



## **Pensions and Retirement Policy**

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### **1.0 Statement of Purpose/Objective**

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

### **2.0 Scope**

This policy applies to all Shropshire Council employees, other than those employed by schools, for which a separate policy will apply.

### **3.0 Roles and Responsibilities**

#### **3.1 The Responsibilities of Managers**

3.1.1 Managers have a statutory duty to ensure that all employees approaching retirement age are informed of Shropshire Council's retirement policy at a point 6 to 12 months prior to an employee reaching the age of 65. They are also required to be aware of the flexible retirement provisions.

### 3.2 The Responsibilities of Employees

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

## 4.0 Pensions

### 4.1 Joining the Pension Scheme and Contribution Rates

4.1.1 Employees will automatically become a member of the pension scheme, unless one of the following apply:

- Unless in a post in which the employee is required to join another public sector scheme, e.g. teachers
- Employed as a casual worker (unless they have mutuality of obligation, whereby the employer is obliged to provide work and the employee obliged to take it)
- Whereby the offer of employment, and subsequent contract does not exceed three months
- Where the employee has written to Shropshire Pension Fund to confirm they do not want to be a member of the pension scheme.
- Employees over the age of 75

4.1.2 Effective from 1<sup>st</sup> April 2012, employees' pension contribution rate will be based on their full time equivalent pensionable pay according to the following table:

Band	Full-time equivalent salary	Contribution rate
1	Up to £13,500	5.5%
2	>£13,500.01 - £15,800	5.8%
3	>£15,800.01 - £20,400	5.9%
4	>£20,400.01 - £34,000	6.5%
5	>£34,000.01 - £45,500	6.8%
6	>£45,500.01 - £85,300	7.2%
7	More than £85,300	7.5%

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

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

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

The salary figures detailed in the table above will increase on 1<sup>st</sup> April each year by the rise in the Consumer Price Index.

4.1.3 In addition to pensionable contributions, an employee is able to purchase additional scheme pension in steps of £250 per annum, up to a maximum of £5,000. Advice on this is available from the Pensions team (see paragraph 11.1 below).

## **4.2 Re-assessment of bandings**

4.2.1 The Council will re-assess bandings for all employees every April, with the exception of the following:

- Promotion or permanent/long term honoraria payments
- Down-grading or demotion
- A re-grading exercise

All of the above will prompt an immediate reassessment.

4.2.2 The Council will not re-assess pension contribution bandings after a back dated pay award.

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

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

## **4.3 Transferring Pension into the Shropshire Pension Fund**

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

4.3.2 The request to transfer pension rights should normally be made within 12 months of the employee starting employment with Shropshire Council.

4.3.3 In exceptional circumstances, where an employee can show good cause, they may seek an extension to the first twelve months by up to a further 12 months before making a decision on making an application to transfer their pension rights subject to confirmation from their Corporate Director that they are not likely to retire, or be subject to ill-health retirement in the near future. In all instances, the employee

should write to the Corporate Head of Organisation Development requesting an extension to the twelve months, detailing any extenuating circumstances.

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

4.3.5 Relevant employees (those who have AVC contracts taken out prior to 13<sup>th</sup> November 2001) at retirement may request to transfer in AVCs (Additional Voluntary Contributions). Requests should be made within 1 month of retiring; however this may be extended to 3 months to allow for administrative procedures.

#### **4.4 Certificates of "Protection of Pension Benefits"**

4.4.1 With effect from 1<sup>st</sup> April 2008 a Certificate of Protection of Pension Benefits will no longer be issued. Existing certification issued prior to this date will still apply.

#### **4.5 Augmentation**

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

4.5.2 Augmentation will be considered only in exceptional circumstances and is not an automatic entitlement. The Corporate Head of Organisation Development, in consultation with the Corporate Head of Finance and Commerce, has discretion to approve augmentation after taking into account all the financial implications.

4.5.3 Augmentation will also be permitted in accordance with the Council's Redundancy and Compensation Policy

#### **5.0 Retirement**

*For information on all aspects of retirement please refer to the "Shropshire Fund Pension Scheme Booklet – a guide to your pension" available from the Pensions Team(01743 – 252130) or look on their website [www.shropshire.gov.uk/pensions.nsf](http://www.shropshire.gov.uk/pensions.nsf)*

#### **5.1 Early Retirement on Compassionate or Exceptional Grounds**

5.1.1 Early release of pension under regulation 30 of the LGPS (Benefit, Membership and Contribution) Regulations 2007 may be requested in certain circumstances by employees who are aged 55 or over but under 65. The circumstances where permission for early retirement in exceptional circumstances will be granted will be very limited.

5.1.2 Sympathetic consideration will be given to early payment of pension on compassionate grounds, e.g. where there is a need by a member of staff to provide long term care, which can be evidenced, to a dependant relative or partner. In such

cases, the full pension will be payable, with no reduction for early release of the pension. The additional pension costs will be met from the particular budget to which their salary costs are attributed, as a lump sum when the employee leaves.

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

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

5.1.5 Early retirement requests will be considered initially by the appropriate Corporate Director and then passed for further consideration to the Corporate Head of Organisation Development, the Corporate Head of Finance and Commerce, and the Chief Executive as Head of Paid Service for submission for final approval, by the Early Retirement Panel.

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

## **5.2 Early retirement on the grounds of ill health**

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

- If there is no reasonable prospect of the member of the scheme obtaining any gainful employment before the age of 65, extra membership of 100% of the period to the age of 65 will be awarded.
- If the member of the scheme is likely to be able to obtain “gainful” employment before the age of 65, but cannot do so within a period of three years of the estimated date of leaving, extra membership of 25% of the period to the age of 65 will be awarded
- If the member of the scheme is likely to obtain “gainful” employment within a period of three years of the estimated date of leaving, no extra membership will be awarded, and only accrued benefits will be payable. This payment is reviewable after a period of 18 months, once a further medical opinion of an Occupational Health Physician has been obtained. In the event of the employee obtaining gainful employment, the benefit will cease to be paid.

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

5.2.2 The process for ill health retirements can be found within the Council’s policy on “Caring about Sickness”, Section 9

## **5.3 Flexible Retirement**

5.3.1 Under the flexible retirement arrangements, employees who are members of the Local Government Pension Scheme, may request a reduction in their hours or move to a lower graded post and also draw their pension whilst continuing to work, under regulation 18 of the pension scheme regulations. This will be subject to management consent and will only be considered where there is a justifiable business case and the cost, if any, of early release of pension is managed within the section's budget.

5.3.2 To be considered for this, employees must:

- be aged 55 or over
- work in a post or area of work where there are difficulties in recruiting; there are skill shortages or work of a particular nature which requires their skills;
- get authorisation for early release of their pension.

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

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

5.3.5 The decision to permit an employee to receive immediate payment of their pension under flexible retirement will be authorised by their Corporate Director, in discussion with the Corporate Head of Organisation Development. If the line manager approves the flexible retirement they should complete the form available on Ask HR.

## **6.0 Working beyond the age of 65**

### **6.1 Job applicants over the age of 65**

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

### **6.2 Existing employees working beyond age 65**

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

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

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

### **6.3 Requests to continue to work beyond age 65**

6.3.1 HR Contact Team, Shared Services will monitor and advise Managers when an employee is approaching 65 years of age.

6.3.2 Managers will send the employee a letter informing them of their right to work beyond retirement age with a form attached for the employee to complete and return to confirm their intention to retire or to continue to work (Contact your HR Contact Team in Shared Services in order to obtain copies of both of these documents - Appendix 1 and 2).

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

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

#### **6.4.1 Employees in the LGPS who continue to work beyond 65**

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

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

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

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

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

## **7.0 Pre-retirement Courses**

7.1 Employees who have indicated that they wish to retire will have the opportunity of attending a Pre-Retirement Course, to better prepare them for that change.

7.2 Further details are available from the appropriate Training Co-ordinator, to whom nominations should also be returned.

## **8.0 Links to Other Policies**

8.1 This policy links to Shropshire Council's Flexible Working Framework and to the Council's Redundancy and Compensation Policy.

## **9.0 Pensions Appeals**

9.1 In accordance with Regulation 58 of the Local Government Pension Scheme (Administration) Regulations 2008, the Council is required to draw all employees' attention to the fact that, if they are dissatisfied with any decision relation to their rights or liabilities under the Scheme, they may make an application to the Treasury and Exchequer Manager, the person appointed for resolving disputes. An appeal must be made within six months of the event. Standard forms and guidelines are available from the Pension Team for this purpose.

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

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

## **10.0 Monitoring and Review**

10.1 Human Resources will work with Managers to monitor the application of this policy. Shropshire Council may review any aspect of the procedure in the light of changing circumstances at any time, in consultation with the trade unions.

10.2 The policy will be reviewed at regular intervals, in conjunction with changes to legislation, and any changes to the regulations as informed by the LGPS that may impact upon it. The policy will be reviewed no later than 2 years after its implementation, in consultation with the trade unions.

## **11.0 Further Advice on Pensions**

11.1 Advice and information on the Local Government Pension Scheme (LGPS) is available from the Pensions team who can be contacted on 01743 252130 or at

[pensions@shropshire.gov.uk](mailto:pensions@shropshire.gov.uk). Further useful information can also be found at [www.shropshire.gov.uk/pensions.nsf](http://www.shropshire.gov.uk/pensions.nsf)