

LGPS 2014 – Employer Policy Discretions

Basic Requirement

- Each LGPS employer is required to publish a policy statement on the exercise of certain of its discretions under the LGPS regulations
- The policy statement does not have to detail the employer's full policy, it can be a brief statement referring to any separate policy the employer may have

Why do we need a policy?

A fund employer needs a policy in case one of its employees, or former employees, asks it to exercise one of the discretions.

How do I draw up a policy?

The Employer needs to ask itself what decision it would make if one of its employees asked it to exercise its discretion.

So there are some basic questions it needs to answer;

1. Will it say YES to exercising the discretion, e.g. allow a member to take flexible retirement?

and, if so

2. In what circumstances will it say YES?
 - a. What criteria will it use, if any? For example;
 - i. A reduction in hours of at least 25%
 - ii. A reduction of at least 1 grade
 - iii. If there is no cost, i.e. Financial Strain, to the Employer
 - iv. If the Financial strain does not exceed £2,000
 - b. What process will it follow to make the decision
E.g. officer considers request under set criteria and makes decision THEN decision signed off by Chairman?
3. Are there any exceptions whereby the discretion might be exercised despite the criteria not being met?
Eg. the cost of waiving actuarial reductions may be cheaper for the employer than making someone redundant

Leigh Town Council's Employer Discretions

Discretion	Regulation	Employer Policy
Whether, how much, and in what circumstances to contribute to a shared cost APC or AVC scheme.	R16(2)(e) & R16(4)(d) R17(1) RTP15(1)(d)	The Town Council will not set up a shared cost APC or AVC scheme. The only circumstances under which the Town Council will contribute, as required, is where an employee chooses within 30 days following a period of authorised unpaid leave of absence, to purchase pension.
<p>An employer can choose, if it wishes, to contribute to the cost of APCs or AVCs being bought by the member</p> <p>This discretion is rarely, if ever, used by Fund employers</p> <p>It is unclear why ECC felt the need to say “The only circumstances under which the Town Council will contribute, as required, is where an employee chooses within 30 days following a period of authorised unpaid leave of absence, to purchase pension.” because their contribution in such cases is compulsory, not a discretion!</p>		
Whether all or some benefits can be paid if an employee reduces their hours or grade (flexible retirement).	R30(6) & TP11(2)	The Town Council will consent to the payment of benefits on flexible retirement if a member is over the age of 55, permanently reduces his or her hours by at least 25% and or grade in accordance with the criteria set out within the Town Councils flexible retirement policy (which requires a business case to be approved in each case).
<ul style="list-style-type: none"> • A member aged 55 or over who reduces their hours or grade can apply for Flexible Retirement but pension benefits can only be paid with the Employer's consent. • Employer can set its own criteria in terms of the number or % hours (or no. of grades) must reduce by • In many cases the individual has an actuarial reduction to their benefits and there is no cost to the employer • However, there may be a Financial Strain cost payable by the employer if member satisfies the “85 year rule” before age 60 		

Discretion	Regulation	Employer Policy
Whether to waive, in whole or in part, actuarial reduction on benefits paid on flexible retirement.	R30(8)	The Town Council will not waive actuarial reductions on a flexible retirement.
<ul style="list-style-type: none"> • If the Employer consents to Flexible Retirement then the member's benefits are subject to an actuarial reduction if he has not reached his normal retirement age • The Employer can choose to waive, in whole or in part, those actuarial reductions so the member's benefits are paid unreduced or with less reduction • If the Employer does waive the reductions then it will have to pay a Financial Strain payment to the Fund • If an employer does consider waiving reductions they should ask the Fund for an estimate of the Financial Strain before making a decision, unless its policy is to waive reductions in all cases which is unlikely 		
Whether to waive, in whole or in part, actuarial reduction on benefits which a member voluntarily draws before normal pension age.	R30(8)	The Town Council will not waive, in whole or part, the actuarial reduction on benefits where a member voluntarily elects to draw his or her benefits before normal pension age.
<ul style="list-style-type: none"> • If a member elects to receive his pension benefits before his normal retirement age then his benefits are subject to an actuarial reduction for early payment. • Employer can choose to waive, in whole or in part, those actuarial reductions so the member's benefits are paid unreduced or with less reduction • If the Employer does waive the reductions then it will have to pay a Financial Strain payment to the Fund • If an employer does consider waiving reductions they should ask the Fund for an estimate of the Financial Strain before making a decision, unless its policy is to waive reductions in all cases which is unlikely 		

Discretion	Regulation	Employer Policy
Whether to “switch on” the 85 year rule for a member voluntarily drawing benefits on or after age 55 and before age 60.	TPSch 2, paras 1(2) and 2(2)	The Town Council will not “switch on” the 85 year rule for a member voluntarily electing to draw benefits on or after age 55 but before age 60.
<ul style="list-style-type: none"> • The “85 year rule” only applied on or after age 60 so the transitional provisions carrying forward the “85 year rule” protections do not apply to voluntary retirement between age 55 and 60 (which is a new provision) • A member voluntarily retiring before age 60 will suffer an actuarial reduction to his benefits, even if he satisfies the “85 year rule” • Employer can choose to “switch on the 85 year rule” (i.e. waive any reductions) so the member’s benefits are paid unreduced or with less reduction • If the Employer does “switch on the 85 year rule” then it will have to pay a Financial Strain payment to the Fund 		
Whether to waive any actuarial reduction on pre and/or post April 2014 benefits.	TP3(1), TPSch 2, paras 2(1) and 2(2), B30(5) and B30A(5)	The Town Council will not waive actuarial reductions on pre and or post April 2014 benefits.
<p>This mainly covers pre 2014 benefits but also any gaps left by the two Reg 30(8) discretions above</p> <p>The issues are, therefore, the same as for the two Reg 30(8) discretions above, eg.</p> <ul style="list-style-type: none"> • The member’s benefits are subject to an actuarial reduction if he has not reached his normal retirement age • The Employer can choose to waive, in whole or in part, those actuarial reductions so the member’s benefits are paid unreduced or with less reduction • If the Employer does waive the reductions then it will have to pay a Financial Strain payment to the Fund • If an employer does consider waiving reductions they should ask the Fund for an estimate of the Financial Strain before making a decision, unless its policy is to waive reductions in all cases which is unlikely 		

Discretion	Regulation	Employer Policy
Whether to grant additional pension to an active member or within 6 months of ceasing to be an active member by reason of redundancy or business efficiency (by up to £6,500.00 p. a.).	R31	The Town Council will not award additional pension to any member
<p>This is a time-limited temporary discretion only lasting to 30/09/2014 and covering members who ceased between 01/10/13 and 31/03/2014 and ceased because of redundancy or business efficiency</p> <p>This is, therefore unlikely, to apply to most fund employers but the requirement is still there! I would suggest replicating the Town council's policy statement.</p>		