



BUDE-STRATTON TOWN COUNCIL

Local Government Pension Scheme (LGPS) 2023 - Employers Discretions Policy

Bude-Stratton Town Council

Date Adopted: 2014

Review Date: Oct 2025

Date Amended/Reviewed: October 2023- Min No: 195/23/FC

Local Government Pension Scheme (LGPS) 2023 - Employers Discretions Policy

This document outlines Bude-Stratton Town Council's policy on the employer discretions specified in the Local Government Pension Scheme Regulations 2013, which came into effect on 1st April 2014.

Regulation 17 – Shared Cost Additional Voluntary Contributions

An additional Voluntary Contribution (AVC) scheme gives individuals the ability to pay extra contributions (which receive tax relief) in order to receive additional pension and cash at retirement. The total paid into the AVC cannot exceed 100% of monthly pay. The Cornwall Fund currently has arrangements with Standard Life. This discretion allows for Bude-Stratton Town Council to pay into the AVC on behalf of the employee (in whole or in part), there would be an immediate charge to Bude-Stratton Town Council.

Resolved: Bude-Stratton Town Council will not contribute to an employee's AVC.

Regulation 30 (7) – Redundancy and Efficiency Retirements

The regulations allow retirement benefits to be payable if a scheme member leaves employment aged at least 55 because of redundancy or business efficiency. If redundancy or efficiency applies then the employee must be aged at least 55 at the time of leaving in order to receive retirement benefits. Under these circumstances, the employer is required to cover the additional cost to the pension fund for the early release of unreduced benefits.

Regulation 30 (8) – Early Payment of Retirement Benefits – Waiving Actuarial Reduction

For permanent ill health there is no age restriction and at present, no immediate additional employer cost. Any additional employer cost is included at the next triennial actuarial valuation.

If the above criteria at 30 (7) are not met then the accrued benefits at date of leaving are preserved and normally payable from age 60. They can however be paid early on compassionate grounds or if the person is aged over 55. Preserved benefits are index linked during deferment.

Resolved: Bude-Stratton Town Council will not normally waive the actuarial reduction in whole or in part unless for reasons of business efficiency or redundancy, each case to be considered on its own merits.

Regulations now allow for employees from age 55 onwards to elect to receive their benefits immediately in cases where the above criteria are not met e.g. voluntary resignation.

Resolved: Bude-Stratton Town Council will not waive the actuarial reduction in cases of voluntary early retirement, unless there is a clear financial or operational benefit e.g. as an alternative to redundancy.

Transitional Provisions Regulations – Early Payment of Retirement Benefits between age 55 and 60

The 85 year rule allowed for retirement with no actuarial reduction provided that the employees age and length of scheme membership added up to 85 years. As the decision now rests with the employee, the LGPS 2014 Regulations automatically provide for the 85 year rule to be switched off. If the employer allows for the 85 year rule to be switched on for some retirements between these ages it is likely there will be an immediate charge.

Resolved: Bude-Stratton Town Council will not waive the actuarial reduction in cases of voluntary early retirement applying the 85 year rule, unless there is a clear financial or operational benefit e.g. as an alternative to redundancy.

Regulation 30 (5) – Early Retirement on Compassionate Grounds

This discretion allows early payment of benefits on compassionate grounds, for example where an employee needs to give up work to provide constant care for an immediate family member. As in regulation 30 (8) it is possible to waive the actuarial reduction, leading to an immediate charge to Bude-Stratton Town Council. Where the decision is taken not to pay, then the costs are taken into account at the next triennial valuation.

Resolved: Bude-Stratton Town Council does not allow for early retirement on compassionate grounds.

Regulation 30 (6) – Flexible Retirement

Employees aged at least 55 may request payment of their accrued pension benefits from their employer while remaining in employment, either by reducing their hours and/or moving to a lower pay grade. Employees may elect to receive all or just part of their accrued post April 2008 benefits whilst continuing in employment, all prior benefits earned must be taken in full. Employees being awarded flexible retirement below normal pension age will be subject to an actuarial reduction, the employer can waive this reduction in whole or in part, which will lead to an immediate charge.

Resolved: Bude-Stratton Town Council will not waive the actuarial reduction in cases of flexible retirement, unless there is a clear financial or operational benefit e.g. as an alternative to redundancy, or to retain experienced staff.

Regulation 31 – Increase of Pension by Employer

The pension scheme allows the employer the discretionary power to award an employee an additional amount of pension, currently to a maximum of £6500 per annum. There are no survivor benefits payable with this additional pension, and could increase the employees benefit growth beyond the annual allowance limit resulting in an additional tax liability to the employee. The full cost is borne by the employer in a one off payment. The Pensions Committee of Cornwall Pension Fund have already approved the option for employees to convert any compensation payment following redundancy into additional pension, this would incur an immediate charge to the employer.

Resolved: Bude-Stratton Town Council would not normally fund additional pension contributions, unless there was an operational benefit in doing so.

Regulation 100 – Transfer of Service into the LGPS

Employees joining the LGPS have an initial period of 12 months in which to request us to investigate the option of transferring any pension benefits from previous employments in the Cornwall Pension Fund. In exchange for the transfer payment the employee is awarded an additional amount of pension. This pension is calculated with reference to the employee's age, sex and rate of pay. The employer and now the Administering Authority has discretion to extend this 12 month time limit. Extending the time limit could have adverse cost implications for the employer. Allowance is made for future investment return, price inflation, and normal pension age when calculating the additional pension. Where for instance an employee age 57 is being made redundant or is retiring under ill health grounds, the pension paid early with no actuarial reduction. If this employee decided to transfer previous benefits into the Cornwall Fund just before leaving, the additional pension would be overstated as it would be assumed that payment of benefits would not be until at least age 65. As a result, there would be an additional cost to the pension fund which would be passed to the employer. Where the employee is unhappy with the employer's decision not to extend the 12 month time limit, they have the ability to invoke the scheme's Internal Disputes Resolution Procedure. Ultimately the employee has the ability to refer the matter to the Pensions Ombudsman for determination.

Resolved: Bude-Stratton Town Council will not extend the 12 month time limit.

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