

**LOCAL GOVERNMENT PENSION SCHEME
PAYMENT OF DISCRETIONARY COMPENSATION TO EMPLOYEES
POLICY ON EXERCISE OF EMPLOYER DISCRETIONS
Adopted March 2020**

Farnham Town Council as an employer is under a legal duty to prepare and publish a written statement of its policy relating to certain discretionary powers under the Regulations which apply to the Local Government Pension Scheme (“the LGPS”).

Farnham Town Council is also under a duty to formulate, publish and keep under review the policy that Farnham Town Council applies in exercising discretionary powers under Regulations relating to the payment of compensation to employees whose employment is terminated as a result of redundancy or certain other reasons.

This document is intended to comply with these duties and, in the following table, sets out the discretionary powers concerned, identifies the relevant Regulation that gives Farnham Town Council the discretion and describes how the discretion will be exercised.

The policy set out in this document will not be departed from except as provided for in the policy or following a variation to the policy approved by Farnham Town Council.

This statement is not a definitive statement of the law and is subject to the provisions of the relevant Regulations.

The Regulations that apply to the LGPS are:

- The Local Government Pension Scheme Regulations 2013 (these are referred to as the “Pensions Regulations”);
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (referred to as the “Transitional Regulations”);
- The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 applied to the LGPS before 1 April 2014, are preserved in part on a transitional basis by the Transitional Regulations and are referred to as the “Benefits Regulations”

The Regulations which apply to the payment of compensation to employees whose employment is terminated as a result of redundancy, other specified reasons or injury are:

- The Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006 (referred to as the “Compensation Regulations”).
- The Local Government (Discretionary Payments) (Injury Allowances) Regulations 2011 (referred to as the “Injury Regulations”).

In the table below:

- (1) “The Scheme” or “the Pension Scheme” means the LGPS and “the Fund” or “the Pension Fund” means the fund maintained under the LGPS;
- (2) “Member” means a member of the LGPS;
- (3) “Active member” means a member in employment and paying, or treated as paying, contributions to the LGPS, or absent from employment for a reason mentioned in Regulation 11 of the Pensions Regulations.
- (4) References to a member with transitional protection are those who can count membership accrued before 1 October 2006 and who have statutory transitional protection under the Transitional Regulations, wholly or partly, from changes that would otherwise be made to their pension entitlements and/or from actuarial reductions that would otherwise be applied to their pension benefits as a result of the coming into force of the Pensions Regulations on 1 April 2014.
- (5) References to a member meeting “the 85 year rule” are those a members whose age in whole years when added to the member’s total membership in whole years is 85 years or more.

The power to exercise and to take any decision in relation to the each of the discretions is delegated to Farnham Town Council.

This statement was approved by Farnham Town Council and is intended to comply with Farnham Town Council’s duties under Regulation 60 of the Pensions Regulations, Regulation 7 of the Compensation Regulations and Regulation 14 of the Injury Regulations.

No.	Area	Regulation	Discretion	Policy Summary	Explanation
1	Whether to vary an employee's contribution band	Regulations 9 and 10 Pensions Regulations	Members must pay pension contributions at the appropriate rate set on 1st April or the first day of active membership, if later. The employer may vary the contribution rate if there is a change in employment or a material change that affects the member's pensionable pay.	Farnham Town Council may vary the employee's contribution rate if there is a material change and each case will be considered on its merits.	Contribution bands are set on 1st April but the employer may change them if a member changes jobs or has a material pay increase / decrease.
2	Whether to increase assumed pensionable pay in certain specific circumstances	Regulation 21(5), 21(5A) and 21(5B) Pension Regulations	If a member is absent as a result of illness, child related leave or reserve forces leave their pension benefits may be based on assumed pensionable pay (APP). If, in the employer's opinion, the member's APP is materially lower than their pay in the twelve months preceding the absence they can either include (1) a "regular" lump sum received during that period or (2) substitute a higher pensionable pay having regard for their earnings in that period.	Farnham Town Council may increase assumed pensionable pay and each case will be considered on its merits.	If a member's APP is lower than their regular pensionable pay the employer can either substitute a higher rate of pay, based on the pay they received in the year before the absence began, or, include regular lump sums received during that period.
3	Funding of Additional Pension Contributions	Regulations 16(2)(e) and 16(4)(d)	Whether to fund, in whole or in part, a shared cost additional pension contributions (SCAPC) on behalf of an active member by regular	Farnham Town Council will only contribute towards	The employing authority can choose to pay additional pension contributions

		Pensions Regulations,	contributions (Regulation 16(2)(e)) or by lump sum (Regulation 16(4)(d)). Note: The amount of additional pension that may be credited to an active member's pension accounts may not exceed the overall additional pension limit of £7,026.00 (6th April 2019 and uplifted annually).	APCs in exceptional circumstances.	on behalf of active employees.
4	Shared Cost Additional Voluntary Contributions (SCAVCs)	Regulation 17(1) and Schedule 1 (definition of SCAVC) Pension Regulations.	Whether to contribute towards a Shared Cost Additional Contribution arrangement. Pre-2014 SCAVCs also fall under Regulation 17 by virtue of Regulation 15(2A) Transitional Regulations.	Farnham Town Council will only contribute to SCAVCs in exceptional circumstances.	An employer can choose to contribute towards a SCAVC.
5	Whether to grant early payment of pension on compassionate grounds (pre-1st April 1998 leavers)	Regulation D11(2)(c) of 1995 Regulations	Whether to agree to early payment of pension benefits from age 50 on compassionate grounds. The employer should note that pension benefits paid before age 55 may attract an unauthorised payments surcharge and they may have to pay a strain cost because the	Farnham Town Council will only agree to early payment of pension in exceptional circumstances.	The employer may agree to payment from age 50, but they may incur an unauthorised payments surcharge and/or a capital cost.

			pension benefits cannot be reduced.		
6	Flexible Retirement	<p>Regulation 30(6), Pensions Regulations</p> <p>Regulations 11(2) and (3) of Transitional Regulations</p>	<p>Whether to agree to an employee aged 55 or over reducing their hours of work or their grade so that they may receive all or some of their retirement pension while still employed.</p> <p>Whether, in addition to any pre-1st April 2008 pension benefits which the member must draw, to permit the member to draw; (a) all, part or none of benefits accrued between 1st April 2008 and 31st March 2014 and (b) all, part or none of the pension benefits built up after 31st March 2014</p>	Farnham Town Council will only agree to flexible retirement in exceptional circumstances.	<p>The employing authority can agree to an employee aged 55 or over drawing all or some of their pension and continuing to work in the same employment on reduced hours, pay or grade.</p> <p>The employer should note that granting consent would trigger the 85-year rule and may require a capital payment.</p>
7	Switching-on the 85-year rule	Schedule 2 of Transitional Regulations	Whether to switch on the 85-year rule under Regulation 1(2) and 1(3) of Schedule 2 of the Transitional Regulations.	Farnham Town Council will only switch-on the 85-year rule in exceptional circumstances.	The employer can agree to switch on the 85-year rule, which may mitigate reductions that would, otherwise, apply but the employer may have to make a capital payment.

8	Waiving of Actuarial Reduction to Pensions	<p>Regulation 30(8), Pensions Regulations</p> <p>Schedule 2 of Transitional Regulations</p>	<p>(Post 2014) Whether to agree to waive, in whole or in part, any actuarial reduction that would otherwise apply to the pension paid to a former employee aged 55 or over under 30(5) or 30(6) [flexible retirement] using regulation 30(8) of the Pension Regulations.</p> <p>(Pre-2014) Whether to waive actuarial reductions entirely under 30(5) or 30A(5) [deferred pensioner members] of the Benefits Regulations and Regulation 2(1), of Schedule 2 of the Transitional Regulations.</p>	Farnham Town Council will only waive actuarial reductions in exceptional circumstances.	<p>The employing authority can agree to waive reductions to the pension of a member aged 55 or over who has left employment or been granted flexible retirement.</p> <p>The employer may be required to make a capital payment if they do so.</p>
9	Award of Additional Pension	Regulation 31, Pensions Regulations	<p>To award additional pension at full cost to the employer:</p> <ul style="list-style-type: none"> (1) an active member; or (2) a former active member who was dismissed by reason of redundancy, business efficiency or mutual consent on grounds of business efficiency. <p>Note:</p>	Farnham Town Council will only award additional pension in exceptional circumstances.	<p>This means the employing authority has the power to award additional pension to an active member.</p> <p>The employer can also award additional pension to members who leave on the grounds of redundancy, business</p>

			<p>Any additional pension awarded (including any additional pension purchased by the employer or the member under Regulation 16 of the Pensions Regulations) may not exceed the overall additional pension limit of £7,026.00 (6th April 2019 and uplifted annually).</p> <p>Additionally, in the case of a member falling within (2) above, the resolution to award additional pension must be made within 6 months from the date on which the employment ended.</p>		<p>efficiency or mutual consent on grounds of business efficiency – up to six months after termination.</p> <p>The employer would be required to make a capital payment (in addition to the cost of purchase) if the member retired early on any grounds apart from permanent ill-health.</p>
10	Aggregation of Benefits: Concurrent Employments	Regulation 22 (7)(b), Pensions Regulations	Whether to allow an active member with concurrent employments, who ceases an employment with an entitlement to a deferred pension, more than 12 months to elect not to have their deferred pension aggregated with their active member's pension account.	Farnham Town Council will only extend the deadline in exceptional circumstances.	The employing authority can allow a member who leaves one of two (or more) employments - held at the same time - longer than 12 months to elect not to combine the deferred pension with the ongoing active pension.

11	Aggregation of Benefits: Deferred Member becoming Active Member	Regulation 22 (8)(b), Pensions Regulations	Whether to allow a deferred member who becomes an active member longer than 12 months in which to elect not to have their deferred benefits aggregated with the benefits in their active member's pension account.	Farnham Town Council will only extend the deadline in exceptional circumstances.	<p>The benefits are usually aggregated (joined-up), unless the member elects to keep them separate.</p> <p>The employing authority can agree to a former member having longer than 12 months to choose not to combine their pensions.</p>
12	Aggregation of Benefits: Deferred Member becoming Active Member (pre-2014 membership)	Regulation 10(6)(b) Transitional Regulations	Whether to allow a deferred member who becomes an active member longer than 12 months in which to elect for their pre-2014 deferred benefits to be aggregated with their active member's pension account (but, technically, they would lose the final salary link if they have not made an election under 5(5) Transitional Regulations within twelve months of becoming an active member of 2013 scheme).	Farnham Town Council will only extend the deadline in exceptional circumstances.	<p>The pre-2014 preserved benefits will be kept separate unless the member makes a positive election to aggregate them.</p> <p>The employing authority can agree to a former member having longer than 12 months to choose to combine their pensions.</p>

13	Inward Transfer of Pension Rights	Regulation 100, Pensions Regulations	<p>Whether to allow an employee who has been an active member in their current employment for more than 12 months to ask for the transfer of certain accrued pension rights to be considered.</p> <p>Note: Regulation 100(6) of the Pensions Regulations requires that a request must be made within 12 months beginning with the date on which the member first became an active member in an employment or such longer period as the employer and the Administering Authority may allow. The discretion is, therefore, only exercisable if both the Employing Authority and the Administering Authority agree.</p>	Farnham Town Council will only extend the deadline in exceptional circumstances.	Members who have been in the pension scheme for more than twelve months can ask for a transfer-in to be considered - but it will only be investigated if both the employing authority and the administering authority agreed.
14	Redundancy Payments	Regulation 5, Compensation Regulations 2006	Whether to base redundancy pay on actual pay where actual pay exceeds the statutory maximum under the Employment Rights Act 1996 (£525.00 from 1st April 2019).	Farnham Town Council may pay statutory improved redundancy payments and each case will be considered on its merits.	The employer can base the calculation of a week's pay for redundancy on actual pay if it is higher than the statutory limit (currently £508 in April 2018).

15	Compensation for loss of Employment	Regulation 6, Compensation Regulations 2006	<p>Whether to pay compensation to a person whose employment ceases</p> <ul style="list-style-type: none"> - by reason of redundancy; - in the interests of the efficient exercise of the employing authority's functions; or <p>in the case of a joint appointment, because the other holder of the appointment leaves</p> <p>Note: Compensation may not be paid under this Regulation if:</p> <ul style="list-style-type: none"> - a person's period of membership of the Pension Scheme has been increased under Regulation 12 of the Benefits Regulations 2007 (see above); or - a person has been awarded an additional pension under Regulation 13 of the Benefits Regulations 2007 see above). <p>In all cases the amount of compensation paid under this Regulation may not exceed 104 weeks' pay less any redundancy payment payable.</p>	Farnham Town Council will only award compensation for loss of employment in exceptional circumstances.	The employing authority can make an award of up to 104 week's pay (less any redundancy payment payable).
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			In all cases the decision to pay compensation under this Regulation must be made no later than 6 months after the date of termination of the person's employment.		
16	Injury Allowances	14(1) of the Compensation Regulations 2011	<p>Scheme employers (LGPS employers), apart from admission bodies, must formulate, publish and keep under review a policy on:</p> <ol style="list-style-type: none"> 1. whether to make an injury award to those who sustain an injury or contract a disease as a result of anything they were required to do in performing the duties of their job and in consequence of which they: <ul style="list-style-type: none"> ○ - suffer a reduction in remuneration, or ○ - cease to be employed as a result of an incapacity which is likely to be permanent and which 	Farnham Town Council will only pay injury allowances in exceptional circumstances.	An employing authority may award an injury allowance to employees who contract an injury or illness related to their employment.

			<p>was caused by the injury or disease, or</p> <ul style="list-style-type: none">○ - die leaving a surviving spouse, civil partner or dependant, and <p>2. if the Scheme employer has a policy to make such payments, how it will determine the amount of injury allowance to be paid?</p>		
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