

The Local Government Pension Scheme A Guide to Benefits and Employer Adopted Discretionary Powers

Reviewed

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Policy Approval

Policy Statement

This policy aims to set out in summary the details of the Local Government Pension Scheme (LGPS) and the adopted discretionary powers that have been adopted by East Devon District Council.

This policy takes into account the scheme changes effective 1 April 2006 and subsequently amended June 2006.

The LGPS – Details of Scheme

1. Summary of Scheme Benefits

The LGPS is open to all employees (permanent, fixed and casual) of the Council between age 16 and 75 years. It is not currently available to Councillors. It is known as a “Final Salary” scheme and is administered by the administering authority, Devon Pension Services (part of Devon County Council).

The LGPS provides both contractual and discretionary benefits for employees for:

- age retirement
- early Retirement
- redundancy, Efficiency and Ill Health retirements
- death in service of twice annual pay
- widows/widowers benefits
- partner’s benefits
- children’s benefits
- benefits can be increased by the purchase of additional years

The LGPS is an evolving scheme and is subject to change via statutory instruments and new Acts laid before Parliament. Information on changes to the scheme are posted on the Intranet for all employees to access. For Redundancy and Efficiency Retirements, please see the Redundancy and Policy Procedure.

The recommendations made for each discretionary benefit take into account the likelihood of cost if the additional benefit is granted or a waiver is allowed and are referred to as ‘rules’ in this guide.

Normal age retirement under the scheme is determined as age 65. However you can opt to retire from age 60 but this may result in a reduction in your benefits.

Benefits will be reduced if you:

- (a) Retire between ages 60 and 65 and you are age 60 after 1 April 2016.
- (b) Retire between ages 60 and 65 and you are aged 60 before 31 March 2016 **BUT** have not achieved the sum of 85 (age and LGPS service).
- (c) Are aged 60 between 1 April 2016 and 31 March 2020 and have achieved the sum of 85 (age and LGPS service).

Any reduction applied to your benefits will be applied to service accrued with effect from 1 April 2008 only. These reductions only apply if you choose to retire from age 60 to 65 and do not apply to a retirement on the grounds of ill health, redundancy or efficiency.

Benefits can be accrued up to age 75. However, the consent of your employer is required to continue working beyond age 65. Benefits may also be deferred between age 60 (earliest date of retirement) and age 75. This will allow your benefits to be enhanced by the pension fund in recognition of not taking them.

2. Employer's Consent Retirements

You may request to be allowed to retire earlier than the earliest retirement date (age 60) if you are between age 50 and 60 years. This request is defined as an "Employers Consent" retirement. Employees must submit requests in writing to their director who will consider each application. Each request will be considered on its merits with any financial implications for the Council. No enhancements to service apply to a retirement under this rule.

Discretionary Rule - The Council will not normally grant an early retirement request under the "Employers Consent" rule unless it is clearly in the Council's interest to do so (Regulation 31).

3. Redundancy, Efficiency and Ill Health Retirements

Redundancy and Efficiency retirements are applicable to employees who fall under this category and are over age 50 years. There are specific policies covering the approach and pension implications to a redundancy and efficiency situation.

Discretionary Rule – The Council will enhance members benefits under regulation 52 as "Augmentation of Service" for retirements granted under a redundancy/efficiency rule. This enhancement of service will be in line with the table adopted under the Redundancy Policy and Procedures Document – Part B. Also see "Increasing Total Membership of Existing and New Members" below.

The LGPS makes provision for the payment of benefits under an ill health retirement. The payment of these benefits are not age related but based upon the recommendation of the Council's occupational health advisor.

The main criteria used to recommend an ill health retirement is that you become permanently unfit to do your job or a comparable job until your 65th birthday, with East Devon District Council.

If Ill Health retirement is granted (also see Managing Absence Policy) then pension benefits will be increased, based upon reckonable service in the LGPS.

These increases are applicable if you have more than 5 reckonable years service in the LGPS and is based upon increasing levels of service within the LGPS. Details of ill health retirements would be advised to you if circumstances arose where there is an ill health situation being considered.

4. Other Early Retirements

Early retirement may also be granted on compassionate grounds under the "Employers Consent" rule.

Discretionary Rule – *The authority would not normally waiver any reduction in benefits (for employees aged over 50 and who retire under the "Employers Consent" rule) that may arise, except in cases of a compelling domestic situation (Regulation 31(5)).*

Discretionary Rule – *The discretion to increase at retirement, an employee's benefits (Regulation 52) that would NOT normally be increased would not normally be exercised. For example:*

Employees with less than 5 years service who retire under ill health and therefore receive no enhancement to their benefits,

5. Flexible Retirement

If you are over age 50, you may take your benefits whilst still in employment in exchange for reducing your hours and/or grade. This allows for a gradual or phased retirement approach to be adopted and to allow paid work during retirement without financial penalty. This option is exercised only with the employers consent. It should be emphasised that you may receive reduced benefits if you do not meet the 85 year rule (for protected employees, see above) or exercise this option before age 65.

If you reduce your hours under the Flexible Working Policy, this does not create an automatic right to a flexible retirement and release of benefits. The Council may agree to you reducing your hours but not necessarily allow a flexible retirement. Please be aware that the authority may not agree further applications for flexible working if the original application has been agreed which results in the payment of pension benefits early.

Employers have the discretion under the regulations to waiver any reductions in benefits under the regulations. This would of course increase costs for the Council in allowing the benefits to be taken early.

Discretionary Rule – *The authority will exercise its discretion to allow flexible retirement only where it is in both the employees and the authorities' interest to do so. In all cases the financial implications of allowing a flexible retirement will be the main priority.*

Discretionary Rule – *The authority will not normally waiver any reduced benefits that an employee may receive as a result of a flexible retirement and the early release of benefits.*

6. Converting Pension to Lump Sum

The scheme allows a conversion of pension to lump sum. For every £1 of pension this will increase the lump sum payment by £12. This option is exercised at the point of retirement.

7. Death in Service

In the event of a Death in Service, the council will immediately advise Devon Pension Services who will arrange for payment of two years final pay, regardless of length of service. A part time employee's final pay is based on actual pay and not the full time equivalent. Payment is normally paid to the deceased estate, however Devon Pensions have discretion to pay a surviving spouse or partner.

Both long and short term pensions are paid to the surviving spouse/partner, under different circumstances. These will be administered by Devon Pensions. Further details are contained within the pensions booklet issued by Devon Pensions.

8. Widows/Widowers Pensions

These are payable in the event of a death of an employee or pensioner. Benefits are:

- (a) for pensioners it is half of the pensioners pension
- or**
- (b) in the case of a death in service, then half of what the employees' pension would have been if they had retired under the ill health rule at the time of death.

9. Partners Pensions

The LGPS recognises a partner, providing there has been legal recognition of the partnership through a civil ceremony. Pension benefits will be paid to the surviving partner. Information regarding this is on the intranet [here](#)

10. Children's Pensions

The scheme provides benefits to the deceased members adopted, legitimate or dependant children who are under age 17, or who, since before aged 17, have been in full time education or in training for a trade, profession or vocation, or dependant by reason of incapacity.

Benefits will not be paid to children of the deceased member who reach the age of 23 years (even if they are in full time education, etc beyond this age).

11. Purchase of Additional years

Additional years can be purchased in the LGPS up to a maximum of 6 and 2/3rd years. There is no limit on the amount of contributions employees can make providing service is between the membership period of age 16 to 75 years.

There are two vehicles for the purchase of additional service:

- (a) Purchase of additional service direct via the LGPS.
- (b) Use of an AVC vehicle (Prudential or Equitable Life)

The maximum of 6 and 2/3rd years applies regardless of the method used. Information on the use of these options to purchase additional service is available from Payroll Services.

Discretionary Rule – *The authority has determined that it will NOT share the cost of any AVC scheme set up by an employee (Regulation 67).*

Discretionary Rule – *That the period of 3 months be allowed to an employee as regards the use of the accumulated value of an AVC fund (Regulation 66(9)).*

12. Increasing Total Membership of Existing and New Members

The Council has discretion to increase membership in the LGPS upon appointment of a new employee. This is commonly called “Augmentation of Service” under regulation 53.

Discretionary Rule – *This discretion has NOT been adopted by the authority.*

In addition authorities can increase the total membership (commonly called “Augmentation of Service”) of employees who retire on or after age 50. (Regulation 52).

Discretionary Rule – *This discretion has NOT been adopted by the authority with the exception of retirements under redundancy or efficiency. (Regulation 52).*

13. Permanent Reductions in Pay

If you suffer a permanent reduction in pay that is not at your request, such as a voluntary job change, then the scheme allows the authority to issue a “Certificate of Protection” which safeguards their benefits for up to 10 years from the effective date of change.

Discretionary Rule – *A “Certificate of Protection” will be issued where the employee suffers a permanent reduction in pensionable pay and the circumstances require protection of the members’ benefits.*

14. Leaving and Rejoining the LGPS

Permanent employees are automatically opted into the LGPS unless they choose to opt out at the start of their employment with the council. You are able to opt out of the LGPS and opt back in. However, the employer has discretion to determine whether it will allow the employee to rejoin the scheme.

Discretionary Rule – *The authority will not normally allow an employee to rejoin the LGPS after opting out twice (Regulation 7 (9)) unless to not do so would cause hardship to the employee or the employees dependants.*

15. Members with a Lower Rate of Contribution

Previously the LGPS differentiated between manual and Administrative, Professional, Technical & Clerical (APT&C) employees in respect to their level of contribution. Manual employees were allowed to pay contributions at 5% whilst APT & C employees paid at 6%. This was subsequently abolished, however manual employees were allowed to retain their rate whilst their employment was continuous OR if they were transferred statutorily to another organisation.

The authority has discretion to determine the period that the manual rate would continue to apply if the employee was subsequently re employed by the authority.

Discretionary Rule – *The authority would allow a period of 3 months for former members of the LGPS who have been statutorily transferred to continue to pay contributions at the lower rate on transferring back into the LGPS (Regulation 14 (3b)).*

16. Contributions during an Absence Period/No Pay

Employees may be absent from work for long periods exceeding 31 days (other than annual leave) such as maternity, strike or unpaid authorised leave. These periods of absence may lead to a period of no pay. In these circumstances membership of the LGPS could suffer with the result of a break in service, leading to reduced benefits. To avoid this, you can opt to pay the contributions that you would normally have paid if they had been on normal full pay. The maximum period that contributions can be made for is 36 months (Regulation 18(1)(b)).

Discretionary Rule – *The authority has opted to allow a period of up to 3 months, from the date of return to work, in which an employee can opt to make the contributions and ensure their continuation of service in the LGPS (Regulation 18 (6 & 7)).*

Administration of the Scheme

Employers Responsibilities

The employing authority (EDDC) has a number of responsibilities and obligations to the administering authority (Devon Pensions) defined within the legislation that governs the LGPS. These are summarised as follows:

1. Dealing with applications to join/leave the scheme and notify Devon Pension Services on the prescribed documentation.

2. Determine what is pensionable pay.
3. Calculate final pensionable pay for leavers/retirements.
4. Provide reasons for leaver administration.
5. Provide any all information on an employee as required by administering authority.
6. Provide Devon pensions with appropriate documentation to allow payment of benefits such as birth certificate, marriage certificate.
7. Set up Additional Voluntary Contribution (AVC's) arrangements.
8. Issue certificates of protection.
9. Deal with elections to pay contributions as a result of periods of absence without pay such as strikes, unpaid leave....
10. Administer claims for backdated pension service claims.
11. Pay over all pension deductions including invoiced enhancements, to the administering authority.
12. Ensure that the appropriate medical approval has been obtained for ill-health retirements.
13. Advise Devon Pensions of any enhanced benefits to apply.
14. Apply the adopted discretionary rules as appropriate to the subject.

Pensionable Pay

Pensionable Pay is the pay that determines what the employees contributions are paid on and subsequently determines their benefits. Pensionable pay is normally:

1. Salary/Basic Pay
2. Honorariums
3. Market Supplements
4. Additional pay (but not overtime)
5. Sick, Maternity and Paternity pay
6. First Aid Allowances
7. Certain Allowances as determined by the authority.

The above is not exhaustive and is subject to change by the authority, and may also be defined contractually.

Level of Contributions

The Finance Act 2004 removed the limits on the percentage of the amount an employee can contribute of their salary for a pension scheme. Employees contribute a set 6% (some 5% based upon the old manual workers rate). There is no upper limit of contributions the employee may wish to make in the purchase of additional years (up to the maximum annual and lifetime allowances allowed).

Employees can belong to as many pension schemes as they wish outside of the LGPS.

Payment of Benefits

Benefits are paid by the administering authority and the retired member should correspond with the administering authority after they have retired.

Any lump sum benefits arising from enhancing the employees' benefits will be paid by the employer at the date of retirement.

Policy Review

The Head of Organisational Development will review this Policy in accordance with the introduction of new local government pension scheme legislation, which occurs periodically.

Key legislation

- Local Government Pension Scheme Regulations 1997
- Local Government Pension Scheme Transitional Provisions Regulations 1997
- Discretionary Policy as adopted by the authority - February 1998
- Finance Act 2004