



CAMBORNE TOWN COUNCIL

Local Government Pension Scheme (LGPS) – Employer Discretions

Shared Cost Additional Voluntary Contributions Regulation

An Additional Voluntary Contribution (AVC) scheme gives individuals the ability to pay extra contributions (which receive tax relief) in order to receive additional pension and cash at retirement. The total paid into the AVC cannot exceed 100% of monthly pay. The Cornwall Fund currently has arrangements with Standard Life. This discretion allows the employer to pay into an AVC on behalf of an individual. There is a requirement that the individual must also pay a contribution but this can be any proportion of the total contribution.

The cost of paying into an AVC would be an immediate charge to the employer. Granting this discretion will result in an immediate increase to an employee's pension benefits. This could increase the employee's benefit growth in that scheme year above the annual allowance limit which could result in an additional tax liability for the employee.

Camborne Town Council will not contribute to an employee's Additional Voluntary Contributions (Regulation 17).

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

The regulations allow retirement benefits to be payable if a Scheme member leaves employment between ages 55 and 60 because of redundancy, efficiency or ill health. If redundancy or efficiency applies then the employee must be aged at least 55 at the time of leaving in order to receive retirement benefits. Under these circumstances, the employer is required to cover the additional cost to the pension fund for early release of unreduced benefits. For permanent ill health there is no age restriction and at present, no immediate additional employer cost. Any additional employer cost is included at the next triennial actuarial valuation. Provided the above criteria are met then the retirement benefits must be paid. If, however, the above criteria are not met then the accrued benefits at date of leaving are preserved and

Full Council 12th October 2017 C.4062.2; C.4062.3, C.4062.4; C.4062.5; C.4062.6; C.4062.7; C.4062.8; C.4062.9

normally payable from age 60. They can however be paid early on compassionate grounds or if the person is age over 55. Preserved benefits are index linked during deferment.

Regulations now allow employees from age 55 onwards to elect to receive their benefits immediately in cases where the above criteria are not met e.g. voluntary resignation. This is a new regulation to the LGPS as previously, employers did not have the option to waive any actuarial reduction for early retirement and employees required the consent of their employer to draw their pension below age 60. Employers do however have the option to waive this actuarial reduction either in whole or part for retirements at any age. Waiving this reduction will result in a cost to the employer.

Camborne Town Council will not waive any actuarial reduction for early retirement (Regulation 30(8)).

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

Unlike the “old” LGPS, employees no longer require the consent of their employer to retire between the age of 55 and 60. It is likely that for some retirements between these ages there would be a cost to the employer, as some employees would qualify for unreduced benefits under the 85 Year Rule. This is where their age and length of service totals 85. As the decision 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 an employee’s benefits. This of course means there is no cost to the employer. There is however a discretion that would allow the employer to “switch on” the 85 Year Rule thereby eliminating or reducing any reduction to an employee’s benefits. Allowing this discretion would however incur an immediate charge for the employer. If granting this discretion still resulted in some benefits being subject to a reduction then the employer could also waive that reduction under the previous discretion titled “Early Payment of Retirement Benefits – Waiving Actuarial Reduction”.

Camborne Town Council will not ‘switch on’ the 85 Year Rule for early retirement (Transitional Provisions Regulations).

Early Retirement on Compassionate Grounds Regulation 30 (5)

This discretion allows early payment of benefits on compassionate grounds. The considerations that could be taken into account include

such things as extreme financial hardship, the need to give up work in order to provide constant care for an immediate family member, availability of other family members to assist, future life expectancy of sick relative, assistance from National Health Service or Social Services and the possible receipt of State Benefits. This discretion mainly relates to any employees that either left employment or opted out of the LGPS prior to April 2014 and are entitled to preserved benefits. It can however also be applied to the earlier discretion titled "Early Payment of Retirement Benefits – Waiving Actuarial Reduction" where it would also apply to current employees. If the early payment was based upon compassionate grounds then you may waive any actuarial reduction that would otherwise apply.

Camborne Town Council will permit early retirement on compassionate grounds (Regulation 30(5)).

Flexible Retirement – Regulation 30 (6)

Employees aged at least 55 may request payment of their accrued pension benefits from their employer whilst remaining in employment. Payment of flexible retirement can be permitted only where the employee subsequently reduces either their hours of work and/or moves to a lower pay grade. Employees may elect to receive all or just part of their accrued benefits whilst continuing in employment. This option is, however, somewhat limited because the only benefits that can be taken in part relate to just those earned from April 2008 onwards. All benefits earned prior to this date must be taken. Employees being awarded flexible retirement below normal pension age will be subject to an actuarial reduction to their benefits. Employers have the option to waive the actuarial reduction for early payment of benefits either in whole or part. Waiving this reduction would result in a cost to the employer

Camborne Town Council will permit flexible retirement on a case by case basis but will not waive any actuarial reduction (Regulation 30 (6)).

Increase of Pension by Employer Regulation 31

This is a provision in the scheme which has been brought forward from the previous scheme that gives the employer the discretion to award an employee an additional amount of pension. The initial maximum amount of total additional pension is £6500 per annum, but this is increased each April. The regulations stipulate that no survivor benefits are payable with this additional pension and the employer must pay the full cost by a one off payment. Granting this discretion would result in an immediate increase to an employee's pension benefits. This could

increase the employee's benefit growth in that scheme year above the annual allowance limit which could result in an additional tax liability for the employee.

Camborne Town Council will not purchase additional pension for an employee (Regulation 31).

Transfer of Service into the LGPS Regulation 100

Employees joining the LGPS have an initial period of 12 months in which to request us to investigate the option of transferring any pension benefits from previous employments into the Cornwall Pension Fund. In exchange for a transfer payment the employee is awarded an additional amount of pension. This pension is calculated in accordance with the employee's age, sex and rate of pay. The employer and now also the Administering Authority has discretion to extend this 12 month time limit. Extending the time limit could have adverse cost implications for the employer. Allowance is made for future investment return, price inflation, and normal pension age when calculating the additional pension. Where for instance an employee age 57 is being made redundant or is retiring under ill health grounds, the pension is paid early with no reduction. If this employee decided to transfer previous benefits into the Cornwall Fund just before leaving, the additional pension would be overstated as it would be assumed that payment of benefits would not be until at least age 65. As a result, there would be an additional cost to the pension fund which would be passed onto the employer. Where the employee is unhappy with the employer's decision not to extend the 12 month time limit, they have the ability to invoke the scheme's Internal Disputes Resolution Procedure (IDRP).

Ultimately the employee has the ability to refer the matter to the Pensions Ombudsman for determining.

Camborne Town Council will not extend the 12 month time limit for transfer of service into the Local Government Pension Scheme (Regulation 100).

Shared cost APC upon return from a period of absence from work (LGPS regulations 2013 16(16))

Camborne Town Council will not extend the 30 day deadline for a 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) (LGPS Regulations 2013 16(6))