



<b>Report To:</b>	Overview & Scrutiny Committee
<b>Date:</b>	2 <sup>nd</sup> October 2025
<b>Subject:</b>	Review of HR Policies - Pensions & Pensions Discretions Policy
<b>Purpose:</b>	To seek Overview & Scrutiny Committee's views on the proposed HR policy (Pensions & Pensions Discretions Policy) prior to report to Council.
<b>Key Decision:</b>	N/A
<b>Portfolio Holder:</b>	Councillor Dale Broughton, Leader of the Council
<b>Report Of:</b>	James Gilbert, Assistant Director – Corporate
<b>Report Author:</b>	Rachel Robinson, Group Manager – Organisational Development
<b>Ward(s) Affected:</b>	N/A
<b>Exempt Report:</b>	No

### Summary

HR policies require regular review to ensure they are within the legal framework and reflect best practice. This report brings forward the Pensions & Pensions Discretions Policy for review. The Policy has been developed by Public Sector Partnership Services, as the Councils' HR provider; with input from a Readers' Panel consisting of Officers and Trade Union Representatives (Local and Regional). The Readers' Panel has confirmed that operationally the policy is practical to implement.

The Policy will require approval at Council post Overview & Scrutiny Committee.

### Recommendations

That the Panel considers the Policy and provides feedback and comments.

## **Reasons for Recommendations**

HR policies need to be regularly updated to ensure they reflect best practice and are within the legal framework. This review has provided the opportunity to seek consistency in HR policy across the Partnership. This recommendation ensures the Panel has the opportunity to input into the final policy prior to consideration by Council.

## **Other Options Considered**

None

### **1. Background**

- 1.1 It is important HR Policies are regularly reviewed to ensure they remain appropriate, reflect legislation and best practice and enable the Head of Paid Service to effectively manage the workforce.

### **2. Report**

- 2.1 Having a single set of shared HR Policies will ensure consistency and simplify the way the Partnership's workforces are managed. There is also a benefit to Public Sector Partnership Services of a single HR policy set for each of the three Councils as it means rather than HR advisors administering three different policy sets, they only need to administer one.
- 2.2 This report brings forward a Pensions and Pension Discretions Policy (Appendix A) which outlines the Councils approach to administering the Local Government Pension Scheme (LGPS) and the application of employer discretions in accordance with statutory requirements.
- 2.3 The LGPS is governed by a series of regulations, including the LGPS Regulations 2013 and the LGPS Transitional Regulation 2014. Employers participating in the LGPS are legally required to prepare, publish and keep under review a written policy statement on how they will exercise certain discretionary powers under these regulations.
- 2.4 The policy, as presented at Appendix A, has been reviewed by an internal Reader's Panel of officers from across the Partnership, trade unions and the Senior Leadership Team. The policy has their support.
- 2.5 The tables below provide a summary of the mandatory discretions that an employer must have, and recommended non-mandatory discretions, the current provision and the recommendations as covered by the Policy.

**The following discretions are mandatory:**

<b>Discretion</b>	<b>Regulation</b>	<b>BBC Current Policy (Dec 2015)</b>	<b>Recommendation</b>
<p><b>Whether, how much, and in what circumstances to contribute to a Shared Cost APC scheme</b></p> <p>This discretion is whether the council contributes to some or all of the purchase of additional pension by an active member, either by regular contributions or lump sum. Where a council contributes to some of the purchase, this is often known as a shared cost APC (SCAPC). Employers can choose to contribute to the cost of Additional Pension Contributions purchased by an employee.</p> <p>Note: This does not include instances where the employee is paying for lost pension via an APC where the election was made in the first 30 days (or longer if the employer allows) – in this circumstance the employer must pay two-thirds of the cost of such purchase there is no discretion (R15(5)).</p>	R16(2e) & R16(4d)	<p>The council does not consider contribution to APC to be an essential part of its employment strategy.</p> <p>The council has chosen not to adopt this discretion.</p>	<p>The Council will reserve the right to exercise this discretion and will deal with it on a case-by-case basis except where required under R15(5) Rationale to manage financial exposure while supporting employees. The council will take into account any financial implications. The cost of this would fall on the employer so expectation is this discretion will only be exercised in exceptional circumstances and would be subject to any current maximum annual value set by LGPS or HMRC.</p>
<p><b>Award of Additional Pension:</b> Whether to award additional pension (of up to £8,903* pa at 1 April 2025) to; an active member, or within 6 months of ceasing to be an active member on the grounds of redundancy or business efficiency.</p> <p>*this figure is revalued annually</p>	Regulation 31	This council has chosen not to adopt this discretion.	The council will not exercise this discretion due to financial implications.
<p><b>Whether to allow Flexible Retirement:</b> Employers can allow employees aged 55+ to draw pension benefits while continuing to work (with reduced hours or grade) .</p>	Regulation 30(6) Regulation 11(2)	<p><u>Separate policy:</u> Yes</p> <p><b>Hours:</b> Reduction in hours should be min of 40% for both FT and PT staff.</p>	The Council will reserve the right to exercise this discretion and will deal with it on a case by case basis taking into account any financial and operational implications. Requests will only be considered where the reduction in hours would

Employers must decide whether to allow this.		Grade: The employee should normally identify a suitable lower graded post – at least 2 equivalent grades reduction.  Approved by CMT	result in at least 30% reduction in gross pay and or a reduction of at least a grade. This discretion may only be used where the employing department can demonstrate that there is no adverse impact to services.
<b>Flexible Retirement - Whether to allow the member to choose to take</b> a. part or none of the pension benefits they built up after 31 March 2008 and before 1 April 2014, and / or b. all, part or none of the pension benefits they built up after 31 March 2014	Reg (30 (8)	This council has chosen not to adopt this discretion.	The Council will reserve the right to exercise this discretion and will deal with it on a case-by-case basis taking into account any financial implications. The cost of this would fall on the employer so expectation is this discretion will only be exercised in exceptional circumstances
<b>Whether to waive, in whole or in part, any actuarial reductions which would otherwise be applied to the benefits taken on flexible retirement before Normal Pension Age</b> In such cases, pension benefits will be reduced in accordance with actuarial tables unless the employer waives the reduction either fully or in part - the cost of waiving any actuarial reduction, in whole or in part, would have to be met by, and paid to the Pension Fund by, the Scheme employer. Please be aware, if you allow members to retire under flexible retirement, and they meet the 85 year rule between the ages of 55 and 60, there may be a cost to the employer as there is no option to switch the 85 year rule off in this instance.	R 30 (8)	This Council has chosen not to adopt this discretion.	The Council will reserve the right to exercise this discretion and will deal with it on a case-by-case basis taking into account any financial implications. The cost of this would fall on the employer so expectation is this discretion will only be exercised in exceptional circumstances
<b>Whether to waive, in whole or in part, any actuarial reductions on benefits which a member voluntarily draws before normal pension age (excluding flexible retirement).</b>  This employer may waive reductions on either: <ul style="list-style-type: none"> <li>compassionate grounds</li> </ul>	Regulation 30(8), TP3(1), TPSch 2, para 2(1), B30(5) and B30A(5)	This Council will reserve the right to exercise this discretion and will deal with it on a case by case basis taking into account financial implications. The council will consider applications made under this Reg having regard to the	The Council will typically only exercise this discretion if: <ul style="list-style-type: none"> <li>It is in the financial or operational interest of the employer.</li> <li>There are compassionate grounds that justify it.</li> </ul>

<ul style="list-style-type: none"> <li>on any grounds</li> </ul> <p>Employers can choose to waive some or all of the reductions applied to pension benefits when a member retires early (from age 55 onwards).</p> <p>If they do, the cost of doing so (called the strain cost) must be paid by the employer to the pension fund.</p>		<p>particular circumstances surrounding each case. Decisions will be made on the merits of each case having particular regard to: the councils ability to meet the costs; whether any demonstrable cost saving available, the members personal Circs. On the grounds of compassion, will be granted, if in the employers sole opinion , the special extenuating circumstances surrounding the application, along with the supporting evidence provided justify approval, and the employer can meet the cost of granting such a request</p>	<ul style="list-style-type: none"> <li>The costs of waiving the reduction can be justified and met.</li> </ul>
<p><b>Determination of Contribution Banding</b></p> <p>Employers must determine the appropriate contribution rate for each employee, based on pensionable pay.</p>	<p>Regulation: 9 (1) &amp; 9(3)</p>	<p>Where an employee changes their employment within the council and there is a material change to their pensionable pay during a year, the council wil change the employee's contribution rates when the material change takes effect.</p>	<p>The Council will use the contribution rate defined in the regulations and apply it to employees who are members of the Pension scheme in accordance with their pensionable pay. Where an employee changes their employment within the Council and there is a material change to their pensionable pay during a year, the council will change the employees contribution rates when the material change takes effect.</p>

**The following discretions are Non-Mandatory**

Discretion	Regulation	BBC Current Policy (Dec 2015)	Recommendation
<p><b>Whether, how much and in what circumstances to contribute to a shared cost AVC arrangement.</b></p> <p>It gives employers the discretion to contribute to an employee's AVC arrangement, making it a shared cost AVC.</p>	<p>Regulation 17(1) and (2)(e)</p>	<p>This council has chosen not to adopt this discretion</p>	<p>This discretion will not be exercised</p>

Whether to extend the 30 day deadline for member to elect for a shared cost APC upon return from a period of absence from work with permission with no pensionable pay (otherwise than because of illness or injury, relevant child-related leave or reserve forces service leave).	R16(6)	The council has chosen not to adopt this discretion.	This discretion will not be exercised.
<b><i>Forfeiture of Pension Rights</i></b> Whether to apply to the Secretary of State for a forfeiture certificate following a relevant criminal conviction.	Regulation 91(1)	The council will reserve the right to exercise this discretion and will deal with it on a case by case basis taking into account any financial implications.	The council will reserve the right to exercise this discretion and will deal with it on a case by case basis taking into account any financial implications.
<b><i>Interim Payments Direction</i></b> Whether to suspend or withhold pension payments pending a forfeiture decision.	Regulation 92	The council will reserve the right to exercise this discretion and will deal with it on a case by case basis taking into account any financial implications.	The council will reserve the right to exercise this discretion and will deal with it on a case by case basis taking into account any financial implications.
<b>Whether to “switch on” the 85 year rule</b> for a member voluntarily drawing benefits on or after age 55 and before age 60.  The Rule of 85 allows some LGPS members to retire early without full pension reductions, if their age + years of service = 85 or more. However, if a member retires between ages 55 and 60, the Rule of 85 doesn’t automatically apply—even if they qualify. In this case, the employer has the discretion to “switch it on,” meaning they can choose to allow the protection and reduce or remove the early retirement penalty.  If the employer does agree to ‘switch on’ the 85 year rule, the employer will have to meet the cost of any strain on fund resulting from the payment of benefits before 60 where the	TPSch 2, paras 1(1) C	The Council will reserve the right to exercise this discretion as previously determined in the Council’s 2008 discretionary statement.	This Council has a policy of ‘switching off’ the rule on a case by case basis. This will allow those staff who wish to retire under the 85 year rule and take the actuarial reduction themselves (at no cost to the council) to do so.

member has already met the 85 year rule or will before age 60.			
<b>Late transfer requests</b> Whether to extend the 12 month time limit for a member to elect to transfer previous pension rights into LGPS.	Regulation: 100(6)	This council will reserve the right to exercise this discretion and will deal with it on a case by case basis taking into account any financial implications.	Requests made outside the 12 month period will not be considered unless: 1) no previous option was given to the member due to a clear administration error; 2) Where there has been an administrative delay in processing the initial request, which was received within the 12 month of active membership, or 3) there is clear evidence they had not been informed of or could not have reasonably known the time limit.
<b>Assumed Pensionable Pay (APP)</b> Whether to include certain payments in the calculation of APP when a member is on reduced or nil pay.	Regulation 22(7)(b)	Not captured	The Council will include in the Assumed Pensionable Pay (APP) calculation any regular lump sum payments where it is judged that it is reasonable to assume they would have been paid.
This discretion allows an employer to issue a certificate of protection of pension benefits on behalf of a member if the member fails to request one themselves, in situations where: <ul style="list-style-type: none"> <li>• The member's pay is reduced or restricted, and</li> <li>• They are entitled to final salary protections (typically for service before 1 April 2014).</li> </ul> The certificate helps ensure that the member's final salary benefits are calculated using the higher pay they previously earned, rather than the reduced pay.	LGPS (Transitional Provisions) Regulations 2014, specifically related to final salary protections.	Not captured	The Council reserves the right to exercise this discretion and will deal with it on a case by case basis.

### **3. Conclusion**

- 3.1. This report presents the Pensions & Pension Discretions Policy for consideration by the Overview & Scrutiny Committee. The policy has been developed to provide guidance to employees and managers, ensure legal compliance, reflect best practice, and support consistent workforce management across the South and East Lincolnshire Councils Partnership.
- 3.2. The policy has been reviewed and endorsed by a Readers' Panel comprising officers, trade union representative and the Senior Leadership Team. Their feedback confirms the practicality and relevance of the proposed changes.
- 3.3. The Panel is invited to provide feedback on the proposed policy to inform the final version that will be presented to Council for approval.

### **Implications**

#### **South and East Lincolnshire Councils Partnership**

The adoption of a unified set of HR policies will enhance consistency in workforce management and simplify HR service delivery across the Partnership.

#### **Corporate Priorities**

The policy supports workforce planning which aims to make the Council more efficient and effective.

#### **Staffing**

The Policy will have a direct impact on the management of the workforce. The policy has been developed in line with legislation and best practice and are designed to support positive workforce management.

#### **Workforce Capacity Implications**

None

#### **Constitutional and Legal Implications**

The policy ensures compliance with statutory obligations under the LGPS Regulations, transparency and consistency in the application of pension-related decisions, fairness in how discretions are applied to individual cases, and clarity for employees and managers.

#### **Data Protection**

There are no direct data protection implications arising from the content of the report, but data relating to staff is protected under data protection laws. The Council has suitable technical and organisational measures in place to protect such data.



## **Financial**

There are no immediate financial implications of implementing the policy. Any financial implications of exercising pension discretions must be carefully considered on a case-by-case basis as outlined within the policy. The Council reserves the right to exercise discretions ensuring that any associated costs are justified and sustainable. This approach supports prudent financial management and protects the Council from undue strain on resources, while maintaining flexibility to support workforce and business needs where appropriate.

## **Risk Management**

Failure to adopt and maintain a current pensions and pension discretions policy would result in non-compliance with LGPS regulation, inconsistent decision-making, lack of clarity for employees and HR, inability to demonstrate transparency and fairness, and a missed opportunity to align policies across the SELCP.

## **Stakeholder / Consultation / Timescales**

The Policies have been reviewed by a Readers' Panel including officers, trade union representatives and the Senior Leadership Team. Their feedback has been incorporated into the final drafts.

## **Reputation**

The Council recognises the importance of supporting its workforce and managing the workforce in a positive way. The policy aims to achieve that, thereby enhancing the reputation of the Council as an employer.

## **Contracts**

None.

## **Crime and Disorder**

None

## **Equality and Diversity / Human Rights / Safeguarding**

All pension-related decisions will be applied fairly and consistently in accordance with the Equality Act 2010. The policy supports inclusive workforce practices and promotes equal access to pension benefits.

## **Health and Wellbeing**

The Council acknowledges the role that pension flexibility can play in supporting employee health and wellbeing, particularly in relation to flexible retirement options. By allowing employees to reduce working hours or responsibilities while accessing pension benefits, the policy supports a healthier work-life balance and enables staff to transition into retirement in a way that suits their personal circumstances. This contributes to a support working environment and aligns with the Council's broader wellbeing approach.

## **Climate Change and Environment Impact Assessment**

Not Undertaken

### **Acronyms**

PSPS – Public Sector Partnership Services

BBC – Boston Borough Council

### **Appendices**

Appendix A                                      Pensions & Pension Discretions Policy

### **Background Papers**

No background papers as defined in Section 100D of the Local Government Act 1972 were used in the production of this report

### **Chronological History of this Report**

A report on this item has not been previously considered by a Council body.

### **Report Approval**

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