

Pensions Discretion Statement of Policy

General principles

- 1.1 The London Borough of Hounslow is a participating employer in the Local Government Pension Scheme (LGPS). As such we are required to formulate, publish and keep under review a Statement of Policy on certain discretions which we have the power to exercise in relation to members of the LGPS.
- 1.2 When exercising this discretion our approach must be to not only make a reasonable decision in individual cases, but also to be clear as to the factors to be taken into account in making the decision.
- 1.3 In formulating and reviewing our policy statement we are required to:
 - Consider the extent to which the exercise of these discretionary powers, unless properly limited, could lead to a serious loss of confidence in the public service, and,
 - Be satisfied that the policy is workable, affordable and reasonable having regard to the foreseeable cost.
- 1.4 This policy statement includes an Appendix 1, which sets out the mandatory discretions we are required to have in place under the LGPS Regulations and optional discretions, which we are recommended to have a policy on. Each discretion is shown as either mandatory or optional.
- 1.5 Where reference is made to the decision making role of the Lead Member or specific Officer roles, the authority to make these decisions will be for them and their successor roles should there be a change in the future.
- 1.6 Any complaints relating to the Council's decisions in these matters would need to initially to be raised under the [Hounslow Pension Scheme's Internal Dispute Resolution Procedure](#).

Pensions Discretions

1 Discretions to be exercised on and after 1 April 2014 in relation to active members and members who cease active membership after 31 March 2014.

1.1 Mandatory discretion:

Whether, at full cost to the Scheme Employer, to grant extra annual pension of up to £7,579¹ to an active Scheme member within six months of leaving to a member whose employment was terminated on the grounds of redundancy or business efficiency [regulation 31 of the LGPS Regulations 2013]

Council policy statement:

Where there is a clear and significant financial or operational advantage to be gained by the Council, the Council will consider awarding additional pension, and only then with the prior recommendation of the Compensation Panel.

1.2 Mandatory discretion:

Whether, where an active Scheme member wishes to purchase extra annual pension of up to £7,579² by making Additional Pension Contributions (APCs), to voluntarily contribute towards the cost of purchasing that extra pension via a Shared Cost Additional Pension Contribution (SCAPC) [regulations 16(2)(e) and 16(4)(d) of the LGPS Regulations 2013]

Council policy statement:

Where there is a clear and significant financial or operational advantage to be gained by the Council, the Council will consider voluntarily contributing towards the cost of purchasing extra pension, where an active Scheme member wishes to purchase extra annual pension by making APCs, and only then with the prior recommendation of the Compensation Panel.

1.3 Mandatory discretion:

Whether to permit flexible retirement for staff aged 55 or over who, with agreement of the employer, reduce their working hours or grade [regulation 30(6) of the LGPS Regulations 2013] and, if so, as part of the agreement to permit flexible retirement

- Whether, in addition to the benefits the member has 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 accrued after 31 March 2008 and before 1 April 2014, and/or
 - All, part or none of the pension benefits they accrued after 31 March 2014 [regulations 11(2) and 11(3) of the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014], and
 - Whether to waive, in whole or in part, any actuarial reduction which would otherwise be applied to the benefits taken on flexible retirement before Normal Pension Age

¹ The figure of £7,579 is the maximum value of additional pension that can be awarded in the financial year 2020/21. This will be increased each April under the Pension (Increase) Act 1971.

² See footnote 1

(NPA)³ [regulation 3(5) of the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014, regulation 18(3) of the LGPS (Benefits, Membership and Contributions) Regulations 2007 and regulations 30(6) and 30(8) of the LGPS Regulations 2013]

Council policy statement:

Only where there is a clear operational or financial advantage for the Council will a request for early payment of benefits under flexible retirement rules normally be permitted. This would be for employees aged 55 or over and applicants could incur actuarial reductions on benefits paid. Decisions regarding early payment of retirement benefits under the flexible benefits rules are delegated to the Compensation Panel. Where there is no cost to the Council all applications will be accepted.

1.4 Mandatory discretion:

Whether, as the 85 year rule does not (other than on flexible retirement) automatically fully apply to members who would otherwise be subject to it and who choose to voluntarily draw their benefits on or after age 55 and before age 60, to switch the 85 year rule back on in full for such members [paragraph 1(1)(c) of Schedule 2 to the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014].

Council policy statement:

Where there is a clear and significant financial or operational advantage for the Council, taking all issues into account, the Council will consider “switching on” the 85 year rule for members who choose to voluntarily draw their benefits on or after 55 and before age 60, and only with the prior recommendation of the Compensation Panel.

1.5 Mandatory discretion:

Whether to waive any actuarial reduction on pre and/or post April 2014 benefits [*regulations 3(1), Schedule 2(1) and 2(2) of the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 and regulations 30(5) or 30A(5) of the LGPS (Benefits, Membership and Contributions) Regulations 2007*]

Council policy statement:

Where there is a clear and significant financial or operational advantage for the Council, taking all issues into account, the Council will consider waiving, in whole or in part, the actuarial reduction that would otherwise be applied to all benefits and only with the prior recommendation of the Compensation panel.

1.6 Optional discretion:

Whether, how much, and in what circumstances to contribute to a shared cost Additional Voluntary Contribution (SCAVC) arrangement entered into on or after 1 April 2014 [regulation 17 of the LGPS Regulations 2013] and whether, how much, and in what circumstances to continue to contribute to any shared cost Additional Voluntary Contribution (SCAVC) arrangement that the employer had entered into before 1 April 2014 [regulation

³ NPA means the employee's individual State pension age at the time the employment is terminated, but, with a minimum of age 65

15(1)(d) of the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014, regulation 25(3) of the LGPS (Administration) Regulations 2008 and regulation 15(3) of the LGPS (Benefits, Membership and Contributions) Regulations 2007]

Council policy statement:

Where there is a clear and significant financial or operational advantage to be gained by the Council, the Council will consider contributing to a SCAVC entered into on or after 1 April 2014 or whether, how much, and in what circumstances to continue to contribute to any SCAVC arrangement that the employer had entered into before 1 April 2014, and only then with the prior recommendation of the Compensation Panel.

1.7 Optional discretion:

Whether, with the agreement of the Pension Fund administering authority, to permit a Scheme member to elect to transfer other pension rights into the LGPS if he/she has not made such an election within 12 months of joining the LGPS [*regulation 100(6) of the LGPS Regulations 2013*]

Council policy statement:

The Council will normally only consider extending the time limit if there is clear evidence that they had not been informed of or could not reasonably have known of the time limit. Decisions on the extension of the time limit are delegated to the Strategic Pensions Manager.

1.8 Optional discretion:

Whether to extend the 12 month time limit within which a member who has a deferred LGPS benefit in England or Wales following the cessation of employment (or cessation of a concurrent employment) after 31 March 2014 may elect not to have their deferred benefits aggregated with their new LGPS employment (or ongoing concurrent LGPS employment) if the member has not made an election to retain separate benefits within 12 months of commencing membership of the LGPS in that new employment (or within 12 months of ceasing the concurrent membership) [regulations 22(7) and (8) of the LGPS Regulations 2013].

Council policy statement:

The Council will normally only consider extending the time limit if there is clear evidence that they had not been informed of, or could not reasonably have known of the time limit. Decisions on the extension of the time limit are delegated to the Strategic Pensions Manager.

1.9 Optional discretion:

Whether to extend the 12 month time limit within which a member (who has not elected to be treated as a member who, in the same employment, was contributing to the Scheme on both 31 March 2014 and 1 April 2014) who has a deferred LGPS benefit in England or Wales following the cessation of employment before 1 April 2014, to elect to aggregate their deferred benefits with their new LGPS employment that commenced on or after 14 May 2018, to purchase earned pension [regulation 10(6) of the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 as amended by regulation 27 of the LGPS (Amendment) Regulations 2018].

Council policy statement:

The Council will normally only consider extending the time limit if there is clear evidence that they had not been informed of, or could not reasonably have known of the time limit. Decisions on the extension of the time limit are delegated to the Strategic Pensions Manager.

1.10 Optional discretion:

How the pension contribution band to which an employee is to be allocated on joining the Scheme, and at each subsequent April, will be determined and the circumstances in which the employer will, in addition to the review each April, review the pension contribution band to which an employee has been allocated following a material change which affects the member's pensionable pay in the Scheme year (1 April to 31 March) [regulations 9 and 10 of the LGPS Regulations 2013].

Council policy statement:

On joining the Scheme, the Council will allocate an employee the pension contribution band commensurate with his/her annualised first full months contractual pay. This will be reviewed each April and re-banded based on April's basic pay plus the annualised average from the last 3 months additional payments. The contribution band will also be reviewed following any material⁴ change in the member's pensionable pay in the Scheme year (1 April to March 31).

1.11 Optional discretion

To reduce or suspend the pension paid (abatement) should a retired employee in receipt of a current Hounslow LGPS pension be re-employed by another Scheme Employer at a rate that results in their new pay plus the pre 1 April 2014 element of their pensions being higher than the pay in the job which they retired [*regulations 13 of the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 & regulations 70(1) & 71(4)(c) of the LGPS (Administration) Regulations 2008*].

Council policy statement

Where a pensioner of the Council's pension scheme is re-employed by another LGPS Scheme Employer the Council will not abate the pre 1 April elements of their pension.

2 Discretions to be exercised on and after 1 April 2014 in relation to members who ceased active membership between 1 April 2008 and 31 March 2014.

2.1 Mandatory discretion

Whether, as the 85 year rule does not automatically fully apply to members who would otherwise be subject to it and who choose to voluntarily draw their deferred benefits (on or after 14 May 2018) on or after age 55 and before age 60, to switch the 85 year rule back on

⁴ A 'material change' is defined by an employee having a change in pay due to a number of factors including:

- Acting up/additional allowances
- Reduction or increase in hours
- Change of post or grade

in full for such members [paragraph 1(1)(c) & 1(2) of Schedule 2 to the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014].

Council policy statement

Where there is a clear and significant financial or operational advantage for the Council, taking all issues into account, the Council will consider “switching on” the 85 year rule for members who choose to voluntarily draw their benefits on or after 55 and before age 60, and only with the prior recommendation of the Compensation Panel.

2.2 Mandatory discretion

Whether, as the 85 year rule does not automatically fully apply to members who would otherwise be subject to it and who choose to voluntarily draw their suspended tier 3 ill health pension (on or after 14 May 2018) on or after age 55 and before age 60, to switch the 85 year rule back on in full for such members [paragraph 1(1)(c) & 1(2) of Schedule 2 to the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014].

Council policy statement

Where there is a clear and significant financial or operational advantage for the Council, taking all issues into account, the Council will consider “switching on” the 85 year rule for members who choose to voluntarily draw their benefits on or after 55 and before age 60, and only with the prior recommendation of the Compensation Panel.

2.3 Mandatory discretion:

Whether, on compassionate grounds, to waive any actuarial reduction that would normally be applied to deferred benefits which are paid before age 65 [*regulation 30(5) of the LGPS (Benefits, Membership and Contributions) Regulations 2007*]

Council policy statement:

Only where unforeseen circumstances will result in severe and lasting personal hardship and taking into account the financial impact on the Council, will a request on compassionate grounds to waive any actuarial reduction that would normally be applied to deferred benefits which are paid before age 65 be accepted. This discretion will be only be exercised with the prior recommendation of the Compensation Panel.

2.4 Mandatory discretion:

Whether, on compassionate grounds, to waive any actuarial reduction that would normally be applied to any suspended tier 3 ill health pension benefits which are brought back into payment before age 65 [regulation 30A(5) of the LGPS (Benefits, Membership and Contributions) Regulations 2007 and paragraph 2(1) of Schedule 2 to the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014].

Council policy statement:

Only where there is no financial, or operational disadvantage to the Council, or where unforeseen circumstances might result in the employee suffering personal hardship, and taking all other factors into account, will a request for early payment of suspended tier 3 health benefits normally be accepted (other than on the grounds of permanent ill-health or

compassion), with the approval of the Compensation Panel. Where there is no cost to the Council all applications will be accepted.

2.5 Optional discretion

To reduce or suspend the pension paid (abatement) should a retired employee in receipt of a current Hounslow LGPS pension be re-employed by another Scheme Employer at a rate that results in their new pay plus their pensions being higher than the pay in the job which they retired [*regulations 13 of the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014, regulations 70(1), & 71(4)(c) of the LGPS (Administration) Regulations 2008 & regulation 12 of the LGPS (Benefits, Membership and Contributions) Regulations 2007*].

Council policy statement

Where a pensioner of the Council's pension scheme is re-employed by another LGPS Scheme Employer the Council will not abate their pension.

3 Discretions to be exercised on and after 1 April 2014 in relation to active and deferred members who ceased active membership between 1 April 1998 and 31 March 2008.

3.1 Mandatory discretion:

Whether, as the 85 year rule does not automatically fully apply to members who would otherwise be subject to it and who choose to voluntarily draw their deferred benefits (on or after 14 May 2018) on or after age 55 and before age 60, to switch the 85 year rule back on in full for such members [paragraph 1(1)(f) & 1(2) of Schedule 2 to the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014].

Council policy statement:

Where there is a clear and significant financial or operational advantage for the Council, taking all issues into account, the Council will consider "switching on" the 85 year rule for members who choose to voluntarily draw their benefits on or after 55 and before age 60, and only with the prior recommendation of the Compensation Panel.

3.2 Mandatory discretion:

Whether to grant applications for the early payment of pension benefits on or after age 50 and before age 55 [regulation 31(2) of the LGPS Regulations 1997].

Council policy statement:

Only where there is no financial, or operational disadvantage to the Council, or where unforeseen circumstances might result in the employee suffering personal hardship, and taking all other factors into account, will a request for early payment of deferred benefits normally be accepted (other than on the grounds of permanent ill-health or compassion), with the approval of the Compensation Panel. Where there is no cost to the Council all applications will be accepted.

3.3 Mandatory discretion:

Appendix 1

Whether, on compassionate grounds, to waive any actuarial reduction that would normally be applied to benefits which are paid before age 65 [regulation 31(5) of the LGPS Regulations 1997 and paragraph 2(1) of Schedule 2 to the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014].

Council policy statement:

Only where unforeseen circumstances will result in severe and lasting personal hardship and taking into account the financial impact on the Council, will a request on compassionate grounds to waive any actuarial reduction that would normally be applied to deferred benefits which are paid before age 65 be accepted. This discretion will only be exercised with the prior recommendation of the Compensation Panel.

| | |
|----------|---|
| 4 | Discretions to be exercised on and after 1 April 2014 in relation to members who ceased active membership before 1 April 1998. |
|----------|---|

4.1 Mandatory discretion:

Whether to grant applications for the early payment of deferred pension benefits on or after age 50 and before NRD on compassionate grounds [regulation D11(2)(c) of the LGPS Regulations 1995].

Council policy statement:

Only where there is no financial, or operational disadvantage to the Council, or where unforeseen circumstances might result in the employee suffering personal hardship, and taking all other factors into account, will a request for early payment of deferred benefits normally be accepted (other than on the grounds of permanent ill-health or compassion), with the approval of the Compensation Panel. Where there is no cost to the Council all applications will be accepted.