

Newquay Education Trust

Local Government Pension Scheme (LGPS) 2014

Employer Discretions Policy

On 27th April 2017, the NET Board of Directors adopted the following policy in exercising its discretions under the Local Government Pension Scheme (LGPS) 2014.

Summary

This document sets out Newquay Education Trust's policy in exercising its discretions under the Local Government Pension Scheme (LGPS) 2014.

The default position is that it will not make additional pension contributions. However, exceptionally, where it is in the financial interests of the Trust to do so and there is a tangible and specific organisational benefit, the policy allows for the payment of discretionary benefits in cases of early retirement and the award of additional pension.

The policy also provides for early retirement on compassionate grounds in exceptional circumstances and flexible retirement where there is a benefit to the Trust.

Finally the policy authorises the Pensions Manager to extend the 12 month limit for allowing active members to transfer benefits from previous pensionable employment into the Pension Fund where it is determined that maladministration has occurred.

Context

This Policy replaces the Trust's previously inherited Local Government Pension Scheme (LGPS) employer discretion policy, which it adopted from Cornwall Council under the LGPS 2008. The Policy satisfies the requirement to formulate, publish and keep under review a policy statement to take account of the new discretions under the LGPS 2014.

Background

This policy is needed to explain whether and in what circumstances the Trust will exercise any of its discretions under the Local Government Pension Scheme 2014 and to set out the approval process for decision-making. All employers are required to review and update their policy to take account of the changes introduced as part of the LGPS 2014.

Objectives

This policy is intended to set out the policy position and clarify the limited circumstances and the related approval process where the Trust might exercise its discretions under the LGPS 2014 in favour of the employee.

The exercise of any of the available discretions in favour of an employee will fix the Trust with additional pension costs.

The default position is that the Trust will not grant additional pension benefits under the LGPS 2014, except where it is essential to do so in order to facilitate a tangible and specific organisational benefit and the additional pension costs are recovered within a two year period, or where the Trust considers it appropriate to exercise its discretion on compassionate grounds.

Scope

This policy covers all Trust employees who are members of the Local Government Pensions Scheme.

Policy Details

A Shared Cost Additional Voluntary Contributions (AVC) (Regulation 17)

AVCs allow any active employee to increase their main scheme benefits by making regular monthly payments direct from their salary to an insurance policy the pension fund currently holds with Standard Life. These payments accumulate and are payable in the form of a pension and lump sum along with the main LGPS benefits when the employee retires.

The Trust's policy is not to contribute to an employee's AVC.

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

Employees can retire from age 55 and receive immediate payment of their pension benefits providing they have at least two years' membership of the LGPS. Whilst the default position is that the pension benefits payable will be subject to an actuarial reduction, the Trust may elect to waive any actuarial reduction for early retirement where a financial saving can be achieved within two years and there is a benefit to the Trust or in accordance with item D below (early retirement on compassionate grounds).

The Pay & Staffing Committee is authorised to exercise the discretion subject to consultation with the CEO and the Chair of the Finance and Estates Committee.

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

Prior to the LGPS 2014 where an employee's age and length of service totalled 85 (known as the "85 Year Rule") they could retire with unreduced benefits with the consent of the employer.

As the decision to retire early now rests entirely with the employee, the LGPS 2014 Regulations automatically provide for the 85 Year Rule to be 'switched off' resulting in a reduction to all of the employee's benefits. This of course means there is no additional cost to the employer.

The Trust will not 'switch on' the 85 Year Rule for early retirement unless a financial saving can be achieved within two years and there is a benefit to the Trust.

The Pay & Staffing Committee is authorised to exercise the discretion subject to consultation with the CEO and the Chair of the Finance and Estates Committee.

D Early Retirement on Compassionate Grounds (Regulation 30 (5))

The Trust may permit early retirement on compassionate grounds in exceptional circumstances. These circumstances might include extreme financial hardship or the need to give up work in order to provide constant care for an immediate family member.

The Pay & Staffing Committee is authorised to exercise the discretion subject to consultation with the CEO and the Chair of the Finance and Estates Committee.

E Flexible Retirement (Regulation 30 (6))

The Trust permits flexible retirement only where there is a benefit to the Trust (either financial or operational) and where an employee's reduced level of earnings together with his or her pension does not exceed his or her pre-retirement earnings.

The Trust will not waive any actuarial reduction to an employee's pension benefits in these circumstances.

Any pension costs incurred by the employee's service must be recovered within a period of no more than two years.

The Pay & Staffing Committee is authorised to exercise the discretion subject to consultation with the CEO and the Chair of the Finance and Estates Committee.

F Increase of Pension by Employer (Regulation 31)

The award of additional pension is not granted except when it is essential to do so in order to facilitate a tangible and specific organisational benefit.

The Pay & Staffing Committee is authorised to exercise the discretion subject to consultation with the CEO and the Chair of the Finance and Estates Committee.

G Transfer of Service into the LGPS (Regulation 100)

The Pensions Administration Manager is authorised to extend the 12 month time limit for allowing active members to transfer benefits from previous pensionable employment into the Cornwall Pension Fund where it is determined that maladministration has occurred as a result of affected employees not having been given any or sufficient details about the pension scheme or transfer option.

Policy Management

The Pay & Staffing Committee is responsible for implementing and managing the policy.

Breaches and Non-compliance

Breaches of the policy may be dealt with under the Trust's disciplinary procedure.

How the impact of the policy will be measured

The Trust will be able to monitor the additional pension costs created by the application of this policy compared with the impact of the policy on service delivery, which will be more difficult to measure.

Evaluation and review

The policy will be reviewed within 3 years following implementation, or earlier should requirements dictate e.g. additional changes to the Local Government Pension Scheme.