

# **The Wrekin Housing Trust's Local Government Pension Scheme Discretionary Policy**

## **Summary**

Attached as appendices are the Trust's discretionary policies under the Local Government Pension Scheme Regulations and other related Regulations.

This report makes recommendations for The Trust's policies on discretions to be exercised:

- 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,

## **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, we are 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 the Trust 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,

## **Consultation**

The Trust is not required to consult with the recognised unions when we intend to adopt new, or change existing, discretionary policies. However, it is considered appropriate to inform the recognised unions when this report has been considered by Remuneration Committee.

## **Effective date of policies**

The policies on discretions to be exercised under the LGPS Regulations 2013 take immediate effect from the date The Trust 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 The Trust agrees the policies.

## **Non-fettering of discretions**

The recommendations contained within this report, form The Trusts policies on pension and compensation discretions. It should be noted that:

- the policies will confer no contractual rights
- The Trust retains the right to change the policies at any time without prior notice, and

**Date: 22<sup>nd</sup> June 2016**

## Key differences between the 2008 and 2014 Local Government Pension Schemes

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

**The Wrekin Housing Trusts Employer Discretions**

<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>Wrekin Housing Trust Policy Statement</b></p>
<p>1. Whether, at full cost to The Trust, 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>The Trust 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 the Trust considers it is in its financial or operational interests to do so.</p> <p>Each case will be considered on the merits of the financial and / or operational business case put forward and will require the approval of Executive Management Group.</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), The Trust will voluntarily contribute towards the cost of purchasing that extra pension via a Shared Cost Additional Pension Contribution (SCAPC).</p>	<p>The Trust will only voluntarily contribute towards the cost of purchasing extra pension via a Shared Cost Additional Pension Contribution (SCAPC) in two situations. Firstly, where:</p> <ul style="list-style-type: none"> <li>- an active scheme member returns from a period of authorised leave of absence, and</li> <li>- the member does not, within 30 days of returning from the</li> </ul>

	<p>leave of absence, make an election to buy-back the amount of pension 'lost' during that period of leave of absence, and</p> <ul style="list-style-type: none"> <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 The Trust 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 Executive Management Team and, where it is agreed that the conditions are met, The Trust will be required to contribute 2/3rds of the cost of buying back the 'lost' pension via a SCAPC.</p> <p>Secondly, where a member has a string of odd days of authorised unpaid leave of absence throughout the Scheme year (1 April to 31 March). In such a case The Trust will, instead of requiring elections to buy-back the amount of pension 'lost' during the periods of leave of absence to be made within 30 days of returning from each day of absence, allow the member (whilst an active member) to make a single election during the Scheme year to cover each one of the absences that occur during the Scheme year.</p>
<p>3. Whether to permit flexible retirement for staff aged 55 or over who, with the agreement of The Trust, reduce their working hours or grade and, if so, as part of the agreement:</p>	<p>The Trust will carry forward its existing policy (dated March 2015) whereby all employees may request a reduction in their hours or a move to a less senior position. If they are over 55 and a member of</p>

<p>- 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</p> <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> </ul> <p>- 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).</p>	<p>the LGPS they may also draw their pension benefits whilst continuing to work if the request is granted.</p> <p>Where flexible retirement is agreed, the benefits payable will be subject to any actuarial reduction applicable under the LGPS regulations. As a general rule we will not look to waive any actuarial reduction which would otherwise be applied to the benefits taken on flexible retirement before Normal Pension Age (NPA), though we will consider each case on the merits of the financial and / or operational business case put forward.</p> <p>The Trust 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 Remuneration Committee including, where the reduction is only to be waved in part, approval for the amount of reduction to be waived.</p> <p>If flexible retirement is agreed for a scheme member aged 55 or over but under 60 who is subject to the 85 year rule and who, at the date of flexible retirement, has either met the 85 year rule or would have met the rule before age 60, there would be a strain on fund cost to be met by, and paid to the Pension Fund by, the Trust in respect of the pension benefits paid following flexible retirement.</p> <p>All financial implications will be considered as part of the determination whether to grant flexible retirement or not. Where there are negative financial implications it will require the approval of Executive Management Group.</p>

<p>4. Whether, as the 85 year rule does not (other than on flexible retirement – see 3 above) <u>automatically</u> 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.</p>	<p>The Trust 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 the Trust considers it is in its financial or operational interests to do so. Each case:</p> <ul style="list-style-type: none"> <li>- will be considered on the merits of the financial and / or operational business case put forward, and</li> <li>- will require the approval of Executive Management Group.</li> </ul>
<p>5. For:</p> <ul style="list-style-type: none"> <li>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</li> <li>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</li> </ul> <p>who:</p> <ul style="list-style-type: none"> <li>- were <u>not</u> members of the LGPS before 1 October 2006 [Group 4 members], whether to: <ul style="list-style-type: none"> <li>o waive on compassionate grounds, any actuarial reduction that would otherwise be applied to benefits, if any, accrued before 1 April <u>2014</u>, and / or</li> <li>o waive, in whole or in part (on any grounds), any</li> </ul> </li> </ul>	<p>Where members choose to voluntarily draw their benefits on or after age 55 and before Normal Pension Age the Trust will not agree to waive in whole or in part any actuarial reduction that would otherwise be applied to their benefits except in circumstances where the Trust considers it is in its financial or operational interests to do so or there are compelling compassionate<sup>1</sup> reasons for doing so.</p> <p>Each case</p> <ul style="list-style-type: none"> <li>- will be considered on the merits of the financial and / or operational business case put forward, or</li> <li>- will be considered on the merits of the compassionate case put forward, and</li> <li>- will require the approval of Executive Management Group including, where the reduction is only to be waved in part, approval for the amount of reduction to be waived</li> </ul>

<sup>1</sup> There is no definition in the Regulations of “compassionate grounds”. However, one could take the view that, for example, releasing benefits because the member is short of funds / out of work would not be appropriate (as the pension scheme is not a social security scheme); whereas, for example, releasing benefits because the member has had to give up work to look after orphaned grandchildren would clearly be a case where an employer might wish to exercise compassion.

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 be 60 or more on 31 March 2016 [Group 1 members], whether to:
  - o waive on compassionate grounds, any actuarial reduction that would otherwise be applied to benefits accrued before 1 April 2016, and / or
  - o 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:
  - o waive on compassionate grounds, any actuarial reduction that would otherwise be applied to benefits accrued before 1 April 2014, and / or
  - o 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:
  - o waive on compassionate grounds, any actuarial reduction that would otherwise be applied to benefits accrued before 1 April 2020, and / or

<ul style="list-style-type: none"> <li>○ waive, in whole or in part (on any grounds), any actuarial reduction that would otherwise be applied to benefits accrued after 31 March <u>2020</u></li> </ul>	
<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>The Trust will not generally exercise this discretion and would not enter into a shared cost AVC arrangement other than in exceptional circumstances in which case the decision to contribute, and the amount of contribution, will be subject to the approval of Executive Management Group.</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>The Trust will only 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):</p> <ul style="list-style-type: none"> <li>a) where The Trust agrees that the available evidence indicates the member had not been informed of the 12 month time limit due to maladministration;</li> <li>b) where The Trust agrees that the available evidence indicates the member had made an election within 12 months of joining the LGPS but the election was not</li> </ul>

	<p>received by the Pension Fund administering authority (e.g. the election form was lost in the post); or</p> <p>c) where the member has pre 1 April 2014 membership and The Trust agrees the available evidence indicates that, due to maladministration, the member had not been informed of the implications of having benefits aggregated and would, in consequence, suffer a detriment to their pension benefits (for example, where member's whole-time equivalent pensionable pay on commencing with The Trust is, in real terms after allowing for inflation, significantly less than the whole-time equivalent pensionable pay upon which the deferred benefits were calculated).</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 has not made such an election within 12 months of joining the LGPS.</p>	<p>The Trust will only extend the 12 month time limit within which a scheme member must make an election to transfer other pension rights into the LGPS after joining the LGPS:</p> <ul style="list-style-type: none"> <li>- where the member asked for transfer investigations to be commenced within 12 months of joining the LGPS but a quotation of what the transfer value will purchase in the LGPS has not been provided to the member within 11 months of joining the LGPS. The time limit for such a member to make a formal election to transfer pension rights into the LGPS will be extended to one month beyond the date of the letter issued by the Pension Fund administering authority notifying the Scheme member of the benefits the transfer will buy in the LGPS;</li> <li>- where the available evidence indicates the member made an election within 12 months of joining the LGPS, but the election was not received by the Pension Fund administering authority (e.g. the election form was lost in the post);</li> </ul>

	<ul style="list-style-type: none"> <li>- where the available evidence indicates the member had not been informed of the 12 month time limit due to maladministration.</li> </ul>
<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>The Trust's policy in respect of the following circumstances are:</p> <ol style="list-style-type: none"> <li><b>1. allocating a member to a contribution rate on joining the Scheme (after 1 April 2014)</b> <p>The contribution rate on joining the scheme will be based on the annual rate of contractual pay</p> </li> <li><b>2. reallocating a member to a new contribution rate during a Scheme year (1 April to 31 March) following a material change which affects the member's pensionable pay</b> <p>If, during the Scheme year (1<sup>st</sup> April to 31<sup>st</sup> March), there is a material change which affects the member's pensionable contractual pay (e.g. on promotion, demotion, re-grading, a pay award, an increment, a variation to a member's contractual hours, a change of job, or a move from a casual post to a post with contractual hours). This will result in a reassessment to an appropriate contribution rate from the next available payroll date the material change is actioned on the payroll.</p> </li> </ol>

	<p><b>3. reallocating a member to a new contribution rate each 1 April</b></p> <p>All employees' actual pensionable pay for the previous 12 month period will be reviewed at the end of March each year and employees will be allocated to an appropriate contribution rate for the next 12 months based on the actual pensionable pay during that period.</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 no 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> <li>- dies in service</li> </ul> <p>to include in the calculation the amount of any 'regular 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>	<p>In assessing Assumed Pensionable Pay (APP) the Trust will not, other than in exceptional circumstances, include in the calculation any 'regular lump sum payments' in which case the decision to include the 'regular lump sum payment' will be subject to the approval of Executive Management Group.</p>

## Annex 2

<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>	<b>Wrekin Housing Trust Policy Statement</b>
<p>1. Whether to grant applications for the early payment of deferred pension benefits on or after age 55 and before age 60 (on grounds other than permanent ill health).</p>	<p>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 given on compassionate grounds. Each case will be considered on its merits and will be subject to the approval of Executive Management Group.</p> <p>Subject to item 2. Below, any 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<sup>2</sup>, to waive any actuarial reduction that would normally be applied to deferred benefits which are paid before age 65.</p>	<p>The Trust 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 Executive Management Group.</p>

<sup>2</sup> There is no definition in the Regulations of “compassionate grounds”. However, one could take the view that, for example, waiving a reduction because the member is short of funds / out of work would not be appropriate (as the pension scheme is not a social security scheme); whereas, for example, releasing benefits because the member has had to give up work to look after orphaned grandchildren would clearly be a case where an employer might wish to exercise compassion.

<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>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 given on compassionate grounds. Each case will be considered on its merits and be subject to the approval of the Executive Management Group.</p> <p>Subject to item 4. Below, any benefits payable in such circumstances will be subject to any actuarial reduction applicable under the relevant LGPS regulations.</p>
<p>4. Whether, on compassionate grounds<sup>3</sup>, 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>The Trust 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 payment before age 65. Each case will be considered on its merits and will be subject to the approval of Executive Management Group.</p>

### Annex 3

<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>	<b>Wrekin Housing Trust Policy Statement</b>
<p>1. Whether to grant applications for the early payment of</p>	<p>Where a former scheme member who left the scheme between 1</p>

<sup>3</sup> There is no definition in the Regulations of “compassionate grounds”. However, one could take the view that, for example, waiving a reduction because the member is short of funds / out of work would not be appropriate (as the pension scheme is not a social security scheme); whereas, for example, releasing benefits because the member has had to give up work to look after orphaned grandchildren would clearly be a case where an employer might wish to exercise compassion.

<p>pension benefits on or after age 50 and before age 60 (on grounds other than permanent ill health).</p>	<p>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 given on compassionate grounds. Each case will be considered on its merits and be subject to the approval of the Executive Management Group.</p> <p>Subject to item 2. Below, any 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<sup>4</sup>, to waive any actuarial reduction that would normally be applied to deferred benefits which are paid before age 65.</p>	<p>The Trust 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 Executive Management Group.</p>

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<sup>4</sup> There is no definition in the Regulations of “compassionate grounds”. However, one could take the view that, for example, releasing benefits because the member is short of funds / out of work would not be appropriate (as the pension scheme is not a social security scheme); whereas, for example, releasing benefits because the member has had to give up work to look after orphaned grandchildren would clearly be a case where an employer might wish to exercise compassion.

## Annex 4

<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>	<b>The Wrekin Housing Trust Policy Statement</b>
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.	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 Executive Management Group.

## Annex 5

<b>Table E: Discretions to be exercised under the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006</b>	<b>The Wrekin Housing Trust Policy Statement</b>
1. Whether to base a redundancy payment on an employee's actual weeks' pay where this exceeds the statutory week's pay limit of, currently, £479 per week (as at 6 April 2016).	Any redundancy payment will be calculated on an employee's actual week's pay and not limited to the statutory weeks' pay limit where pay exceeds that limit.
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 the service.	The Trust will carry forward their existing Redundancy and Capability policies which outlines our payments frameworks



