

# LGPS - PENSION DISCRETIONS POLICY



## The People's Learning Trust: Local Government Pension Scheme – Pension Discretions Policy

Policy Title:	Date Approved:	Approved by:	Review Date:
<b>LGPS – Pension Discretions Policy</b>	13.03.25	Board of Trustees	March 2028

# LGPS - PENSION DISCRETIONS POLICY



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## 1. INTRODUCTION

The Local Government Pension Scheme (LGPS) is one of the occupational pension schemes operated by the Trust which is a statutory pension scheme for which the rules governing the scheme are laid down by Parliament. However, as part of the scheme there has always been scope for regional and local variations, roles and responsibilities.

Pensions regulations have awarded greater flexibility to both employers and workers within a secure statutory-based pension environment. New regulations which came into effect from 1<sup>st</sup> April 2014, introduced further discretions to achieve greater flexibility within the statutory scheme.

## 2. POLICY STATEMENT

The Trust has a responsibility to formulate, publish and keep under review a policy statement on the Trust's approach to dealing with the pension discretions available under the LGPS and related regulations.

In formulating, reviewing and applying this policy the Trust aims to:

- Have regard to the extent to which the exercise of the discretionary powers, unless properly limited, could lead to a serious loss of confidence in public service. A loss in public confidence might include being over-generous with discretionary payments.
- Be satisfied that the policy is affordable and reasonable, having regard to the foreseeable costs.
- Support the Trust's vision and objectives.
- Support the financial viability of the pension scheme and the Trust as a going concern.
- Have regard to the Equality Act 2010 in terms of impact of the exercise of discretionary powers.
- Where appropriate take account on compassionate grounds, of the impact on employees and consideration of their personal and domestic circumstances.

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## 3. POLICY PURPOSE & SCOPE

The purpose of this policy is to operate the pension discretions in a way that is transparent and fair whilst managing the liabilities of the pension fund, in the overall interest of its members and the Trust.

This policy applies to all eligible members of the Local Government Pension Scheme (LGPS), who have been previously or are currently employed by the Trust.

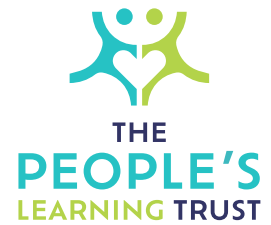
The LGPS Discretions Policy refers to The Local Government Pension Scheme Regulations 2013 or The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014. In addition, the following regulations may also be taken into consideration:

- The Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000
- The Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006 (as amended)
- The Local Government (Discretionary Payments) (Injury Allowances) Regulations 2011
- The Local Government (Discretionary Payments) Regulations 1996 (as amended)

## 4. EMPLOYEE DECISION MAKING

The Trust is unable to offer advice on members' decisions regarding their pension. Members are advised to seek their own financial advice.

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## 5. EXERCISE OF DISCRETION

Nothing in this Policy Statement shall fetter the Trust's discretion to exercise its powers. Each application within the discretionary areas will be considered in line with the published policy, taking account of the individual circumstances and reasons for the request, the financial and operational impact on the Trust and the pension scheme, the need to avoid unlawful discrimination and any exceptional circumstances that may exist.

The Trust will only consider using its discretion in exceptional circumstances set against the background that:

- Normal retirement age is increasing and will continue to do so;
- Members of the pension scheme need to take personal responsibility for planning and funding their retirement;
- By taking their LGPS early, it means that it is anticipated that the pension will be paid for longer than originally forecasted. Therefore, it is normal that this will mean less pension paid per annum than had it been put into payment at normal retirement age. This policy is not expected to mitigate this;
- Members of the pension scheme need to take account of their revised pension in light of their financial and domestic circumstances when looking to access it early; and
- The Trust is unable to fund the reduction in income to substitute other forms of financial support because a member chooses to draw their pension early with adjustments.

The Trust will consider, in exceptional cases, exercising discretions where there is a clear financial or operational benefit to the Trust. The cost to the Trust is, however, a key consideration in exercising its discretions.

The powers to approve proposals made in accordance with this policy will lie with the CEO and CFOO.

A list of the applicable discretions can be found in Appendix A.

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## 6. CONCLUSION & POLICY REVIEW

The Local Government Pension Scheme (LGPS) contains various regulations where employer discretion has to be exercised.

LGPS 2014 rules, require employers to “formulate, publish and keep under review” a policy statement in relation to the exercise of a number of discretions under the LGPS. The policy statement should show the basis on which the employer would make its decisions on the various discretions.

In formulating and reviewing its policy the Trust is required by the Regulations to have regard to the extent to which the exercise of its discretionary powers, unless properly limited, could lead to a serious loss of confidence in the public service; i.e. being ‘over generous’ with discretions.

The Discretions Policy has been drafted to take account of the written guidance and consolidates current arrangements for dealing with premature retirements with custom and practice. The proposed policy also incorporates new discretions that are integral to the latest regulations.

The Policy will be reviewed every three years. Any proposed changes arising out of that review will be referred to the Trust Board.

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## Appendix A:

LGPS – Cheshire Pension Scheme:		
Regulation:	Detail:	Trust Position:
R16(2)(e) & R(4)(D)	Ability to contribute to a shared cost additional pension (APC) scheme	<p>The Trust has agreed <b>not to</b> contribute to or share any cost towards an additional pension scheme (APC).</p> <p><b>Rationale:</b></p> <ol style="list-style-type: none"> <li>1. <b>Cost Management:</b> The award of additional pension would result in an increased financial liability for the employer, which could affect both the operational budget and future employer contribution rates to the Cheshire Pension Fund.</li> <li>2. <b>Fairness and Consistency:</b> In line with ensuring consistency across the workforce, the decision ensures that all employees are treated fairly, and no undue advantage is given to certain employees over others in terms of pension benefits.</li> <li>3. <b>Long-Term Financial Planning:</b> The employer must ensure the sustainability of pension provision and minimise the risk of financial strain on future budgets. By not exercising this discretion, we ensure that the pension liabilities remain within manageable levels without adversely impacting the pension fund or the employer's financial health.</li> </ol>

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R30 (6) & (8)	Ability to award flexible retirement & waive actuarial reduction	<p>The Trust supports flexible retirement and employees over age 55 may apply for flexible retirement. However, each application will be considered on a case-by-case basis, subject to the following conditions:</p> <ol style="list-style-type: none"> <li>1. <b>Employer consent:</b> flexible retirement will only be granted where it is in the interests of the employer. The decision will be based on operational requirements, financial considerations, and the impact on service delivery.</li> <li>2. <b>Reduction in Working Hours or Grade:</b> To qualify for flexible retirement, the employee must reduce their working hours or move to a lower-graded post. The extent of the reduction in hours or responsibilities will be discussed and agreed upon with the employer.</li> <li>3. <b>Actuarial Reduction:</b> Employees who take flexible retirement may face an actuarial reduction to their pension if they retire before their Normal Pension Age (NPA).</li> <li>4. <b>Impact on Employer Contributions:</b> Employees who take flexible retirement and continue to work for the Trust will remain active members of the LGPS for their new post. This means the employer will continue to pay contributions to the Cheshire Pension Fund based on the employee's new salary.</li> <li>5. <b>Pension Drawdown:</b> Employees may choose to draw some or all their pension benefits. The employee's decision will not affect their continued employment, provided the agreed reduction in hours or grade is maintained.</li> </ol>
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R30 (8)	Ability waive some of all of early retirement reduction on benefits if a member retires before Normal Pension Age (NPA) - for both active and deferred members	<p>The Trust has agreed <b>not to</b> exercise its discretion to waive actuarial reductions for employees retiring before NPA. This ensures early retirement options remain available to employees, but in doing so, members will bear the full actuarial reduction applied to their pension to reflect the longer period over which their benefits will be paid.</p> <p><b>Rationale:</b></p> <ol style="list-style-type: none"> <li>1. <b>Financial Sustainability:</b> Waiving the actuarial reduction would result in significant additional pension liabilities, leading to higher costs for the employer. This may have a direct impact on future employer contribution rates to the Cheshire Pension Fund, as well as overall financial planning.</li> <li>2. <b>Fairness and Consistency:</b> In maintaining a fair approach across the workforce, this decision ensures that all employees retiring early are treated consistently. It avoids creating financial inequalities between employees who retire early and those who retire at or after NPA.</li> <li>3. <b>Responsible Stewardship of Pension Funds:</b> Given the current financial environment, the employer has a responsibility to ensure the long-term sustainability of pension funding. By not waiving actuarial reductions, we help safeguard the financial health of both the Cheshire Pension Fund and the employer's contribution obligations.</li> <li>4. <b>Employee Awareness:</b> All employees are made aware that their decision to retire early will result in a reduced pension unless they meet certain statutory exceptions. This policy encourages employees to make informed retirement decisions and plan adequately for the future.</li> </ol>
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1 (1)(c) Schedule 2	Power of employing authority to "switch on" the 85-year rule for a member voluntarily drawing benefits on or after age 55 and before age 60	<p>The Trust has agreed <b>not to</b> routinely apply the 85-year rule to employees retiring before age 60. This decision ensures a consistent and fair approach for all employees while managing the financial implications of early retirement on the pension fund and the employer's contribution rates.</p> <p><b>Rationale:</b></p> <ol style="list-style-type: none"> <li>1. <b>Cost Management:</b> Applying the 85-year rule before age 60 significantly increases the employer's pension liabilities, as it reduces the actuarial reductions that would normally apply. This would lead to additional costs to the employer and could have long-term financial implications for the pension fund.</li> <li>2. <b>Fairness and Consistency:</b> By not applying the 85-year rule as a default, the employer ensures that all employees are treated fairly and consistently. It avoids creating disparities between employees who retire early and those who remain in service until after age 60.</li> <li>3. <b>Encouraging Full-Service Completion:</b> The decision to not apply the 85-year rule before age 60 aligns with the employer's objectives of encouraging employees to remain in service until they reach their Normal Pension Age (NPA) or beyond, where they are less likely to face reductions in their pension benefits.</li> </ol>
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R31	Ability 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	<p>The Trust has agreed <b>not to</b> exercise the discretion to award additional pension to employees at this time.</p> <p><b>Rationale:</b></p> <ol style="list-style-type: none"><li><b>1. Cost Management:</b> The award of additional pension would result in an increased financial liability for the employer, which could affect both the operational budget and future employer contribution rates to the Merseyside Pension Fund.</li><li><b>2. Fairness and Consistency:</b> In line with ensuring consistency across the workforce, the decision ensures that all employees are treated fairly, and no undue advantage is given to certain employees over others in terms of pension benefits.</li><li><b>3. Long-Term Financial Planning:</b> The employer must ensure the sustainability of pension provision and minimise the risk of financial strain on future budgets. By not exercising this discretion, we ensure that the pension liabilities remain within manageable levels without adversely impacting the pension fund or the employer's financial health.</li></ol>
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LGPS – Merseyside Pension Scheme:		
Regulation:	Detail:	Trust Position:
R30 (5) R30A (5) 2008 R30 (8) 2013	Waiving of Actuarial Reduction - whether to waive in whole or in part, actuarial reduction on benefits which a member voluntarily draws before normal pension age (NPA)	<p>The Trust has agreed <b>not to</b> exercise its discretion to waive actuarial reductions for employees retiring before NPA.</p> <p>This ensures early retirement options remain available to employees, but in doing so, members will bear the full actuarial reduction applied to their pension to reflect the longer period over which their benefits will be paid.</p> <p><b>Rationale:</b></p> <ol style="list-style-type: none"> <li><b>Financial Sustainability:</b> Waiving the actuarial reduction would result in significant additional pension liabilities, leading to higher costs for the employer. This may have a direct impact on future employer contribution rates to the Merseyside Pension Fund, as well as overall financial planning.</li> <li><b>Fairness and Consistency:</b> In maintaining a fair approach across the workforce, this decision ensures that all employees retiring early are treated consistently. It avoids creating financial inequalities between employees who retire early and those who retire at or after NPA.</li> <li><b>Responsible Stewardship of Pension Funds:</b> Given the current financial environment, the employer has a responsibility to ensure the long-term sustainability of pension funding. By not waiving actuarial reductions, we help safeguard the financial health of both the Merseyside Pension Fund and the employer's contribution obligations.</li> </ol>

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		<p>4. <b>Employee Awareness:</b> All employees are made aware that their decision to retire early will result in a reduced pension unless they meet certain statutory exceptions. This policy encourages employees to make informed retirement decisions and plan adequately for the future.</p>
R30 (6)	<p>Flexible Retirement - employer's may give consent for a member, aged 55 or more, who reduces their grade or hours of work (or both) to receive all or part of their LGPS benefits immediately even though they haven't left their employment</p>	<p>The Trust supports flexible retirement and employees over age 55 may apply for flexible retirement. However, each application will be considered on a case-by-case basis, subject to the following conditions:</p> <ol style="list-style-type: none"> <li>1. <b>Employer consent:</b> flexible retirement will only be granted where it is in the interests of the employer. The decision will be based on operational requirements, financial considerations, and the impact on service delivery.</li> <li>2. <b>Reduction in Working Hours or Grade:</b> To qualify for flexible retirement, the employee must reduce their working hours or move to a lower-graded post. The extent of the reduction in hours or responsibilities will be discussed and agreed upon with the employer.</li> <li>3. <b>Actuarial Reduction:</b> Employees who take flexible retirement may face an actuarial reduction to their pension if they retire before their Normal Pension Age (NPA).</li> <li>4. <b>Impact on Employer Contributions:</b> Employees who take flexible retirement and continue to work for the Trust will remain active members of the LGPS for their new post. This means the employer will continue to pay contributions to the Merseyside Pension Fund based on the employee's new salary.</li> </ol>

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		<p>5. <b>Pension Drawdown:</b> Employees may choose to draw some or all their pension benefits. The employee's decision will not affect their continued employment, provided the agreed reduction in hours or grade is maintained.</p>
R30A (3) & (5) (B)	<p>Early payment of pension (tier 3 ill health):</p> <p>30A (3) - whether to grant application for early payment of a suspended tier 3 ill health pension on or after age 55 and before age 60</p> <p>30A (5) - whether to waive, on compassionate grounds, the actuarial reduction applied to benefits paid early under Reg 30A (B)</p>	<p>The Trust has adopted the following policy regarding the early retirement of pension for former employees who were retired under Tier 3 ill health retirement provisions:</p> <ol style="list-style-type: none"> <li>1. <b>Application Process:</b> Former employees who were granted Tier 3 ill-health retirement may apply for early payment of their deferred pension if their health has deteriorated significantly. The application must be supported by medical evidence indicating that they are now permanently incapable of undertaking gainful employment.</li> <li>2. <b>Independent Medical Assessment:</b> Any decision to reinstate the early payment of pension will be based on an independent medical assessment arranged by the employer. The medical practitioner must certify that the applicant is permanently incapable of performing any gainful employment due to ill health.</li> <li>3. <b>Timing of the Pension Payment:</b> If the former employee is found to be permanently incapable of gainful employment, early payment of the deferred pension will be reinstated, and the pension will become payable with immediate effect.</li> <li>4. <b>No Actuarial Reduction:</b> In cases where early payment is approved due to ill health, the pension will be paid without actuarial reduction, as required under the LGPS regulations.</li> </ol>

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R16 (2)(e), R16 (4)(d)	Funding of Additional Pension - to fund wholly, or in part, a member's additional pension contract (APC). Payment can be made by regular contributions or a lump sum.	<p>The Trust has agreed <b>not to</b> contribute to or share any cost towards an additional pension scheme (APC).</p> <p><b>Rationale:</b></p> <ol style="list-style-type: none"> <li><b>Cost Management:</b> The award of additional pension would result in an increased financial liability for the employer, which could affect both the operational budget and future employer contribution rates to the Merseyside Pension Fund.</li> <li><b>Fairness and Consistency:</b> In line with ensuring consistency across the workforce, the decision ensures that all employees are treated fairly, and no undue advantage is given to certain employees over others in terms of pension benefits.</li> <li><b>Long-Term Financial Planning:</b> The employer must ensure the sustainability of pension provision and minimise the risk of financial strain on future budgets. By not exercising this discretion, we ensure that the pension liabilities remain within manageable levels without adversely impacting the pension fund or the employer's financial health.</li> </ol>
R31	Awarding additional pension - employer may increase a member's benefits by awarding additional pension up to a maximum of £6,822 p.a. from April 2018	<p>The Trust has agreed <b>not to</b> exercise the discretion to award additional pension to employees at this time.</p> <p><b>Rationale:</b></p> <ol style="list-style-type: none"> <li><b>Cost Management:</b> The award of additional pension would result in an increased financial liability for the employer, which could affect both the operational budget and future employer contribution rates to the Merseyside Pension Fund.</li> </ol>

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		<p><b>2. Fairness and Consistency:</b> In line with ensuring consistency across the workforce, the decision ensures that all employees are treated fairly, and no undue advantage is given to certain employees over others in terms of pension benefits.</p> <p><b>3. Long-Term Financial Planning:</b> The employer must ensure the sustainability of pension provision and minimise the risk of financial strain on future budgets. By not exercising this discretion, we ensure that the pension liabilities remain within manageable levels without adversely impacting the pension fund or the employer's financial health.</p>
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