will consider this discretion if it is in its financial or operational interests to do so. Each case will be considered on the merits of the financial and / or operational business case put forward.</b></p>



<p>4. Whether, if the spouse or civil partner of a person who ceased employment before 1 April 1998, with an award of compensatory added years, remarries or cohabits or enters into a civil partnership on or after 1 April 1998 with another person who is also entitled to a spouse's or civil partner's compensatory added years pension, the normal rule requiring one of them to forego payment whilst the period of marriage, civil partnership or cohabitation lasts, should be disapplied i.e. whether the spouses' or civil partners' compensatory added years pension should continue to be paid to both of them.</p>	<p><b>Sevenside Housing will consider this discretion if it is in its financial or operational interests to do so. Each case will be considered on the merits of the financial and / or operational business case put forward.</b></p>
<p>5. How, if compensatory added years were awarded to an employee who was not in the LGPS (because the employee had not joined or had opted out of the LGPS), the employer will decide to whom any children's annual compensatory added years payments are to be paid and, in such a case, how the annual added years will be apportioned amongst the eligible children.</p>	<p><b>Sevenside Housing chooses not to exercise this discretion. As the LGPS scheme has been closed to new employees since April 2010, this is no longer relevant.</b></p>
<p>6. How a person's annual compensatory added years pension is to be abated during, and following, the cessation of any period of re-employment by an employer who offers membership of the LGPS to its employees, regardless of whether or not the employee chooses to join the LGPS (except where the employer is an Admitted Body, in which case abatement only applies if the person is in, or eligible to be in, the LGPS in the new employment).</p>	<p><b>Sevenside Housing chooses not to exercise this discretion. As the LGPS scheme has been closed to new employees since April 2010, this is no longer relevant.</b></p>

*Each decision will be made by the Chief Executive or Resources Director under delegated authority, following consideration of a detailed report which includes documentary evidence and an opinion from an Independent Registered Medical Practitioner. Each decision will be made on the basis that it is affordable and reasonable, having regard to the foreseeable costs. Rights of appeal will be in accordance with any statutory legislation at the point that a claim is made. In the event that any decision to be taken is in respect of the Chief Executive, that decision shall be taken by the Chair.*