

## Committee's Policy Statement on Employer's Discretions

### 1. Introduction

- 1.1 Under Regulation 62 of the Local Government Pension Scheme (Administration) Regulations (Northern Ireland) 2009, the Committee is required to publish and keep under review its Policy Statement on certain discretions, which it can exercise under the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2009.
- 1.2 In addition the Committee can exercise its discretion to contribute to a shared cost additional voluntary contribution arrangement under Regulation 21(3) of the Local Government Pension Scheme (Administration) Regulations (Northern Ireland) 2009.
- 1.3 In formulating its Policy Statement the Committee has ensured that its discretionary powers:
- Are exercised reasonably
  - Will not be used for ulterior motive
  - Will be used with regard to all relevant factors
  - Will be duly recorded when used
- 1.4 The Committee also confirms that in applying its Policy Statement its discretions will be applied reasonably, will not be fettered and will be used as necessary to assist the Committee in attracting and retaining staff and to compensate staff who leave.

### **Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations (Northern Ireland) 2009**

#### 2. Regulation 30 – Choice of early payment of pension

- 2.1 The discretions exercised are as follows:-

<u>Benefit</u>	<u>Discretion</u>
To allow employees aged over 55* and less than 60 who request to leave to receive their benefits early	Each request from existing staff members will be judged equally on its own merits and this discretion will only be exercised on compassionate grounds in accordance with paragraph 2.3 or when the cost of funding the early retirement, calculated by the Committee's actuary, can be off set by the cost saving of release within a three-year period.
To allow former employees over age 55* and less than 60 with preserved benefits for membership after 31 January 2003 to receive early payment of their benefits.	Early payment of benefits for former employees will only be considered in exceptional circumstances on compassionate grounds in accordance with paragraph 2.3.
To waive the reduction to benefits.	Requests to waive the reduction in benefits will only be considered in exceptional circumstances on compassionate grounds in accordance with paragraph 2.3.

\*age 50 if employee was an active member on 31 March 2009 or a former member with preserved benefits at 31 March 2009 who elects for early payment of benefits before 1 April 2010.

2.2 Each request on compassionate grounds will be considered on its own merits regardless of cost. The conditions for which compassionate grounds will be considered are:

- For the early payment of benefits under regulation 30
- For flexible retirement under regulation 18.
- To grant additional membership under regulation 12 or to award additional pension under regulation 13 for an employee leaving employment other than for reasons of redundancy or in the interests of efficiency of the service.

2.3 The main criteria the Committee will consider as exceptional circumstances for compassionate grounds are to allow employees or former employees to care for a sick spouse, civil partner, co-habiting partner, parent, child, sibling or other dependant, or on grounds of severe financial hardship. Before exercising this discretion the Committee will require:

- Full details of the exceptional circumstances and any supporting evidence.
- Details of all employments held since leaving the Committee's employment and details of pensions deferred or in payment and any other benefits payable.
- Medical reports, if appropriate, to support a case of retirement to look after an elderly or infirm spouse, civil partner, co-habiting partner, child, parent, sibling or other dependant.
- Confirmation in severe financial hardship cases that the hardship would not be better assisted by the Department of Social Development and the effect the payment of scheme benefits would have on the receipt of any state benefits the member is entitled to.

### **3. Regulation 12 – To increase total membership of members.**

3.1 The Committee has power to increase Scheme membership for employees who are active scheme members before they leave employment and within 6 months of leaving for members who have left employment on the grounds of efficiency or redundancy. This discretion allows the Committee to grant additional membership to new employees as an inducement to attract and retain them if they have specialist skills and experience required by the Committee. It also enables the Committee to grant additional membership to an employee at any time during active membership or when an employee is leaving employment.

3.2 The additional period awarded must not exceed 10 years.

3.3 Additional membership cannot be awarded if the member has been paid compensation under the Local Government (Early Termination of Employment) (Discretionary Compensation) Regulations (Northern Ireland) 2007 or is retiring on ill health grounds and has been awarded enhanced membership or if additional pension is awarded under Reg 13 (Additional Pension) of the Benefits Regulations.

3.4 The discretions exercised are as follows:-

Benefit	Discretion
Award of additional membership to Employees who leave the Scheme	Membership up to a maximum of 10 years may be awarded to those leaving the Committee's employment on redundancy or in the interests of efficiency in accordance with the Committee's policy on Redundancy / Efficiency or on compassionate grounds in accordance with paragraph 2.3.
Award of additional membership to Employees joining the Scheme	Membership up to a maximum of 10 years may be awarded in rare and exceptional circumstances when it is deemed absolutely necessary as an inducement to attract and retain a new employee who has specialist skills and experience required by the Committee.
Award of additional membership to Employees who are active members of the Scheme	Membership up to a maximum of 10 years will only be awarded in rare and exceptional circumstances when it is deemed absolutely necessary as an inducement to prevent an employee who is an active member, who has exceptional specialist skills and experience required by the Committee, from leaving the Committee's employment.

**4. Regulation 13 – Power to award additional pension.**

- 4.1 The Committee has power to award a member an additional pension of not more than £5,000 a year payable from the same date as the Scheme pension is payable. This discretion allows the Committee to award additional pension to new employees as an inducement to attract and retain them if they have specialist skills and experience required by the Committee. It also enables the Committee to grant additional pension to an employee at any time during active membership or when an employee is leaving employment.
- 4.2 Additional pension cannot be awarded in addition to any compensation paid to the member under the Local Government (Early Termination of Employment) (Discretionary Compensation) Regulations (Northern Ireland) 2007 or is retiring on ill health grounds and has been awarded enhanced membership or if additional membership is awarded under Reg 12 (Additional Membership) of the Benefits Regulations.

4.3 The discretions exercised are as follows:-

Benefit	Discretion
Award of additional pension to Employees who leave the Scheme	Additional pension up to a maximum of £5,000 may be awarded to those leaving the Committee's employment on redundancy or in the interests of efficiency of the service in accordance with the Committee's policy on Redundancy / Efficiency or on compassionate grounds in accordance with paragraph 2.3.
Award of additional pension to Employees joining the Scheme	Additional pension up to a maximum of £5,000 may be awarded in rare and exceptional circumstances when it is deemed absolutely necessary as an inducement to attract and retain a new employee who has specialist skills and experience required by the Committee.
Award of additional pension to Employees who are active members of the Scheme	Additional pension up to a maximum of £5,000 will only be awarded in rare and exceptional circumstances when it is deemed absolutely necessary as an inducement to prevent an employee who is an active member, who has exceptional specialist skills and experience required by the Committee, from leaving the Committee's employment.

4.4 Additional pension on compassionate grounds will be considered in accordance with the compassionate grounds criteria specified in paragraph 2.2.

## 5. Regulation 9 – Joining the Scheme for members who have opted out under regulation 10

5.1 The discretions exercised are as follows:-

<u>Benefit</u>	<u>Discretion</u>
To allow an employee who has opted –out of the Scheme more than once to re-join the Pension Scheme.	The Committee will allow employees who have opted out of the scheme more than once to rejoin.

## 6. Regulation 18 –Flexible Retirement

6.1 The regulations allow members, with their employers' consent, who are aged 55\* or over and who reduce their hours or the grade in which they are employed, to elect in writing for the early payment of their benefits without retiring. This is known as "Flexible Retirement".

6.2 If benefits are paid before age 65 the benefits are reduced in accordance with guidance issued by the Government Actuary. The Committee may choose to waive, in whole or in part, the reductions to the benefits for the early payment. If the Committee exercises this option the cost of the early payment will be borne by the Committee and not the employee.

6.3 The discretions exercised are as follows:-

<u>Benefit</u>	<u>Discretion</u>
To allow early payment to members who are aged 55* or over and who reduce their hours or the grade in which they are employed.	The Committee will allow early payment of total accrued benefits to employees meeting the terms of its Flexible Retirement Policy under paragraph 6.4.
To waive, in whole or in part, the reductions to the benefits for early payment to members who are aged 55* or over and who reduce their hours or the grade in which they are employed on Compassionate Grounds	Requests to waive the reduction in benefits will only be considered in exceptional circumstances in accordance with the criteria for compassionate grounds in paragraph 2.3.

\*age 50 for those members at 31 March 2009 who apply for flexible retirement before 1 April 2010.

6.4 The Terms of the Flexible Retirement Policy are as follows:-

- Requests from staff to be made in writing
- Management will consider the change in hours/post on its own merits taking into account the need to deliver services effectively and efficiently, the financial implications of granting the application and the circumstances of granting each application.

- Requests, for a current or new post, must reflect either a minimum reduction of 1 day per week (pro-rata for part-time posts) or a minimum reduction of one full grade.
- Applicants must intend to remain in the new post for a minimum of 1 year or to age 65 if less.
- Employees cannot agree to pay the employer strain on Fund costs. This is a cost, which must be borne by employers.
- Employees will only be allowed one flexible retirement but one further request for flexible retirement will be considered on its own merits and based on the need to deliver services effectively and efficiently together with the financial implications of granting the application. A third request for flexible retirement will not be allowed.
- An employee cannot flexibly retire after age 65.

6.5 Benefits can also be taken from the accrued AVC fund on flexible retirement.

6.6 Employees considering applying for flexible retirement will be given an information sheet for signature so that they clearly understand the terms and implications of flexible retirement before making a formal request for consideration. There are particular implications for those staff who could benefit from the Transitional Protection following removal of the 85-year rule:-

- The transitional 85-year rule protections for members as set out in Schedule 2 of the Local Government Pension Scheme (Amendment and Transitional Provisions) Regulations (Northern Ireland) 2009 do extend to the benefits payable under the flexible retirement provisions.
- However, following flexible retirement, the membership in respect of the benefits being drawn will not count in the continuing employment towards the 85-year rule. This will be a major issue for those members wishing to make use of flexible retirement who would have satisfied the 85 year rule before age 65 as the benefits from the continuing employment will be subject to an actuarial reduction if drawn before age 65 whereas, if the member had not taken flexible retirement, none of the benefits (when paid) would have been subject to an actuarial reduction (or, if drawn before the 85 year rule was met, would have been subject to a smaller actuarial reduction i.e. based on the shortfall to the 85 year rule being met, rather than the shortfall to age 65).

**7. Local Government Pension Scheme (Administration) Regulations (Northern Ireland) 2009 - Regulation 21 (3) –Shared Cost AVC Arrangement**

7.1 The Committee is required to have in place a discretionary policy in respect of its discretion on its policy to contribute to a shared Cost Additional Voluntary contribution arrangement.

7.2 The discretion exercised is as follows:-

<u>Benefit</u>	<u>Discretion</u>
To provide a shared-cost AVC scheme.	The Committee allows all employees to increase their death in service grant. The Committee will contribute 50% of the SCAVC cost for any employee who takes out an SCAVC arrangement with the in house scheme AVC provider to provide further death in service cover up to a maximum of 2 years pensionable pay.

Revised May 2009

Under Review