

## **BROOMFIELD PARISH COUNCIL**

### **Local Government Pension Scheme (LGPS) 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 fully Policy, it can be a brief statement referring to any separate Policy the employer may have.

#### **Seven discretions have been identified.**

#### **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 its discretions.

**Broomfield Parish Council (BPC) Employer Discretions:**

DISCRETION	DETAIL	REGULATION	EMPLOYER POLICY
1.	Whether, how much, and in what circumstances to contribute to a shared cost Additional Pension Contribution or Additional Voluntary Contribution	R16(2) (e) and R16(4) (d) R17(1) RTP15(1) (d)	BPC <b>will not</b> set up a shared cost APC or AVC Scheme
<b>Explanation:</b> <ul style="list-style-type: none"> <li>• An employer can choose if it wishes to contribute to the cost of APCs or AVC being bought by the member.</li> <li>• This discretion is rarely if ever used by Fund employers.</li> <li>• BPC would not set up shared cost of purchasing APCs or AVCs</li> <li>• With this provision in place there is no financial implication to BPC.</li> </ul>			
2.	Whether all or some benefits can be paid if an employee reduces their hours or grade (flexible retirement)	R30(6) and TP11(2)	BPC <b>will</b> consent to the payment of benefits on flexible retirement if a member permanently reduces his hours or permanently reduces his grade by at least one grade. Each application will be considered on presentation of a business plan.
<b>Explanation:</b> <ul style="list-style-type: none"> <li>• A member aged 55 years 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.</li> <li>• The employer can set its own criteria in terms of the number or % of hours (or number of grades) that must be reduced by</li> <li>• In many cases the individual has an actuarial reduction to their benefits and there is no cost to the employer.</li> <li>• However, there may be a Financial Strain cost payable by the employer if the member satisfies the "85 year rule" before aged 60 yrs.</li> <li>• See Discretion 5 – therefore there is no financial implication for BPC</li> </ul>			
3.	Whether to waive in whole or in part, actuarial reduction on benefits paid on flexible retirement	R30(8)	BPC <b>will not</b> consider waiving actuarial reductions on flexible retirement unless there are compelling business reasons which warrant consideration.
<b>Explanation:</b> <ul style="list-style-type: none"> <li>• 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.</li> <li>• BPC can choose to waive, in whole or in part, those actuarial reductions so that the member's benefits are paid unreduced or with less reduction.</li> <li>• If BPC does waive the reductions then it will have to pay a Financial Strain payment to the fund.</li> <li>• If BPC does consider waiving reductions they should ask the Fund for an estimate of the Financial Strain before making a decision.</li> <li>• So there is no financial implication for BPC if it does not waive actuarial reductions</li> </ul>			
4.	Whether to waive, in whole or in part, actuarial reduction on benefits which a member voluntarily draws before normal pension age.	R30(8)	BPC <b>will not</b> consider waiving actuarial reductions on a retirement before normal pension age unless there are compelling business reasons which warrant such consideration.

<b>Explanation:</b>			
<ul style="list-style-type: none"> <li>• 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.</li> <li>• An employer can choose to waive, in whole or in part, those actuarial reductions so that the member's benefits are paid unreduced or with less reduction.</li> <li>• If the employer does waive the reductions then it will have to pay a Financial Strain payment to the Fund.</li> <li>• 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.</li> <li>• So there is no financial implication to BPC if it chooses not to waive</li> </ul>			
5.	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)	<b>BPC will not</b> consider "switching on" the 85 year rule for a member voluntarily drawing benefits on or after age 55 and before age 60. Each application will be considered on presentation of a business plan.
<b>Explanation:</b>			
<ul style="list-style-type: none"> <li>• 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 aged 55 years and 60 years (which is a new provision).</li> <li>• A member voluntarily retiring before age 60 will suffer an actuarial reduction to his benefits, even if he satisfies the "85 year rule".</li> <li>• An employer can choose to "switch on the 85 year rule" (ie waive any reductions) so that the member's benefits are paid unreduced or with less reduction.</li> <li>• If the employer does "switch on the 85 year rule" then it will have to pay a Financial Strain payment to the Fund.</li> <li>• So there is no financial implication if the BPC chooses not to waive</li> </ul>			
6.	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)	<b>BPC will not</b> consider waiving actuarial reductions on pre and or post 2014 benefits unless there are compelling business reasons which warrant such consideration.
<b>Explanation:</b>			
This mainly covers pre-2014 benefits but also any gaps left by the two Reg 30(8) discretions above			
The issues are therefore, the same as for the two Reg 30(8) discretions above e.g.			
<ul style="list-style-type: none"> <li>• The member's benefits are subject to an actuarial reduction if he has not reached his normal retirement age.</li> <li>• 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.</li> <li>• If the Employer does waive the reductions then it will have to pay a Financial Strain payment to the Fund.</li> <li>• 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.</li> <li>• So there is no financial implication if BPC chooses not to waive</li> </ul>			
7.	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	R31	<b>BPC will not</b> consider granting additional pension to a member ceasing to be an active member by reason of redundancy or business efficiency unless there are compelling business reasons

	business efficiency (by up to £6,500 pa)		which warrant such consideration.
<b>Explanation:</b>			
<ul style="list-style-type: none"> <li>• This is a time-limited discretion only lasting to 30:09:14 and covering members who ceased between 01:10:13 and 31:03:14 and ceased because of redundancy or business efficiency.</li> <li>• This is therefore unlikely to apply to most fund employers but the requirement is still there.</li> <li>• It is recommended that the ECC policy is replicated in BPC's statement.</li> <li>• This does not affect BPC.</li> </ul>			