

Wrockwardine Wood & Trench Parish Council discretionary policies under the Local Government Pension Scheme Regulations and other related Regulations

Summary

1. This report makes recommendations for 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,

Background

2. 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".
3. 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.
4. 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.
5. **As a result of the changes, Wrockwardine Wood & Trench Parish Council 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 has the power to exercise Wrockwardine Wood & Trench Parish on and from 1 April 2014 in relation to members of the CARE scheme.**
6. It is also legally required for **Wrockwardine Wood & Trench Parish Council** to (or where there is no requirement, is recommended to) formulate, publish and keep under review a Statement of Policy on certain other discretions it may exercise:
 - i) under earlier LGPS Regulations in respect of former employees who were members of the LGPS and who left prior to 1 April 2014, and
7. Any amended policy under paragraph 10(i) above 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.
8. Any amended policy under the paragraph 10(iii) above must be published.
9. Overall, is: **Wrockwardine Wood & Trench Parish**
 - i) required to formulate, publish and keep under review a written Statement of Policy on certain discretions in accordance with:
 - regulation 60 of the Local Government Pension Scheme Regulations 2013,

- paragraph 2(2) of Schedule 2 to the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014,

10. In formulating and reviewing its policies under the LGPS Regulations referred to in paragraphs 14(i) and (ii) above is required to have **Wrockwardine Wood & Trench Parish** regard to the extent to which the exercise of its discretionary powers might lead to a serious loss of confidence in the public service.

Decisions required

11. **Wrockwardine Wood & Trench Parish Full Council is asked**

- i) to approve the policies on the discretions to be exercised under the LGPS Regulations in respect of those employees who are active scheme members after 31 March 2014 and members and who cease active membership after 31 March 2014, as set out in the table at Annex 1, and

Effective date of policies

20. The policies on discretions to be exercised under the LGPS Regulations 2013 take immediate effect from the date Wrockwardine Wood & Trench Parish 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 (and in respect of local authority councillor members) take immediate effect from the date Wrockwardine Wood & Trench Parish agrees the policies.

Non-fettering of discretions

21 The recommendations contained within this report, if approved, **Wrockwardine Wood & Trench Parish** will form the employer policies on pension and compensation discretions. It should be noted that:

- the policies will confer no contractual rights
- subject to paragraphs 20 to 22, will retain the right to **Wrockwardine Wood & Trench Parish** change the policies at any time without prior notice or consultation, and
- only the policy which is current at the time a relevant event occurs to an employee / scheme member will be the one applied to that employee / member.

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Annex 1

<p>Table A: Discretions to be exercised on and after 1 April 2014 under the LGPS Regulations 2013 in relation to active scheme members (other than local authority councillor members) and members who cease active membership after 31 March 2014 (other than local authority councillor members).</p>	<p>Policy Wrockwardine Wood & Trench Parish</p>
<p>1. Whether, at full cost to Wrockwardine Wood & Trench Parish Council to grant extra annual pension of up to £6,755 (figure at 1 April 2017¹) 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>Wrockwardine Wood & Trench Parish Council will not make use of the discretion to grant extra annual pension of up to £6,755 (figure at 1 April 2017) 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 Wrockwardine Wood & Trench Parish Council 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</p>
<p>2. Whether, where an active scheme member wishes to purchase extra annual pension of up to £6,755 (figure at 1 April 2017) by making additional pension contributions (APC's), Wrockwardine wood & Trench Parish Council will voluntary contribute towards the cost of purchasing that extra pension via a shared cost extra pension contribution (SCAPC).</p>	<p>Wrockwardine Wood & Trench Parish Council will not make use of the discretion to voluntarily contribute towards the cost of purchasing extra pension via a Shared Cost Additional Pension Contribution (SCAPC).</p>
<p>3. Whether to permit flexible retirement for staff aged 55 or over who, with the agreement of Wrockwardine Wood & Trench Parish reduce their working hours or grade and, if so, as part of the agreement:</p> <p>whether, in addition to the benefits the member has accrued prior to 1 April 2008 (which the</p>	<p><u>Flexible retirement</u></p> <p>Wrockwardine Wood & Trench Parish Council will not agree to requests for flexible retirement.</p>

¹ The figure of £6,500 that applied at April 2014 is increased each April (starting April 2015) under the Pension (Increase) Act 1971 (as if it were a pension with a PI date of 1 April 2013).

<p>member must draw if flexible retirement is agreed), to permit the member to choose to draw</p> <ul style="list-style-type: none"> • all, part or none of the pension benefits they accrued after 31 March 2008 and before 1 April 2014, and / or • all, part or none of the pension benefits they accrued after 31 March 2014, and <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>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 rule² to such voluntary retirements.</p>	<p>Wrockwardine Wood & Trench Parish Council 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.</p>
<p>5. For:</p> <ul style="list-style-type: none"> i) active members voluntarily retiring on or after age 55. ii) deferred members and suspended Tier 3 ill health pensioners who elect under regulation 30 <p>who:</p> <ul style="list-style-type: none"> - were <u>not</u> members of the LGPS before 1 October 2006 [Group 4 members], whether to: <ul style="list-style-type: none"> ○ 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 ○ waive, in whole or in part (on any grounds), any actuarial reduction that would otherwise be applied to benefits accrued after 31 March <u>2014</u> - <u>were</u> members of the LGPS before 1 October 2006 and <u>will</u> be 60 or more on 31 March 2016 [Group 1 members], whether to: 	<p>Where members choose to voluntarily draw their benefits on or after age 55 and before Normal Pension Age Wrockwardine Wood & Trench Parish Council 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 Wrockwardine Wood & Trench Parish Council considers it is in its financial or operational interests to do so or there are compelling compassionate.</p> <p>Each case</p> <ul style="list-style-type: none"> - will be considered on the merits of the financial and / or operational business case put forward, or - will be considered on the merits of the compassionate case put forward, and - will require the approval of the Finance Committee including,

² The 85 year rule does not apply to former members of the Metropolitan Civil Staffs Superannuation Scheme, or Meat Hygiene Service members, or civil servants transferred to the Environment Agency who by virtue of regulation 24 of the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 are subject to, respectively, regulation 144A of, and Schedule 7 to, the LGPS Regulations 1997, regulation 144B of the LGPS Regulations 1997 and regulation 15 of the LGPS (Transitional Provisions) Regulations 2008.

<ul style="list-style-type: none"> ○ waive on compassionate grounds, any actuarial reduction that would otherwise be applied to benefits accrued before 1 April <u>2016</u>, and / or ○ waive, in whole or in part (on any grounds), any actuarial reduction that would otherwise be applied to benefits accrued after 31 March <u>2016</u> <p>- <u>were</u> members of the LGPS before 1 October 2006 and will <u>not</u> be 60 or more on 31 March 2016 and will <u>not</u> attain age 60 between 1 April 2016 and 31 March 2020 [Group 3 members], whether to:</p> <ul style="list-style-type: none"> ○ waive on compassionate grounds, any actuarial reduction that would otherwise be applied to benefits accrued before 1 April <u>2014</u>, and / or ○ waive, in whole or in part (on any grounds), any actuarial reduction that would otherwise be applied to benefits accrued after 31 March <u>2014</u> <p>- <u>were</u> members of the LGPS before 1 October 2006 and will <u>not</u> be 60 or more on 31 March 2016 but <u>will</u> attain age 60 between 1 April 2016 and 31 March 2020 [Group 2 members], whether to:</p> <ul style="list-style-type: none"> ○ waive on compassionate grounds, any actuarial reduction that would otherwise be applied to benefits accrued before 1 April <u>2020</u>, and / or ○ 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> 	<p>where the reduction is only to be waved in part, approval for the amount of reduction to be waived</p>
<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>Wrockwardine Wood & Trench Parish Council will not enter into a shared cost AVC arrangement.</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</p>	<p>Wrockwardine Wood & Trench Parish Council will only extend the 12 month time limit within which a scheme member who has a deferred LGPS</p>

<p>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>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"> a) where Wrockwardine Wood & Trench Parish Council agrees that the available evidence indicates the member had not been informed of the 12 month time limit due to maladministration; b) where Wrockwardine Wood & Trench Parish Council agrees that the available evidence indicates the member had 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); or c) where the member has pre 1 April 2014 membership and Wrockwardine Wood & Trench Parish Council 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 Wrockwardine Wood & Trench Parish Council 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>8. Whether, with the agreement of the Pension Fund administering authority, to permit a Scheme member to elect to transfer other pension rights</p>	<p>Wrockwardine Wood & Trench Parish Council will only extend the 12 month time limit within which a scheme member must make an election to transfer other</p>

<p>into the LGPS if he / she has not made such an election within 12 months of joining the LGPS.</p>	<p>pension rights into the LGPS after joining the LGPS:</p> <ul style="list-style-type: none"> - 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; - 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); - where the available evidence indicates the member had not been informed of the 12 month time limit due to mal- administration.
<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 following will be done once a year on 1st April:</p> <ul style="list-style-type: none"> a) allocating a member to a contribution rate on joining the Scheme (after 1 April 2014) b) 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 c) reallocating a member to a new contribution rate each 1 April]

10. Whether or not, when calculating assumed pensionable pay when a member (other than a returning officer³) is:

- on reduced contractual pay or no pay on due to sickness or injury, or
- 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
- absent on reserve forces service leave, or
- retires with a Tier 1 or Tier 2 ill health pension, or
- dies in service

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.

In assessing Assumed Pensionable Pay (APP) Wrockwardine Wood & Trench Parish Council will not include in the calculation any regular lump sum payments.

³ i.e. a returning officer or acting returning officer at local government elections, or elections for the National Assembly of Wales, or Parliamentary elections or European Parliamentary elections.