Employer's Policy Statement LGPS 2018

Employer: Queen Margaret University, Edinburgh

Lead officer (for any questions): Malcolm Cutt, Director of Operations & Finance

Contact details of lead officer: mcutt@qmu.ac.uk

Date of policy statement: November 2019

Date for review: As required by legislative or regulatory change

Notes on LGPS Policy adoption and review

This is a requirement of the Scheme Regulations – each employer must have a policy in place by 30 November 2019 on regulations 16(2)(e) and 16(4)(d) (Additional Pension Contributions), 29(7) (Flexible Retirement), 29(9) (waiving actuarial reductions), 30 (award of additional pension), and Schedule 2 Paragraphs 2 & 3 of Schedule 2 of the Transitional Regulations (switching on the rule of 85 for members who voluntarily draws benefits between age 55 and 60).

It is recommended that employers also formulate their policy in respect of the other regulations included below.

It must be published (made known to members) and a copy sent to Lothian Pension Fund.

It must be kept under review and revised following any change in policy.

Any revisions must be published and a copy sent to the fund within 1 month of the revision.

In formulating their policy, employers must have regard to the extent to which the exercise of its policy could lead to a serious loss of confidence in the public service.

The Local Government Pension Scheme (Scotland) Regulations 2018

Policy Statement

Under Regulation 58 of the Local Government Pension Scheme (Scotland) Regulations 2018, each employer participating in the scheme is required to formulate a policy concerning the exercise of certain discretions contained within the regulations.

Queen Margaret University, Edinburgh (QMU) after careful consideration and having regard to the extent to which the exercise of the functions could lead to a serious loss of confidence in the public service, has decided to exercise its discretions in the following way

The statement is applicable to all employees of QMU who are eligible to be members of the Local Government Pension Scheme.

COMPULSORY ITEMS

1. Regulation 16(2)(e) & 16(4)(d) of the Local Government Pension Scheme (Scotland) Regulations 2018: Additional Pension Contributions

Policy

QMU will not have a general policy of entering into an APC contract with a scheme member but will consider individual cases on their merits.

Explanatory Notes

Employers may voluntarily enter into an APC contract with a Scheme member who is contributing to the MAIN section of the scheme in order to purchase additional pension of not more than the additional pension limit (£6,500 from 1st April 2015 subject to annual increase in line with the Pensions (Increase) Act 1971).

Employers may resolve to fund in whole or in part any arrangement entered into by an active scheme member to pay additional pension contributions by way of regular contributions in accordance with Regulation 16(2)(e), or by way of a lump sum in accordance with Regulation 16(4)(d).

The amount of additional contribution to be paid is determined by reference to actuarial guidance issued by the Government Actuaries Department.

Consideration needs to be given to the circumstances under which the scheme employer may wish to use their discretion to fund in whole or in part an employee's Additional Pension Contributions.

2. Regulation 29(7) of the Local Government Pension Scheme (Scotland) Regulations 20188: Flexible Retirement

Policy

QMU will not have a general policy of agreeing to requests for early payment of retirement benefits from a member who has attained age 55 and who with their employer's consent, has also reduced their hours and/or grade. However, where QMU considers that it can be demonstrated as being to its advantage or in its operational interests, it will consider such requests.

Should QMU agree to the early payment of benefits under this regulation in any case, it will not have a general policy of waiving any reduction which would normally be applied to the benefits.

Explanatory Notes

Where certain conditions are met, the Scheme Regulations allow members to draw some or all of their scheme benefits while still in employment (flexible retirement). The conditions are:

- The member must apply for early payment in writing and be at least age 55
- The member, with the employer's consent, reduces the hours they work or their grade of employment and,
- The employer agrees to the early payment of his benefits

On flexible retirement, members must take all benefits in respect of membership before 1 April 2009. With regards to the following benefits, the member has the option to request payment of the benefits as follows:

- All, part or none of the benefits in respect of membership between 1 April 2009 and 31 March 2015
- All, part or none of the benefits in respect of membership from 1 April 2015 onwards

- Any additional benefits such as added years contracts, additional pension contracts (APCs), additional voluntary contributions (AVCs) or additional pension or membership awarded by the employer.

Employers must confirm whether or not they will agree to the member's request.

The benefits would be subject to the same level of reduction which would apply had the member retired from employment, but the employer may, at their cost, waive the reduction.

Employers may wish to specify in their policy that a minimum reduction in hours or grade is required before flexible retirement can be considered.

Note that for members who have reached age 60, employer consent to early payment is not required.

3. Regulation 29(9) of the Local Government Pension Scheme (Scotland) Regulations 2018: Waiving Actuarial Reduction on Early retirement between 55 and 60.

Policy

QMU will not have a general policy of agreeing to waive any reduction which would normally be applied to the member's benefits.

Explanatory Notes

Any active scheme member who has not attained NPA but has attained age 55 may elect to receive immediate payment of their benefits, providing they have left employment, but these benefits may be reduced for early payment

An employer can agree to waive the reduction which would apply. To do so would mean the employer would be liable for strain on fund costs to cover the cost of early retirement.

4. Schedule 2 – paragraphs 2 & 3 of the Local Government Pension Scheme (Transitional Provisions and Savings) (Scotland) Regulations 2014

Policy

QMU will not have a general policy of agreeing to requests to apply the rule of 85 from a member who has attained age 55 and has elected for early payment. However, where QMU considers it can be demonstrated as being to its advantage or in its operational interests to apply the rule of 85, it will consider such requests.

Explanatory Notes

Other than on flexible retirement, the rule of 85 does not automatically apply to members who would otherwise be subject to this and have chosen to voluntarily draw their benefits on or after age 55. As a result, the member's benefits will be actuarially reduced. To avoid the member suffering the full reduction to their benefits the Scheme employer can 'switch on' the rule of 85 protections thereby allowing the member to receive fully or partly unreduced benefits but subject to the Scheme employer paying a strain (capital) cost to the Pension Fund.

A further option would be for the employer not to apply the rule of 85 but to agree to waive part of the actuarial reduction which would apply. In these cases, the employer would meet part of the cost for early payment by paying a strain cost, and the member would meet the balance of the cost by a reduction to their benefits.

5. Regulation 30 of the Local Government Pension Scheme (Scotland) Regulations 2018: Award of Additional Pension

Policy

QMU will not have a general policy of awarding additional pension in this way but will consider individual cases on their merits. QMU may exercise this discretion in an individual case by written resolution where financial or operational advantages can be demonstrated.

Explanatory Notes

An employer may award a member additional pension which would become payable from the same date as the member's normal pension. The maximum extra pension which can be awarded is £5,000. Such awards can be made to active members, or within 6 months of leaving to members whose employment was terminated on the grounds of redundancy or the interest of efficiency. The employer must make an appropriate payment into the fund within one month of making a resolution.

The figure of £5,000 will be increased annually each April (from April 2016) under the Pension (Increase) Act 1971.

6. Regulation 30 of the Local Government Pension Scheme (Benefits, Membership and Contributions) (Scotland) Regulations 2008: (Voluntary Early Retirement between the ages of 55 and 60)

Policy

Any former scheme member who left prior to 1 April 2015 and is aged 55 or over, providing they are no longer in employment where they are eligible for membership of the Local Government Pension Scheme, may request unreduced payment of their deferred benefits on compassionate grounds.

QMU will only exercise its discretion to waive the actuarial reduction in exceptional cases of hardship.

Explanatory Notes

This discretion applies to former employees with deferred benefits who left the Scheme before 1 April 2015. The Scheme Regulations allow former members to obtain access to their deferred benefits early; provided they are at least 55 years old. Benefits would be reduced for early payment and pension.

The reduction is calculated in accordance with guidance issued by the Government Actuary's department.

However, employers may wish to consent where it could be demonstrated that there were financial or operational benefits in doing so.

Employers may resolve to waive any actuarial reduction applied to the member's benefits where there are compelling compassionate grounds for doing so. It should be borne in mind that decisions to waive any actuarial reduction under this regulation will put a strain on the pension fund, a cost which is passed on to the employer

NON-COMPULSORY ITEMS

7. Regulation 17(1) of the Local Government Pension Scheme (Scotland) Regulations 2018: Shared Cost AVCs

Policy

This regulation allows QMU to set up an additional voluntary contributions (AVC) scheme requiring a contribution from the [employing authority]. Scheme members already have access to AVC arrangements which accept member-only contributions. The policy of QMU is not to establish a shared cost AVC scheme.

Explanatory Notes

To our knowledge, very few employing authorities in the UK have established a shared cost AVC scheme. To do so would result in additional costs for the employer.

8. Regulation 86 of the Local Government Pension Scheme (Scotland) Regulations 2018: Forfeiture of pension rights after conviction for employment-related offences

Policy

Under this regulation, QMU may apply to the Scottish Ministers to forfeit all or part of a scheme member's pension benefits. This would apply in a case of conviction for a serious offence which were either 'gravely injurious to the State' or 'liable to lead to a serious loss of confidence in the public service'. In the interests of maintaining confidence in the public service, QMU reserves the right to exercise this discretion should the need arise.

Explanatory Notes

This provision allows the employer the option to apply to the Scottish Ministers to forfeit all or part of a scheme member's pension benefits in specific circumstances (such as a conviction for a serious crime) and it is recommended that all employers adopt this provision.

9. Regulation 87 of the Local Government Pension Scheme ((Scotland) Regulations 2018: Recovery or retention where former member has misconduct obligation

Policy

Under this regulation, QMU may recover from their pension benefits any loss arising from a criminal, negligent or fraudulent act by a former employee. Providing that all other efforts to recover monetary obligations have been exhausted, in the interest of maintaining confidence in the public service, QMU reserves the right to exercise this discretion should the need arise.

Explanatory Notes

This provision allows employers to recover monies from pension benefits (for example, the theft of a substantial sum of money could be recovered from a scheme member's total benefits in respect of acts of theft or fraud carried out by an employee. This provision can also apply to former employees (for example, the theft of a substantial sum of money could be recovered by deducting this amount from a member's transfer value and only the reduced benefit deferred until retirement age). It is recommended that all employers adopt this provision.

10. Regulation 95 of the Local Government Pension Scheme (Scotland) Regulations 2018: Inward Transfer of Pension Rights

Policy

QMU will not have a general policy of allowing a late transfer to proceed. Instead it will consider individual applications on their merits and may, in agreement with Lothian Pension Fund, exercise discretion to allow a late transfer to proceed where there is no financial impact on QMU and Lothian Pension Fund.

Explanatory Notes

The Scheme Regulations allow members to transfer previous pension rights into the Local Government Pension Scheme. The Regulations state that all transfers must be requested within 12 months of the member joining the scheme. However, employers and administering authorities have the discretion to allow transfers to proceed after this time-limit has expired.

Employers may wish to consider extenuating circumstances as to why the member did not request the transfer previously. The employer may have a policy not to allow late transfers to proceed as this will increase the member's pension liabilities. This would be a particular consideration if there is a possibility that early retirement may be considered in the future as such an increase in liabilities could give rise to increased strain on Fund costs.

11. Regulation 9(4) of the Local Government Pension Scheme (Scotland) Regulations 2018: Member Contributions

Policy

Under this regulation, QMU may adjust a member's contribution rate should a change in pay move them into a different band during the financial year. Providing that a consistent approach is taken, in the interest of maintaining confidence in the public service, QMU reserves the right to exercise this discretion should the need arise.

Explanatory Notes

Employers have to allocate members into the appropriate contributions band for 2015/16 and every financial year from then on. If a member's pay moves into a different band during a financial year, the employer has discretion to implement the new band immediately but may prefer to wait until the next annual review.

12. Regulation 16(16) of the Local Government Pension Scheme (Scotland) Regulations 2018: Additional Pension Contributions

Policy

Under this regulation, where a member enters into an additional pension contract to which employer contributions may be made (Shared Cost Additional Pension Contract), an application to enter into the contract must be made within 30 days of returning to work. QMU will not generally agree to extend this time limit, but will do so exceptionally, where an employee provides evidence of extenuating circumstances.

Explanatory notes

Following a period of approved unpaid continuous absence for more than 30 days, the member can elect to buy back the lost pension. If they make such an election within 30 days of their return to work, then the cost of buying back the lost pension can be shared with the employer. Elections made more than 30 days after the member returned to work would require the member to bear the full costs of the additional pension contract. The Regulations allow the employer to extend the 30 day time limit at their discretion.

13. The Local Government (Discretionary Payments and Injury Benefits) (Scotland) Regulations 1998 and the Local Government (Discretionary Payments and Injury Benefits) (Scotland) Amendment Regulations 2008

Policy

As an Admitted Body, QMU has formally adopted the provisions of the Local Government (Discretionary Payments and Injury Benefits) (Scotland) Regulations 1998 and the Local Government (Discretionary Payments and Injury Benefits) (Scotland) Amendment Regulations 2008.

Policy Review

In making this policy, QMU has referred to the statutory provisions and to advice from the City of Edinburgh Council as the Pension Scheme administering authority.

This policy statement will be kept under review and will be revised as and when necessary to reflect any changes in regulation or policy. Any changes to this policy will be advised to the administering authority and scheme members in writing within one month of the change taking effect.

Authorised Signature:

Designation: Date: