



AGENDA ITEM: 13

NORTH WALES FIRE AND RESCUE AUTHORITY

16 June 2014

LOCAL GOVERNMENT PENSION SCHEME (LGPS) – DISCRETIONARY POLICY

Report by Dawn Docx, Deputy Chief Fire Officer

Purpose of Report

- 1 To inform Members of the requirement for the Authority to produce a LGPS Discretionary Policy Statement.
- 2 To seek approval of the resolutions decided for each regulation within the LGPS Discretionary Policy Statement and to seek approval that on behalf of the FRA, decisions will be delegated on a day-to-day basis to the Chief Fire Officer and Treasurer.

Information

- 3 Under the Local Government Pension Scheme (Benefits, Membership and Contributions Regulations 2008), each Employing Authority 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. Following the changes to the LGPS regulations for 2014, further discretions have been included within the policy.
- 4 All discretionary areas that require a formal resolution are included within the Policy Statement.
- 5 This policy statement only applies to scheme members employed by North Wales Fire and Rescue Service.

Recommendation

- 6 Members are requested to approve each discretionary resolution within the LGPS Discretionary Policy Statement and to delegate day-to-day decisions to the Chief Fire Officer and Treasurer.

Local Government Pension Scheme Discretionary Policy

Document type: Policy

Version number: 2

Date review due: May 2014

PART A

The regulations of the LGPS require every employer to

- (i) issue a written policy statement on how it will exercise the various discretions provided by the scheme,
- (ii) keep it under review and
- (iii) revise it as necessary.

This document meets these requirements stating the regulation requirement and the organisation decision on these.

These discretions are subject to change, either in line with any change in regulations or by due consideration by the Authority. These provisions do not confer any contractual rights.

Local Government Pension Scheme Regulations 2013 and the Local Government Pension Scheme (Transitional Provisions and Savings) Regulations 2014

1.1 LGPS (Benefits, Membership and Contributions) Regulations 2014 Regulation 16 (2) (e) & 16 (4) (d)

An employer may choose to contribute to a Shared Cost Additional Pension Contribution (APC) scheme in certain circumstances. In the case of an employee paying APCs to buy any or all the 'lost' pension for a period of authorised unpaid leave of absence (including any period of unpaid additional maternity, paternity or adoption leave), the employer shall pay 2/3rds of the cost of the APC (election by the employee to buy back lost membership must be made within 30 days of returning to work). This is known as a Shared Cost Additional Pension Contribution (SCAPC).

Where the absence is in relation to a trade dispute, the employee meets 100% of the cost.

If an employee chooses to make a one off contribution or regular additional contributions in order to buy a set amount of additional pension. It is possible for an employer to contribute towards the cost of purchasing such pension on a voluntary basis. The split between an employee's and employers' additional contributions for a SCAPC can be any ratio as agreed but not 100% cost to the employer.

Details of Policy Concerning Resolution

Due to potential cost burden the Fire Authority will not contribute towards the cost of the employee purchasing additional pension.

1.2 LGPS (Benefits, Membership and Contributions) Regulations 2014 Regulation 30 (6) & Transitional Regulation 11 (2) (flexible retirement)

An employer may allow a member of the pension scheme who has attained the age of 55 to reduce the hours he / she works, or the grade in which he / she is employed and gain access to some or all of their pension benefits.

Details of Policy Concerning Resolution

Each case will be considered on its own merits following full consideration of all financial and service delivery implications.

1.3 LGPS (Benefits, Membership and Contributions) Regulations 2014 Regulation 30 (8) (flexible retirement)

A member of the pension scheme who has attained the age of 55 and with his / her employer's consent, reduces the hours he / she works, or the grade in which he / she is employed, may make a request in writing to receive all or part of his / her benefits under the Benefits Regulations.

If the benefits are reduced in accordance with guidance issued by the Government Actuary, the employer may agree to waive, in whole or in part, any such reduction.

Details of Policy Concerning Resolution

Any employee request for flexible retirement will be considered on its own merits following full consideration of all financial and service delivery implications.

Where there is a capital cost to the Fire Authority it is unlikely that the request will be agreed unless the capital costs can be offset by financial savings.

This does not preclude younger employees requesting flexible working but without the payment of their retirement benefits.

Under flexible retirement a minimum of 20% reduction in working hours will be necessary.

1.4 LGPS (Benefits, Membership and Contributions) Regulations 2014 Regulation 30 (8) (early retirement)

An employer may waive, in whole or in part, actuarial reduction on benefits which a member voluntarily withdraws before normal pension age.

Details of Policy Concerning Resolution

It is not the policy of the Fire Authority to waive any reduction applied to the pension benefit due to the early payment, unless there are exceptional circumstances. Each case will be considered on its own merits following full consideration of all financial and service delivery implications.

1.5 LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014, Schedule 2 – (85 Year Rule)

The “85 Year Rule”, where a member’s service and age equal 85, can be activated for individual members, prior to age 60 in the case of Early Retirement, the cost of which can be borne, in full or in part, by the employer.

Details of Policy Concerning Resolution

The Fire Authority has the discretion to waive reductions in full or in part and will consider each case on its own merits following full consideration of all financial and service delivery implications.

The Fire Authority will approve the ‘switch on’ of the 85 year rule in all cases where there is no cost to the employer, allowing the member to take their benefits early with some actuarial reduction.

Review - The Authority may review its policy at any time.

1.6 LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014, Schedule 2 – (waiving reductions)

It is an employer’s discretion to review applications for waiving the reductions applied to benefits from pre 1 April 2014 membership where an employer has switched on the rule of 85 for a member voluntarily drawing benefits on or after age 55 but before age 60.

Details of Policy Concerning Resolution

It is not the policy of the Fire Authority to waive the actuarial reduction on early payment of pension unless:

(i) the payment relates to someone who is being made redundant or taking efficiency retirement from active employment with the Fire Service

(ii) If there are compelling, compassionate reasons to do so.*

1.7 LGPS (Benefits, Membership and Contributions) Regulations 2014 Regulation 31

From 1 April 2014, an employer may grant additional pension up to a maximum of £6,500.

The decision to award additional pension can be made only in respect of an employee who is an active member of the LGPS, or within 6 months of leaving employment if the reason for leaving was redundancy or business efficiency.

Details of Policy Concerning Resolution

It is not the policy of the Fire Authority to award additional pension.

PART B - Discretionary policies relating to earlier Scheme rules

2.1 LGPS (Benefits, Membership and Contributions) Regulations 2007 Regulation 12

An employer may increase (i.e. augment) the total membership of an employee who is currently paying contributions to the Scheme, for example, to enhance a redundancy package for staff with scarce and/or key skills.

The member's (of the pension scheme) increase in membership under this regulation (including additional membership in respect of different employments) must not exceed 10 years or go beyond age 75 if retiring after age 65. This discretion is spent entirely after 30/09/14.

Details of Policy Concerning Resolution

It is not the policy of the Fire Authority to augment pension.

2.2 LGPS (Benefits, Membership and Contributions) Regulations 2007 Regulation 30 (2)

It is an employer's discretion review applications from former employee's for releasing the deferred benefits on or after age 55 but before age 60.

Details of Policy Concerning Resolution

It is not the policy of the Fire Authority to waive any reduction applied to the pension benefit due to the early payment.

2.3 LGPS (Benefits, Membership and Contributions) Regulations 2007 Regulation 30 (5)

It is an employer's discretion to review applications for waiving the reductions applied to benefits where an employer has agreed to release the deferred benefits on or after age 55.

Details of Policy Concerning Resolution

It is not the policy of the Fire Authority to waive the actuarial reduction on early payment of a deferred pension unless there are compelling, compassionate reasons to do so.*

2.4 LGPS (Benefits, Membership and Contributions) Regulations 2007 Regulation 30A (3)

It is an employer's discretion review applications from former employee's for releasing the deferred benefits on or after age 55 but before age 60 following a suspended ill health pension.

Details of Policy Concerning Resolution

It is not the policy of the Fire Authority to waive the actuarial reduction on early payment of a deferred pension unless there are compelling, compassionate reasons to do so.*

2.5 LGPS (Benefits, Membership and Contributions) Regulations 2007 Regulation 47

A scheme member who meets the normal criteria for a refund of pension contributions is not entitled to such a refund if he/she left his/her employment because of:

- An offence of fraudulent character – unless the employer directs that a total or partial refund may be made to the member.
- Grave misconduct – unless the employer directs that a total or partial refund may be made to the member, his/her spouse, civil partner nominated cohabiting partner or any dependant of his/her.

Details of Policy Concerning Resolution

Each case to be individually considered by the Chief Fire Officer and Treasurer on behalf of the Fire Authority, before a decision is made.

PART C

3.1 Background

There are a further five discretions that are not compulsory to include in the Policy Statement but that are recommended to be included:

3.2 LGPS (Administration) Regulations 2008 Regulation 22 (2)

A scheme member may elect to pay optional contributions to cover a period of absence from work providing the option is made within 30 days of return to work or cessation of employment or such longer period as the employer allows.

Details of Policy Concerning Resolution

It is the policy of the Fire Authority to consider an extension in cases where the member of staff was not notified of their rights to pay contributions in respect of a period of absence before returning to work, or ceasing to be employed without returning to work. The extension would be for one month from the date that they were notified of their right to pay.

3.3 LGPS (Administration) Regulations 2008 Regulation 83 (8)

If a scheme member wishes to transfer pension into the LGPS he/she must opt to do so within 12 months of joining the LGPS or such longer period as the employer may allow.

Details of Policy Concerning Resolution

It is not the policy of the Fire Authority to consider extending the time limit for a transfer in of previous pension rights to proceed after twelve months of joining unless:

(i) the scheme member has requested that investigations commence within the twelve month time limit, or

(ii) if there is reason to believe that the individual would not have known of the need to request an investigation into potential transfer in or previous pension rights within the twelve month time limit, and the HR &/or pension files support this. Only in exceptional circumstances will a longer period be allowed so long as there is no known reason or prospect of the employee having access to their pension rights within the next 12 months.

3.4 LGPS (Administration) Regulations 2008 Regulation 25 (3)

Where the member's employing authority contributes to the scheme, the additional voluntary contributions arrangement is to be known as a shared cost additional voluntary contributions arrangement and contributions to it as "SCAVCs".

Details of Policy Concerning Resolution

It is not the policy of the Fire Authority to contribute towards a shared cost additional voluntary contributions scheme.

3.5 LGPS (Benefits, Membership & Contribution) Regulations 2007 Regulation 3 (4)

Where a member is employed in any employment for part only of any financial year, the range (and the contribution rate) applicable to him are those that would have applied had he been so employed for the whole of that financial year.

Details of Policy Concerning Resolution

The tiered contribution rate for each employee will be based on the pensionable pay elements Basic salary is assessed at the full time equivalent rate, in each post an employee holds at 1 April.

The contribution rate will be re-assessed annually on implementation/application (regardless of when the award is made) of the annual pay award. Re-assessment will take place at any point in the year in the following circumstances:-

- *Promotion*
- *Demotion*
- *Incremental progression*
- *Pay award*
- *Acting up starts/Acting up ceases*
- *Contractual Allowance starts/Contractual Allowance ceases.*

PART D

The Local Government (Discretionary Payments) (Injury Allowances) Regulations 2011

4. The Local Government (Discretionary Payments) (Injury Allowances) Regulations 2011 require the Fire Authority to adopt a written statement of policy about the exercise of discretions under the regulations. The regulations provide powers for employers to make payments to individuals who suffer an injury or die as a result of work. The payments are outside those available in the Local Government Pension Scheme and have to be funded by the employer, not by the pension scheme.

Details of Policy Concerning Resolution

The Fire Authority has not made any such payments in the past. For employees who are members of the local government pension scheme, there are arrangements for pensions to be paid in the case of ill-health (whatever the cause) and for death grants. Employees who choose not to join the pension scheme can make their own arrangements for life insurance or insurance for loss of earnings. Where any member of staff who suffers an injury or death as a result of the Fire Authority's actions, a claim can be made against the Authority's insurance. Having regard to these factors, the recommendation is that the Fire Authority's written policy should maintain past practice and that no payments would be made under the 2011 regulations.

PART E

5. Definitions

*Definition of compelling, compassionate reasons:

- (i) The member can clearly demonstrate that they have a dependant, who is in need of the member's constant supervision due to a long term illness and as a result the member is suffering from severe financial hardship OR
- (ii) There is another substantial reason (not relating to caring for a dependant who is unwell) where the member can demonstrate that they are facing very severe, on-going financial hardship and will be doing so on a long term basis.

In exceptional circumstances, and only with the prior approval of the Fire Authority, the Fire Service may vary the terms of this policy on an individual basis.

The list is subject to statute, regulations and Fire Authority policy. It may be varied in the future as necessary.

Each discretion will be dealt with independently.