



**DORSET & WILTSHIRE
FIRE AND RESCUE
AUTHORITY**

Item 9
Paper A
Inc. Appendix A

MEETING	Shadow Dorset & Wiltshire Fire & Rescue Authority
DATE OF MEETING	12 February 2016
SUBJECT OF THE REPORT	Local Government Pension Scheme Discretions Policy
STATUS OF REPORT	For open publication
PURPOSE OF REPORT	For discussion
EXECUTIVE SUMMARY	<p>Each employer with staff eligible to join the Local Government Pension Scheme (LGPS) is required to formulate, publish and keep under review a policy statement in relation to the exercise of a number of discretions under the LGPS.</p> <p>This paper sets out the compulsory and non-compulsory discretions that are required under the various regulations of the LGPS.</p> <p>The current policies are very similar, with the one difference relating to the review of employee contributions.</p>
RISK ASSESSMENT	There are no new risks associated with this policy statement.
IMPACT ASSESSMENT	No separate impact assessment has been carried out in bringing forward this report.
BUDGET IMPLICATIONS	There are no immediate budgetary implications, although individual discretions may incur a cost to the Service. These will be evaluated by the Chief Fire Officer (or nominated representative) and considered on a case by case basis as they arise.
RECOMMENDATIONS	<p>The Committee is asked to:</p> <ol style="list-style-type: none"> 1. RECOMMEND the approval of the Discretions Policy, which is the same as existing policies, as at Appendix A to the new Dorset & Wiltshire Fire and Rescue Authority. 2. ASK that the Discretions Policy, once approved is forwarded to both Pensions administration teams. 3. ASK officers to bring forward the policy for further review once a payroll provider for the whole Service is decided upon and implemented.

BACKGROUND PAPERS	Report to Dorset FA 24 September 2014 Report to Wiltshire & Swindon FA 12 February 2105
APPENDICES	A: Draft Local Government Pension Scheme Discretions Policy
REPORT ORIGINATOR AND CONTACT	Jenny Long, Director of People Services Tel: 01305 252609

1. Introduction

- 1.1 The Local Government Pension Scheme (LGPS) is a nationwide, funded pension scheme which is administered at County level. Wiltshire Pension Fund is responsible for administering LGPS in the Wiltshire and Swindon area. Dorset County Council administer the LGPS for the Dorset area.
- 1.2 The LGPS Regulations 2013 and the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014, as with previous regulations have certain areas which are open to Employing Authority discretions - these discretions must be laid out in a policy statement for the Administering Authority to enforce.
- 1.3 It is best practice to review the Discretions Policy on a regular basis, and it is suggested that a three year review period is agreed, on the basis that any new discretions arising in that period are brought to the relevant committee as and when they occur.

2. Discretions Requiring Dorset & Wiltshire Fire and Rescue Authority Consideration

- 2.1 There are two areas for the statement of policy:

- ◆ Policies that are compulsory; and
- ◆ Policies that are recommended

Compulsory Policies

Regulation 31: Whether to grant additional pension to a member of up to £6,500

- 2.2 Employers are allowed to purchase additional pension on a member's behalf up to a limit of providing additional pension of £6,500 per annum. The cost of providing any additional pension to the member (over their expected time as a future pensioner) will be invoiced to the employer.
- 2.3 Neither Authority has previously exercised this discretion, other than in exceptional circumstances, such as compassionate grounds or for business reasons, with each case objectively justified on its own merits and with [potential discrimination issues taken into consideration.

Regulation 16(2)e & 16(4)d: Whether to make either a regular or lump sum Additional Pension Contribution (APC) to a member's account (part or whole funding this)

- 2.4 This discretion relates to the option to help a member purchase additional pension contributions by way of regular contributions or by way of a lump sum. The Authority would enter into an APC contract with a Scheme member in order to fund the purchase additional pension of not more than the additional pension limit (£6,500, as in 5 above).

- 2.5 Neither Authority has previously exercised the discretion to grant additional pension contributions (APCs), other than in exceptional circumstances.

Regulation 30 (6): Whether all or some pension benefits can be paid if an member aged 55 or over reduces their hours/grade and continues to work (“flexible retirement”)

- 2.6 Flexible retirement means that the member can begin drawing their pension from a certain point in time while they continue working in the same employment (on reduced hours or pay). There will not normally be a direct and immediate cost to the Authority if this discretion is exercised, as the member’s pension will be reduced accordingly to allow for any early withdrawal, as is the case for any early retirement. However, if the member would normally reach the rule of 85 before age 60 and they take flexible retirement before age 60, then costs may apply.
- 2.7 Both Authorities have previously given delegated authority to the Chief Fire Officer to assess these requests.

Regulation 30 (8) Waiving actuarial reduction on flexible retirement

- 2.8 The Authority can choose to ‘waive’ the reduction that would normally apply because the member would be taking their pension early. As the full pension would be being paid for longer, this means that more pension would be paid in the member’s lifetime. This additional cost (or ‘strain’) would be invoiced to the Authority.
- 2.9 Both Authorities have previously agreed only to exercise this discretion in exceptional circumstances.

Regulation 30 (8) Waiving actuarial reduction on early retirement (age 55+) - for both active, deferred members and suspended tier 3 ill-health pension

- 2.10 This discretion is identical to 2.8 above except that it applies to early retirement instead of flexible retirement.
- 2.11 Both Authorities have previously agreed only to exercise this discretion in exceptional circumstances, on compassionate grounds or for business reasons, taking into account any costs that would apply.

TP Regulations 1(1)(c) of Schedule 2: Whether to allow the rule of 85 to be “switched on” for members who would normally meet the rule but who will not if they draw the benefits age 55-59.

- 2.12 This discretion relates to some members who originally joined the LGPS before 2006. It allows members who meet the rule to retire earlier than the normal pension age, taking their pension benefits in full. However, under the LGPS 2014 Regulations certain members lose some of the rule of 85 protections if they wished to draw their pension benefits between the ages of 55 and 59. This discretion allows the protections to be re-installed by the Authority, but this has cost implications.

- 2.13 Neither Authority has previously agreed to exercise this discretion, unless in exceptional circumstances.

Recommended policies

Regulations 22(8 & 9) Whether to extend the 12 month period to separate previous Local Government Pension Scheme service.

- 2.14 LGPS members have 12 months from their starting date to decide if they wish to separate previous LGPS service (either within Wiltshire or Dorset Pension Funds or from another Local Government Pension Fund) from their current membership.
- 2.15 Both Authorities have only allowed extensions to the 12 month period in exceptional circumstances such as the employee not being contacted by the Pension Fund in time.

Regulation 9(3) Determine the rate of employees contributions

- 2.16 Employee contribution rates must be reviewed each April, but employers have the discretion to review them more regularly.
- 2.17 Dorset Fire Authority previously decided to review contribution rates during the course of the year on a monthly basis to take account of overtime payments and following any other material change which affects the member's pensionable pay. Wiltshire & Swindon Authority review all employees' contribution bands on a monthly basis when there has been a change to recurring pensionable pay, eg basic pay or hours. Members' contributions are not reviewed as a result of non-recurring payments such as overtime, Bank Holiday payments etc.
- 2.18 Due to the need to maintain two separate payrolls for a period it is recommended that these separate decisions are maintained until one payroll provider is adopted and implemented across the whole service. New employees will follow the discretion relating to the payroll they are joining.

Regulation 100(6) Whether to extend 12-month period to allow transfer-in of non-LG pension rights

- 2.19 New members have 12 months to decide whether or not to transfer in a pension from non-public sector funds.
- 2.20 As per 2.15 above, both Authorities have, exceptionally, allowed an extension to the 12-month period, dependent on the circumstances.

Appendix A

Dorset & Wiltshire Fire and Rescue Authority
Draft LGPS Discretions Policy

DISCRETION & REGULATION	POLICY ON INDIVIDUAL DISCRETIONS
<p>1). Reg 31: Whether to grant additional pension to a member (up to £6,500 pa)</p>	<p>The Dorset & Wiltshire Fire and Rescue Authority will not exercise this discretion other than in exceptional circumstances, for instance on compassionate grounds or for business reasons, and only after consideration of the costs that would apply.</p>
<p>2). Reg 16(2)e & Reg 16(4)d: Whether to make either a regular or lump sum Additional Pension Contribution (APC) to a member's account (part or whole funding this)</p>	<p>The Dorset & Wiltshire Fire and Rescue Authority will not exercise this discretion other than in exceptional circumstances, for instance on compassionate grounds, and only after consideration of the costs that would apply, ensuring that it can be objectively justified and that potential discrimination issues are fully considered</p>
<p>3). Reg 30(6) Whether all or some pension benefits can be paid if an member aged 55 or over reduces their hours/grade and continues to work ("flexible retirement")</p>	<p>The Dorset & Wiltshire Fire and Rescue Authority does not give blanket consent for staff in the LGPS aged 55 or over to flexibly retire and draw immediate payment of pension benefits. The Chief Fire Officer will be responsible for assessing employee requests to take flexible retirement on a case by case basis after taking into factors such as service delivery and any costs that may apply.</p>
<p>4). Reg 30(8) Waiving actuarial reduction on flexible retirement.</p>	<p>The Dorset & Wiltshire Fire and Rescue Authority will only waive the actuarial reduction on flexible retirement in exceptional circumstances, such as compassionate grounds, following approval from the Chief Fire Officer.</p>
<p>5). Reg 30(8) [B] Waiving actuarial reduction on early retirement (age 55+) – for both active, deferred members & suspended tier 3 ill-health pensions</p>	<p>The Dorset & Wiltshire Fire and Rescue Authority will only waive the actuarial reduction on early retirement in exceptional circumstances, such as compassionate grounds or for business reasons and only after considering the costs that would apply and with approval from the Chief Fire Officer.</p>
<p>6). TP Regs 1(1)(c) of Schedule 2: Whether to allow the rule of 85 to be "switched on" for members who would normally meet the rule but who will not if they draw the benefits age 55-59</p>	<p>The Dorset & Wiltshire Fire and Rescue Authority will only agree to "switch on" the rule of 85 in exceptional circumstances, such as compassionate grounds or exceptional business reasons, following approval from the Chief Fire Officer and after considering the costs that will apply.</p>

<p>7). Regs 22(8 & 9) Whether to extend 12-month period to separate previous LG service.</p>	<p>The Dorset & Wiltshire Fire and Rescue Authority will normally require any request to combine separate previous LG service to be made within the 12-month time limit. Any extension to the 12 month period will only be allowed in exceptional circumstances.</p>
<p>8). Reg 9(3) Determine rate of employees' contributions.</p>	<p>For former Dorset Fire Authority employees the Dorset & Wiltshire Fire and Rescue Authority will review all employees' contribution bands on a monthly basis to take account of overtime payments and following any other material change which affects the member's pensionable pay.</p> <p>For former Wiltshire & Swindon Fire Authority employees the Dorset & Wiltshire Fire and Rescue Authority will review all employees' contribution bands on a monthly basis when there has been a change to recurring pensionable pay e.g. basic pay or hours. Member's contributions will not be reviewed as a result of non-recurring payments such as overtime, Bank Holiday payments, etc.</p> <p>New employees will follow the discretion relating to the payroll they are joining.</p>
<p>9). Reg 100(6) Whether to extend 12-month period to allow a transfer-in of non-LG pension rights.</p>	<p>The Authority will normally require any request to transfer-in non-LG pension rights to be made within the 12-month time limit. Any extension to the 12-month period will only be allowed in exceptional circumstances.</p>

Abbreviations

The Local Government Pension Scheme Regulations 2013

"Reg 16(2)e" means Regulation 16(2)e of the Local Government Pension Scheme Regulations 2013

"TP Regs" means LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014

[B] means The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 as amended