Appendix C

SUMMARY OF EMPLOYER PENSION DISCRETIONS – THE 'BIG FOUR' DISCRETIONS

TYPE	WHAT	PURPOSE	IMPLICATIONS
1. SHARED COST APC (Note - A member can elect to pay APCs to improve their own pension at their cost at any time)	Payment to buy additional annual pension of up to £6,500	To enable member to build up an improved pension	Cost to the employer, even though shared. The cost can be split between the employee and employer at any agreed ratio but not 100% cost to the employer.
2. FLEXIBLE RETIREMENT	The ability to carry on working in a job with lower pay or less hours and draw accrued pension benefits	Expertise retained in organisation, albeit not in many cases full time. Degree of benefit to employer under new arrangement would inform benefit of waiving actuarial reduction / employer cost.	Potential cost to employer as no waiver of 85 rule required (i.e. it applies to all retirements over age 55 where membership started pre October 2006) – service / age will determine protection / cost to employer. Where there is no 85 year rule protection, discretion could be to waive the actuarial reduction. Cost would arise if this was the case Risk that once granted, there is little to stop the employee leaving with full non reduced pension as earned. Any new pension contributions in reduced post would be on a new scheme without 85 year rule protections.

	The discretion is whether to turn on the 85 year rule for use before age 60 (when it will automatically apply) and/ or whether to waive any actuarial reductions	To waive the actuarial reduction for those retiring between age 55 - 60	Early release cost to the employer on pension, as if the person had been made redundant, but potential saving of redundancy pay If agreed, could have a conditional discretion to allow in exceptional circumstances subject to employer consent. Request approved where the cost can be mitigated by salary saving. Cost can be controlled by limiting its use.
3. VOLUNTARY EARLY RETIREMENT PRE – AGE 60 (Note: In future, an employee can retire from age 55 – 60 without the employers consent)	The ability to retire between 55 – 60 with required actuarial reduction (no cost to employer) or without any actuarial reduction (employer cost).		
	The discretion is: - whether to turn on the 85 year rule for use before age 60 (when it will automatically apply) - and/ or whether to waive any actuarial reductions	To waive the actuarial reduction for those retiring between age 55 - 60	Early release cost to the employer on pension, as if the person had been made redundant, but potential saving of redundancy pay If agreed, could have a conditional discretion to allow in exceptional circumstances subject to employer consent. Request approved where the cost can be mitigated by salary saving. Cost can be controlled by limiting its use.
4. ADDITIONAL PENSION (CONTRIBUTIONS)	Ability for employer to grant an additional pension of up to £6500	Aid to recruitment or retention OR As part of the termination package on efficiency /	Expensive and can cost the employer about 15x the value of the additional pension. Possible tax implications for

		redundancy	member – Annual & Lifetime allowances - Also possible age / sex discrimination claims

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