

WILTSHIRE & SWINDON FIRE AUTHORITY

REPORT REFERENCE NO.	14
MEETING	Combined Fire Authority
MEETING DATE	12 th February 2015
SUBJECT OF REPORT	Local Government Pension Scheme (LGPS) Discretions Policy
LEAD OFFICER	Brigade Manager, People & Development
RECOMMENDATIONS	<p>The Fire Authority is asked to:</p> <ul style="list-style-type: none">i) APPROVE the LGPS Discretions Policy as at Appendix A; andii) REQUEST officers to work with colleagues in Dorset Fire & Rescue Service to produce a Discretions Policy for the new Combined Authority to approve
EXECUTIVE SUMMARY	This paper updates the LGPS Discretions Policy in line with the LGPS 2014 scheme.
APPENDICES	LGPS Discretions Policy

Background

- 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.
- 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.
- 3 It is best practice to review the Discretions Policy on a regular basis, and it is suggested that, if combination with Dorset Fire Authority proceeds, then a 3 year

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review period is agreed, on the basis that any new discretions arising in that period are brought to the relevant Committee as & when they occur.

Discretions requiring Fire Authority consideration

- 4 There are two areas for the statement of policy:
 - a. Policies that are compulsory; and
 - b. Policies that are recommended

Compulsory Policies

- 5 **Regulation 31: Whether to grant additional pension to a member of up to £6500**
 - a. Employers are allowed to purchase additional pension on a member's behalf up to a limit of providing additional pension of £6500 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.
 - b. The Authority has not previously exercised this discretion
- 6 **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)**
 - a. This is a new discretion and 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)
 - b. As the Authority has not previously exercised the discretion to grant additional pension it is recommended that a consistent approach with Regulation 31 is needed
- 7 **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")**
 - a. 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
 - b. The Authority has previously given delegated authority to the Chief Fire Officer to assess these requests
- 8 **Regulation 30 (8) Waiving actuarial reduction on flexible retirement**
 - a. 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

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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.

- b. The Authority has previously agreed only to exercise this discretion in exceptional circumstances

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

- a. This discretion is identical to 8 above except that it applies to early retirement instead of flexible retirement
- b. The Authority has previously agreed only to exercise this discretion in exceptional circumstances, taking into account any costs that would apply

10 **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**

- a. This is a new discretion and 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 would lose some of the rule of 85 protections if they wished to draw their pension benefits before age 55 and 59. This discretion allows the protections to be re-installed by the Authority, but this will have cost implications
- b. The Authority has previously agreed to exercise similar discretions with cost implications, only in exceptional circumstances

Recommended policies

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

- a. LGPS members have 12 months from their starting date to decide if they wish to separate previous LGPS service (either within Wiltshire Pension Fund or from another Local Government Pension Fund) from their current membership.
- b. The Authority has previously allowed extensions to the 12 month period – this usually occurs if the member was not contacted in time

12 **Regulation 9(3) Determine the rate of employees contributions**

- a. Employee contribution rates must be reviewed each April, but employers have the discretion to review them more regularly
- b. The Authority has previously decided to review all employees' contribution bands when there has been a contractual change to a member's full-time equivalent salary at some point during the year – due to changes in the wording of the 2014 Scheme this will need to be changed to reflect changes 'to a member's salary or hours'. Member's contributions are not reviewed as a result of one-off additional payments.

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

- a. New members have 12 months to decide whether or not to transfer in a pension from non-public sector funds
- b. As per 11 above, the Authority has previously allowed an extension to the 12-month period

14 Policy Implications

- a. The approved LGPS Discretions Policy will be sent to Wiltshire Pension Fund for enforcement

15 Risks

- a. There are no new risks associated with this policy statement

16 HR, Equality and Diversity Implications

- a. Consideration has been given to the impact upon differing groups and a full assessment is not required

17 Environmental Implications

- a. There are no new implications arising from this statement

18 Financial and Legal Implications

- a. Any financial implications arising from the application of the Discretions Policy will be addressed on a case by case basis

19 Combination Implications

- a. The new Combined Authority will be required to have an LGPS Discretions Policy.

20 Recommendations

- a. The Fire Authority is asked to:
 - i. **APPROVE** the LGPS Discretions Policy as at Appendix A; and
 - ii. **REQUEST** officers to work with colleagues in Dorset Fire & Rescue Service to produce an LGPS Discretions Policy for the new Combined Authority to approve

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Unpublished documents used in the preparation of this report:

None

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WILTSHIRE AND SWINDON FIRE AUTHORITY

DRAFT LGPS DISCRETIONS POLICY

LGPS 2014 Scheme

DISCRETION & REGULATION	POLICY ON INDIVIDUAL DISCRETIONS
<p>1). Reg 31: Whether to grant additional pension to a member (up to £6500pa)</p>	<p>The 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.</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 style="text-align: center;"><i>(NEW)</i></p>	<p>The 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.</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 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 & Chief Executive 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 Authority will only waive the actuarial reduction on flexible retirement in exceptional circumstances, such as compassionate grounds, following approval from the Chief Fire Officer & Chief Executive.</p>
<p>5). Reg 30(8) Waiving actuarial reduction on early retirement (age 55+) – for both active, deferred members & suspended tier 3 ill health pensions</p>	<p>The Authority will only waive the actuarial reduction on early retirement in exceptional circumstances, such as compassionate grounds and only after considering the costs that would apply and with approval from the Chief Fire Officer & Chief Executive.</p>

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<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 <i>(NEW)</i></p>	<p>The Authority will only agree to “switch on” the rule of 85 in exceptional circumstances following approval from the Chief Fire Officer & Chief Executive 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 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>The Authority will review all employees’ contribution bands when there has been contractual change to a member’s salary or hours at some point during the year. A member’s contribution rate will not be reviewed as the result of one-off additional payments.</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

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

[which apply from 1 April 2014]

“TP Regs” means LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014.