

Central Shropshire Academy Trust discretionary policies under the Local Government Pension Scheme Regulations and other related Regulations

Summary

1. This report makes recommendations for Central Shropshire Academy Trust 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, Central Shropshire Academy Trust 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 Central Shropshire Academy Trust has the power to exercise on and from 1 April 2014 in relation to members of the CARE scheme.
6. 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.
7. Overall, Central Shropshire Academy Trust is:
 - 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

Consultation

8. Central Shropshire Academy Trust is not required to consult with Association of College and School Leaders, UNISON & GMB when Central Shropshire Academy Trust intends to adopt new, or change existing, discretionary policies. However, it was considered appropriate to give advance notification to Association of College and School Leaders, UNISON & GMB that this report would be considered by Finance Trust Committee.

Effective date of policies

9. The policies on discretions to be exercised under the LGPS Regulations 2013 take immediate effect from the date Central Shropshire Academy 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 (and in respect of local authority councillor members) take immediate effect from the date Central Shropshire Academy Trust agrees the policies.

Non-fettering of discretions

10. The recommendations contained within this report, if approved, will form Central Shropshire Academy Trust policies on pension and compensation discretions. It should be noted that:

- the policies will confer no contractual rights
- subject to paragraph 9, Central Shropshire Academy Trust will retain the right to change the policies at any time without prior notice or consultation but Central Shropshire Academy Trust will endeavour to discuss changes with the following unions: Association of College and School Leaders, UNISON & GMB
- 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

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).	Central Shropshire Academy Trust policy
<p>1. Whether, at full cost to Central Shropshire Academy Trust, to grant extra annual pension of up to £7,026 (figure at 1 April 2019¹) 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>Notes:</p> <ul style="list-style-type: none"> - The maximum amount of £7,026 (figure at 1 April 2019) includes any amount of additional pension already granted by the employer under regulation 13 of the LGPS (Benefits, Membership and Contributions) Regulations 2007. - Scheme employers should, prior to 1 April 2014, already have prepared and published a policy on granting extra annual pension of up to £5,000 under the 2008 Scheme (in accordance with the LGPS (Administration) Regulations 2008). Employers may, therefore, wish to simply carry forward their existing policy (assuming they have one), but suitably amended to refer to the LGPS Regulations 2013. - The cost of any extra annual pension awarded would have to be paid to the Pension Fund by the employer as a lump sum payment 	<p>Central Shropshire Academy Trust will not make use of the discretion to grant extra annual pension of up to £7,026 (figure at 1 April 2019) 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 Central Shropshire Academy Trust 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>

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).

unless the employer agrees with the LGPS Pension Fund administering authority to pay increased contributions to meet the cost.

- The extra annual pension would form part of the Scheme member's main LGPS pension and so the member could, upon drawing pension benefits, commute up to 25% of the capital value of their LGPS pension benefits for a lump sum at the rate of £12 lump sum for each £1 of pension given up.
- Any extra annual pension granted by the employer would be subject to an actuarial reduction where, other than in a case of ill health retirement or retirement on redundancy or business efficiency grounds, that extra annual pension is drawn before the member's Normal Pension Age.
- The extra annual pension provides a benefit for the scheme member only i.e. a share does not flow through to any survivor's pension payable upon the death of the scheme member.
- The amount of extra annual pension purchased (or being purchased) by the employer under a Shared Cost Additional Pension Contributions (SCAPC) arrangement – see entry 2 below - (including a SCAPC arrangement where an employer is contributing 2/3rds of the cost of purchasing pension 'lost' during a period of absence) counts towards the £7,026 limit (figure at April 2019) of extra annual pension that the employer can award.
- Employers cannot grant extra annual pension if the employer makes an award of lump sum compensation (of up to 104 weeks' pay) under regulation 6 of the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006 (see entry 2 in Table E below).

- Employers can, however, grant extra annual pension if the employer makes an award under regulation 5 of the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006 i.e. bases a redundancy payment on an employee's actual weeks' pay where this exceeds the statutory weeks' pay limit (see entry 1 in Table E below). The difference between the statutory redundancy payment and the redundancy payment based on the employee's actual week's pay is, in this paper, termed the discretionary redundancy payment.
- Employers considering granting extra annual pension to members of the LGPS will need to take a view on whether doing so could leave them open to challenge on age or gender discrimination grounds (e.g. if those not in the Pension Scheme tend to be younger employees and part-time female workers). Compare this to an award of lump sum compensation (see entry 2 in Table E below) which can be awarded to not only those who are members of the LGPS but also to those who are eligible for membership of the LGPS (and so can be less open to challenge on age or gender discrimination grounds). An implication of the Equality Act 2010 and the Equality Act (Age Exceptions for Pension Schemes) Order 2010 is that all staff should be treated equally regardless of their age, unless different treatment can be objectively justified.
- If an employer wishes to award extra annual pension, the employer will need to consider the criteria for deciding to whom to grant such pension and for determining the amount of extra annual pension to grant in each case. The criteria should be included in the employer's policy statement. The policy should not use criteria that are directly or indirectly discriminatory (unless objectively justified e.g. the employer could demonstrate that the policy pursues a

legitimate aim and that it is proportionate and is an appropriate and necessary means of achieving that aim).

- An alternative approach that employers who wish to award extra annual pension could consider (for members whose employment is being terminated on the grounds of redundancy or business efficiency) is what might be termed 'extra annual pension by conversion'. In effect, the employer would have a policy that would permit the employer to:

- award a lump sum compensation payment (of up to 104 weeks' pay) under regulation 6 of the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006, inclusive (in redundancy cases) of any statutory redundancy payment and any increase in the redundancy payment made under regulation 5 of those Regulations (where an employee's actual weeks' pay exceeds the statutory weeks' pay limit) – (see entries 1 and 2 in Table E below)

Or

- having considered the view of the employee, to make an award of extra annual pension that is actuarially equivalent to the lump sum compensation payment that the employer would otherwise have made.

The employer would need to reflect this in their policy in relation to a discretionary lump sum compensation payment (see entries 1 and 2 in Table E below). It is important to stress that the employee would not be sacrificing a lump sum compensation payment in return for extra annual pension in the LGPS and would not be using lump sum compensation payment that is paid or due to him/her in return for extra annual pension.

Instead, the employer would, having considered the view of the employee, simply be making a determination to award extra annual pension and not to award a lump sum compensation payment. Where the employer decides to make an award of extra annual pension, the employer would award extra annual pension that was actuarially equivalent in value to the lump sum compensation payment (in excess of any redundancy payment) that would otherwise have been payable to the employee following cessation of employment. The policy could allow only the excess above any statutory and discretionary redundancy payment to be converted in this way, in which case any statutory and discretionary redundancy payments would still be payable, or allow all of the excess above any statutory redundancy payment to be converted, in which case any statutory redundancy payment would still be payable. It should be noted, however, that the amount of extra annual pension cannot exceed £7,026 (figure at April 2019). Extra annual pension that would exceed this limit is not permitted and so conversion would not be possible if it would produce extra annual pension above that limit. It is not permissible to split the award and award part as extra annual pension (up to the aforementioned limit) and the balance as a lump sum compensation payment.

- The facility for employers to grant extra 'augmented' membership of the Pension Scheme ceased after 31 March 2014. Employers who, prior to 1 April 2014, had a policy to allow 'extra membership by conversion' to members being made redundant or being retired on business efficiency grounds i.e. granting the member extra membership equivalent to any lump sum termination payment (in excess of the statutory redundancy payment or in excess of the redundancy payment based on an actual week's pay where this exceeds the statutory weeks' pay limit) the employer would otherwise have awarded under the Local Government (Early Termination of Employment) (Discretionary Compensation)

(England and Wales) Regulations 2006 are no longer be able to do so for retirements on or after 1 April 2014. Instead, the employer could grant the member extra annual pension actuarially equivalent to the value of any lump sum termination payment (in excess of the redundancy payment) the employer would otherwise have awarded under the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006 i.e. 'extra annual pension by conversion'.

- Employers wishing to award extra annual pension upon termination of employment on the grounds of redundancy or business efficiency might wish to consider including in their policy a clause that they will not grant extra annual pension in cases where an employee declines to accept:

- an offer of what the employer considers to be suitable alternative employment, or
- (for those employers who are subject to the Redundancy Payments (Continuity of Employment in Local Government, etc.) (Modification) Order 1999 or who, whilst not subject to the Modification Order, choose to recognise service with employers on the Modification Order for redundancy payment purposes) an offer from another employer covered by the Redundancy Payments (Continuity of Employment in Local Government, etc) (Modification) Order 1999 which the current employer would consider to be suitable alternative employment and which would have started within four weeks* of the termination date.

(* If the contract ends on a Friday, Saturday, or Sunday the four weeks is counted from the following Monday.)

- An issue that potentially arises in granting extra annual pension is that, in some cases, it can result in the value of the scheme

member's benefits being increased by more than the permitted standard Annual Allowance of, currently, £40,000 (2015/16). Any increase in value above that figure could result in a tax charge for the individual. Any additional pension granted will also count towards the capitalised value of a person's pension benefits which have to be assessed against the member's Lifetime Allowance (LTA) under the tax regime governing pension schemes. Each time a person retires and draws benefits from a pension scheme they use up a part of their LTA. If, on retirement under the LGPS, the capitalised value of their total LGPS benefits is more than the person's remaining LTA, they will have to pay tax on the excess (at the rate of 25% if the excess is paid in the form of pension and 55% if paid in the form of a lump sum). For more information see <http://www.hmrc.gov.uk/manuals/rpsmmanual/RPSM06105000.htm> and <http://www.hmrc.gov.uk/manuals/rpsmmanual/RPSM11100000.htm>

Additional note for local authorities with staff in maintained schools:

- Although section 37 of the Education Act 2002 gives all of the Maintained Schools with a delegated budget the power to go beyond the Local Authority's policies in respect of the dismissal of, or for the purpose of securing the resignation of, any member of the school's staff, in reality, as this will entail additional cost, a community school, a community special school, a maintained nursery school, a foundation school, a foundation special school, a foundation trust school or a voluntary school is unlikely to depart from the Local Authority's policy. Nevertheless, the power to go beyond the Local Authority's policy for the purposes of the dismissal of, or securing the resignation of, any member of the school's staff exists and so the Local Authority's policy statement in relation to the ability to award extra annual pension of up to £7,026 (figure as at April 2019) as part of an arrangement for the dismissal of, or for the purpose of securing the resignation of, a member of

<p>staff will have to contain a modification to reflect the powers conferred by the Education Act 2002 on such Maintained Schools with a delegated budget – see Appendix A at the end of this document for additional information.</p>	
<p>2. Whether, where an active scheme member wishes to purchase extra annual pension of up to £7,026 (figure at 1 April 2019²) by making Additional Pension Contributions (APCs), Central Shropshire Academy Trust will voluntarily contribute towards the cost of purchasing that extra pension via a Shared Cost Additional Pension Contribution (SCAPC).</p> <p>Notes:</p> <ul style="list-style-type: none"> - This discretion does not relate to cases where a member has a period of authorised unpaid leave of absence and elects within 30 days of return to work to pay a SCAPC to cover the amount of pension ‘lost’ during that period of absence. That is because, in those cases, the employer must contribute 2/3rds of the cost to a SCAPC. There may be some cases, even if it is not the employer’s general policy to voluntarily contribute to a SCAPC, where an employer might wish to do so (see Options 2, 3, 4 and 5 opposite). - Any extra annual pension granted by the employer under a SCAPC arrangement would be subject to an actuarial reduction where, other than in a case of ill health retirement, that extra pension is drawn before the member’s Normal Pension Age. - It should also be noted that the amount of extra annual pension purchased (or being purchased) by the employer under a Shared Cost Additional Pension Contributions (SCAPC) arrangement (including a SCAPC arrangement where an employer is 	<p>Central Shropshire Academy Trust will only voluntarily contribute towards the cost of purchasing extra pension via a Shared Cost Additional Pension Contribution (SCAPC) where:</p> <ul style="list-style-type: none"> - an active scheme member returns from a period of authorised leave of absence, and - 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 - 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 - 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 Central Shropshire Academy Trust may deem reasonable in any individual case. <p>A decision on whether the member meets the above criteria (and on whether the 3 month</p>

² 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).

contributing 2/3rds of the cost of purchasing pension 'lost' during a period of absence) reduces the amount of extra annual pension the employer could award under entry 1 above.

- The maximum amount of £7,026 (figure at 1 April 2019) includes any amount of additional pension purchased, or being purchased, by the member under regulation 14 of the LGPS (Benefits, Membership and Contributions) Regulations 2007.

period referred to should be extended in any individual case) will be taken by Local Governing Body and, where it is agreed that the conditions are met, **Central Shropshire Academy Trust** will be required to contribute 2/3rds of the cost of buying back the 'lost' pension via a SCAPC.

- of absence, and
- 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
- 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 Central Shropshire Academy Trust may deem reasonable in any individual case.

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 Central Shropshire Academy 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.

3. Whether to permit flexible retirement for staff aged 55³ or over who, with the agreement of Central Shropshire Academy Trust, reduce their working hours or grade and, if so, as part of the agreement:

- 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
 - 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
- 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)⁴.

Notes:

Flexible retirement

Central Shropshire Academy Trust will not agree to flexible retirement except in circumstances where **Central Shropshire Academy Trust** 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,
- will set out whether, in addition to any pre 1 April 2008 benefits, the member will be permitted, as part of the flexible retirement agreement, to take
 - a) all, some or none of their 1 April 2008 to 31 March 2014 benefits, and /or
 - b) all, some or none of their post 31 March 2014 benefits, and
- will require the approval of Local Governing Body.

³ Age 50 for those LGPS members transferred from the Learning and Skills Council to whom regulation 16A of the LGPS (Benefits, Membership and Contributions) Regulations 2007 applies. Such members only need the employer's permission to reduce their working hours or grade but, if that permission is given, do not require their employer's permission to draw their benefits (as such members have the automatic right to take the benefits by virtue of regulation 18A of the LGPS (Benefits, Membership and Contributions) Regulations 2007 and regulation 24 of the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014).

⁴ NPA means the employee's individual State Pension Age at the time the employment is terminated, but with a minimum of age 65 (although, the NPA for membership accrued prior to 1 April 2014 is still linked to age 65, apart from those LGPS members transferred from the Learning and Skills Council to whom regulation 16A of the LGPS (Benefits, Membership and Contributions) Regulations 2007 applies for whom the NPA for membership accrued prior to 1 April 2014 is, by virtue of that regulation and regulation 24 of the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014, still linked to age 60, and those LGPS members who are employees of the Meat Hygiene Service in the London Pension Fund Authority fund who are covered by regulation 144B of the LGPS Regulations 1997 for whom the NPA for membership accrued prior to 1 April 2014 is, by virtue of that regulation and regulation 24 of the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014, still linked to age 60). State Pension Age is currently age 65 for men. State Pension Age for women is currently being increased to be equalised with that for men and will reach 65 by November 2018. The State Pension Age will then increase to 66 for both men and women from December 2018 to October 2020. Under current legislation the State Pension Age is due to rise to 67 between 2026 and 2028 and to 68 between 2044 and 2046. However, the government has announced plans to link rises in the State Pension Age above age 67 to increases in life expectancy.

- Scheme employers should, prior to 1 April 2014, already have prepared and published a policy on flexible retirement for flexible retirements under the 2008 Scheme and for waiving any actuarial reduction in whole or in part (in accordance with the LGPS (Administration) Regulations 2008). Employers may, therefore, wish to simply carry forward their existing policy (assuming they have one), but suitably amended for post 31 March 2014 flexible retirements to reflect the above provisions.
- If flexible retirement is agreed for a scheme member aged 55 or over but under 60 who is subject to the 85 year rule⁵ 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 employer in respect of the pension benefits paid following flexible retirement. The 85 year rule is satisfied if the person was a member of the LGPS on 30 September October 2006 and the member's age at the date they draw their benefits and their scheme membership (each in whole years) add up to 85 or more. If they are part-time, their membership counts towards the 85 year rule at its full calendar length.
- Where flexible retirement is agreed for an employee aged 55 or over but under Normal Pension Age the cost of waiving any actuarial reduction, in whole or in part, would have to be met by, and paid to the Pension Fund by, the employer.
- Overall, the benefits of flexible retirement include:

⁵ 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"> • it assists in reducing capacity if required, and helps avoid redundancies (and associated costs) • it can be a useful tool to support change management • it helps achieve and retain a balanced age profile within the workforce • it aids retention of required skills / knowledge / experience and enables transfer of skills / knowledge in the period leading up to an employee's full retirement • it offers a potentially acceptable solution to staff who may currently be a 'blockage' to promotion or re-organisation • it helps to alleviate 'burn out' and 'stress', improves morale, and assists in achieving Work-Life balance • it may assist a return to work after a medical related absence where ill health retirement is not appropriate • it assists employees to ease into retirement, making a gradual adjustment to full retirement. 	
<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 rule⁶ to such voluntary retirements.</p> <p>Notes:</p> <ul style="list-style-type: none"> - If the member has met the 85 year rule or would have met it before age 60, there would be no strain on Fund cost charged to the employer <u>unless</u> the employer has agreed to apply the 85 year rule in the case in question. 	<p>Central Shropshire Academy 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 Central Shropshire Academy Trust considers it is in its financial or operational interests to do so. 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, and - will require the approval of Local Governing Body.

⁶ 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.

Instead, the cost would be met by an actuarial reduction to the scheme member's benefits⁷.

- If the employer does agree to apply the 85 year rule, the employer will have to meet the cost of any strain on fund resulting from the payment of benefits before age 60 i.e. where the member has already met the 85 year rule, or would meet it before age 60.
- Applying the 85 year rule might be a mechanism employers would wish to consider to encourage members to retire early to, for example, help achieve a balanced age profile within the workforce or to avoid possible redundancies later (which have attendant greater costs).
- A half-way house would be to not apply the 85 year rule but to agree to waive some of the actuarial reduction that would otherwise be applied to the member's benefits (see 5 below). In this way the cost of drawing benefits early would be met in part by the scheme member (via an actuarial reduction to their benefits) and in part by the employer (via a strain on Fund charge).
- The 85 year rule is satisfied if the person was a member of the LGPS on 30 September 2006 and the member's age at the date they draw their benefits and their scheme membership (each in whole years) add up to 85 or more. If they are part-time, their membership counts towards the 85 year rule at its full calendar length.

Additional note for local authorities with staff in maintained schools:

Although section 37 of the Education Act 2002 gives all of the Maintained Schools with a delegated budget the power to go beyond the Local Authority's policies in respect of the dismissal of, or for the purpose of securing the resignation of, any member of the school's staff, in reality, as

⁷ There is no actuarial reduction on pre 1 April 2014 membership in the case of a former member of the Metropolitan Civil Staffs Superannuation Scheme who is aged 55 or over and has 25 years membership and who is covered by regulation 144A of, and Schedule 7 to, the LGPS Regulations 1997.

<p>this will entail additional cost, a community school, a community special school, a maintained nursery school, a foundation school, a foundation special school, a foundation trust school or a voluntary school is unlikely to depart from the Local Authority's policy. Nevertheless, the power to go beyond the Local Authority's policy for the purposes of the dismissal of, or securing the resignation of, any member of the school's staff exists and so the Local Authority's policy statement in relation to the ability to apply the 85 year rule 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 as part of an arrangement for the dismissal of, or for the purpose of securing the resignation of, a member of staff will have to contain a modification to reflect the powers conferred by the Education Act 2002 on such Maintained Schools with a delegated budget – see Appendix A at the end of this document for additional information.</p>	
<p>5. For:</p> <ul style="list-style-type: none"> i) active members voluntarily retiring on or after age 55⁸ 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 55⁹ and before Normal Pension Age <p>who:</p>	<p>Where members choose to voluntarily draw their benefits on or after age 55 and before Normal Pension Age Central Shropshire Academy 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 Central Shropshire Academy Trust considers it is in its</p>

⁸ Age 50, by virtue of regulation 24 of the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014, for those LGPS members transferred from the Learning and Skills Council to whom regulation 16A of the LGPS (Benefits, Membership and Contributions) Regulations 2007 applies and those civil servants transferred to the Environment Agency to whom regulation 15 of the LGPS (Transitional Provisions) Regulations 2008 applies.

⁹ Age 50, by virtue of regulation 24 of the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014, for those LGPS members transferred from the Learning and Skills Council to whom regulation 16A of the LGPS (Benefits, Membership and Contributions) Regulations 2007 applies and who are electing for early payment of a deferred benefit (but not if they are electing for early payment of a suspended Tier 3 ill health pension) and those civil servants transferred to the Environment Agency to whom regulation 15 of the LGPS (Transitional Provisions) Regulations 2008 applies and who are electing for early payment of a deferred benefit or early payment of a suspended Tier 3 ill health pension.

<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"> 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 o 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: <ul style="list-style-type: none"> o waive on compassionate grounds, any actuarial reduction that would otherwise be applied to benefits accrued before 1 April <u>2016</u>, 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 <u>2016</u> - <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: <ul style="list-style-type: none"> o waive on compassionate grounds, any actuarial reduction that would otherwise be applied to benefits accrued before 1 April <u>2014</u>, 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 <u>2014</u> 	<p>financial or operational interests to do so or there are compelling compassionate¹⁰ reasons for doing so.</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 Local Governing Body including, where the reduction is only to be waived in part, approval for the amount of reduction to be waived
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¹⁰ 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.

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

Note:

- If the employer does agree to waive any actuarial reduction, the employer will have to meet the cost of the strain on fund resulting from that waiver.

Additional note for local authorities with staff in maintained schools:

Although section 37 of the Education Act 2002 gives all of the Maintained Schools with a delegated budget the power to go beyond the Local Authority's policies in respect of the dismissal of, or for the purpose of securing the resignation of, any member of the school's staff, in reality, as this will entail additional cost, a community school, a community special school, a maintained nursery school, a foundation school, a foundation special school, a foundation trust school or a voluntary school is unlikely to depart from the Local Authority's policy. Nevertheless, the power to go beyond the Local Authority's policy for the purposes of the dismissal of, or securing the resignation of, any member of the school's staff exists and so the Local Authority's policy statement in relation to the ability to waive an actuarial reduction as part of an arrangement for the dismissal of, or for the purpose of securing the resignation of, a member of staff will have to contain a modification to reflect the powers conferred by the Education Act 2002 on such Maintained Schools with a delegated budget – see Appendix A at the end of this document for additional information.

<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>Note:</p> <ul style="list-style-type: none"> - Scheme employers should, prior to 1 April 2014, already have prepared and published a policy on SCAVCs under the 2008 Scheme (in accordance with the LGPS (Administration) Regulations 2008). Employers may, therefore, wish to simply carry forward their existing policy (assuming they have one), but suitably amended to reflect both of the elements referred to above. 	<p>Central Shropshire Academy Trust will not enter into a shared cost AVC arrangement other than:</p> <ul style="list-style-type: none"> a) in exceptional circumstances in which case the decision to contribute, and the amount of the contribution, will be subject to the approval of Local Governing Body
<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>Central Shropshire Academy 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"> a) where Central Shropshire Academy Trust agrees that the available evidence indicates the member had not been informed of the 12 month time limit due to maladministration; b) where Central Shropshire Academy Trust agrees that the available evidence indicates the member had made an election within 12

	<p>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</p> <p>c) where the member has pre 1 April 2014 membership and Central Shropshire Academy 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 Central Shropshire Academy 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>[</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>Note:</p> <ul style="list-style-type: none"> - Scheme employers should, prior to 1 April 2014, already have prepared and published a policy on late elections under the 2008 Scheme (in accordance with the LGPS (Administration) Regulations 2008). Employers 	<p>Central Shropshire Academy 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"> - 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

may, therefore, wish to simply carry forward their existing policy (assuming they have one).

- Accepting an election after 12 months can result in additional cost to the employer (e.g. where an employee opts to transfer in prior to a large salary rise / promotion / re-grading if the member has any pre 1 April 2014 membership, or where an employee opts to transfer in prior to early retirement on the grounds of redundancy, business efficiency or ill health).
- Unlike under the 2008 Scheme, where the discretion to allow a late election rested solely with the employer, under the 2014 Scheme both the employer and the Pension Fund administering authority have to agree to the acceptance of a late election. If one agrees, and the other does not, the late election cannot be accepted.
- Even if an election is made within 12 months of joining the LGPS, the Pension Fund administering authority can decide not to accept a transfer of pension rights into the LGPS (other than where the transfer is being made under the public service pension scheme Club rules).

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 maladministration.

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).

Notes:

- If an employee holds more than one employment and these are treated as separate jobs, each job (and the pensionable pay from that job) is assessed separately when determining the contribution band/rate for each job (so an employee may be paying different contribution rates in each job, depending on the pay levels in those jobs).
- Any reductions in pensionable pay due to sickness, child related leave, reserve forces service leave or other absence from work are to be disregarded when assessing / reviewing the appropriate band / contribution rate.
- As from 1 April 2014, part-time members' contribution rates are assessed on actual pensionable pay rather than full-time equivalent rates of pay.
- The move to using actual pensionable pay in the assessment of the contribution band/rate within which an employee falls will necessitate employers making an assumption as to what pensionable pay a person will probably receive in the Scheme year.

This can be done in a number of ways. For example:

- the annual rate of contractual pay

Central Shropshire Academy Trust will Reallocate 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

- the annual rate of contractual pay plus an estimation of the additional hours worked in excess of the contractual hours which might be worked in a full year
 - the hourly contractual rate multiplied by an estimate of the number of hours to be worked in a full year
 - the weekly contractual rate multiplied by 52.143 (or whatever multiplier an employer deems appropriate)
 - the weekly contractual rate multiplied by 52.143 (or whatever multiplier an employer deems appropriate) plus an estimate of other pensionable payments to be made in a full year
- Each employer should assess the appropriate contribution band/rate in a reasonable and consistent manner.
- Allocating employees to an appropriate band/rate is relatively straight forward where the employee is not expected to undertake any additional hours in excess of the contractual hours. However, it is less straight forward where the number of hours an employee may work in a year is not known.
- Where an employee with part-time contractual hours is likely to undertake a number of additional hours in excess of their contractual hours, the employer could:
- i) use one of the methods in the first and fourth bullet points above i.e. allocate the employee to the band/rate applicable to their contractual hours only and subsequently review the band/rate allocation at an appropriate time (see 'Reallocation' below), or
 - ii) use one of the methods set out in the second, third or fifth bullet points above, perhaps taking account of the hours worked by the post holder in previous years or, if the member is a new employee, the hours worked by the previous holder (if any) of the post, and subsequently review the band/rate allocation at an appropriate time (see 'Reallocation' below).

- The advantage of option (i) is that it is less likely to lead to an appeal by the employee against the band/rate to which they have been allocated and the employer can, in any case, review the band/rate allocation at the following April (or attribute an employee to a different band/rate part way through the Scheme year where there is a material change which affects the member's pensionable pay).
- The disadvantage of option (i) is that it can initially result in a lesser contribution being collected from an employee's pay for a period of time than the actual hours eventually worked might have warranted.
- The advantage of option (ii) is that it results in a contribution band/rate that the employer deems reasonable based on the employer's expectation of the number of hours to be worked by the employee. It could result in a higher or lower contribution rate than the actual hours eventually worked might have warranted (depending on how many hours the employee actually works) and this could, respectively, result in an appeal by the employee against the band/rate to which they have been allocated or result in a 'loss' to the Pension Fund (which, in turn, would become a cost to the employer).
- Matters become more complicated with employees who have no contractual hours of employment e.g. casual employees, or employees on zero hours contracts. In these cases employers will need to either:
 - a) make a reasonable initial assessment of the number of hours the person is likely to work on an annual basis, perhaps taking account of the hours worked by the post holder in previous years or, if the member is a new employee, the hours worked by the previous holder (if any) of the post, and subsequently review the band/rate allocation at an appropriate time (see 'Reallocation' below), or

- b) allocate the employee to the lowest band (5.5%) and subsequently review the band/rate allocation at an appropriate time (see 'Reallocation' below), or
- c) allocate the employee to the 6.5% band (on the basis that this is the expected average contribution rate for Scheme members) and subsequently review the band/rate allocation at an appropriate time (see 'Reallocation' below).

- The advantage of option (a) is that it results in a contribution band/rate that the employer deems reasonable based on the employer's expectation of the number of hours to be worked by the employee. It could result in a higher or lower contribution rate than the actual hours eventually worked might have warranted (depending on how many hours the employee actually works) and this could, respectively, result in an appeal by the employee against the band to which they have been allocated or result in a 'loss' to the Pension Fund (which, in turn, would become a cost to the employer).
- The advantage of option (b) is that it is less likely to lead to an appeal by the employee against the band/rate to which they have been allocated. The disadvantage of option (b) is that it can initially result in a lesser contribution being collected from an employee's pay for a period of time than the actual hours eventually worked might have warranted.
- The advantage of option (c) is that it delivers the expected average contribution rate for Scheme members (upon which the LGPS 2014 has been costed). The disadvantage is that it is perhaps more likely to lead to an appeal by the employee against the band/rate to which they have been allocated if the member believes their pay falls within a lower band/rate. Conversely, placing the member in the 6.5% band could initially result in a lesser contribution being collected from an employee's pay for a period of time than the actual hours eventually worked might have warranted (if the employee's pay turns out to fall within a higher band).

- Employers have to notify scheme members, as soon as possible, of the contribution rate the member will pay and give the member notification of their right of appeal under the Internal Disputes Resolution procedure (IDRP).

'Reallocation'

- After the initial pay band and contribution rate has been determined for an employee the employer is required to reassess the appropriate band and rate each April (in the pay period in which 1st April falls) and is permitted by the regulations to reassess the band / rate to which a member has been attributed if, during the Scheme year (1st April to 31st March), there is a material change which affects the member's pensionable 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 can result in a retrospective reallocation to a different contribution band/rate with a consequential adjustment to the employee contributions due (e.g. where there is a retrospective pay award or retrospective re-grading) but the employer can decide to only apply the new rate from the date the pay award or re-grading is actioned on the payroll.
- However where the initial band/rate was set based on an estimated pay figure, the employer may wish to put in place a process to regularly review the actual pensionable pay being received in order to ensure the correct rate is being applied. Such a review could take place:
 - a) each pay period. This could be done in a number of ways. For example:
 - o the pensionable pay to be paid in the pay period could be grossed up to an annual equivalent and the contribution rate for that pay period determined accordingly. However, any lump sums or retrospective payments covering more than one

pay period, or any payments not paid every pay period (e.g. payments made twice a year for cutting verges) would need to be completely excluded from the calculation or, alternatively, excluded before the grossing up calculation and then added to the resultant grossed up annual rate as, otherwise, the derived annual pensionable pay figure would be overestimated. Such an approach can be software driven (i.e. automated on the payroll) and has the advantage of ensuring the annual rate of pay is assessed pay period by pay period but, ultimately, could still result in a member paying more or less in contributions than their actual pensionable pay over the Scheme year might have otherwise warranted. For example, a member whose pay, month by month is on the cusp of a pay bands 2 and 3 might pay a contribution rate of 5.8% some months and 6.5% other months and yet, over the course of the Scheme year, the member's aggregate pensionable pay falls within pay band 2 (meaning that the member could seek to argue that they will have paid too much in contributions in some months) or the aggregate pensionable pay falls within pay band 3 (meaning that it could be argued the member has paid too little in some months), or

- the cumulative pensionable pay for the Scheme year to date, including the pensionable pay to be paid in the pay period, could be grossed up to an annual equivalent (making an appropriate adjustment for any lump sum or retrospective payments paid in the Scheme year to date) and the contribution rate for that pay period determined accordingly. This option has the same issues as described above but, perhaps, to a lesser degree.

b) each quarter (or half yearly). This could be done in a number of ways. For example:

- the pensionable pay received in the previous quarter (or previous half year) could be grossed up to an annual equivalent, making an appropriate adjustment for any lump sum or retrospective payments paid during that quarter (or half year) and the contribution rate for the next quarter (or half year) set accordingly, or
- the cumulative pensionable pay for the Scheme year to date at the end of the previous quarter (or half year) could be grossed up to an annual equivalent (making an appropriate adjustment for any lump sum or retrospective payments made in the Scheme year to date) and the contribution rate for the next quarter (or half year) set accordingly.

Note: the issues identified in the options under (a) similarly apply to the options under (b).

c) at the end of, say, month 11 (or, say, week 48 for weekly paid employees). This could be done in a number of ways. For example:

- the cumulative pensionable pay for the Scheme year to date at the end of month 11 (or week 48) could be grossed up to an annual equivalent (making an appropriate adjustment for any lump sum or retrospective payments made in the Scheme year to date). If this indicates that the incorrect employee contribution rate had been applied during the Scheme year to date, apply a new contribution rate from the contribution table for the remaining period of the Scheme year only which will, as near as is possible, recover any 'underpaid' employee contributions or refund any 'overpaid' employee contributions. A new employee contribution rate would, of course, still need to be assessed at the beginning of the new Scheme year.

d) each year with the rate for the next Scheme year being set by reference to

<ul style="list-style-type: none"> o the actual pensionable pay received in the previous Scheme year, or o the annual rate of pensionable pay at the beginning of the new Scheme year, or o the expected annual pensionable pay for the new Scheme year. <p>- Employers have to notify scheme members of any change in the contribution rate the member will pay, the date the new rate is effective from, and give the member notification of their right of appeal under the Internal Disputes Resolution procedure (IDRP). The notification has to be given to the member as soon as is reasonably practicable after the decision to change the rate has been made.</p> <p><u>Further guidance</u></p> <p>- Further guidance is available in the Appendix 1 of the guidance at http://www.lgpsregs.org/index.php/guides/hr-guide-to-the-2014-scheme</p>	
<p>10. Whether or not, when calculating assumed pensionable pay when a member (other than a returning officer¹¹) is:</p> <ul style="list-style-type: none"> - 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 	<p>In assessing Assumed Pensionable Pay (APP) Central Shropshire Academy 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 Local Governing Body.</p>

¹¹ 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.

- 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.

Notes:

- A 'regular lump sum payment' is a payment for which the employer determines there is a reasonable expectation that such a payment would be paid on a regular basis
- Whilst all lump sum payments are, initially, ignored when calculating assumed pensionable pay, it is entirely at the employer's discretion whether or not to include in the calculation of assumed pensionable pay 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. Take, for example, the following two situations as examples:
 - i) if a 'regular lump sum payment' is added back for a member 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, or absent on reserve forces service leave, that member can finish up with a bigger pension accrual than if the member had not been absent and had, instead, been at work. Take the case where a member receives a £1,200 annual performance payment in May 2015 and goes onto reduced contractual pay due to sickness for the period 1 November 2015 to 31 December 2015, returning to full pay from 1 January 2016. The £1,200 has already been included in the member's pensionable pay cumulatives for 2015/16. If it was included in assumed pensionable pay for November and December

2015, 2/12 of £1,200 (i.e. £200) would be added into the cumulative pensionable pay. If the member had not been sick, that £200 would not have been included in pensionable pay (as the member was not next due to get a lump sum annual performance payment until May 2016)

ii) it might seem reasonable to add back any 'regular lump sum payment' received by the member in the 12 months preceding ill health retirement or death in service into the assumed pensionable pay to be used to work out the amount of enhanced pension for a member who retires with a Tier 1 or Tier 2 ill health pension, or used to work out the survivor pension and / or death grant for a member who dies in service. However, what if the member is, say, only 40 at the time of the ill health retirement / death in service? Is it likely that the employer would have paid such a lump sum to the member every year between age 40 and the member's Normal Pension Age? That, in essence, would be implied as being the case if the employer were to add the lump sum back into the assumed pensionable pay figure to be used to calculate the amount of ill health enhanced pension and / or survivor pension.

- Any decision as to whether or not to include in the calculation of a scheme member's assumed pensionable pay 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 would need to be fair, equitable and justifiable.
- For more information on assumed pensionable pay please see the guide at <http://www.lgpsregs.org/index.php/guides/hr-guide-to-the-2014-scheme>