

CENTRAL SCOTLAND VALUATION JOINT BOARD

Subject: LGPS EMPLOYER DISCRETIONS
Meeting: CENTRAL SCOTLAND VALUATION JOINT BOARD
Date: 19th JUNE 2015
Author: ASSESSOR AND TREASURER

1. INTRODUCTION

- 1.1 The Board is required under the terms of Local Government Pension Scheme 2015 to formulate a policy in relation to various discretions that are available under the Scheme. The (statutory) deadline for a discretions policy to be formulated and published is 30th June, 2015.

2. BACKGROUND

- 2.1 In the past the Board has simply indicated that it will follow Falkirk Council Policy. For transparency it is recommended that a specific policy document for the VJB is prepared. The advantage of a specific document for the VJB is that it provides certainty and clarity over who makes the decisions on discretionary matters.

3. PROPOSED POLICY

- 3.1 The proposed policy document has been formulated to replicate that of Falkirk Council who is the VJB's pension provider and this is consistent with previous practice.
- 3.2. The proposed policy is attached at Appendix 1. The policy document describes in the Compulsory section items about which the employer is required to have a policy. In the Non Compulsory section are listed those items where the Board is not required to have a policy but where for operational reasons it is appropriate to do so. For each regulation the scope of discretion is summarised, and the proposed discretion and authority for granting the discretion are set out.
- 3.3. In reviewing the Policy Board members may wish to note the following points of clarification:

Rule of 85

The Rule of 85 was abolished on 1st December 2006, although some scheme members contributing to the LGPS before that date may have some or all of their pension benefits protected under this rule. It is satisfied if the employee's age and

scheme membership (in whole years) at the date you draw your benefits add up to 85 or more and is used, to determine the earliest point at which benefits could be taken voluntarily from the LGPS without suffering an early retirement reduction.

Shared Cost Additional Pension Contribution

Where an employee decides to pay Additional Pension Contributions (APCs) to buy an additional amount of pension the employer can choose to contribute towards the cost. This is known as a shared cost APC (SCAPC).

Flexible Retirements

Flexible retirement does not give the employer the right to specify a retirement age. It remains within the discretion of the employee to determine when they will retire irrespective of the agreement of flexible retirement.

- 3.4 The implementation of this policy would have a net nil financial cost although there would be financial considerations on a case by case basis should the Board wish to exercise any of the discretions detailed in the policy.

4. RECOMMENDATION

- 4.1 The Board is asked to approve the LGPS Employer Discretions Policy as drafted and to its publication by 30th June 2015

Assessor
19th June 2015

Treasurer
19th June 2015

LOCAL GOVERNMENT PENSION SCHEME 2015

EMPLOYER DISCRETIONS – CENTRAL SCOTLAND VJB

COMPULSORY ITEMS:

Awarding Additional Pension : Regulation 30 LGPS (Scotland) Regulations 2014

Summary of Discretion:

Consider whether to grant extra annual pension of up to £5,000 (as increased annually by CPI from April, 2015) to an active scheme member or, within 6 months of them leaving, to a member whose employment was terminated on the grounds of redundancy or business efficiency

Proposed Discretion:

The Assessor and Treasurer will consider all relevant factors and only where it can be demonstrated to be in the interests of Central Scotland Valuation Joint Board will additional annual pension be granted. Additional pension will not be awarded if the scheme member is also being granted Compensatory Added Years on retirement.

Funding of Additional Pension : Regulations 16(2e) 16(4d) LGPS (Scotland) Regulations 2014

Summary of Discretion:

Where an active scheme member wishes to purchase extra annual pension of up to £6,500 by making Additional Pension Contributions (APCs), consider whether to contribute towards the cost of purchasing that extra pension via a Shared Cost Additional Pension Contribution (SCAPC).

Proposed Discretion:

Where an active scheme member wishes to purchase extra annual pension of up to £6,500 (figure at 1 April 2015) by making APCs, Central Scotland Valuation Joint Board will not contribute towards the cost of purchasing that extra pension via SCAPCs.

Flexible Retirement : Regulation 29(6) LGPS (Scotland) Regulations 2014

Summary of Discretion:

Consider whether to permit the release of benefits on flexible retirement grounds for staff aged 55 or over who, with the agreement of the employer, reduce their working hours or grade.

Proposed Discretion:

The Assessor and Treasurer will consider all relevant factors including costs and changes to the employee's contract of employment, and only where it can be demonstrated to be in the best interests of Central Scotland Valuation Joint Board will benefits be released.

Any flexible retirement request will only be approved where the aggregate of pension and new salary does not exceed the former salary. Any application to reduce hours must be reasonable and not merely a token or cosmetic reduction to allow scheme benefits to be activated.

Where a flexible retirement request has been approved, the employee will be required to take all accrued benefits in relation to that employment.

**Waiving of Actuarial Reduction :
Regulation 29(8) LGPS (Scotland) Regulations 2014**

Summary of Discretion:

Members whose benefits are released prior to the Normal Pension Age (including those released on flexible retirement grounds) may incur an early payment penalty.

Consideration has therefore to be given to the circumstances in which the early payment penalty would be waived and the costs borne by the employer.

Proposed Discretion:

The Assessor and Treasurer will consider all relevant factors and only where it can be demonstrated to be in the interests of the Board or where exceptional compassionate circumstances exist will any early payment penalty be waived.

**Rule of 85 Protection:
Para 1(1)(c) of Schedule 2 to the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014**

Summary of Discretion:

Scheme members who joined before 1/4/2015 and who are granted retirement between age 55 and 60 are protected in varying degrees against the early payment penalty that would normally apply to a retirement before Normal Pension Age. This is known as Rule of 85 protection. The existence of rule of 85 protection means that if retirement is authorised an employer is required to make a strain payment to the Pension Fund to compensate it for the cost of additional pension payments and the loss of future contributions and investment returns. In some cases, the strain cost may result in the retirement application being refused. Under the new scheme, the option now exists for employers to set aside the rule of 85 protection, in which case the member would receive a lesser benefit but the strain cost to the employer would either be reduced or eliminated. This new flexibility may increase the affordability of such retirements. Consideration has therefore to be given to the circumstances in which the rule of 85 protection would be set aside.

Proposed Discretion:

The Assessor and Treasurer will consider all relevant factors and only where it can be demonstrated to be in the interests of Central Scotland Valuation Joint Board will rule of 85 protection be set aside either in full or in part.

NON-COMPULSORY ITEMS:

Early Payment of Pension: Regulation 29(5) & (13) LGPS (Scotland) Regulations 2014

Summary of Discretion:

Consider whether to agree to a request for early voluntary payment of benefits on or after age 55 and before age 60.

Proposed Discretion:

The Assessor and Treasurer will consider all relevant factors and only where it can be demonstrated that exceptional compassionate circumstances exist will benefits be authorised for release on or after age 55 and before age 60.

In determining compassionate grounds, financial reasons alone will not be considered sufficient to justify the release of benefits.

Members' Contribution Rates : Regulation 9(3) LGPS (Scotland) Regulations 2014

Summary of Discretion:

Consider whether member's contribution rates will be reassessed where there is a permanent material change to a member's employment. Notwithstanding any material change in the member's employment, rates require to be reassessed every 1st April.

Proposed Discretion:

A member's contribution rate will be reassessed where there is a permanent material change to a member's employment eg on promotion, demotion, re-grading or a part-time member's contractual hours change.

Internal Disputes Resolution Procedure : Regulation 71(5)(c) LGPS (Scotland) Regulations 2014

Summary of Discretion:

The Local Government Pension Scheme contains its own disputes resolution procedure. For the Falkirk Fund, this involves appeals being heard by the Principal Pensions Officer of Strathclyde Pension Fund with whom the Falkirk Council Pension Fund has a reciprocal arrangement. Some appeals require to be considered by the employer in question (e.g. a dispute over the member's rate of pension contribution or the failure of the employer to grant ill health retirement). Consequently, consideration should be given as to who should be responsible for adjudicating on such "employer related" disagreements.

Proposed Discretion:

Where the appeal concerns "employer related disagreements" the specified person to hear an appeal is the Assessor or alternatively the Assistant Assessor.

Acceptance of Late Transfer Payments : Regulation 98(6) LGPS (Scotland) Regulations 2014

Summary of Discretion:

Consider whether to extend the normal time limit for acceptance of a transfer value beyond 12 months from joining the LGPS.

Proposed Discretion:

Unless there have been administrative delays or omissions as determined by the Treasurer/Pensions Manager belated transfer payments will only be accepted where the request to transfer has been made within 12 months of participating in the Falkirk Council Pension Fund.

**Extension of 30 Day Deadline for Shared Cost APCs:
Regulation 16(16) LGPS (Scotland) Regulations 2014****Summary of Discretion:**

Consider whether to extend the 30 day deadline for a member to elect for a shared cost APC upon return from an unpaid authorised period of absence from work (n.b. does not apply to authorised leave relating to illness or injury, relevant child-related leave or reserve force service leave as separate rules apply).

Proposed Discretion:

In the event of unpaid authorised leave of absence as described above, the scheme member will be allowed to elect to buy-back the amount of "lost" pension within three months of returning from that leave of absence or within one month of them having received details of the costs of the buy-back from the employer, whichever is the later.

Any other employer discretions arising under the LGPS regulations will be considered and determined by the Assessor and Treasurer on a case by case basis.