

Pensions and Retirement Policy for staff who are members of the Local Government Pension Scheme

Report of the Chief Fire Officer

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1 Purpose of Report

To present to the Human Resources Committee, the revised Pension and Retirement Policy for staff who are members of the Local Government Pension Scheme for consideration.

2 Recommendations

The Human Resources Committee is asked to:

- a) Recommend to the Fire Authority that the attached revised policies be adopted with effect from 1 April 2008;
- b) Agree that Officers develop a redundancy policy for Shropshire Fire and Rescue Service as soon as possible in the usual manner;
- c) Agree that Officers develop an ill health retirements process for Shropshire Fire and Rescue Service as soon as possible in the usual manner; and
- d) Agree that Officers develop a flexible working policy for Shropshire Fire and Rescue Service as soon as possible in the usual manner.

3 Background/Specifics of Policy

The Local Government Pension Scheme (Administration) Regulations 2008 came into force on 1 April 2008. As a direct result it is necessary to ensure, where required, that Employer discretions within Pensions are backed up by formal policy. Attached at Appendix A is the new pension and retirement policy document and at Appendix B the Employer discretions.

This document was based on the paper created by Shropshire County Council and has been checked by our specialist pensions advisor from Shirehall. The policy covers the following areas:

- The Responsibilities of Employees
- The Responsibilities of Managers
- Joining the Pension Scheme and Contribution Rates
- Re-Assessment of bandings
- Transferring pension into the Shropshire County Pension Fund
- Certificates of "Protection of Pension Benefits"
- Augmentation
- Early Retirement on Compassionate or Exceptional Grounds
- Early Retirement on the Grounds of Ill Health
- Flexible Retirement
- Working beyond the age of 65
- Applicants over the age of 65
- Existing employees working beyond age 65
- Requests to work beyond age 65
- Implications for employees in Local Government Pension scheme
- Pre-retirement courses
- Links to other policies
- Pensions Appeals

The policy identifies the responsibilities of both the employee and employer and the role played by Managers and Members to ensure fairness in applying this policy.

In the cases of Augmentation and Early Retirement on compassionate / exceptional grounds please note that members are able to grant these in **exceptional cases** and therefore it is proposed to consider each case as it should arise and not to specify detailed guidance. It is envisaged that such cases would arise infrequently and would be considered on their own merits.

This policy impacts on other Brigade policies and these will be reviewed to ensure consistency.

Members should note that this report and associated appendices are relevant to staff who are members of the Local Government Pension Scheme only. Separate arrangements exist for members of the Firefighters Pension Scheme.

At present Shropshire Fire and Rescue Service does not have its own redundancy policy however we will now develop one as soon as possible.

4 Financial Implications

The financial implications that might arise would result from a decision to retain discretions in such areas as augmentation, early retirement or flexible retirement. If a discretion were to be exercised, payments to the Shropshire County Pension Fund could be significant, and the Authority would need to identify how it would fund such payments.

5 Legal Comment

The Local Government Pension Scheme (Administration) Regulations 2008 SI No.239 sets out the provisions relating to the administration of the new Local Government Pension Scheme which came into force on 1 April 2008. The provisions are constituted by these regulations, the Local Government Pension Scheme (Benefits, membership and Contributions) Regulations 2007 and the Local Government Pension Scheme (Transitional Provisions) Regulations 2008. The Administration Regulations make provision for the administration of the Scheme to be implemented by the Employer through formal policies.

6 Equality Impact Assessment

An Initial Equality Impact Assessment is currently being drafted for the Pensions and Retirement Policy and the Employers Discretion Statement. As there are other documents still in development an Equality Impact Assessment will be carried out once all the required documents are available.

7 Appendices

Appendix A Pension and retirement policy

Appendix B The 'Employers Discretion Statement of Policy'

8 Background Papers

There are no background papers associated with this report.

Implications of all of the following have been considered and, where they are significant (i.e. marked with an asterisk), the implications are detailed within the report itself.

Balanced Score Card		Integrated Risk Management Planning	
Business Continuity Planning		Legal	*
Capacity		Member Involvement	
Civil Contingencies Act		National Framework	
Comprehensive Performance Assessment		Operational Assurance	
Efficiency Savings		Retained	
Environmental		Risk and Insurance	
Financial	*	Staff	*
Fire Control/Fire Link		Strategic Planning	
Information Communications and Technology		West Midlands Regional Management Board	
Freedom of Information / Data Protection / Environmental Information		Equality Impact Assessment	*

Pensions and Retirement Brigade Order for Members of the Local Government Pension Scheme

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1.0 Statement of Purpose/Objective

In supporting one of our core values of promoting diversity Shropshire Fire and Rescue Service no longer applies compulsory retirement at 65. We also provide for early and flexible retirement as part of Shropshire Fire and Rescue Service's employment policies. This retirement policy meets the requirements of the Employment Equality (Age) Discrimination Regulations 2006.

2.0 Scope

This policy applies to all Shropshire Fire and Rescue's employees covered by the National Joint Council for Local Government Services (Green Book).

3.0 Roles and Responsibilities

3.1 The Responsibilities of Managers

3.1.1 Managers have a statutory duty to ensure that all employees approaching retirement age are informed of Shropshire Fire and Rescue Service's retirement policy 6 to 12 months prior to an employee reaching the age of 65. They are also required to be aware of the flexible retirement provisions. HR team will provide managers with advice and administrative support to enable them to do this.

3.2 The Responsibilities of Employees

3.2.1 Employees are responsible for deciding whether or not they wish to be a member of the pension scheme and for taking the necessary actions to request the transfer in of any other scheme membership as outlined in this policy. They are responsible for informing their Managers of planned retirement dates and of their wishes in terms of their employment beyond 65. They should do this 3 months prior to reaching the age of 65 unless their contractual notice allows this to be sooner. They are also responsible for following the relevant processes outlined below in respect of pension transfers, early retirement or flexible retirement.

4.0 Pensions

4.1 Joining the Local Government Pension Scheme and Contribution Rates

4.1.1 Employees will automatically become a member of the pension scheme, providing they are employed under a contract of employment lasting for at least 3 (If a three month contract continues beyond that time then the individual would be eligible to join and backdate to the start of the original contract) months , unless one of the following:

- o Unless in a post in which the employee is required to join another public sector scheme, i.e. Fire Fighters as they are covered by Grey book terms and conditions.
- o Where the employee has written to Shropshire Pension Fund to confirm they do not want to be a member of the pension scheme.

4.1.2 Effective from 1st April 2008, employees' pension contribution rate will be based on their full time equivalent pensionable pay according to the following table:

Band	Full-time equivalent salary	Contribution rate
1	Up to £12,000	5.5%
2	>£12,000 -£14,000	5.8%
3	>£14,000 - £18,000	5.9%
4	>£18,000 - £30,000	6.5%
5	>£30,000 - £40,000	6.8%
6	>£40,000 - £75,000	7.2%
7	>£75,000	7.5%

The contribution band will be assessed using the full time equivalent salary plus any permanent pensionable extra payments.

For term time staff, the FTE will be based on the full time working across the term time weeks only, plus any permanent pensionable extras.

Any fee earning staff will be assessed on the previous year's earnings to 31st March.

The figures detailed in the table above will increase on 1st April each year by the rise in the **Retail Prices Index**.

4.1.3 In addition to pensionable contributions, an employee is able to purchase additional scheme pension in steps of £250 per annum, up to a maximum of £5,000. Or alternatively an employee could make additional voluntary contributions to prudential Assurance (in-house AVC provider) or a free standing arrangement. The Inland Revenue allow scheme members to pay up to 100% pay or £3,600 whichever is greater into a pension scheme and receive tax relief on contributions. Advice on this is available from the Pensions team (see paragraph 11.1 below).

4.2 Re-assessment of bandings

4.2.1 Shropshire Fire and Rescue Service will re-assess bandings for all employees every April, with the exception of the following:

- Promotion or permanent/long term honoraria payments
- Down-grading or demotion
- A re-grading exercise that involves Audit & Consultancy

All of the above will prompt an immediate reassessment.

4.2.2 Shropshire Fire and Rescue will not re-assess pension contribution bandings after a back dated pay award.

4.2.3 All employees who are members of the scheme shall be informed of their current or new pension contribution banding after every annual reassessment.

4.2.4 Any appeal against a decision regarding an employees pension contribution banding, or any other decision relating to an employees rights or liabilities under the scheme, will be as detailed in paragraph 9.1 below.

4.3 Transferring Pension into the Shropshire County Pension Fund

4.3.1 Employees may choose to transfer other pension rights into the Shropshire County Pension Scheme. Advice on this is available from the Pensions team (see paragraph 11.1 below).

4.3.2 The request to transfer pension rights should be made within 12 months of the employee starting employment with Shropshire County Council. As agreed by HR Committee on 07 June 2007 and at the Fire Authority on 18 July 2007.

4.3.4 Any appeal against a decision not to allow an employee to transfer pension rights, or any other decision relating to an employees rights or liabilities under the scheme, will be as detailed in paragraph 9.1 below.

4.4 Certificates of “Protection of Pension Benefits”

4.4.1 With effect from 1st April 2008 a Certificate of Protection of Pension Benefits will no longer be issued. Existing certification issued prior to this date will still apply. A scheme member whose post is downgraded or who the organisation downgrades in the 10 years before leaving (other than flexible retirement) can choose to have benefits calculated on the average of any 3 consecutive years in the last 10 years (ending 31/03 date.)

4.5 Augmentation

4.5.1 The local Government Pension Scheme Regulations permit employers to give added years pension (augmentation) to employees.

4.5.2 Augmentation will be considered in **exceptional circumstances**. HR Committee have discretion to recommend approval of augmentation to the Fire Authority after taking into account all the financial implications.

4.5.3 Augmentation will also be considered in accordance with the Redundancy and Compensation Policy currently under development.

5.0 Retirement

For information on all aspects of retirement please refer to the “Shropshire County Fund Pension Scheme Booklet (01743 – 252130) or look on their website

5.1 Early Retirement on Compassionate or Exceptional Grounds

5.1.1 Early release of pension under regulation 30B of the pension scheme regulations may be requested in certain circumstances by employees who are aged 50 or over (55 from April 2010 or joining the scheme after 1st April 2008) but under 65. It is anticipated that the circumstances where permission for early retirement in **exceptional circumstances** will be granted will be **very limited**.

5.1.2 Sympathetic consideration will be given to early payment on compassionate grounds e.g. where there is a need by a member of staff to provide long term care, which can be evidenced, to a dependent relative or partner. In such cases the full pension will be payable with no reduction for early release of the pension. The additional pension costs will be paid by the Shropshire Fire and Rescue Service as a lump sum when the employee leaves.

5.1.3 Release of pension in the circumstances of voluntary redundancy or efficiency will be covered in the Redundancy and Compensation Policy.

5.1.4 Employees should obtain information about potential pension benefits in these cases from the Pensions team before submitting a formal request.

5.1.5 Early retirement requests will be considered initially by a panel of senior managers consisting of 2 of the following CFO, DCFO, ACFO or ACO and then passed for further consideration to the HR Committee who will make a recommendation to the Fire Authority.

5.1.6 Any appeal against a decision not to grant early retirement, or any other decision relating to an employees rights or liabilities under the scheme will be as detailed in paragraph 9.1 below.

5.2 Early retirement on the grounds of ill health

5.2.1 With effect from 1st April 2008, a tiered ill health retirement scheme will apply. Extra membership on the grounds of ill health retirement will be awarded on the following basis:

- If a member of the scheme is **unlikely** to obtain gainful employment within 3 years but could do so before the age of 65, extra membership of 25% of the period to the age of 65 will be awarded
- If the member of the scheme is unable, or **unlikely** to obtain gainful employment by the age of 65, extra membership of 100% of the period to the age of 65 will be awarded.
- If a member is likely to obtain gainful employment within 3 years, benefit will only be paid based on the member accrued service. This benefit will only be paid until the member obtains gainful employment, or until the employer SFRS decides to stop payment based on a medical review after 18 month of payment.

In this instance, “gainful” is defined as “paid employment for not less than 30 hours per week for a period of not less than 12 months”

5.2.2 The process for ill health retirements is currently under development and will be found within the Shropshire Fire and Rescue’s policy on Ill Health retirements.

5.3 Flexible Retirement

5.3.1 Under the flexible Retirement arrangements employees who are members of the Local Government Pension Scheme, may request a reduction in their hours or move to a lower graded post and also draw their pension whilst continuing to work, under regulation 18 of the pension scheme regulations. This will be subject to management and Member consent and will only be considered where there is a

justifiable business case and the cost, if any, of early release of pension is managed within the existing budget.

5.3.2 To be considered for this, employees must:

- be aged 50 or over (55 from April 2010, or joining the scheme after 1st April 2008);
- work in a post or area of work where there are difficulties in recruiting; there are skill shortages or work of a particular nature which requires their skills;
- get authorisation for early release of their pension.

5.3.3 Employees who request a reduction in their hours or in the grade of their post should use the procedure outlined in the "Flexible Working Framework".

5.3.4 Early release of pension before age 65 may mean pension benefits are reduced. Employees should therefore obtain information on their pensionable benefits, which would apply in these circumstances before submitting a request. This is available from the Pensions team (see paragraph 11.1 below).

5.3.5 The decision to permit an employee to receive immediate payment of their pension under flexible retirement will be authorised by their Head of Department in discussion with the HR Manager and CFO and considered by HR Committee.

6.0 Working beyond the age of 65

6.1 Job applicants over the age of 65

There will be no upper age restriction for job applicants to Shropshire Fire and rescue Service. Where a job applicant aged 65 or over is appointed they will receive the standard contractual terms which apply to the post.

6.2 Existing employees working beyond age 65

6.2.1 The Employment Equality (Age) Regulations 2006 state that employees have the right to request not to be retired. As Shropshire Fire and Rescue Service does not apply a compulsory retirement age an employee can continue in their post beyond the age of 65 if they wish to do so.

6.2.2 Performance of all employees will continue to be reviewed through the normal annual performance appraisal mechanisms. When being appraised no employee should be treated differently because of their age.

6.2.3 Employees approaching the age of 65 will be contacted 6 to 12 months prior to them reaching that age informing them that they have the right to request not to retire and seeking their confirmation on whether they intend to retire or to continue to work.

6.3 Requests to continue to work beyond age 65

6.3.1 The HR Team will monitor and advise Managers when an employee is approaching 65 years of age.

6.3.2 HR will send the employee a letter informing them of their right to work beyond retirement age.

6.3.3 All employees are given the opportunity to request to work flexibly which Managers will consider sensitively in the light of the needs of the service.

6.4 Implications for employees in the Local Government Pension Scheme (LGPS) who work beyond age 65

6.4.1 Employees in the LGPS who continue to work beyond 65

6.4.1.1 Employees over the age of 65 can remain in the scheme to the eve of their 75th birthday and their LGPS benefits earned up to age 65 will be increased to compensate for their late payment. Benefits must be paid from age 75 even if employment continues beyond that age.

6.4.2 Employees formerly in the LGPS who after a break in service are re-employed at 65 or above

6.4.2.1 Employees under the age of 75 can re-join and remain in the scheme up to that age and benefits must be paid from age 75 even if employment continues beyond that age. Any LGPS pension already in payment will not be affected but any part of that pension resulting from added years given in early retirement cases may be subject to adjustment. Details are available from the pension section in individual cases.

6.4.3 Employees appointed at 65 or above with no previous reckonable service

6.4.3.1 Employees under the age of 75 can join and remain in the scheme up to that age and benefits must be paid from age 75 even if employment continues beyond that age.

7.0 Pre-retirement Courses

7.1 Employees who have indicated that they wish to retire will have the opportunity of attending a Pre-Retirement Course.

7.2 Further details are available from the Training Centre on 01952 234067.

8.0 Links to Other Policies

8.1 This policy links to Shropshire Fire and Rescue Services Flexible Working policy, Ill health retirement policy and to the Redundancy and Compensation Policy which are currently under development / revision.

9.0 Pensions Appeals

9.1 In accordance with Regulation 58 of the Local Government Pension Scheme (Administration) Regulations 2008, the Authority is required to draw all employees' attention to the fact that if they are dissatisfied with any decision relation to their rights or liabilities under the Scheme, they may make an application to the Assistant Chief Officer HR/Training/development. An appeal must be made within six months of the event.

If employees remain dissatisfied, they may apply for a reconsideration of the decision to the Head of Legal and Democratic Services. The final level of appeal would be to the Pensions Ombudsman.

In all instances, all initial concerns, or matters whereby an employee is not in agreement should be referred to the Pensions Team or the Pensions Manager

10.0 Monitoring and Review

10.1 The HR Team will work with Managers to monitor the application of this policy. Shropshire Fire and Rescue Service may review any aspect of the procedure in the light of changing circumstances at any time, in consultation with the trade unions. They will review the whole policy two years from implementation or earlier if the need arises.

11.0 Further Advice on Pensions

11.1 Advice and information on the Local Government Pension Scheme (LGPS) is available from the Pensions team who can be contacted on 01743 252130 or at pensions@shropshire-cc.gov.uk. Further useful information can also be found at www.shropshire.gov.uk/pensions.nsf

12.0 Approving Body

12.1 This policy is presented to HR committee on 06 June 2008.

Shropshire Fire and Rescue Service

APPENDIX B

PENSION SCHEME - EMPLOYERS' DISCRETIONS

STATEMENTS OF POLICY

Employer discretions requiring formal policy under Regulation 66 of the Local Government Pension Scheme (Administration) Regulations 2008

From 1 April 2008 there are 2 sets of Regulations:
The above Administration Regulations (A regs) and The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (B Regs)

Reg	Discretion	SFRS Policy
12 (B Regs)	To grant extra membership to active members up to a maximum of 10 years. (augmentation).	Detailed in the Pension and Retirement Policy.
13 (B)	To grant an active member an additional pension of up to £5000 per annum.	Detailed in the Pension and Retirement Policy
18 (B)	To allow flexible retirement option to members aged 55 (50 + for members in the scheme as at 31/03/08 until 31/03/2010) and over, to receive all or part of their scheme benefits.	Detailed in the Pension and Retirement Policy
30 (B)	To allow early payment of benefits between age 55 - 60 (50 – 60 for members in the scheme as at 31/03/08 until 31/03/2010) and to waive any early retirement reduction on compassionate grounds if appropriate.	Detailed in the Pension and Retirement Policy

Employer discretions which do not require formal policy but which may be included and where it is desirable to have guidelines.

Reg	Discretion	SFR Policy
3 (B) & 55 (A)	Employee contribution rate Bandings. Still awaiting final version of Benefit Regs. But indications are that employers will be able to decide (after the initial banding needed for April 2008) how often they re assess an employees contribution rate. Therefore it is advisable to have a policy in place stating when and how a band is allocated.	Detailed in the Pension and Retirement Policy

16 (4) (A)	The 12 month time limit for transferring pension rights from a previous LGPS fund may be extended (but only where there has not been an option to transfer with a previous LGPS employer)	Detailed in the Pension and Retirement Policy
22 (2) (A)	Extension of time limits to pay contributions to cover a period of absence.	SFRS will consider whether or not to extend the time limits. Approval – The use of this provision will be approved by the Monitoring Officer and the 151 Officer.
25 (3) (A)	To operate a shared cost AVC.	A formal policy is no longer required.
(6(9)(b) – 997 Regulations	Election to convert AVCs into scheme membership can be extended from 30 days of ceasing to be an active member (only applicable to AVC contracts taken out before 13 November 2001). NB. DCLG have stated that even though this is not covered in the new regulations it was their intention that this provision be carried forward.	SFRS will extend the 30-day deadline where the Pension Fund Administrators have been unable to provide the necessary information to the employee within the 30-day time limit. Approval – These applications will be approved by the Monitoring Officer and the 151 Officer.
47 (2) (A)	A member who has ceased employment due to an offence of a fraudulent nature or grave misconduct may have a refund only if approved by the employer.	SFRS will consider whether or not to make a refund based on the merits of each individual case. Approval – The use of this provision will be approved by the Monitoring Officer and the 151 Officer.
72 (A)	If a scheme member is convicted of, and ceases employment as a result of, an offence in connection with his/her employment which was gravely injurious to the state or liable to lead to a serious loss of confidence in the public service, the employer can apply to the Secretary of State for the Office of the Deputy Prime Minister for the issue of a forfeiture certificate. If the Secretary of State issues a certificate the employer may direct that certain of the person's rights be forfeited.	SFRS will consider whether or not to request a forfeiture certificate based on the merits of each individual case. Approval – The use of this provision will be approved by the Monitoring Officer and the 151 Officer.

73 (A)	Where the Secretary of State has issued a forfeiture certificate but the employer has not applied the certificate, or notified the scheme member of an award of benefits under the LGPS, the employer may direct that, interim payments are made out of the Pension Fund until such time as it decides to apply the forfeiture certificate or to make an award of benefits.	SFRS will not direct that interim payments be made from the Fund pending a decision. Approval – The use of this provision will be approved by the Monitoring Officer and the 151 Officer.
74 (A)	Where a member (i) ceases employment in consequence of a criminal, negligent or fraudulent act or omission in connection with that employment and (ii) has incurred a monetary obligation arising there from to the employer and (iii) is entitled to pension benefits under the LGPS, the employer may recover the amount of the monetary obligation or the value of the member's pension rights, if less, other than transferred in pension rights, from the Pension Fund and reduce the member's benefits accordingly.	SFRS will consider whether or not to recover and reduce benefits accordingly based on the merits of each case. Approval – The use of this provision will be approved by the Monitoring Officer and the 151 Officer.
76 (A)	Where (i) a member ceases employment in consequence of an offence involving fraud or due to grave misconduct in connection with that employment, and (ii) the employer has suffered a direct financial loss resulting there from, and (iii) the member is entitled to benefits under the LGPS and a forfeiture certificate has been applied, or the member is entitled to a refund of pension contributions the employer may direct that the amount of the direct financial loss, or the refund of contributions if less, be recovered from the Pension Fund.	SFRS will consider whether or not to recover and reduce benefits accordingly based on the merits of each case. Approval – The use of this provision will be approved by the Monitoring Officer and the 151 Officer.
83 (8) (A)	The 12-month time limit for transferring pension rights from a non-local government scheme into the LGPS may be extended.	SFRS only allow transfer within 12 month time limit as agreed by HR Committee on 07 June 2007 and the Fire Authority on 18 July 2007. Approval – These applications will be approved by the Monitoring Officer and the 151 Officer.