








PERSONNEL COMMITTEE – 6 FEBRUARY 2025**REPORT FOR DECISION****REVIEW OF EMPLOYER DISCRETIONS POLICY FOR LOCAL GOVERNMENT
PENSION SCHEME**

Our Culture	Our Decision Making	Our Environment	Our Money	Our People	Our Places	Our Resilience & Wellbeing
						
	✓		✓			

Recommendation to the Finance and General Purposes Committee:

1. The revisions to the Local Government Pension Scheme – Employer Discretion policy, set out using tracked changes at Appendix 1 to this report, be approved and the document be adopted.
2. If necessary, a consultation exercise be undertaken with the affected members of staff and the revisions to the policy be implemented upon the conclusion of said exercise.

Background:

Penzance Council is a scheme employer in the Local Government Pension Scheme. As a member, each employer is required to publish a policy statement detailing how it will apply the scheme when certain events happen, known as discretions. The policy must have discretions on whether it will:

- allow flexible retirement
- award additional pension
- pay towards the cost of additional pension
- waive any reductions if a pension is paid early (Not including if an employee retires due to ill health, redundancy or business efficiency, in these cases the employer must meet the cost of paying pension early).

The policy must be kept under review and updated periodically, such as in relation to any legal or policy developments.

In applying this policy, Penzance Council must ensure that it applies the discretions reasonably, after taking account of all relevant factors, for example the cost to the Council balanced against the benefit to the scheme member; that discretions are not restricted, i.e. being used in such a way that individual circumstances cannot be considered and that all discretionary decisions are recorded, i.e., being considered by the Personnel Committee and signed off by the Finance and General Purposes Committee.

The Cornwall Pension Fund, the local fund of the LGPS of which Penzance Council is a member, has requested that the policy is reviewed and returned to it.

Updates to Policy

The updates to the existing policy are shown by tracked changes in Appendix 1. To summarise, the policy layout has been updated to make more concise, by including contents page and clearly defined sections.

As recommended by Cornwall Pension Fund, there are certain discretions that relate to different periods when members have been a part of the scheme or when they left, these were previously all lumped together, and not clear which discretions relate to what period. The new sections of the policy are as follows:

Section 2.1 is for discretions relating to current employee members and leavers from 01/04/2014 onwards.

The only proposed change for this section is that the Shared Cost Additional Pension Contributions discretion, which is the decision where an employer can choose to pay or contribute towards a member's additional pension through a shared cost pension contract, has been updated to state that Penzance Council will not contribute to additional benefits to a member's pension. This would then match the discretion R17, for Shared Cost Additional Voluntary Contributions, where the current discretion is that Penzance Council will not contribute to an employee's AVC.

By making additional contributions to a member's pension, above the contractual rate, this comes as an additional cost to the Council. The Local Government Pension scheme is already a defined employee benefit, with the employer contributing generally two thirds of the employee's pension with one third being paid by the employee. The member can still opt to make additional personal pension contributions, but there would not be any additional contributions paid from the Council. This discretion does not relate to cases where a member has a period of authorised unpaid

leave and elects within 30 days of return to work to buy back their lost pension, where again they would pay one third and the Council would pay two thirds.

Section 2.2 is for discretions relating to leavers between 01/04/2008 to 31/03/2014.

The discretions within this section are not new discretions but duplicates of the discretions within the current policy, but for clarity they are listed again for leavers of the scheme within this period with the same decision as the other discretions.

Section 2.3, is for discretions relating to leavers between 01/04/1998 to 31/03/2008

Again, there are some repeated discretions in this section, but there are two discretions which were not in the current policy which Cornwall Pension Fund has advised to add in, in case that there are former employees of Penzance Council who left between 1998 and 2008, and those conditions still apply to them.

The first change is where members who left between 1998 and 2008 can apply for early payment of benefits between 50 and 55 which was before the normal retirement date. The proposed discretion mirrors the other discretions, in that Penzance Council will only consider these requests on compassionate cases to be reviewed by Personnel Committee followed by a recommendation to the Finance and General Purposes committee.

The other additional discretion is to decide whether optants out (employees who have opted out of the pension scheme) who left the scheme between 01/04/1998 to 31/03/2008 can get benefits paid before the normal retirement date. The proposed decision is again in line with other discretions, that the Council will only grant in exceptional circumstances by consideration of the Personnel Committee and approval from the Finance and General Purposes Committee.

Section 2.4 is for discretions relating to leavers before 01/04/1998.

The only discretion that relates solely to leavers before 01/04/1998 is for employers to grant application for early payment of benefits on or after age 50 and before the normal retirement date, but specifically only on compassionate grounds. However, these benefits may be reduced for early payment and/or subject to an unauthorised payment charge under the Finance Act 2004 and there is not a discretion to waive any actuarial reduction for this criteria. The Penzance Council policy will be that the case is considered on compassionate grounds by the Personnel Committee with a recommendation to the Finance and General Purposes committee.

Cameron Sil
Responsible Finance Officer



PENZANCE COUNCIL

Local Government Pension Scheme – Employers Discretion Policy

CURRENT POLICY STATUS

Version:	32	Approving Body:	Finance & General Purposes Full Council
Date:	03/2020 01/2025	Date of Approval:	20/07/2020
Responsible Officer:	Town Clerk Responsible Finance Officer	Minute Reference:	40(f)
Overview Committee:	Personnel	Review Date:	

VERSION HISTORY

DATE	VERSION	AUTHOR/EDITOR	COMMENTS
26/03/2018	1		

REVIEW RECORD

DATE	TYPE OF REVIEW	COMPLETED BY
03/2020	Advice from Internal Auditor	
01/2025	Update required from fund	CS

(vs2) Approved & Adopted by Penzance Council: 20 July 2020

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LGPS Discretions Policy

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1. **INTRODUCTION AND SCOPE**

1.1 The Local Government Pension Scheme

The Local Government Pension Scheme (LGPS) is a statutory pension scheme. Its rules are laid down under the Acts of Parliament. Penzance Town Council is a Scheme Employer in the LGPS.

The Local Government Pension Scheme Regulations require each local authority to publish a policy statement detailing how it will exercise the discretionary items in relation to the Local Government Pension Scheme (LGPS). Penzance Council is considered to be a local authority for the purposes of these regulations.

1.2 Purpose

The purpose of this document is to list areas of mandatory discretion policy on the application of all mandatory and some non-mandatory discretions which the Council have the power to exercise in relation to members of the Local Government Pension Scheme.

The purpose of the statement is to manage the severance arrangements for employees where voluntary redundancy or early retirement is in the best interest of efficiency of service, whilst giving regard to workability, affordability and reasonableness. The policy also provides for early retirement on compassionate grounds in exceptional circumstances and flexible retirement where there is a benefit to the Council.

The various discretions noted apply to specific groups of members of the Scheme based on their date of entry into the Scheme. This is outlined in the relevant section of the policy.

This Policy explains how the Council will exercise the discretions available to it under Parts 3 and 4 of the regulations.

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2. DISCRETIONS

2.1 Discretions relating to current contributing employees and leavers as at 01/04/2014 onwards

Discretion	Regulation Reference	Policy Decision
<p>Shared Cost Additional Pension Contributions (SCAPC)</p> <p>An employer can choose to pay for or contribute towards a member's Additional Pension Contract via a Shared Cost Additional Pension Contract (SCAPC).</p> <p>This discretion does not relate to cases where a member has a period of authorised unpaid leave and elects within 30 days of return to work to pay SCAPC to cover the amount of pension lost during that period of absence.</p>	<p>R16(2)(e) & R16(4)(d)</p>	<p>Penzance Council will only exercise this discretion in exceptional circumstances and with permission of the Finance & General Purposes Committee after consideration of the costs that would be incurred by the Council.</p> <p><u>Penzance Council will not share the cost for additional contributions to a member's pension.</u></p>
Discretion	Regulation Reference	Policy Decision
<p>Shared Cost Additional Pension Contributions – extension of 30-day limit</p> <p>The employer must contribute 2/3rds of the cost to a SCAPC.</p> <p>If the absence is unauthorised e.g. due to a strike, then the SCAPC would not apply and the employee must pay the</p>	<p>R16(16)</p>	<p>Penzance Council will not exercise the discretion to extend the 30-day deadline for a member to elect for a SCAPC upon return from a period of absence from work with no pensionable pay.</p>

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Commented [CS1]: The LGPS is already a generous pension scheme, being a defined employee benefit, with the employer contributing generally two thirds of the member's pension with them contributing one third. It would not be fair for council tax payers to contribute to additional pension on top of the standard contributions. By updating this, it matches the decision of the R17 discretion.

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<p>full cost of the additional pension.</p> <p>Any extra annual pension granted by the employer under a SCAPC arrangement would be subject to an actuarial reduction for early payment where, other than in a case of ill health retirement, that extra pension is drawn before the member's Normal Pension Age.</p> <p>The employer has discretion to extend the SCAPC 30-day time limit.</p>		
Discretion	Regulation Reference	Policy Decision
<p>Shared Cost Additional Voluntary Contributions (AVCs)</p> <p>AVCs allow any active employee to increase their main scheme benefits by making regular monthly additional payments direct from their salary. 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.</p>	<p>R17</p>	<p>It is not Penzance Council's policy to contribute to an employee's AVC.</p>

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Discretion	Regulation Reference	Policy Decision
<p>Flexible Retirement</p> <p>Employers may allow a member from age 55 onwards to draw all or part of the pension benefits they have already built up while 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.</p> <p>In such cases, pension benefits will be reduced in accordance with actuarial tables unless the employer waives reduction on compassionate grounds or a member has protected rights.</p>	<p>R30(6)</p>	<p>Penzance Council will consider employee requests to take flexible retirement on a case-by-case basis after taking into account the service requirements of the Council and costs that may apply.</p> <p>The Personnel Committee will be responsible for considering all requests to take flexible requirement and will make recommendations to the Finance & General Purposes Committee.</p>
Discretion	Regulation Reference	Policy Decision
<p>Waiving actuarial reduction on flexible retirement</p> <p>Employers have the right to waive, on compassionate grounds, the actuarial reduction (in whole or part) applied to members benefits paid on the grounds of flexible retirement.</p>	<p>R30(8)</p>	<p>Penzance Council will only waive the actuarial reduction on flexible retirement in exceptional circumstances following a recommendation by the Personnel Committee and approval by the Finance & General Purposes Committee.</p>

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<p>Employers may also waive, on compassionate grounds, the actuarial reduction (in whole or part) applied to members benefits for deferred members and suspended tier 3 ill health pensioners who elect to draw benefits on or after age 60 and before normal pension age.</p> <p>Employers also have the power to waive (in whole or in part) the actuarial reduction applied to active members benefits when a member chooses to voluntarily draw benefits on or after age 55 and before 60.</p>		
<p>Discretion</p>	<p>Regulation Reference</p>	<p>Policy Decision</p>
<p>Power of employing authority to 'switch on' the 85 Year Rule</p> <p>An employer can choose whether to "switch on" the 85-year rule for members who voluntarily retire on or after age 55 and before age 60.</p> <p>An employer can also choose to waive, on compassionate grounds, the actuarial reduction applied to benefits for a member voluntarily drawing benefits on or after age 55 and before age 60.</p>	<p><u>TPSch 2, para 1(2) & 1(1)(c)</u> TPsch2, para 2(2) & 2(3)</p>	<p>Penzance Council will only agree to 'switch on' the 85 year rule in exceptional circumstances following recommendation from the Personnel Committee and approval from the Finance & General Purposes Committee after considering the costs that will apply.</p>

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Discretion	Regulation Reference	Policy Decision
<p>Power of employing authority to grant additional pension</p> <p>An employer can choose to grant additional pension to an active member or within 6 months of ceasing to be an active member by reason of redundancy or business efficiency (by up to £8,344,600 per annum)*.</p> <p><i>*The figure of £6,500 8,344 will be increased each April under Pensions Increase orders.</i></p>	R31	<p>Penzance Council will only exercise this discretion in exceptional circumstances. This discretion will only be exercised with a recommendation from the Personnel Committee and approval from the Finance & General Purposes Committee after consideration of the costs that would apply.</p>
Discretion	Regulation Reference	Policy Decision
<p>Transfer of service into the LGPS</p> <p>Employees joining the LGPS have an initial period of 12 months in which to request an investigation into the option of transferring any pension benefits from previous employments into the Cornwall Pension Fund.</p> <p>The employer and now also the Administering Authority (Cornwall Council) has discretion</p>	R100(6)	<p>Penzance Council will not extend the 12 month time limit for transferring pension benefits from previous employment into the Cornwall Pension Fund.</p>

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to extend this 12 month time limit.		
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2.2 Discretions relating to leavers 01/04/2008 to 31/03/2014

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Discretion	Regulation Reference	Policy Decision
<u>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</u>	<u>TPSch 2, paras 1(2) and 1(1)(c)</u>	<u>Penzance Council will only agree to ‘switch on’ the 85-year rule in exceptional circumstances following recommendation from the Personnel Committee and approval from the Finance & General Purposes Committee after considering the costs that will apply.</u>
<u>Whether to “switch on” the 85-year rule for a suspended tier 3 member voluntarily drawing benefits on or after age 55 and before age 60</u>	<u>TPSch 2, paras 1(2) and 1(1)(c)</u>	<u>Penzance Council will only agree to ‘switch on’ the 85-year rule in exceptional circumstances following recommendation from the Personnel Committee and approval from the Finance & General Purposes Committee after considering the costs that will apply.</u>
<u>Waiving actuarial reduction on flexible retirement</u> <u>Employers have the right to waive, on compassionate grounds, the actuarial reduction (in whole or part) applied to members benefits paid on the grounds of flexible retirement.</u>	<u>R30(8)</u>	<u>Penzance Council will only waive the actuarial reduction on flexible retirement in exceptional circumstances following a recommendation by the Personnel Committee and approval by the Finance & General Purposes Committee.</u>

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<p><u>Employers may also waive, on compassionate grounds, the actuarial reduction (in whole or part) applied to members benefits for deferred members and suspended tier 3 ill health pensioners who elect to draw benefits on or after age 60 and before normal pension age.</u></p> <p><u>Employers also have the power to waive (in whole or in part) the actuarial reduction applied to active members benefits when a member chooses to voluntarily draw benefits on or after age 55 and before 60.</u></p>		
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2.3 Discretions relating to leavers 01/04/1998 to 31/03/2008

Discretion	Regulation Reference	Policy Decision
<u>Whether to waive, on compassionate grounds, the actuarial reduction applied to deferred benefits paid early.</u>	<u>B30A(5), TPSch 2, para 2(1)</u>	<u>Penzance Council will only waive the actuarial reduction on compassionate grounds in exceptional circumstances following a recommendation by the Personnel Committee and approval by the Finance & General Purposes Committee</u>
<u>Whether to “switch on” the 85-year rule for a deferred member voluntarily drawing benefits on or after age 55 and before age 60.</u>	<u>TPSch 2, para 1(2) & 1(1)(f) & R60</u>	<u>Penzance Council will only agree to ‘switch on’ the 85-year rule in exceptional circumstances following recommendation from the Personnel Committee and approval from the Finance & General Purposes Committee</u>

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<p><u>Grant application for early payment of deferred benefits on or after age 50 and before age 55.</u></p>	<p>31(2)</p>	<p><u>after considering the costs that will apply.</u></p> <p>Penzance Council will only exercise this discretion in circumstances where the case is one of compassion.</p> <p>This discretion will only be exercised with a recommendation from the Personnel Committee and approval from the Finance & General Purposes Committee after consideration of the costs that would apply</p>
<p><u>Optants out only to get benefits paid from Normal Retirement Date if employer agrees.</u></p>	<p>31(7A)</p>	<p>Penzance Council will only consider application for early payment of deferred benefits before the NRD, in exceptional circumstances.</p> <p>This discretion will only be exercised with a recommendation from the Personnel Committee and approval from the Finance & General Purposes committee after consideration of the costs that would apply.</p>

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2.4 Discretions relating to leavers before 01/04/1998

Discretion	Regulation Reference	Policy Decision
<p><u>Grant application for early payment of deferred benefits on or after age 50 and before Normal Retirement Date on compassionate grounds.</u></p>	<p><u>TL4, L106(1) & D11(2)(c)</u></p>	<p><u>Penzance Council will only exercise this discretion in circumstances where the case is one of compassion.</u></p> <p><u>This discretion will only be exercised with a recommendation from the Personnel Committee and approval from the Finance & General Purposes Committee after consideration of the costs that would apply.</u></p>

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