The Auriga Academy Trust

LOCAL GOVERNMENT PENSION SCHEME DISCRETIONS POLICY

The AURIGA Academy Trust Document Control System	
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Please note that all Trust policies are reviewed annually. Should you have any queries regards this policy, note an omission or wish to propose an amendment, please email sconnnor@strathmore.richmond.sch.uk.

1. Background / Overview of Statutory Requirements

The Local Government Pension Scheme (LGPS) in England and Wales was amended from 1 April 2014 so that benefits accruing for service after 31 March 2014 accrue on a Career Average Revalued Earnings (CARE) basis, rather than on a final salary basis.

The provisions of the CARE scheme, together with the protections for members accrued pre 1 April 2014 final salary rights, are contained in the Local Government Pension Scheme Regulations 2013 and the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014.

As a result of the changes, scheme employers participating in the LGPS in England or Wales have to formulate, publish and keep under review a statement of policy on certain discretions which they have the power to exercise in relation to members of the CARE scheme.

In accordance with Regulation 60 of the Local Government Pensions Scheme (LGPS) Regulations 2013, a Scheme employer must prepare a written statement of its policy in relation to the exercise of its functions under regulations:

16(2)(e) and 16(4)(d) (funding of additional pension);

30(6) (flexible retirement);

30(8) (waiving of actuarial reduction); and

31 (award of additional pension).

In addition, and in accordance with Paragraph 2(2) of Schedule 2 to the Local Government Pension Scheme (Transitional Provisions, Savings & Amendment) Regulations 2014, a Scheme employer must also prepare a written statement on whether, or not, in respect of benefits relating to pre 1 April 2014 membership, to ‘switch on’ the 85 year rule for a member who voluntarily retires (leaves employment) and elects to draw their benefits on, or after, the age of 55 and before the age of 60, thereby agreeing to waive in full, or part, any actuarial reduction applied to the member’s benefits.

A Scheme employer must send a copy of its statement to the administering authority (Ric) and must publish its statement. Furthermore, a Scheme employer must keep its statement of policy under review and make such revisions as are appropriate following a change of its policy. Where a revision to the statement of policy is made, a Scheme employer must send a copy of its revised statement to the administering authority before the expiry of one month beginning with the date that any such revision is made. A Scheme employer must also publish its revised statement. In preparing, or reviewing and making revisions to its statement, a Scheme employer must have regard to the extent to which the exercise of its discretionary functions could lead to a serious loss of confidence in the public service.

Whilst it is compulsory for a Scheme employer to prepare a statement, with respect to the regulations detailed above, there are a number of other discretions available to a Scheme employer throughout the Scheme’s regulations that do not require such a statement of policy to be made. Nevertheless, it is recommended, for administrative purposes, that such additional statements are made and included as part of the statement of policy.

Once completed, a Scheme employer must ensure that its statement of policy is published in a place that is easily accessible to all of its eligible Scheme employees and that any revisions made to the statement of policy are equally accessible.

2. Trust Declaration

The Scheme employer known as The Auriga Academy Trust (Trust) has prepared this written statement of policy in relation to its exercise of certain discretionary functions, available under the Local Pension Scheme Regulations 2013. The Trust declares that it will keep this statement under review and publish the statement (and any amendments made thereto) in a place that is easily accessible to all of its eligible Scheme employees and that it will provide to the administering authority the most up-to-date version of the statement at all times.

This policy does not form part of any contract of employment and may be amended from time to time.

Only the version of the policy which is current at the time when the relevant event occurs will be the version applied to that member for that event. Each case will be treated fairly based on its circumstances and merits.

Where discretionary policies laid out in this document contradict statutory regulations, the statutory regulations will take priority.

3. Additional Pension Contributions (Regulation 16)

The Scheme employer may resolve to fund in whole, or in part, any arrangement entered into by an active scheme member to pay Additional Pension Contributions (APC), by way of regular contributions, in accordance with Regulation 16(2)(e), or by way of a lump sum, in accordance with Regulation 16(4)(d).

The Scheme employer may enter into an APC contract with a Scheme member who is contributing to the MAIN section of the Scheme, in order to purchase additional pension of not more than the additional pension limit (£6,500 from 1st April 2014, subject to annual increase, in line with the Pensions (Increase) Act 1971).

The amount of additional contribution to be paid is determined through reference to actuarial guidance issued by the Secretary of State. Consideration has therefore needed to be given to the circumstances under which the Trust may wish to use their discretion to fund in whole, or in part, an employee's Additional Pension Contributions.

The Trust, as a Scheme employer, has decided that it will only contribute to the cost of 'buying' additional pension, where: the Scheme member is 'buying' additional pension in respect of a period of authorised absence from work; and where an election form was received from the Scheme member within 30 days of returning to work.

Additional Pension Contributions (APC) will not be funded, in whole or in part, by the Trust.

4. Flexible Retirement (Regulation 30(6))

An active member, who has attained the age of 55 or over and who, with the agreement of their employer, reduces their working hours or grade of employment may, with the further consent of their employer, elect to receive immediate payment of all, or part, of the retirement pension to which they would be entitled, in respect of that employment, as if that member were no longer an employee in local government service on the date of the reduction in hours or grade (adjusted by the amount shown, as appropriate, in actuarial guidance issued by the Secretary of State.

The Scheme employer must consider, on a policy basis, whether, or not, in addition to the benefits the member may have accrued prior to 1 April 2008 (which the member must draw), to permit 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 all, part or none of the pension benefits they built up after 1 April 2014.
Due consideration must be given to the financial implications of allowing an employee to draw all, or part, of their pension benefits, earlier than their normal retirement age.

The Trust, as the employing authority, will consider an application received in writing from a Scheme member to elect for flexible retirement, under Regulation 30(6). Each case will be considered by the Trust on its merits and will be subject to the approval of the relevant Manager under the Trust's Scheme of Delegation and, in giving that approval, they are satisfied that:

- there are no pension costs to the Trust arising from the employee's flexible retirement;
- there is an operational, business or financial case for permitting flexible retirement that will not result in any detriment to the level of service;
- there is a reduction to the total costs of employing the person of at least forty per cent;

Any agreed change to the employee's contract, under this policy, is a permanent change to their contractual terms and conditions; and where a request for the release of retirement benefits, under this provision, is refused, no further application under the provision will be considered until the following financial year.

5. Waiving of Actuarial Reduction (Regulation 30(8))

Where a Scheme employer's policy, under Regulation 30(6) (Flexible Retirement), is to consent to the immediate release of benefits, in respect of an active member who is aged 55 or over, those benefits must be adjusted by an amount shown, as appropriate, in actuarial guidance issued by the Secretary of State (commonly referred to as actuarial reduction or early payment reduction).

A Scheme employer (or former employer, as the case may be) may agree to waive, in whole or in part, and at their own cost, any actuarial reduction that may be required by the Scheme Regulations. Due consideration must be given to the financial implications of agreeing to waive, in whole or in part, any actuarial reduction.

The Trust will not waive, in whole or in part, any reduction applied to individuals drawing their pension benefits before their normal retirement age, under Regulations 30(5) or Regulation 30(6).

6. Award of Additional Pension (Regulation 31)

The Trust may resolve to award an active member, or a member who was a) an active member, but was dismissed by reason of redundancy or business efficiency, or b) whose employment was terminated by mutual consent on grounds of business efficiency, additional annual pension of, in total (including any additional pension purchased by the Scheme employer under Regulation 16), not more than the additional pension limit (£6,500 from 1st April 2014, subject to annual increase in line with the Pensions (Increase) Act 1971).

Any additional pension awarded is payable from the same date as any pension payable under other provisions of the Scheme Regulations, from the account to which the additional pension is attached.

In the case of a member whose circumstances are matched by condition (b) above in Sec. 6.1 (above), the resolution to award additional pension must be made within six months of the date that the member's employment ended.

The Trust has no intention of making use of this power, under Regulation 31, in the foreseeable future, but may consider using this discretion in exceptional circumstances, where there is clear financial or operational advantage from doing so.

7. Local Government Pension Scheme (Transitional Provisions and Savings) (Regulations 2014)

Where a Scheme member retires or leaves employment, and elects to draw their benefits at or after the age of 55 and before the age of 60, those benefits will be actuarially reduced, unless their Scheme employer agrees to meet the full or part cost of those reductions as a result of the member otherwise being protected under the 85 year rule, as set out in previous Regulations.

So as to avoid the member suffering the full reduction to their benefits, the Scheme employer can 'switch on' the 85 year rule protections, thereby allowing the member to receive fully or partly unreduced benefits, but subject to the Scheme employer paying a strain (capital) cost to the Pension Fund

The Trust will not waive, in whole or in part, any reduction applied to individuals drawing their pension benefits before their normal retirement age under schedule 2 2(1). The Trust will not allow the 'rule of 85' protections to apply.

8. Local Government Pension Scheme 2013 - Contributions (Regulations 9(1) and 9(3))

Where an active member changes employment, or there is a material change that affects the member's pensionable pay during the course of a financial year, the Scheme employer may determine that a contribution rate from a different band (as set out in Regulation 9(2)) should be applied. Where the Scheme employer makes such a determination it shall inform the member of the revised contribution rate and the date from which it is to be applied.

Members of the Local Government Pension Scheme (LGPS) will be assigned to the relevant contribution band based upon their pensionable pay. For employees who did not work for the whole of that year, the relevant LGPS contribution band will be allocated based upon their annual salary rate.

LGPS member contribution rates are set by the LGPS, and can be found by visiting the LGPS website. The Trust's policy is to set contribution rates based on actual pay as at 1 April each year and not to make any changes during the year, except in the circumstances that:

- pay is permanently reduced, such that it would cause a move to a lower band;
- pay is permanently increased, such that it would cause a move to a higher band; or
- a contractual additional payment is applied that would cause a move to a higher band.

9. Local Government Pension Scheme 2013 - Inward Transfers of Pension Rights (Regulation 100(6))

A request, from an active member, to transfer former pension rights from a previous arrangement into the LGPS, as a result of their employment with a Scheme employer, must be made in writing to the administering authority and the Scheme employer before the expiry of the period of 12 months, beginning with the date on which the employee first became an active member in an employment (or such longer period as the Scheme employer and administering authority may allow).

The Trust has decided that, as appropriate, it will consider the extension of the 12 month transfer application period on a case by case basis, at the appropriate time, where there is no financial risk to the Trust, subject to the administering authority's agreement.