Policy

The Local Government Pension Scheme Discretionary Policy
HR and Workforce Development
Next review due: 31/03/2022

HAMPSHIRE FIRE AND RESCUE SERVICE
ISLE OF WIGHT FIRE AND RESCUE SERVICE

Description

The Local Government Pension Scheme Discretionary Policy.

Contents

Introduction

Statement of policy on the Local Government Pension Scheme Regulations (LGPS) 2013 and the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014.

This document sets out the scheme employer's policy on the operation of each of the mandatory discretions (and optional discretions where chosen) available under the LGPS Regulations. It states whether or not discretions will be operated and the circumstances and criteria for applying them.

Details

Employer name:	Hampshire and Isle of Wight Fire and Rescue Authority (HIWFRA)
Employer number:	00777
Policy effective from:	1st April 2021

Part A – Mandatory discretions

Different discretions apply to members depending on the dates they were actively paying into the scheme. Part A is split into sections to reflect this.

The following discretions apply to members who were actively paying into the scheme as at 1 April 2014 onwards.

Power to award additional pension (Regulation 31)
Whether, at the full cost to the Scheme employer, to grant extra annual pension of up to the current published amount (figure at 1 April 2018 £6,822) to an active member or within 6 months of leaving to a member whose employment was terminated on the grounds of redundancy or business efficiency [regulation 31 of the LGPS Regulations 2013].
Employer Policy Decision
Hampshire and Isle of Wight Fire and Rescue Authority (HIWFRA) will not consider granting extra pension unless the scheme member is retired in the interests of efficiency of the service. If a scheme member is retired in the interests of efficiency of the service, HIWFRA will consider granting (and paying for) additional pension in the Local Government Pension Scheme using an amount no greater than the payment the scheme member would have received had they been made redundant, and in any event no greater than the current published amount, this is reviewed each April in line with the 'Pensions Increase order' . There may be tax implications associated with this.

Shared cost additional pension contributions (Regulation 16(2e) (4d))
Whether, how much, and in what circumstances to contribute to a Shared Cost APC scheme
Where an active scheme member has decided to make Additional Pension Contributions (APCs) to purchase extra pension benefits up to the current published figure, the employer can resolve to ***voluntarily*** contribute towards the cost of this too. Note: This does not include instances where the employee is paying for ***lost*** pension via an APC where the election was made in the first 30 days (or longer if the employer allows) – in this circumstance the employer ***must*** pay two-thirds of the cost of such purchase.
Employer Policy Decision
A contribution will only be made to meet the cost of a member's additional pension contributions where as an employer we are required to do so under the LGPS regulations. Where a member is voluntarily making additional pension contributions, HIWFRA will not consider meeting any part of that cost. *****see Optional Discretions section

Whether to allow flexible retirement - (Regulation 30 (6)) & TP11(2) & R30(8)
Whether to allow flexible retirement for staff aged 55 or over who, with the agreement of the Scheme employer, reduce their working hours or grade [regulation 30(6) of the LGPS Regulations 2013] and, if so, as part of the agreement to allow flexible retirement: • whether, in addition to the benefits the member has built up prior to 1 April 2008 (which the member must draw), to allow the member to choose to draw • all, part or none of the pension benefits they built up after 31 March 2008 and before 1 April 2014, and / or • all, part or none of the pension benefits they built up after 31 March 2014 [regulations 11(2) and 11(3) of the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014], and • whether to waive, in whole or in part, any actuarial reduction which would otherwise be applied to the benefits taken on flexible retirement before Normal Pension Age (NPA) [regulation 3(5) of the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014, regulation 18(3) of the LGPS (Benefits, Membership and Contributions) Regulations 2007 and regulations 30(6) and 30(8) of the LGPS Regulations 2013] Employers may allow a member from age 55 onwards to draw all or part of the pension benefits they have already built up whilst still continuing in employment. This is provided the employer agrees to the member either reducing their hours or moving to a position on a lower grade. In such cases, pension benefits will be reduced in accordance with actuarial tables unless the employer waives the reduction either fully or in part or a member has protected rights. Please be aware, if you allow members to retire under flexible retirement, and they meet the 85 year rule between the ages of 55 and 60, there may be a cost to the employer as there is no option to switch the 85 year rule off in this instance.
Employer Policy Decision
<u>Whether to allow flexible retirement</u> HIWFRA may consent to a request for pension benefits being paid under the flexible retirement policy to an employee over the age of 55, providing: a) their remuneration is reducing by 40% either through a reduction in contractual hours or grade and does not incur a cost to the employer, or, b) where the reduction is less than 40% and does not incur a cost to the employer. **<u>Whether to allow the member to choose to take:</u>** a) part or none of the pension benefits they built after 31 March 2008 and before 1 April 2014, and / or b) all, part or none of the pension benefits they built up after 31 March 2014

HIWFRA will allow a member to choose to draw all, part or none of their post 31 March 2008 and pre 1 April 2014 benefits, as long as there is no cost to the employer.

HIWFRA will allow a member to choose to draw all, part or none of their post 1 April 2014 benefits, as long as there is no cost to the employer.

Whether to waive, in whole or in part, any actuarial reductions which would otherwise be applied to the benefits taken on flexible retirement before Normal Pension Age

HIWFRA will not waive in whole or in part, any actuarial reductions which would otherwise be applied to the benefits taken on flexible retirement before Normal Pension Age.

Employees should note that the final decision as to whether to allow flexible retirement is at the sole discretion of Hampshire and Isle of Wight Fire and Rescue Authority as the employer.

Switching on the 85 year rule [paragraph 1(1)(c) of Schedule 2 to the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014]

Whether to "switch on" the 85 year rule for a member voluntarily drawing benefits on or after age 55 and before age 60.

Active members are now able to voluntarily retire between ages 55 and 60. If they were a member of the LGPS on 30 September 2006 then some of their benefits could be protected from reductions applied to early payment under the 85 year rule. This rule only applies automatically to members voluntarily retiring from age 60 but the employer has the discretion to "switch it on" for voluntary retirements between age 55 and 60.

This discretion does not apply to flexible retirement (see Regulation 30(6)) whereby the 85 year rule is always switched on.

Where the employer does not choose to "switch on" the rule, then benefits built up would be subject to reduction in accordance with actuarial guidance issued by the Secretary of State regardless of whether a member meets the rule or not.

If the employer does agree to "switch on" the 85 year rule, the employer will have to meet the

cost of any strain on fund resulting from the payment of benefits before age 60 i.e. where the member has already met the 85 year rule or will meet it before age 60.

Employer Policy Decision
HIWFRA will not 'switch' back on the 85 year rule for employees leaving voluntarily between age 55 and 60.

Waiving of actuarial reductions - Regulation 30(8), TP3(1), TPSch 2, para 2(1), B30(5) and B30A(5)
Whether to waive, in whole or in part, any actuarial reductions on benefits which a member voluntarily draws before normal pension age (other than on the grounds of flexible retirement).
Employers can agree to waive any actuarial reductions due in the case of employees retiring anytime after age 55. Employers should also note that the strain cost of any such retirements would need to be met by the employer and paid into the Pension Fund at the appropriate time. **There are 4 member groups which you would be making the discretions policy on, the below covers in what circumstance reductions can be waived and to which benefits these would apply:** Members joined before 1 October 2006 and who reached 60 before 1 April 2016 – Group 1 • To waive on compassionate grounds, any actuarial reductions applied to benefits built up before 1 April 2016 • To waive on any grounds, actuarial reductions applied to benefits built up after 1 April 2016 Members joined before 1 October 2006 and who reach age 60 between 1 April 2016 and 31 March 2020 and also meet their critical retirement age before 1 April 2020 (date member meets the 85 year rule) – **Group 2** • To waive on compassionate grounds, any actuarial reductions applied to benefits built up before 1 April 2020 • To waive on any grounds, actuarial reductions applied to benefits built up after 1 April 2020 Members joined before 1 October 2006 and who reach age 60 after 1 April 2016 but before 31 March 2020 and don't meet their critical retirement age before 1 April 2020 (date member meets the 85 year rule) – **Group 3** • To waive on compassionate grounds, any actuarial reductions applied to benefits built up before 1 April 2014 • To waive on any grounds, actuarial reductions applied to benefits built up after 1 April 2014

Members joined after 1 October 2006 – **Group 4**   • To waive on compassionate grounds, any actuarial reductions applied to benefits built up before 1 April 2014   • To waive on any grounds, actuarial reductions applied to benefits built up after 1 April 2014
Employer Policy Decision
Whether to waive any actuarial reductions for a member voluntarily drawing benefits before normal pension age (other than on the grounds of flexible retirement), as outlined above?   HIWFRA will not consent to waive any actuarial reduction applicable to an employee who retires voluntarily between age 55 and their Normal Pension Age.   HIWFRA will not meet the cost of actuarial reduction where an ex-employee voluntarily draws their reduced benefits between age 55 and their Normal Pension Age.

The following discretions apply to members who ceased active membership between 1 April 2008 and before 1 April 2014

Whether to "switch on" the 85 year rule for a member with deferred benefits voluntarily drawing benefits on or after age 55 and before age 60 – [paragraph 1(1)(c) & 1(2) of Schedule 2 to the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014]
Whether to "switch on" the 85 year rule for a member with deferred benefits voluntarily drawing benefits on or after age 55 and before age 60 or upon the voluntary early payment of a suspended tier 3 ill health pension?
A member with a deferred benefit who left the scheme voluntarily between 1 April 2008 – 31 March 2014 and who has subsequently become a deferred pensioner may now claim their benefits from age 55 without their employers consent. However, these benefits will be reduced for early payment.   Where a member has reached the 85 year rule at the point of retirement, an employer can consent to switching on the 85 year rule. Any 'strain' to the Fund will be payable immediately by the Scheme employer.
Employer Policy Decision
HIWFRA will not 'switch' back on the 85 year rule where an ex-employee draws their benefits voluntarily between age 55 and 60.

Whether to waive upon the voluntary early payment of deferred benefits or suspended tier 3 ill health pension, any actuarial reduction on compassionate grounds? [regulation 30(5) of the LGPS (Benefits, Membership and Contributions) Regulations 2007 and paragraph 2(1) of Schedule 2 to the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014]
Whether to waive reductions which may occur on deferred benefits claimed between ages 55-60 or suspended tier 3 ill health for leavers between 1 April 2008 and 31 March 2014.
A member with a deferred benefit who left the scheme voluntarily between 1 April 2008 – 31 March 2014 or was awarded a Tier 3 ill health pension under the 2007 Regulations and who has subsequently become a deferred pensioner may now claim their benefits from age 55 without their employers consent. However, these benefits will be reduced for early payment. An employer can consent to waiving any reductions, on compassionate grounds, which may be applied to deferred benefits or suspended tier 3 ill health pension paid early.
Employer Policy Decision
HIWFRA will not waive any actuarial reductions which may occur on deferred benefits claimed between ages 55-60 or for a suspended tier 3 ill health for leavers between 1 April 2008 and 31 March 2014.

The following discretions apply to members whose active membership stopped between 1 April 1998 and before 1 April 2008

Whether to 'switch on' the 85 year rule upon the voluntary early payment of deferred benefits [paragraph 1 (1) (f) & 1 (2) of Schedule 2 to the LGPS (Transitional Provisions, Savings and Amendment) regulations 2014]
Whether, as the 85 year rule does not automatically fully apply to members who would otherwise be subject to it and who choose to voluntarily draw their deferred benefits (on or after 14 May 2018) on or after age 55 and before age 60, to switch the 85 year rule back on in full for such members.
Deferred members who left the scheme after 1 April 1998 are now able to voluntarily retire between ages 55 and 60. If they were a member of the LGPS on 30 September 2006 then some of their benefits could be protected from reductions applied to early payment under the 85 year rule. This rule only applies automatically to members voluntarily retiring from age 60 but the ceding employer has the discretion to "switch it on" for voluntary retirements between age 55 and 60.

Where the employer does not choose to "switch on" the rule, then benefits built up would be subject to reduction in accordance with actuarial guidance issued by the Secretary of State regardless of whether a member meets the rule or not. If the employer does agree to "switch on" the 85 year rule, the employer will have to meet the cost of any strain on fund resulting from the payment of benefits before age 60 i.e. where the member has already met the 85 year rule or will meet it before age 60.
Employer Policy Decision
HIWFRA will not 'switch' back on the 85 year rule where an ex-employee draws their benefits voluntarily between age 55 and 60.

Whether to grant applications for the early payment of pension benefits on or after age 50 and before age 55 [regulation 31(2) of the LGPS Regulations 1997].
Whether to grant application for early payment of deferred benefits on or after age 50 and before age 55.
A member with a deferred benefit who left the scheme between 1 April 1998 – 31 March 2008 can claim their benefits from age 50 with their employers consent. However, these benefits may be reduced for early payment and/or be subject to an unauthorised payment charge under the Finance Act 2004.
Employer Policy Decision
HIWFRA will not consent to the early payment of deferred benefits to individuals benefits between ages 50 and 55, unless there is no cost to HIWFRA.

Whether, on compassionate grounds, to waive any actuarial reduction that would normally be applied to benefits which are paid before age 65 [regulation 31(5) of the LGPS Regulations 1997 and paragraph 2(1) of Schedule 2 to the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014].
Whether to waive any actuarial reduction on compassionate grounds which would normally be applied to benefits which are paid before age 65.
Employers can agree to waive any actuarial reductions on compassionate grounds due in the case of employees who ceased active membership between 1 April 1998 and 31 March 2008.

Employers should note that the strain cost of any such retirements would need to be met by the employer and paid into the Pension Fund at the appropriate time.
Employer Policy Decision
HIWFRA will not waive any actuarial reductions on compassionate grounds due in the case of employees who ceased active membership between 1 April 1998 and 31 March 2008 who are paid before age 65.

The following discretions apply to members who ceased active membership before 1 April 1998

Whether to grant applications for the early payment of deferred pension benefits on or after age 50 and before NRD on compassionate grounds [regulation D11(2)(c) of the LGPS Regulations 1995].
Whether to grant early payment of a deferred benefit on compassionate grounds, on or after age 50 and before NRD.
An employer can grant application for early payment of deferred benefits on or after age 50 on compassionate grounds. However, these benefits may be reduced for early payment and/or be subject to an unauthorised payment charge under the Finance Act 2004.
Employer Policy Decision
HIWFRA will not consent to the early payment of deferred benefits on compassionate grounds to individuals between age 50 and NRD, unless there is no cost to HIWFRA.

- These policies may be subject to review from time to time. Any subsequent change in this Policy Statement will be notified to affected employees.
- Any changes to this policy will be notified to the Hampshire Pension Fund within 30 days of the change.

For the full list of discretions policies go to:
http://lgpslibrary.org/assets/gas/ew/DISCLv1.6c.pdf

Signed on behalf of:	**Hampshire and Isle of Wight Fire and Rescue Authority (HIWFRA)**		
Completed by:	**Rob Carr**	**Position:**	**Head of Finance**
Signature:	**Rob Carr**	**Date:**	**2 1 0 6 2 1**

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Part B – Optional Discretions

(The two detailed are the most frequently used Regulations, but remain optional – see LGA Discretions for the full list of optional employer discretions)

Membership Aggregation Regulation 22 (7)(b),(8)(b)
Whether to extend the 12 month option period for a member to elect to join deferred benefits to their current employment/membership. The election to keep separate pension benefits must be made within 12 months of becoming an active member, who must be active at the date of election. An employer may allow a period longer than 12 months.
Employer Policy Decision
HIWFRA will not extend the 12 month period for a member to elect to not combine pension rights from previous local government employment with an ongoing concurrent employment. If the election not to combine is not made within 12 months of the new active membership, then the previous LGPS membership will be combined with the members new LGPS membership.

Transfers of Pension Rights Regulation 100(6)
Extend normal time limit for acceptance of a transfer value beyond 12 months from joining the LGPS . Where an active member requests to transfer previous pension rights into the LGPS, the member must make a request within in 12 months of becoming an active member. An employer may allow a longer period than 12 months.
Employer Policy Decision
HIWFRA will only accept a request to transfer previous pension rights into the LGPS if the election to do so is made within 12 months of becoming an active member of the LGPS.

Whether, subject to qualification, to substitute a higher level of pensionable pay when calculating assumed pensionable pay (APP) [regulations 21(5A) and 21(5B) of the LGPS Regulations 2013] regulation 7 of the LGPS (Amendment) Regulations 2018
If, in the Scheme employer's opinion, the pensionable pay received in relation to an employment (adjusted to reflect any lump sum payments) in the 3 months (or 12 weeks if not paid monthly) preceding the commencement of Assumed Pensionable Pay (APP), is

materially lower than the level of pensionable pay the member would have normally received, decide whether to substitute a higher level of pensionable pay when calculating APP, having had regard to the level of pensionable pay received by the member in the previous 12 months.

Employer Policy Decision

HIWFRA will substitute a higher level of pensionable pay when calculating assumed pensionable pay (APP), if in their opinion, the pensionable pay received in relation to an employment in the 3 months preceding the commencement of APP, is materially lower than the level of pensionable pay the member would have normally received.

Whether to extend 30 day deadline for member to elect for a shared cost APC Regulation 16(16)
Whether to extend 30 day deadline for member to elect for a shared cost APC upon return from a period of absence from work with permission with no pensionable pay (otherwise than because of illness or injury, relevant child-related leave or reserve force service leave).
Employer Policy Decision
HIWFRA will extend the deadline for a member to elect for a shared cost APC to **60 days**, upon physical return to work from a period of absence from work with permission with no pensionable pay.

Shared Cost Additional Voluntary Contribution arrangement (regulation 17 of the LGPS Regulations 2013 and regulation 15(2A) of the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014)
Whether to allow a Shared Cost Additional Voluntary Contribution (SCAVC) arrangement. To determine how much will be allowed to be contributed to the SCAVC arrangement. To define in what circumstances contribution to a SCAVC arrangement will be allowed.
Employer Policy Decision
With effect from 20 May 2021, HIWFRA will pay Salary Sacrifice Shared Cost AVC (SS SC AVC) contributions where an employee has elected to pay AVCs by salary sacrifice. The amount of these employer SS SC AVC contributions will not exceed the amount of salary sacrificed by the employee. This is a HIWFRA discretion which is subject to the employee meeting the service’s conditions for acceptance into the salary sacrifice shared cost AVC scheme and may be withdrawn or changed at any time.

Signed on behalf of:	**Hampshire and Isle of Wight Fire and Rescue Authority (HIWFRA)**		
Completed	**Rob Carr**	**Position:**	**Head of Finance**
Signature:	**Rob Carr**	**Date:**	**2 1 0 6 2 1**

Updates

Section	What's been updated and why	Date updated	Who updated
Part B	Introduction of SS SC AVC Scheme	June 2021	HR (P&R)

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