

Committee: FINANCE AND RESOURCES

Date: 19 February 2007

Report: PENSION SCHEME UPDATE

Purpose of the Report

1. To inform Members about prospective changes to the scheme, and about the current position on the Authority's net pension liability.
2. To recommend to Members a new scheme of discretions, as required by changes to the regulations governing the pension scheme, including a policy on early retirement.

Strategic Planning Framework

3. The information contained in this report is consistent with the Authority's statutory purposes and its approved strategic planning framework:

- ***Best Value Performance Plan***

"Plan and manage all aspects of the Authority's business so as to make the most effective use of our resources".

Background

4. The Authority and its officers participate in the Local Government Pension Scheme, and in particular the fund for that scheme as administered by North Yorkshire County Council. This scheme is a 'defined benefit' one, based on officer's final salary, and entitles a scheme member to a pension calculated according to the following formula:

$$\frac{\text{Final year's salary}}{80} \times \text{No. years of 'reckonable service' with Local Government Authority}$$

5. The necessary contributions for this scheme come from both the employer and employee and, when the LGPS was first established, the ratio of contributions from these two sources was expected to be 2:1.

6. From past reports, Members will be aware that the NYCC scheme, along with many others across the country, is in significant deficit, most recently as a combined result of relatively poor investment performance and changes in actuarial assumptions (principally, increasing longevity of the population). Although a poor asset / liability ratio could be ascribed to a degree to the performance of the fund managers (to an extent, this is the case, with lower quartile performance in previous years for the NYCC investment

advisers...though for the period 2004/06, performance has been above the Local Authority average), and – arguably – that the actuarial assumptions could have been better, the health of the scheme also reflects past policy decisions by central government. Firstly, there was a decision to allow **employer** (not employee) pension contribution ‘holidays’ so as to keep down increases in local rates during the ‘poll tax’ years (previous government), and then a 1997 decision to remove tax credits from investment dividends earnings (current government), so lowering investment returns.

7. As a result of the deficit caused by the above factors, all organisations that are members of the scheme are currently paying employer contributions at a ‘recovery’ rate that is significantly higher than the base rate. The average ‘future service rate’ for the scheme as a whole is 10.4%, and this Authority was paying **16.2%** up to 31 March 2005, to recover part of the past deficit identified in an earlier triennial valuation. The rate increased to **19.6%** from 2004 when Members agreed at the meeting of this committee on 20th December 2004 that this higher recovery rate for future years (from and including 2005/06) would be beneficial in shortening the recovery period to 15 years (for which a maximum ‘option’ of 30 years was available, at a contribution rate of 14.8%). The employee contribution rate has remained at 6%, which is typical across the LGPS.

Note: changes in % referred to throughout relate to ‘% of salary’ rather than % change in past amounts. For example, a 1% increase in contribution rates for a salary of £30k would mean £300 a year, and not a 1% increase in the total contributions (currently at about 25% or £7500), which would be £75.

Fund Performance

A. Recent performance

8. The most recent annual actuarial valuation of the funds behind the scheme showed an improvement in value of almost 10% as at 31st March 2006, with a change from 59% to 68.6% in funding level based on the actuarial assumptions in the **last** full triennial valuation (31st March 2004) of the scheme and its liabilities. However, looking ahead at changes to the actuarial assumptions as they are in 2006, the provisional figures suggest that the scheme is now at a funding level of 61.5%, a less significant improvement, though this is based on worst case assumptions, particularly around mortality rates (‘worst case’ being from the Pension Funds perspective, and obviously not from that of individuals who are living longer).

9. Putting the above into context, Members will be aware that many private sector pension schemes are also in deficit. For example, the total of deficits reported by FTSE-100 companies in July 2006 amounted to £36bn, as compared to £37bn a year earlier, giving the picture that such deficits are apparently stable. However, behind these figures is a high degree of instability, reflecting volatility in bond and equity markets, such that the aggregate deficit hit a ‘high’ of £54bn in January 2006, while just three months later it plummeted to £29bn, before climbing to its current level.

B. Next triennial valuation

10. The next full triennial valuation will take place in 2007, and the financial and investment strategy (including required contribution rates) that emerges from that valuation will cover the three years from 2008 to 2010.

11. Likely projections for contributions are for a further increase. Although recent fund performance has been good, this has been more than cancelled out by future predictions of lowering bond rates (bonds being the financial instruments that the scheme managers buy to pay interest to fund a pension once a scheme member retires...so the scheme now has to buy more of these to generate the required pension) and with people now living longer than the data used in the last triennial valuation. So lower bond yields have contributed to the increased value of liabilities, although the scheme has not bought any more bonds.

12. Depending to some extent on which of the options for the new-look LGPS is chosen, the Authority could see a change in the employer's contributions of an increase of up to 3.4% to cover a change in scheme (see section 3.2). There is also likely to be a scheme-wide increase in 'recovery rate' from the minimum permitted (6.7%; we're paying 9.2% above the 10.4% minimum for 'future service') to up to 8.9%. However, because this is a 'total fund' position, it isn't possible to interpret this increase as being equally applicable to all employer, other than to note the trends. So whilst there may be no need change our current 'recovery' rate, there is a possibility that the extra rate we have opted for might not be as advantageous as anticipated, in removing our deficit earlier.

13. As well as the actuarial changes (bond yield, longevity) and the scheme changes (see below, some if not all options more expensive), the last valuation assumed that the value of the savings generated by the removal of the '85 year' rule would be saved from the scheme (now being revisited as part of a wider review of the LGPS). In the event, and following on from industrial action, the Government made a commitment to the Unions to 'recycle' half of the amount saved back into the scheme (as additional benefits elsewhere... for example, partner pension rights). This lack of cost saving will contribute to the scheme's overall cost.

Towards a future LGPS Scheme

A. Changes so far

14. Changes to the scheme were made following the introduction of the Local Government Pension scheme (Amendment) Regulations 2006 (changes brought in between 1 April 2006 and 1 October 2006) and included:

- Removal of the '85 year rule' (where a person could retire at 60 on an unreduced pension if their age + length of service, in years, = 85). A sliding scheme of protections was introduced for active scheme members who would otherwise have qualified under the '85 year' rule by 2020, where those members will be age 60 by 31 March 2013.

- Introduced a facility to commute pension for a tax-free lump sum on retirement (up from $3/80^{\text{th}}$ of final salary, to up to 25% of capital value of pension (calculated as £12 lump sum for every £1 of annual pension foregone). It is no longer possible to convert the minimum lump sum retirement grant into additional pension.
- Allow retirement before normal retirement age of 65 (from age 60), though with reduced pension based on cost-neutral early retirement factors (to reflect the fact that the pension is coming into payment earlier and is likely to be in payment longer).
- Take flexible retirement from age 50 (with actuarial reduction and with employer's consent), where the employee receives the employer's consent to either a reduction in pay and grade but takes payment of their reduced pension before age 65
- Continue to accrue LGPS service beyond age 65, up to age 75. Benefits accrued will be uplifted to take account of their coming into payment later.
- Ability to buy up to $6 \frac{2}{3}$ added years of pensionable service (rather than a limit based on 15% of contributions).
- 'Contributing membership limits', of 40 years at 60 and 45 years at 65 have been removed.
- Minor changes were made to upper contribution ceilings (£215k annual allowance, £1.5m lifetime allowance) and to the definition of dependant child.

B. Future Models

15. Four models had been proposed and consulted on by the Department for Communities and Local Government (DCLG). It is now the case that the DCLG has imposed what is effectively Option B on the LGPS; the description of four options is included here for completeness

Model A. An updated current scheme, with additional benefit improvements

This would have offered a final salary scheme with an accrual rate of $1/80^{\text{th}}$ of final salary per year of membership and an automatic tax free lump sum of $3/80^{\text{th}}$ of final salary per year of membership. Also had various other enhanced benefits (increased death in service benefit, partners' pensions for cohabitants). It might have been very marginally cheaper than the current scheme because it had two-tier benefit provision (as do the other three options). At the moment, ill-health retirees receive enhanced benefits for life, regardless of future health or employment prospects. The new arrangements proposed that this continue for a top tier of employees whose incapacity makes it unlikely that they would secure gainful or regular employment again. A second tier would have comprised those employees who had capacity for some other work, in which case they would have received the benefits accrued, but with no enhancement.

Model B. A new, final salary scheme with an approved accrual rate

The most expensive option, this will see a change in accrual rate to $1/60^{\text{th}}$ per year, with no automatic lump sum (though with an option to commute up to 25% of the personal fund value), but with tiered employee contribution rates (lower for lower-paid

employees: 5.5% on the first £12k of earnings, and 7.5% on earnings above that figure). This option is also likely to add up to 1% to the employer contributions necessary (i.e. 1% + the current 19.6%, not 1% of the whole).

Model C. A new, career-averaged scheme

A scheme based on average salary (not final salary). A more expensive scheme than at present, this was designed to 'redistribute benefits towards shorter serving staff, in comparison to a final salary scheme'.

The difference when compared to a final salary scheme is the result of the difference between the scheme's revaluation rate and individual's future pay increases: some employees would have been better off because their future pay increases would be less than the scheme's revaluation rate (for example, anyone who sat on the top increment of their pay band for many years, or someone who worked for a relatively short period and so didn't have time to move up through the ranks), and some would have been worse off, because their future pay increases would have been greater than the scheme's revaluation rate (for example, someone who had moved up through the ranks of local government).

There were two sub-options, one with an annual accrual rate of 1.85% of salary and then revaluation based on RPI, the other with an accrual rate of 1.65% and then a revaluation based on RPI + 1.5%.

Model D. A new, hybrid arrangement, based on a career-average core with final salary option

Similar to Option C, but with scheme members having a one-off choice of making extra contributions to obtain additional (final salary-linked) benefits in retirement, at a cost of around 3% of extra salary contributions from that employee. It would have been very hard on joining the scheme to know how successful a career you were about to have, but costings for allowing several opportunities to join the scheme would apparently have ramped the extra employee contribution up to 6%, which was deemed prohibitive.

16. The models also gave options for two-tiered contribution rates, with lower rates for 'lower' earners (and consequently, compensatory additional costs for the employer).

17. The almost uniform response from employers was to support Model A, because it was

- Simple and transparent, involving minimal change
- The lowest cost model
- Easiest to administer
- Would have allowed a more palatable change in contribution rates to facilitate the rebalancing of the cost ratio between employee and employer
- Would have maintained the final salary scheme, a huge benefit to employees and which will support recruitment and retention; also continued comparability with other public sector schemes (e.g. NHS, Teachers)
- The arguments behind the 'career average' schemes assumed that part-time workers are by default 'lower paid' and socio-economically disadvantaged. Many part-time staff (certainly, most of ours) have made a lifestyle choice and are not low paid...the employers didn't believe that the function of the pension scheme was to re-distribute wealth.

18. The other schemes were opposed on a combination of cost factors and the complication of administering (for the employer) and understanding the implications (for

the employee). There was also a very strong argument about the loss of the scheme as most members understand it, and the impact on morale, recruitment and retention, and the fact that the other options are a disincentive to anyone who wants a career (as opposed to a lifetime job at the same level). Models C and D were tending toward 'defined contribution' schemes, where what an employee receives as a pension reflects contributions (and their investment performance) rather than any link to final salary.

19. As to how the new scheme (Option B) will interact with the old one, there are three possibilities:

- The existing scheme will be applied for past service
- There will be an actuarially-equivalent service credit into the new scheme
- There will be some form of enhanced service credit within the new scheme

20. Whatever the solution (and draft regulations have now been circulated by central government), the old scheme will end: there is no intention to operate two parallel schemes, with an old scheme for people who joined before the start date of the new scheme. The consultation on the adopted scheme and its operation is continuing.

C. Changes to contribution rates

21. The issue of employer/ employee sharing of contributions follows on from the above models. As the original employer / employee contribution ratio in the LGPS was anticipated to be 2:1, there is an argument for employees to take an increasing share of the extra costs the scheme is now facing, at least in terms of cost increases that relate to predicted changes in **future** investment performance, more costly benefits and increases in longevity (though arguably not for the effects of past decisions of central government).

22. Whatever the new rates are, they will be payable from April 2008. Recovery rates (we are currently paying an extra 3.4% compared to the rate paid in 2004) for past under-funding will be reviewed in the light of these increases.

Scheme Discretions and Policy Changes

23. The regulations covering discretionary and redundancy payments in relation to the pension scheme changed on 1 October 2006. The main changes are in relation to the award of **Compensatory Added Years and lump sum compensation payments**, where it is no longer possible to award Compensatory Added Years of service to increase the pension benefits of a Scheme member if they retire on the grounds of ill health or efficiency. It will, however, still be possible to increase the employee's pensionable service but only by augmenting service through the new regulations. A policy statement (**Appendix 1**) is attached which reflects these changes, which Members are asked to approve.

24. As Members will be aware, the Authority has a number of discretionary policies in relation to its membership of the scheme, the last update of which was approved at the meeting of the Finance & Resources Committee on 14 February 2005. These discretions are required by Regulation 106 of the Local Government Pension Scheme (LGPS) Regulations 1997 and Regulation 7 of the Discretionary Compensation Regulations 2006.

25. The LGPS Regulations contain certain provisions which can be made available to scheme members by the employer exercising a **discretion and publishing a policy statement**. The policy statements are needed so that employers can explain their stance should an employee be interested in how a certain part of the regulations will apply to them, e.g. accessing pension benefits before age 60.

26. With the recent changes in the LGPS Regulations it is now necessary to revisit policy decisions. In particular, the removal of the 85 Year Rule from 1 October 2006 requires amendment to all policy statements that refer to that rule.

27. Amendments to the Authority's pension policy discretions (**Appendix 2**) must be published and made available to employees who have joined or are eligible to join the LGPS or who have previously been a member of the LGPS. A Scheme member, or former Scheme member, has the right to ask about the employer's policy decisions at any time and can go through the Internal Dispute resolution Procedure if they are not satisfied with the response. Members are therefore asked to approve this (updated) schedule of policy discretions. Note that appendices 1 and 2 mirror the policy adopted by NYCC.

28. From 6 April 2006, changes to the LGPS regulations allowed for **flexible retirement**, in so far as Scheme members could access pension benefits from age 50 (as described previously). However, the Scheme member must receive consent to get access to their LGPS benefits from the Authority in accordance with the Authority's policy on flexible retirement. The employer must therefore have an Early Retirement Policy in place (a proposed version of which is attached at **Appendix 3**, which Members are recommended to approve); without this policy, it is not possible to agree such flexible retirements.

29. The policy set out in Appendix 3 has been adapted from that of North Yorkshire County Council (NYCC). The Authority's previous 'Early Retirement Schemes' policy, dating from 1998, was inherited from NYCC as being the latter's policy at the time. The new policy therefore applies an identical approach to that of the largest employer participating in the North Yorkshire Pension Fund. The main change is the addition of clause 4b, 'Flexible retirement at employee's request'.

30. Although the above changes needed to be in place for October 1st 2006 (and, as such, this paper is late), in reality there are no incipient retirements which would need to make reference to the particular discretions and, were there to be any, any discretions which did not comply with the new legal position would be treated as void.

Selling the benefits of the scheme to employees

31. After their salary, Pension Scheme membership is the second most important pecuniary benefit that staff receive from the Authority. At the time of writing, 138 (of 148 officers) were members of the scheme.

32. However, the scheme tends to sit in the background, even though annual contributions by the Authority currently amount to over £0.5m per annum, the largest single recurring item in the budget after salaries. Although bulletins about the scheme are posted on the Intranet whenever they are issued by the scheme managers, and all job adverts now make play of the scheme, there remains a feeling that staff may not fully appreciate how beneficial the scheme actually is.

33. It is therefore proposed to arrange a presentation from the Pension Scheme administrator at the staff meeting in March 2007, both to explain the scheme in general, and to run through the many changes that are happening or are likely to happen. It is also intended that officers can have an opportunity to ask the administrator more detailed questions after the meeting, and this opportunity – for short pre-booked slots – could be circulated ahead of the meeting. This option has been discussed with the administrator, who ran a similar event for the North York Moors NPA in April 2006. Incidentally, ‘our’ pension scheme members have always had the opportunity to attend regional pension road shows, but take-up has been negligible: bringing the presentation to the Authority is likely to produce much more interaction.

34. There remain a small number of people (ten) who are not members of the pension scheme. Of these, 2 are relief information assistants (and whose annual service would only generate a very minimal pension entitlement) and the other eight have elected not to join the scheme for their own valid reasons: membership (in the case of this Authority) is automatic unless this election is made.

35. There may also be a small group of employees who are members of the scheme but where that membership is against their longer-term financial interest. For example, an employee who joins the scheme at age 58 on a relatively low salary could find that the small benefits accrued would simply generate a pro-rata reduction in certain social security benefits which they might otherwise have received had they had no other income...so that the contributions they had made into the scheme were worthless. In certain circumstances, the possession of pension scheme rights could cause further detriment, in that some minor benefits would not be available to someone with a pension, regardless of the size of that pension.

36. It is expected that all officers are capable of taking independent financial advice as to the appropriateness of their membership of the scheme, but that expectation is a passive one, and the Authority sells the scheme to all new employees as a ‘good thing’, and the scheme itself has automatic entry under statutory provision unless there is an opt-out. Rather than arrange presentations on this matter (as this would arguably sit outside our responsibility, which doesn’t extend as far as giving financial advice), the Personnel section will remind new staff that they should investigate the above issue to see if they are likely to be affected.

Other Issues

A. TUPE Transfers / Admission agreements

37. This is a current issue for local authorities, as operational units are transferred to private sector organisations. In the future, this issue may affect the Authority’s work, and it was one of the matters considered during the closure of the Information Centre at Sedbergh. When a transfer of staff to another organisation is proposed, the pension rights of those staff need to be protected (and this requirement goes beyond TUPE) both in terms of those staff’s entitlements and in terms of the new employer’s liabilities (who would otherwise be disadvantaged by not knowing what the pension provisions would be). The organisation receiving the employees must offer a broadly comparable pension scheme to the local authority one, and the cost implications of this need to be taken into

account at a very early stage in any proposals. This would particularly be the case were the Authority ever to undertake a major transfer of staff to an organisation who had tendered for a section of the Authority's work, in so far as this cost information would be needed by a tenderer to accurately cost their proposal. Note that in exceptional circumstances, new employers can be admitted to the North Yorkshire Pension Scheme.

B. Salary Sacrifice Schemes

38. These schemes operate by deducting salary from individuals pre-tax, with which salary vouchers for certain government-endorsed schemes are then purchased. In the past, this included a scheme to buy home computer equipment (now stopped, but used vouchers) but currently includes schemes to encourage green transport (cycling), to allow staff to buy leave and to buy pre-school childcare vouchers.

39. Each of the voucher schemes involves a contract with the relevant organisation providing the vouchers, and the only one which has been 'regularly' mentioned by staff (perhaps once a year) has been that involving childcare. The cost of setting up the contract is likely to outweigh the financial benefit to the individual (which would be the tax element that would have been paid on the cost of those vouchers), and would also include a charge of around £6 per £100 voucher (charges which tax-paying organisations can offset against taxable profits), so it is unlikely that we will make much progress with such a scheme, which is perhaps really suited to much larger organisations. However, we will undertake tentative exploration of this scheme through NYCC, just to check that the minor benefits continue to be outweighed by more significant time and money costs.

40. The relevance of such schemes to Pensions is that, being a pre-tax deduction, the salary reduction affects pensionable pay, with a knock-on effect for employees' contributions and pension entitlement. However, adjustments can now be made whereby the employee makes up the contribution that would have been paid on that amount of salary. This slightly complicates the administration of the process, but perhaps more significantly, reduces the apparent value of the vouchers so purchased.

C. Notification of Retirement

41. Because of changes to the way in which pension payments to pensioners are first made on commencement of retirement, it is now necessary to notify the scheme administrators that an officer is retiring (and that their pension payments are to start) at least 30 days before the final leaving date. Administratively, this means completing the Advance Notification of Retirement form ('AdNoT'; and, wherever possible, the SU5 form), but wherever possible, the Personnel section need to be informed of imminent retirement as far in advance of the retirement date as possible.

42. This will avoid delays in payment of pension to officers once they have retired. In particular, without this form – and the declaration by a scheme member that the payments into the fund are in line with their personal limits for contributions (which they all will be) being supplied promptly - the fund is obliged by the Inland revenue to assume that the personal allowance for contributions has been exceeded, and deduct 45% from payments until the form is received.

RECOMMENDATIONS

43. That Members:

- (a) Note the changes being made to the Pension Scheme, the recent fund performance and the possibility of future increases to employer contribution rates.
- (b) Authorise the Chief Executive to sign the Statement of Policy on Discretionary Compensation (Appendix 1)
- (c) Approve the revised pension policy discretions (Appendix 2).
- (d) Approve the Early Retirement Policy (Appendix 3).

Richard Burnett
Head of Finance & Resources

10 January 2007

Background documents: None

Yorkshire Dales National Park Authority (YDNPA)

Statement of Policy: The Local Government (Early Termination of Employment) (Discretionary Compensation)(England and Wales) Regulations 2006

The following is a statement of YDNPA's policy on the exercise of discretions under the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006 as required by regulation 7 of those Regulations. The policy represents clear guidance on the exercise of any particular discretion. The policy confers no contractual rights. The policy in force at the time of a relevant event occurring will be the one that is applied.

Regulation	Discretion	Policy
5	<p>Power to increase statutory redundancy payments</p> <p>The employer may pay, under this regulation, compensation to a level not exceeding the difference between statutory redundancy pay under part XI of the 1996 Act (ERA 1996) and the payment to which he would have been entitled had no limit on week's pay been used in the calculation.</p>	YDNPA uses actual salary in the calculation of redundancy payment as opposed to the statutory maximum as per s. 227 ERA 1996, in accordance with Regulation 5 of DCR 2006.
6	<p>Discretionary compensation for redundancy</p> <p>Where a member has not been awarded an additional period of Local Government service under Regulation 52 of the LGPS Regulations 1997 ('Augmentation'), his employer may pay, not later than six months after the date of termination, compensation under this regulation.</p> <p>That amount must not exceed 104 weeks' pay.</p>	<p>YDNPA does not award augmentation of service under regulation 52 of the Principal Regulations, and so could determine to make compensatory awards under this regulation.</p> <p>It is currently not the policy of YDNPA to make such awards.</p>

Signed :

Position : Chief Executive (National Park Officer)

Date :

Note

Unless otherwise stated, the application of these discretions will be in accordance with the Officers Delegation Scheme with advice from the Treasurer and Head of Finance & Resources who are accountable for the proper and consistent application of this policy on behalf of YDNPA.

Yorkshire Dales National Park Authority (YDNPA)

Statement of policy: Employing Authority Discretions under the Local Government Pension Scheme Regulations 1997

The following is a statement of YDNPA's policy on the exercise of discretions under the Local Government Pension Scheme Regulations 1997 (the Regulations) as required by regulation 106 of the Regulations. The policy represents clear guidance on the exercise of any particular discretion. The policy confers no contractual rights. The policy in force at the time of a relevant event occurring will be the one that is applied.

Regulation	Discretion	Policy
7(9)(a)	<p>To allow an employee who has opted out of the LGPS more than once to rejoin.</p> <p>It is at the employer's discretion to allow members who have once opted out, to rejoin the scheme a second time. Generally members opt out of the scheme for financial reasons, which once resolved leads them to reapply in due course.</p>	<p>YDNPA will allow an employee who has opted out more than once to rejoin provided the occupational health service confirms he/she is in good health.</p>
13(1)(c)	<p>An employer can specify in an employee's contract what other payments or benefits, other than those specified in regulation 13(1)(a) and not otherwise precluded by regulation 13(2), are to be pensionable.</p> <p>The employee's pay is "all the salary, wages, fees & other payments paid to him for his own use in respect of his employment". The employer may opt to specify in an employees contract any other payment or benefit that may be pensionable, excluding the following items which are not deemed pensionable:</p> <ul style="list-style-type: none"> ◆ Non contractual overtime ◆ Expenses (travel, subsistence, other expenses allowances) ◆ Payments in lieu of notice of termination ◆ Payment in consideration of holidays ◆ Payments made as an inducement not to terminate employment ◆ Any amount treated as the money value for the provision of a motor vehicle or any amount paid in lieu of such a provision 	<p>YDNPA reserves the right to specify what, if any, other payments or benefits are to be pensionable in accordance with the Regulations and will automatically include "detriment" or "protected" pay as pensionable pay.</p>
14(3)(b)	<p>"Outsourced" manual worker to be allowed to continue paying 5% contribution rate upon return to the LGPS (even if option to do so is not made within 30 days)</p> <p>A member who on 31/3/98 was entitled to contribute 5% to the LGPS retained that right upon the introduction of the 1997</p>	<p>YDNPA will extend the 30 day deadline if there is evidence of administrative shortcomings.</p>

Regulation	Discretion	Policy
	<p>legislation, even though the standard contribution rate changed to 6% for all members. However, the member retained that right only if they remained in continuous employment in the same capacity.</p> <p>An employee returning to local government employment upon the ceasing of an outsourcing contract must elect within 30 days beginning with the date upon rejoin to pay a 5% contribution rate. The employer may allow the 30 day deadline to be extended.</p>	
18(6) &(7)	<p>Option to extend the normal time limit for a member to elect to pay voluntary contributions to cover a period of absence from duty</p> <p>Members who have had an optional absence may upon their return to work apply to their employing authority within 30 days of returning to work to repay any outstanding contributions. Employer's have the discretion to extend this time limit beyond 30 days.</p>	YDNPA will extend the 30 day deadline if there is evidence of administrative shortcomings.
23(4)	<p>Option to issue a "Certificate of Protection of Pension Benefits" without receiving a request to do so by the scheme member.</p> <p>Member's may be issued with a certificate of protection if otherwise than by the virtue of the member's own circumstances :</p> <ul style="list-style-type: none"> ◆ His pay is reduced or ◆ The rate at which it may be increased is restricted in such a way that it is likely that the rate of his retirement pension will be adversely affected. <p>The employer has the discretion to issue the certificate without the member's request. A member has the right to apply for a certificate of protection within 12 months after the date of reduction or restriction, after that date the employer need not issue the certificate.</p>	YDNPA will as a matter of course issue certificates of protection without waiting for requests.
31	<p>To grant applications for early payment of benefits on or after age 50 and before age 60.</p> <p>Any officer between the ages of 50 and 59 may seek their employer's agreement to receive an immediate payment of accrued pension benefits. Note will be made of the now revoked 85-year rule whereby the officer's age when added to whole years of service must be equal to 85 before full payment of benefits can be made. Where the age and service total is less then 85, benefits are paid at an actuarially reduced rate for relevant service. The further away from the "rule of 85", the proportionately</p>	YDNPA will consider applications based on the merits of each case according to the criteria and process detailed in the Early Retirement Policy (Appendix 3).

Regulation	Discretion	Policy
	<p>greater the actuarial reduction. It should be noted that an application of this nature might also be made from a member with deferred benefits. Therefore, two policy decisions will need to be taken :</p> <ol style="list-style-type: none"> 1. Active members? 2. Deferred members? (Note that a deferred pension brought into early payment on compassionate grounds can not be reduced and if age and service are less than 85 the application would therefore need to be considered under the criteria below). <p>To waive, on compassionate grounds, the percentage reduction applied to the early payment of benefits.</p> <p>The employer may determine on compassionate grounds that a member's retirement pension and grant should not be reduced if the member does not meet the "rule of 85". It should be noted that an application of this nature might also be made from a member with deferred benefits. Therefore, two policy decisions will need to be taken :</p> <ol style="list-style-type: none"> 1. Active members? 2. Deferred members? 	<p>Applications from deferred members will only be considered on compassionate grounds, taking into account the costs of waiving any reduction, unless the member is still in the employment of YDNPA and benefits have been deferred under previous protection arrangements.</p>
32(8A)	<p>Where an active member has previous LGPS service, they may elect to aggregate this with their ongoing service within twelve months of becoming an active member, or "such longer period as their employer may allow".</p>	<p>YDNPA will permit aggregation beyond 12 months.</p>
34(1)(b)	<p>Where a scheme member would be entitled to a pension or retirement grant under two or more regulations by reason of the same period of scheme membership, the employer can choose which benefit is to be paid if the member does not make a choice within 3 months of becoming entitled to elect.</p> <p>Certain member's have the provision to have their benefits calculated under more than one set of regulations. As the member is not entitled to 2 sets of benefits he may elect under which regulation he wishes his benefits to be calculated. In circumstances where the member fails to make an election within 3 months of entitlement, the employing authority has the discretion to elect which regulation is used.</p>	<p>YDNPA will automatically choose to apply the regulations of greatest benefit to the employee.</p>
35(1A) & (1C)	<p>After 5th April 2006, a member who has attained the age of 50, with his employer's</p>	<p>YDNPA will consider applications in accordance with its policy on early/flexible</p>

Regulation	Discretion	Policy
	<p>consent reduces the hours he works, or the grade in which he is employed, he may elect in writing to the appropriate administering authority and such benefits may, with his employer's consent, be paid to him notwithstanding that he has not retired from that employment.</p> <p>But the employer may choose to waive, in whole or in part, any such reduction</p> <p>Flexible retirement policy allowing a smoothing of the transition from work to retirement.</p>	retirement attached as appendix I
52	<p>To grant extra membership active employees (Augmentation).</p> <p>The employer has the authority to increase the membership of an active member of the scheme. The maximum additional period is 6 243/365 years or the period by which the member would have attained had he continued in active service up to age 65, whichever is the shortest. Full payment for the additional period must be made within 6 months of the award.</p> <p>Note :</p> <p>Augmentation allows the employer to increase the employee's membership at any point during their employment, at any age and is not conditional upon a form of retirement unlike the Discretionary Payments Regulations only permit increased membership in redundancy and efficiency cases.</p>	YDNPA will not grant extra membership to active members.
65(3)	<p>The employer can extend the 1 month time limit for a member who paid AVCs with a previous scheme employer and who commences employment with the employer within 1 month and 1 day to elect to continue paying AVCs in their employment.</p> <p>Employees who contribute to the In House AVC scheme and who transfer between scheme employers may elect to continue contributing to their AVC scheme providing they elect within 1 month and 1 day of leaving the previous employer. The current employer may extend this time limit.</p>	YDNPA will allow members to continue contributing to AVCs even if they elect to do so beyond the 1 month period.
66(9)(b)	<p>A scheme member who wishes to elect to convert In House AVCs into a period of scheme membership must do so within 30 days of ceasing to be an active member "or such longer period as the employer may allow".</p> <p>The legislation states that an employee must make an election within 30 days of retiring if</p>	YDNPA will extend the 30 day deadline if there is evidence of administrative shortcomings.

Regulation	Discretion	Policy
	<p>he wishes to transfer his AVC benefits into the LGPS. The employing authority may allow the member to make this election beyond 30 days of retiring.</p>	
67	<p>To introduce a shared cost AVC (SCAVC) arrangement.</p> <p>This enables the employer to resolve to establish and maintain a SCAVC arrangement. A SCAVC is an arrangement by which both employees and employers may contribute to an AVC fund. The amounts contributed must not exceed the member's inland revenue limits. The resolution must specify the following decisions :</p> <ol style="list-style-type: none"> 1. Whether all active members in employment are eligible and if not the conditions for eligibility? 2. Whether the SCAVCs may be used to provide benefits payable on the death of active members? If they may it must specifically whether the whole or a proportion is to be used and if so what proportion? 3. The amount of contributions which the authority will pay under the arrangements for members who are themselves paying contributions under them. 	<p>YDNPA will only consider shared cost AVC arrangements where these would address particular recruitment and retention difficulties.</p>
71(7)(a)	<p>The employer may consent to a member's former authority assigning to the employer their rights under any life cover pension policy the former employer held for the member under an SCAVC arrangement.</p>	<p>YDNPA will only consider such an arrangement where it would address particular recruitment and retention difficulties.</p>
88	<p>A scheme member who meets the normal criteria for a refund of pension contributions is not entitled to such a refund if he/she ceased employment due to an offence of a fraudulent character or due to grave misconduct unless the employer directs that a total or partial refund may be made.</p> <p>The employer may over rule the LGPS legislation and pay a refund of contributions to a member who is entitled to a refund had they simply resigned but who instead was dismissed due to an offence of a fraudulent character or due to grave misconduct.</p>	<p>YDNPA will consider whether or not to make a refund based on the merits of each case and in light of advice from Internal Audit.</p>
89	<p>The employer may deduct the pension contributions due under the LGPS from a person's pay.</p>	<p>YDNPA will deduct contributions automatically.</p>
92	<p>Where a scheme member is paid a refund of contributions, the employer must pay a Contributions Equivalent Premium (CEP) to the DSS. An element of this is recovered from the</p>	<p>YDNPA reserves the right to recover the balance from the Fund.</p>

Regulation	Discretion	Policy
	<p>refund paid to the scheme member. The balance may be recovered from the Fund.</p> <p>Where an employer pays a refund through the payroll they may deduct from the fund the CEP that was paid to the DSS to reinstate the employee in the State Pension Scheme.</p>	
111	<p>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.</p> <p>The employing authority may remove the member's entitlement to receive his pension.</p>	YDNPA will consider whether or not to apply for and enact a certificate based on the merits of each case and in light of advice from Internal Audit.
112	<p>Where the Secretary of State has issued a forfeiture certificate but the employer has not applied the certificate, nor 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.</p> <p>The employer may instruct the pension fund to pay the pension until a decision is taken by the employer to forfeit the pension.</p>	YDNPA will not direct that interim payments are made from the Fund pending a decision.
113	<p>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 therefrom 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.</p> <p>If member dismissed due to a criminal, negligent or fraudulent act in connection with his employment and it cost the employer money, the employer may recover the outstanding amount from the member's benefits. If the pension entitlement is below the amount owed the employer may recover the full value of the pension benefits. If the pension benefit is not due to be brought into payment immediately then this amount may be noted and deducted from the pension at a</p>	YDNPA will consider whether or not to recover and reduce benefits accordingly based on the merits of each case and in light of advice from internal audit.

Regulation	Discretion	Policy
	<p>later date. The employer may only recover local government benefits, not benefits transferred in from another approved scheme.</p>	
115	<p>Where</p> <ul style="list-style-type: none"> (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 therefrom, 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 <p>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.</p> <p>Virtually as 113, but with the issue forfeiture certificate the money is recovered by the pension fund, not the employer.</p>	<p>YDNPA will consider whether or not to recover and reduce benefits accordingly based on the merits of each case and in light of advice from internal audit.</p>
121(8)	<p>If a scheme member wishes to transfer pension rights into the NYPF from a non-local government source, he/she must opt to do so within 12 months of joining the LGPS "or such longer period as the employer may allow".</p> <p>(See Reg. 32(8)(A) for LG transfers)</p> <p>It is common practice in pension schemes (e.g. the NHS) to only allow transfers into a scheme within the 1st year of the member joining the scheme. This is because it is more beneficial for the member as the member's salary is usually lower upon joining the scheme than in later years resulting in increased years bought. In addition the money transferred in may be used for investment over a longer period of time.</p>	<p>YDNPA will allow members to opt to transfer pension rights beyond the 12 month period if there is evidence of administrative shortcomings.</p>

Signed :

Position : Chief Executive (National Park Officer)

Date :

Note

Unless otherwise stated, the application of these discretions will be in accordance with the Officers Delegation Scheme with advice from the Treasurer and Head of Finance & Resources who are accountable for the proper and consistent application of this policy on behalf of YDNPA.

YDNPA: LOCAL GOVERNMENT PENSION SCHEME**EARLY RETIREMENT POLICY****1. INTRODUCTION**

This Policy is intended to cover all of the Authority's employees who have membership of the Local Government Pension Scheme, but specifically excludes retirement on the grounds of ill-health. Individuals covered by that particular circumstance will have consideration for retirement dealt with under the regulations of the Local Government Pension Scheme.

In previous years the Local Government Pension Scheme has come under increasing pressure due to the number of staff retiring early. The normal age for which retirement benefits become payable is 65 years, though members may elect to retire with accrued benefits at the age of 60. Retirement before this age should always be a last resort when all other alternatives such as re-training, re-deployment etc, have been exhausted. This document sets out the Authority's Policy on flexible retirement, i.e. the ability to work for the Authority whilst in receipt of a local government pension after the age of 50.

Allowing staff to retire early has the following consequences:

- i) There is a loss to the Pension Fund, firstly through the non-collection of anticipated pension contributions, and secondly because the pension is paid out earlier and for a longer period.
- ii) If the early retirement of staff is not carefully managed it can lead to a loss of much needed expertise and knowledge from the Authority and this is addressed by the Policy on flexible retirement.

However, there are a number of circumstances when retirement benefits may be paid before normal retiring age and this Policy looks at those in more detail. As stated, however, it does not include retirement on the grounds of ill-health, for which there are existing arrangements under the Local Government Pension Scheme.

In the interests of equity amongst all staff, applications for early retirement will not be approved in place of appropriate disciplinary action or formal action under the capability procedure.

2. RETIREMENT ON THE GROUNDS OF REDUNDANCY

When employment is lost due to redundancy, the Local Government Pension Scheme provides for the immediate payment of pension benefits to any employee who contributes to the Scheme who is aged 50 years or over, with more than three months of service. Employees who are made redundant aged under 50 years will have any accrued pension benefit deferred.

To qualify for early payment of pension on these grounds, the statutory definition of redundancy must be met, together with Regulation 26 of the Local Government Pension Scheme Regulations 1997. Further details of this, together with redundancy benefits, can be found in the Re-organisation and Redundancy policy.

Where an employee is entitled to pension benefits these will include:

- (a) Pension benefits as they may have accrued at the date of retirement and as they may subsequently be adjusted annually.
- (b) A lump sum payment calculated on reckonable service at the date of retirement.

Added years will not be granted to accrued reckonable service. In the Authority's Discretions Policy Document of 2005, the Authority's policy was not to award Added years to reckonable service. Compensatory Added Years were abolished from October 2006, and the ability to award a discretionary, one-off, lump sum payment, not exceeding two years' pay (104 weeks), was introduced. This one-off lump sum payment **will not be granted**.

3. RETIREMENT IN THE INTERESTS OF THE EFFICIENT EXERCISE OF THE AUTHORITY'S FUNCTIONS

This Scheme will be applied at the discretion of the Chief Executive. The Scheme is voluntary and no employee will be required to accept early retirement under the Scheme against their wishes.

In cases other than those concerning redundancy or permanent ill-health, the Authority will consider applications for retirement where it is possible to identify an increase that can be achieved in the operating efficiency of the Authority's services. In considering applications, the Chief Executive will have regard to the following criteria:

- i) The availability of a clear statement on the benefits gained and the way in which the early retirement is to be funded. Normally, the statement will demonstrate how the additional costs arising out of the early retirement can be met within the first five years from the date of retirement.
- ii) Whether there will be any additional consequential savings to the Authority.
- iii) Whether the early retirement will facilitate an increase in the efficiency of the business unit in question, for example through the introduction of more effective working methods or the provision of an opportunity to introduce new skills into service delivery.
- iv) The health of the employee, if that is such that the individual suffers from a serious medical condition but which is insufficient to meet the definition of ill-health retirement within the pension regulations.
- v) Whether approving the early retirement will facilitate reorganisation of staffing within the business unit to better facilitate service delivery.

- vi) The proximity of the member of staff to normal retiring age and their total length of service.
- vii) Any other circumstances which may be relevant to the decision and which may contribute to the more efficient exercise of the Authority's functions.
- viii) Whether there are compassionate grounds for the early payment of benefits, for example, the need of the employee to care for a seriously ill close relative who has a need for constant care and where assistance is not available from other agencies, such access will only be granted in the most exceptional of circumstances.

It should be noted that the above criteria are not listed in any rigid order of merit or importance, though any application made will not be approved unless funding and efficiency considerations are satisfactorily addressed.

Where an application is approved by the Chief Executive the employee will receive:

- i) Pension payments as they have accrued at the date of retirement and as they may subsequently be adjusted annually.
- ii) A lump sum payment calculated on reckonable service at the date of retirement.

In the 'Discretions' statement of 2005, the Authority's policy was not to award Added years to reckonable service. Compensatory Added Years were abolished from October 2006, and the ability to award a discretionary, one-off, lump sum payment, not exceeding two years' pay (104 weeks), was introduced. This one-off lump sum payment **will not be granted**.

4.(a) RETIREMENT AT THE EMPLOYEE'S REQUEST

Any member of the Local Government Pension Scheme who has attained the age of 50 years can elect for the yearly payment of pension benefits, but where the employee is under 60 years, early payment of such benefits will be at the discretion of the Chief Executive. Benefits are paid at an automatically reduced rate unless the employee satisfies the 85 years rule. If this is the case full benefits are automatically payable and the consequential costs are thereby increased. In reaching its decision, the Chief Executive will have regard to a number of criteria, but will not unreasonably withhold his/her consent to the early release of pension on an actuarially reduced basis. These criteria will include:

- i) Any benefit to service delivery or the efficient operating of the Authority that might arise following the employee's early retirement including consideration of the costs to the Authority.
- ii) The impact of any decision on the business unit where the employee works.

- iii) The age of the employee.
- iv) The length of service of the employee.
- v) The personal circumstances of the employee.
- vi) Any other circumstances which may be relevant to the decision that the Chief Executive is asked to take.

Where an application is approved by the Chief Executive, the employee will receive:

- i) Pension benefits as they have accrued at the date of retirement as they may subsequently be adjusted annually, but actuarially reduced as appropriate in accordance with the Local Government Pension Scheme Regulations 1997.
- ii) A lump sum payment calculated on reckonable service at the date of retirement, actuarially reduced in accordance with the Local Government Pension Scheme Regulations 1997.

4(b) FLEXIBLE RETIREMENT AT EMPLOYEE'S REQUEST

Flexible retirement provisions allow employees aged 50 and above to apply to the Authority for consent to receive pension benefits as at (4) above yet continue to work for the Authority where there is a reduction in either hours worked or pay grade.

The procedure for applications and criteria used in decisions is at (4) above for Early Retirement at the Employee's Request.

Guidelines:

- (i) 'Reduction in hours' must be permanent and significant e.g. from 5 days per week to 3 days, and
- (ii) 'Lower grade' must be permanent and at least one full grade(s) i.e. from Scale 4 to Scale 3; from PO 6-9 to PO 3-6. (A suitable vacancy must be available and filled by normal recruitment and selection process)

Where an application has been approved by the Chief Executive, an applicant will receive pension benefits and lump sum as set out under section (4) Early Retirement at Employees' Request.

5. ACCESS TO THE SCHEME AND OTHER CONDITIONS APPLICABLE

The persons covered by this Scheme will be YDNPA employees who are pensionable and are subject to the Local Government Pension Regulations, are members of that Scheme and who at the date of termination of employment have attained the age of 50 years but have not yet attained the age of 65 years.

Applications or recommendations under the terms of the Scheme will be made to and considered by the Chief Executive.

An employee who is interested in early OR FLEXIBLE retirement should declare their interest by writing to their Head of Department, who should discuss the application with the employee and determine whether or not it can be supported (this will require financial details from the Pension Fund Manager and consultation with Finance and Personnel as appropriate). If the Department Head feels able to support the request this should be forwarded to the Chief Executive who will consider the recommendation and consult with the Head of Personnel Services. The decision of the Chief Executive will be final. Except in wholly exceptional circumstances, an individual can only re-apply for early OR FLEXIBLE retirement after a period of twelve months has elapsed since the date of the last application.

Applications or recommendations in respect of the Chief Executive will be considered by Members in accordance with the Authority's Constitution.

The number of approved early retirement cases will be monitored by the Chief Executive against agreed BVPI targets as part of the half-yearly Key Staff Indicators report submitted to the Audit & Review Committee.