

LGPS DISCRETIONS STATEMENT

SCHEME EMPLOYERS

OVERVIEW

The Local Government Pension Scheme (LGPS) in England and Wales was amended from 1 April 2014. The provisions of the new LGPS, together with protections for members benefits accrued before 1 April 2014, are now contained in the Local Government Pension Scheme Regulations 2013 (the 'LGPS Regulations 2013'), the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (the 'LGPS Transitional Regulations 2014') and the Local Government Pension Scheme (Amendment) Regulations 2018 ('LGPS Amendment Regulations 2018').

Therefore, this statement now relates to the application of discretions under:

- (a) the LGPS Regulations 2013 and the LGPS Amendment Regulations 2018;
- (b) the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 ('LGPS Transitional Regulations 2014'); and
- (c) the Local Government Pension Scheme Regulations 1997 ('LGPS Regulations 1997') and the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 ('LGPS Benefits Regulations 2007'), which continue to have effect in so far as is necessary under Regulation 3 (Membership before 1 April 2014) of the LGPS Transitional Regulations 2014.

This statement is issued by the West Yorkshire Pension Fund (the 'Fund') to assist Scheme Employers under the Fund.

Furthermore, this statement has been prepared on the Fund's understanding of the above regulations; therefore whilst it represents the views of the Fund it should not be treated as a complete and authoritative statement of the law. Employers may wish, or will need, to take their own legal advice on the interpretation of any particular regulations. No responsibility whatsoever will be assumed by the Fund for any liability, financial or otherwise, incurred by employers relying on this statement. The Fund does not accept any responsibility for reliance on the contained, or referred to, in this statement.

INTRODUCTION

Under Regulation 60 (statements of policy about exercise of discretionary functions) of the LGPS Regulations 2013 and paragraph 2(2) of Schedule 2 of the LGPS Transitional Regulations 2014, employers are required to make and publish policy statements on how they will exercise five specific discretions.

Following the implementation of the LGPS Amendment Regulations 2018 two further mandatory discretions have been introduced under regulations 24(a), 30(a), 30(c), 30(e) and 30(f).

In addition there are two further discretions relevant to employers, which relate to members who left before 1 April 2014. These are under Regulation 66 of the Local Government Pension Scheme (Administration) Regulations 2008 (in respect of leavers between 1 April 2008 and 31 March 2014) and under Regulation 106 of the LGPS Regulation 1997 (in respect of leavers between 1 April 1998 and 31 March 2008).

Any policy statements made must not limit, or 'fetter' how an employer uses any of the discretions afforded by the scheme.

The use of any discretion is likely to lead to immediate and potentially continuing increased pension costs for the employer, which could be considerable.

The employer is required to keep its statement under review and make such revisions as are appropriate following a change in its policy. Following any changes in its policy the employer must publish the revised policy and send a copy to the administering authority within one month of the date the policy is revised.

In formulating and revising the policy statements outlined below, the employer must have regard to the extent to which the exercise of its discretionary powers could lead to a serious loss of confidence in the public service.

The discretions listed below are those that require a written policy, however employers have further discretions under the regulations that they may wish to formulate a written policy on.

FURTHER GUIDANCE FROM THE LOCAL GOVERNMENT PENSION SCHEME SECRETARIAT

When formulating any policies Scheme Employers should also take into account information provided by the LGPC Secretariat.

SCHEME EMPLOYER DISCRETIONS

Specific discretions under the LGPS Regulations 2013 and the LGPS Transitional Regulations 2013.

Details of the five discretions available are as follows:

1. Shared cost Additional Pension Contributions - Regulation 16 ~~2)(e)~~ and 16(4)(d)

These specific provisions of Regulation 16 allow an active member who is paying into the main scheme to enter into an arrangement to pay additional contributions, either by regular contributions (Regulation 16(2)(e)) or by a lump sum payment (Regulation 16(4)(d)). This may be funded in whole or in part by the Academy Trust.

The Academy Trust does not consider contributions towards additional pension contributions to be an essential part of its employment strategy. However, the Academy Trust will consider applications made under these specific provisions having regard to the Academy Trust's general policy from time to time, on the employee pay strategy and the particular circumstances surrounding each case.

It is likely that decisions will be made on the merits of each case having particular regard to factors such as:

- Foremost, the Academy Trust's affordability to meet the cost of granting such a request;
- the member's personal circumstances.

2. Awarding Additional Pension - Regulation 31

This Regulation 31 allows employers to grant additional pension up to the maximum allowed by the scheme rules provided that the member is active or is within 6 months of leaving for reasons of redundancy or business efficiency or whose employment was terminated by mutual consent on grounds of business efficiency.

Employers may wish to use this Regulation as an aid to recruitment, an aid to retention or to compensate or reward an employee who is retiring.

Employers should also consider provisions of this Regulation, in particular Regulation 31(4), if they decide to exercise their power under Section 1 (general power of competence) of the Localism Act 2011.

The Academy Trust will consider applications made under this Regulation having regard to the particular circumstances surrounding each case. Decisions will be made on the merits of each case having particular regard to the following:

- Foremost, the Academy Trust's affordability to meet the cost of granting such a request;
- the member's personal circumstances;
- the interests of the Academy Trust;
- the additional contributions due to the Fund by the Academy Trust in respect of the exercise of this discretion;
- any potential benefits or savings to the Academy Trust arising from the exercise of this discretion;
- other options that are, from time to time, available under the Academy Trust's severance arrangements;
- the funding position of the Academy Trust within the Fund.

3.Flexible Retirement - Regulation 30(6)

This provision in the Regulation allows the employer to consent for a member who has attained the age of 55 to draw all or part of their retirement benefits (both pension and lump sum) whilst continuing in employment and Fund membership provided that:

- there has been a reduction in hours, or
- a reduction in grade.

Employers can choose to waive any reductions that apply under Regulation 30(8).

The Academy Trust will consider applications made under this Regulation having regard to the particular circumstances surrounding each case. Decisions will be made on the merits of each case having particular regard to:

- Foremost, the Academy Trust's affordability to meet the cost of granting such a request;
- the operating requirements of the employing department;
- whether any demonstrable cost saving in excess of potential savings available under any severance arrangements in place for time to time can be made;
- the member's personal circumstances;
- whether to permit the member to choose to draw all, part or none of the pension benefits they have built up after 1 April 2008. See flexible retirement policy.

4. Waiving actuarial reductions - Regulation 30(8)

The employer may waive the actuarial reductions applied to a members benefits, unless 85 year rule protections exist employers can waive:

- all of the reductions in respect of pre 1 April 2014 benefits but only on compassionate grounds (paragraph 2 of Schedule 2 of the LGPS Transitional Regulations 2014);
- all or some of the actuarial reduction in respect of post 1 April 2014 on any grounds.

Where 85 year rule protections exists and the member has full or tapered protection the employer can waive all of the reductions but only on compassionate grounds for the service up to the date the 85 year rule protection ends (31 March 2016 (full) or 31 March .2020 (tapered)).

The Academy Trust, will consider applications made under this Regulation having regard to the particular circumstances surrounding each case. Decisions will be made on the merits of each case having particular regard to:

- Foremost, the Academy Trust's affordability to meet the cost of granting such a request;
- whether any demonstrable cost saving in excess of potential savings available under any severance arrangements in place from time to time can be made;
- the member's personal circumstances

Applications for the payment of unreduced benefits for service before 1 April 2014 on the grounds of compassion will be granted if:

- in the Academy Trust's sole opinion, the special extenuating circumstances surrounding the application, along with the supporting evidence provided justify approval and
- the Academy Trust can meet the cost of granting such a request.

5. Switching on the 85 rule — Schedule 2 - I(l)(c) of the LGPS Transitional Regulations 2014

The employer can decide to "switch on" the 85 year rule to allow members to receive benefits either unreduced or with a smaller reduction to their 85 year rule date. The employer will be responsible for meeting any strain costs relating to benefits being paid before age 60. If the employer does not "switch on" the 85 year rule the member's benefits will be reduced to age 60 or the date they meet the 85 year rule if later.

The Academy Trust, will consider applications made under this Regulation having regard to the particular circumstances surrounding each case. Decisions will be made on the merits of each case having particular regard to:

- Foremost, the Academy Trust's affordability to meet the cost of granting such a request;
- whether any demonstrable cost saving in excess of potential savings available under any severance arrangements in place from time to time can be made;
- the members personal circumstances.

Further discretions under the LGPS Regulations 1997 and the LGPS Benefits Regulations 2007

There are also two other discretions for employers but these relate specifically to members who left before 1 April 2014.

Whilst the LGPS Regulations 2013 repeals the LGPS Regulations 1997 and the LGPS Benefits Regulations 2007 (in so far as they had not already been repealed), Regulation) of the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 allows for the LGPS Regulations 1997 and the LGPS Benefits Regulations 2007 to still have effect in so far as they relate to certain member benefits before 1 April 2014. As such, the other discretions still available for certain members only, are as follows:

1. Early Payment of Deferred Pensions for members who left before 1st April 2014 — Regulation 2 of the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014, Regulation 30(2) and 30(5) of the LGPS Benefits Regulations 2007 & Regulation 31(2) and Regulation 31(5) of the LGPS Regulations 1997

This Regulation allows employers to allow members who left the scheme before 1 April. 2014 and who are over the age of 55 to take their benefits early. Under Regulation 30(5) employers can waive any reduction to benefits paid under that Regulation on compassionate grounds. Additionally under Regulation 2 (1(2)) employers may elect to 'switch on' the 85 year rule where a member has taken voluntarily early payment of deferred benefits from age 55.

The Academy Trust will consider applications made under this Regulation having regard to the particular circumstances surrounding each case. Decisions will be made on the merits of each case having particular regard to:

- Foremost, the Academy Trust's affordability to meet the cost of granting such a request;
- the member's personal circumstances.

Applications for the payment of unreduced benefits on the grounds of compassion will be granted if:

- Foremost, the Academy Trust's affordability to meet the cost of granting such a request; and
- in the Academy Trust's sole opinion, the special extenuating circumstances surrounding the application, along with the supporting evidence provided justify approval.

N.B. Deferred members who left the Scheme before 1 April 2008 can still make application for the early payment of their deferred benefits after age 50 under LGPS rules. However, under HMRC rules such payments would be classed as 'un-authorised' and would be subject to a punitive tax charge.

2. Early Payment of Deferred Pensions for members who left before 1st April 2014 and have ceased to be entitled to a tier 3

ill benefit Regulation 2 of the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014, Regulation 30A(3) and 30A(5) of the LGPS Benefits Regulations 2007.

These regulations allow employers to permit members who have ceased to be entitled to a tier 3 ill health benefit and who are over the age of 55 to take their benefits early. Under sub paragraph 5 of Regulation 30A employers can waive any reduction to benefits paid under that Regulation on compassionate grounds. Alternatively under Regulation 2 (1(2)), employers may elect to 'switch on' the 85 year rule where voluntary early payment of suspended tier 3 ill health pension is taken.

The Academy Trust, will consider applications made under this Regulation having regard to the particular circumstances surrounding each case. Decisions will be made on the merits of each case having particular regard to:

- Foremost, the Academy Trust's affordability to meet the cost of granting such a request;
- the member's personal circumstances.

Applications for the payment of unreduced benefits on the grounds of compassion will be granted if:

- Foremost, the Academy Trust's affordability to meet the cost of granting such a request; and
- in the Academy Trust's sole opinion, the special extenuating circumstances surrounding the application, along with the supporting evidence provided justify approval.