

# Local Government Pension Scheme Employer Discretions Statement of Policy

## Report of the Chief Fire Officer

For further information about this report please contact John Redmond, Chief Fire Officer, on 01743 260201, Louise McKenzie, Assistant Chief Fire Officer, on 01743 260205 or Ingrid Jones, Human Resources Manager, on 01743 260211.

## 1 Purpose of Report

This report informs the Fire Authority of the amendments to the Local Government Pensions Scheme (LGPS). It recommends decisions on the required discretions and also policies under each discretion to facilitate effective implementation of those decisions.

## 2 Recommendations

The Fire Authority is asked to:

- a) Note the outcome of the review of the current Statement of Policy for the Local Government Pension Scheme (LGPS); and
- b) Consider and approve the updated table of discretions and proposed policies for the Local Government Pension Scheme, shown in the Statement of Policy at Appendix B.

## 3 Background

Under Regulation 60 (1) of the LGPS 2013 Regulations, each employer must formulate, keep under review and publish their policies on certain discretions contained within the LGPS Regulations.

Shropshire Fire and Rescue Service maintains a Statement of Policy for the Local Government Pension Scheme, which is reviewed and amended, when further discretions are issued within the LGPS Regulations. This Statement is applicable to all employees of Shropshire Fire and Rescue Authority, who are eligible to be members of the LGPS Scheme.

## 4 Review of Current Policy (prior to 2014)

The current policy has been reviewed and the findings are shown in the updated policy document at Appendix A.

There were four discretions, requiring a policy. Two of these have been removed and two have been revised. There were eleven areas, where guidelines were desirable, although formal policies were not necessary. Of these, one has been removed and the remaining ten have been revised, retained and transferred to the updated policy document.

## 5 Revised Policy Document

The new LGPS 2014 means that some discretions are no longer required or have been removed or new policy statements are required. The following table provides a summary of the changes to the discretions.

LGPS	Regulation	Impact
Pre-2014 Scheme	Regulation 12 BReg - Power of the employing authority to increase total membership of active members	This discretion has now been removed.
Pre-2014 Schemes	Regulation 30 BReg – Choice of early retirement benefits	This discretion has now been removed. LGPS members no longer need their employer's consent to retire at 55 years to receive reduced pension benefits.
2014 Scheme	Reg 16 2(e and Reg 16 4(d)) - Funding additional pension	New discretion This Regulation has replaced Shared cost – AVC Reg 67
2014 Scheme	Regulation 30 (6) Flexible retirement	No change to the discretion
2014 Scheme	Regulation 30 (8) Waiving of actuarial reduction	Employers can exercise discretion to allow LGPS members to receive unreduced pension benefits, subject to the member meeting the '85 year rule'.
2014 Scheme	Regulation 31 Power of the employing authority to award additional pension	This discretion has not changed but the amount that can be awarded has increased from £5,000 to £6,500.
2014 Scheme	Choice of early payment of deferred pension	A policy statement is required for LGPS members, who left between 31 March 2008 and 1 April 2014.

The revised Statement of Policy, taking into account these changes, is shown in Appendix B.

There are five new discretions, four of which require a policy and approval. The policy pertaining to the flexible retirement discretion is contained in the current policy and has been approved.

The remainder of the items within the policy document are those brought forward, following the review of the existing policy.

## **6 Financial Implications**

There are no financial implications arising directly from this report but there may well be costs associated with exercising the discretions.

## **7 Legal Comment**

The introduction of the new Local Government Pension Scheme 2014 (LGPS) on 1 April 2014 requires all Scheme employers to review their existing discretionary pension policy statements and publish new policy statements.

This Statement of Policy will ensure the Fire Authority's compliance with the requirement to publish a statement of its policy in relation to various pension discretions.

The Fire Authority has an ongoing duty to comply with the Regulations and to ensure that the provisions of the Equality Act 2010 are complied with in relation to the exercise of its discretion.

## **8 Initial Impact Assessment**

An Initial Impact Assessment has been completed.

## **9 Equality Impact Assessment**

There are no equality or diversity implications arising from this report. An Equality Impact Assessment is not, therefore, required.

## **10 Appendices**

### **Appendix A**

Review of Statement of Policy 2008

### **Appendix B**

Proposed Statement of Policy

## **11 Background Papers**

There are no background papers associated with this report.

## Review of Statement of Policy 2008

### Shropshire Fire and Rescue Service Pension Scheme - Employer Discretions

### Review of Statement of Policy

**Employer discretions requiring formal policy under Regulation 66 of the  
Local Government Pension Scheme (Administration) Regulations 2008**

Reg	Discretion	SFRS Policy	Outcome of review
12 (B Regs)	To grant extra membership to active members up to a maximum of 10 years (Augmentation)	Detailed in the Pension and Retirement Policy	Removed
13 (B)	To grant an active member an additional pension of up to £5,000 per annum	Detailed in the Pension and Retirement Policy	Revised and retained See new policy document Appendix B
18 (B)	To allow flexible retirement option to members aged 55 (50 + for members in the scheme as at 31/03/08 until 31/03/2010) and over, to receive all or part of their scheme benefits	Detailed in the Pension and Retirement Policy	Revised and retained  See new policy document Appendix B
30 (B)	To allow early payment of benefits between age 55 - 60 (50 – 60 for members in the scheme as at 31/03/08 until 31/03/2010) and to waive any early retirement reduction on compassionate grounds if appropriate	Detailed in the Pension and Retirement Policy	Removed

**Employer discretions which do not require formal policy but which may be included and where it is desirable to have guidelines.**

<b>Reg</b>	<b>Discretion</b>	<b>SFR Policy</b>	<b>Outcome of review</b>
3 (B) & 55 (A)	Employee contribution rate Bandings. Still awaiting final version of Benefit Regs. But indications are that employers will be able to decide (after the initial banding needed for April 2008) how often they reassess an employee's contribution rate. Therefore it is advisable to have a policy in place stating when and how a band is allocated.	Detailed in the Pension and Retirement Policy	Revised and retained  See new policy document Appendix B
16 (4) (A)	The 12 month time limit for transferring pension rights from a previous LGPS fund may be extended (but only where there has not been an option to transfer with a previous LGPS employer	Detailed in the Pension and Retirement Policy	Revised and retained  See new policy document Appendix B
22 (2) (A)	Extension of time limits to pay contributions to cover a period of absence	SFRS will consider whether or not to extend the time limits.  <b>Approval –</b> The use of this provision will be approved by the Monitoring Officer and the s 151 Officer.	Revised and retained  See new policy document Appendix B
25 (3) (A)	To operate a shared cost AVC	A formal policy is no longer required	Removed
(6(9)(b) – 997 Regulations	Election to convert AVCs into scheme membership can be extended from 30 days of ceasing to be an active member (only applicable to AVC contracts taken out before 13 November 2001) NB. DCLG have stated that even though this is not covered in the new regulations it was their intention that this provision be carried forward.	SFRS will extend the 30-day deadline where the Pension Fund Administrators have been unable to provide the necessary information to the employee within the 30-day time limit.  <b>Approval –</b> These applications will be approved by the Monitoring Officer and the s 151 Officer.	Revised and retained  See new policy document Appendix B

Reg	Discretion	SFR Policy	Outcome of review
47 (2) (A)	A member who has ceased employment due to an offence of a fraudulent nature or grave misconduct may have a refund only if approved by the employer.	<p>SFRS will consider whether or not to make a refund based on the merits of each individual case.</p> <p><b>Approval –</b> The use of this provision will be approved by the Monitoring Officer and the s 151 Officer.</p>	<p>Revised and retained</p> <p>See new policy document Appendix B</p>
72 (A)	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 Office of the Deputy Prime Minister for the issue of a forfeiture certificate. If the Secretary of State issues a certificate the employer may direct that certain of the person's rights be forfeited.	<p>SFRS will consider whether or not to request a forfeiture certificate based on the merits of each individual case.</p> <p><b>Approval –</b> The use of this provision will be approved by the Monitoring Officer and the s 151 Officer.</p>	<p>Revised and retained</p> <p>See new policy document Appendix B</p>
73 (A)	Where the Secretary of State has issued a forfeiture certificate but the employer has not applied the certificate, or notified the scheme member of an award of benefits under the LGPS, the employer may direct that, interim payments are made out of the Pension Fund until such time as it decides to apply the forfeiture certificate or to make an award of benefits.	<p>SFRS will not direct that interim payments be made from the Fund pending a decision.</p> <p><b>Approval –</b> The use of this provision will be approved by the Monitoring Officer and the s 151 Officer.</p>	<p>Revised and retained</p> <p>See new policy document Appendix B</p>

Reg	Discretion	SFR Policy	Outcome of review
74 (A)	Where a member (i) ceases employment in consequence of a criminal, negligent or fraudulent act or omission in connection with that employment and (ii) has incurred a monetary obligation arising there from to the employer and (iii) is entitled to pension benefits under the LGPS, the employer may recover the amount of the monetary obligation or the value of the member's pension rights, if less, other than transferred in pension rights, from the Pension Fund and reduce the member's benefits accordingly.	SFERS will consider whether or not to recover and reduce benefits accordingly based on the merits of each case.  <b>Approval –</b> The use of this provision will be approved by the Monitoring Officer and the s 151 Officer.	Revised and retained  See new policy document Appendix B
76 (A)	Where (i) a member ceases employment in consequence of an offence involving fraud or due to grave misconduct in connection with that employment, and (ii) the employer has suffered a direct financial loss resulting there from, and (iii) the member is entitled to benefits under the LGPS and a forfeiture certificate has been applied, or the member is entitled to a refund of pension contributions the employer may direct that the amount of the direct financial loss, or the refund of contributions if less, be recovered from the Pension Fund.	SFERS will consider whether or not to recover and reduce benefits accordingly based on the merits of each case.  <b>Approval –</b> The use of this provision will be approved by the Monitoring Officer and the s 151 Officer.	Revised and retained  See new policy document Appendix B
83 (8) (A)	The 12-month time limit for transferring pension rights from a non-local government scheme into the LGPS may be extended.	SFERS only allow transfer within the 12 month time limit as agreed by HR Committee on 7 June 2007 and the Fire Authority on 18 July 2007.  <b>Approval –</b> These applications will be approved by the Monitoring Officer and the s 151 Officer.	Revised and retained  See new policy document Appendix B Revised and retained  See new policy document Appendix B

## Shropshire Fire and Rescue Service Proposed Statement of Policy Revised July 2014

Under Regulation 60 (1) of the Local Government Pensions Scheme (LGPS) 2013 Regulations, each employer must formulate, keep under review and publish their policies on certain discretions contained within the LGPS Regulations. This Statement is applicable to all employees of Shropshire and Wrekin Fire Authority, who are eligible members of the LGPS.

### 1. Regulation 16(2) (e) and 16 (4) (d) Funding Additional Pension

Explanation	Recommended Policy	Comment
Where an active member opts to make Additional Pension Contributions (APCs) under Rule 16(2)(e) these may be funded in whole or in part by the Employer. Under Rule 16(4)(d) the employee may opt to pay APCs as a lump sum and this may also be funded in full or part by the employer.	The Fire Authority will not fund in whole or in part any APC purchased either by periodical payments or lump sum.	New discretion  This Regulation replaced Shared Cost AVC Regulation 67.

### 2. Regulation 30 (6) Flexible Retirement

Explanation	Recommended Policy	Comment
A member who is aged 55 or over and with their employer's consent reduces their hours or grade can then, but only with the agreement of the employer, make an election to the administering authority for payment of their accrued benefits without having retired from that employment.	This will be subject to management consent and will only be considered where there is a justifiable business case and the cost, if any, of early release of pension is managed within the section's budget.  Employees who request a reduction in their hours or in the grade of their post should use the procedure outlined in the "Flexible Working Framework".  The authorisation for an employee to receive immediate payment of their pension under flexible retirement will be considered and determined by their Head of Department in discussion with the Assistant Chief Fire Officer.	No change to this discretion  See Appendix 1

### 3. Regulation 30 (8) Waving of Actuarial Reduction

Explanation	Recommended Policy	Comment
<p>From age 55, members who have left local government employment receive early payment of their retirement benefits and do not need their employer's consent. The pension benefits must be reduced in accordance with guidance provided by the Government actuary. Employers may determine on compassionate grounds that the benefits are not reduced.</p> <p>For a member who joined the scheme prior to 1 October 2006 where the member's age and membership (in whole years) satisfies the "rule of 85" then the benefits would be reduced, unless the employer chooses to exercise the discretion within the regulations. For a member who joined the Scheme on or after 1 October 2006, then reduced benefits would be payable if taken before age 65.</p>	<p>This discretion will not be exercised by Shropshire and Wrekin Fire Authority.</p>	

Revised 2014

#### 4. Regulation 31 Power of the Employing Authority to Award Additional Pension

Explanation	Recommended Policy	Comment
<p>An employer may resolve to award a member additional pension of not more than £6,500 a year, payable from the same date as their pension is payable under any other provision of these regulations. An additional pension may be paid in addition to any increase to total membership resolved under Regulation 16 so long as the overall total does not breach the limits laid down within these regulations.</p>	<p>The Fire Authority will not normally award additional pension under this regulation other than in exceptional circumstances, where the financial implications can be justified in the Authority's best interests.</p> <p>Exceptional cases would be considered by the Pensions Panel on a case by case basis, taking into account the recommendation from the Chief Fire Officer and with advice from the Treasurer.</p>	

#### 5. Choice of early payment of Deferred Pension

Explanation	Recommended Policy	Comment
<p>Where a member became a deferred member between 31 March 2008 and 1 April 2014, they can apply for early release of benefits, and the Fire Authority can fund the costs of the release.</p>	<p>Shropshire and Wrekin Fire Authority will not grant the benefit contained within this Regulation.</p>	

Existing discretions not needing a formal policy and carried forward from the 2008 Statement of policy

Regulation	Explanation	Policy
3 (B) & 55 (A)	This discretion allows the Employer to determine which contribution band is allocated on joining the scheme and at each April. It also determines the circumstances when an employee's band may be reviewed.	<p>The contribution band will be assessed using the full time equivalent salary plus any permanent pensionable extra payments.</p> <p>The figures will increase on 1 April each year by the rise in the Retail Prices Index.</p> <p>Bandings will be reassessed for all employees every April, with the exception of the following:</p> <ul style="list-style-type: none"> <li>• Promotion or permanent/long term honoraria payments</li> <li>• Down-grading or demotion</li> <li>• A re-grading exercise</li> </ul> <p>All of the above will prompt an immediate reassessment.</p> <ul style="list-style-type: none"> <li>• Pension contribution bandings will not be reassessed after a back dated pay award.</li> <li>• All employees who are members of the scheme shall be informed of their current or new pension contribution banding after every annual reassessment.</li> </ul>

Regulation	Explanation	Policy
16 (4) (A)	The 12 month time limit for transferring pension rights from a previous LGPS fund may be extended (but only where there has not been an option to transfer with a previous LGPS employer)	<ul style="list-style-type: none"> <li>The request to transfer pension rights should normally be made within 12 months of the employee starting employment with Shropshire and Wrekin Fire Authority.</li> <li>In exceptional circumstances, where an employee can show good cause, they may seek an extension to the first twelve months by up to a further 12 months before making a decision on making an application to transfer their pension rights subject to confirmation that they are not likely to retire, or be subject to ill-health retirement in the near future. In all instances, the employee should write to the Human Resources Manager requesting an extension to the twelve months, detailing any extenuating circumstances.</li> </ul>
22 (2) (A)	Extension of time limits to pay contributions to cover a period of absence.	<p>SFRS will consider whether or not to extend the time limits.</p> <p><b>Approval –</b> The use of this provision will be approved by the Monitoring Officer and the s 151 Officer.</p>
(6(9)(b) – 997 Regulations	<p>Election to convert AVCs into scheme membership can be extended from 30 days of ceasing to be an active member (only applicable to AVC contracts taken out before 13 November 2001).</p> <p>NB. DCLG have stated that even though this is not covered in the new regulations it was their intention that this provision be carried forward.</p>	<p>SFRS will extend the 30-day deadline where the Pension Fund Administrators have been unable to provide the necessary information to the employee within the 30-day time limit.</p> <p><b>Approval –</b> These applications will be approved by the Monitoring Officer and the s 151 Officer.</p>
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