

## **Additional help and explanation of terms used**

The first six discretions are mandatory and need to be included in your Employer Discretion Policy under the LGPS Regulations, which we, and all employers, need to abide by. The others discretions in this policy are included as we often need to ask these questions of employers, and we feel it would be useful if each Employer has a consistent policy related to these. The LGPS Regulations are produced by the CLG (Communities and Local Government) department and passed by Parliament.

**Notes about each amendment:**

**1. BMC12: Augmentation of membership of an active member (up to 10 years)**  
*(Required in Policy Statement)*

*Augmentation of membership* essentially means giving added years service to a member.

Example: An employee has worked 75% Part-Time hours for 24 years and has therefore built up 18 years of pension service. The Employer can increase this amount from 18 years to a higher amount (up to 10 years more).

It is possible to use a fixed scale i.e.

1 to 10 years = 1 added year

11-20 years = 2 added years etc

It is advisable to only make a decision to do this on a case by case basis and it is worth nothing there is cost implication for the Employer to allow for the fact that they will receive more pension than anticipated.

**2. BMC 13: Whether to grant additional pension to a member (up to £5 000pa)**  
*(Required in Policy Statement)*

This is hopefully fairly self-explanatory. If you offer this, you may wish to limit it to a case by case basis and write some guidelines into your policy. There will be a cost implication for the Employer should they choose to offer this.

**3. BMC 18(1): Whether all or some benefits can be paid if an employee reduces hours/grade and continues to work (“flexible retirement”)**  
*(Required in Policy Statement)*

This discretion effectively states whether you enable an employee to take flexible retirement. Flexible retirement means they will begin to draw their pension and continue to work at the same time. Note they can only do this if they reduce their hours or grade.

**4. BMC (3): Waiving actuarial reduction on flexible retirement.**  
**AND**

**6. BMC30 (3): Waiving actuarial reduction on early retirement.**  
*(Both Required in Policy Statement)*

Normally when someone takes either standard early retirement or flexible retirement, a reduction in their pension is made; because it is assumed they will be drawing it for longer than if they reached normal retirement age.

By opting to *waiver the actuarial reduction* the employer is effectively willing to pay an amount to the pension fund so that their pension is not reduced in either of these circumstances.

**5. BMC30 (2): Whether to allow early payment of benefits at/after age 50 (55 from 2010).**

*(Required in Policy Statement)*

The employer would pay the cost for this, because it is assumed the person would be drawing their pension for more years.

**7. Admin 16(4)(b)(ii): Whether to extend 12-month period to combine previous LG service.**

When someone joins your employment they have up to 12 months to decide to transfer in a pension relating to a different employment, in this case from Local Government. Hence, this discretion gives the option to extend this limit.

It is worth noting that if someone is going to be made redundant, or is granted early retirement, by allowing them to transfer in service beyond the normal 12 month window which must be given, this would increase the payment that the Employer needs to make to the fund as the employer would have more service.

If this is not the case, there would be no direct cost by allowing them to transfer in past service, although this would often be unknown at the point in time that the decision is made.

**8. BMC 3 Determine rate of employees' contributions.**

Each employer needs to have a policy in respect to how it applies employee contribution bands. All employers must do this each April but you have a discretion regarding whether you move someone between bands during the financial year.

More information on this can be found on the link below (towards the bottom):

[Link]

<http://www.wiltshirepensionfund.org.uk/employer-admitted-body/contribution-rate/employee-contributions-rates.htm>

**9. Admin 22(2): Whether to extend the period for a member to elect to pay contributions to cover unpaid leave of absence, maternity, paternity, or adoption leave beyond 30 days after returning to work or leaving.**

The key cost implication here is that the Employer must also pay contributions for the same periods that employees pay for contributions.

**10. Admin 83(8): Whether to extend 12-month period to allow a transfer-in of non-LG pension rights.**

As for point 7, but for non-government pension transfers-in.