



## **AGENDA ITEM: 12**

### **NORTH WALES FIRE AND RESCUE AUTHORITY**

**17<sup>th</sup> June 2013**

#### **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.
- 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: 1

Date review due: June 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.

#### **1.1 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 the 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.*

Details of Policy Concerning Resolution

The Authority has used its discretion not to augment pension.

#### **1.2 LGPS (Benefits, Membership and Contributions) Regulations 2007 Regulation 13**

*This regulation allows an employer to resolve to award a member additional pension of not more than £5000 a year payable from the same date as his / her pension payable under any other provisions of the Benefit Regulations.*

*Additional pension may be awarded in addition to any increase of total membership resolved under Benefits Regulation 12.*

Details of Policy Concerning Resolution

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

Members of the Local Government Pension Fund may choose to enhance their pension benefits by purchasing additional pension up to a maximum of £5,000 (in multiples of £250) by paying Additional Regular Contributions (ARCs).

### **1.3 LGPS (Benefits, Membership and Contributions) Regulations 2007 Regulation 18 (1)**

*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 the Pension Fund to receive all or part of his / her benefits under the Benefits Regulations. However, payment of the benefits cannot be made without the employer's consent.*

*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.

### **1.4 LGPS (Benefits, Membership and Contributions) Regulations 2007 Regulation 18 (3)**

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

### **1.5 LGPS (Benefits, Membership and Contributions) Regulations 2007 Regulation 30 (2)**

*When a member of the pension scheme leaves an employment before he /she is entitled to the immediate payment of retirement benefits, once he / she has attained the age of 55 he / she may choose to receive payment of them immediately.*

*A choice made by a member aged less than 60 is ineffective without the consent of his / her employer or former employer.*

*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

It is not the policy of the Fire Authority to release pension early unless:

- (i) It is to bring an earlier deferred benefit into payment following redundancy, or efficiency retirement of an existing employee from a current job in the Fire Service or
- (ii) If there are compelling, compassionate\* reasons to do so.

If the Service agrees to permit early retirement with the immediate payment of pension benefits for reasons other than compassionate grounds, an actuarial reduction will normally be applied to the person's accrued pension benefits to take account of the fact the benefits will be paid for longer.

The Service has the discretion to waive any actuarial reduction for early payment. Doing this normally involves a capital cost to the Fire Authority. In such cases where early release of pension benefits is approved, any actuarial reduction will not be waived in any circumstances.

## **1.6 LGPS (Benefits, Membership and Contributions) Regulations 2007 Regulation 30 (5)**

The Service has decided that applications for early payment of pension before the age of 60 will only be accepted where it can be demonstrated as being in the Service's interests i.e. clear financial or operational advantage to the Service or where there are compassionate grounds for the early release of pension benefits.

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 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 B**

### **2.1 Background**

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

### **2.2 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.

### **2.3 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.

### **2.4 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.

### **2.5 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.*

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

### **3. 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 Service, the Fire Authority 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.