

AGENDA ITEM**12**

COMMITTEE: Administration and Regulation Committee

DATE: Wednesday 25th June 2014

SUBJECT: LOCAL GOVERNMENT PENSION SCHEME (LGPS):
POLICY ON EXERCISE OF EMPLOYER DISCRETIONS

REPORT BY: Head of HR & Monitoring Officer

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IMPLICATIONS:

LEGAL	X	COMMUNITY SAFETY
EQUALITIES	X	ENVIRONMENT
FINANCIAL	X	CONSULTATIONS
STAFFING	X	OTHER

WARDS AFFECTED: All

PURPOSE

1. To provide Members with the updated Local Government Pension Scheme policy on Employers Discretions, in line with the revised local Government Pension Scheme (LGPS) Regulations effective from 1 April 2014.

RECOMMENDATION(S)

2. That Administration & Regulation Committee:

- **endorse the updated Local Government Pension Scheme Policy on Employer Discretions in line with the Local Government Pension Scheme Regulations 2014;**
- **authorise the Head of HR & Monitoring Officer in consultation with the Head of Finance to waive any actuarial reductions to an individual's LGPS retirement benefits, where they have left employment and apply on exceptional compassionate grounds.**

BACKGROUND

3. The Local Government Pension Scheme (LGPS) is a statutory pension scheme that applies to all staff within local government except those employed on teaching or health terms and conditions. Significant changes were made to the scheme, effective from 1 April 2014. These changes were to ensure the scheme remains affordable and relevant. There are a small amount of discretionary provisions in the LGPS, which enable local authority employers to manage employment situations to the advantage of the Council and employees.
4. The Council has a legal duty to formulate, publish and keep under review the policy that the Council applies in exercising discretionary powers under the Pension Regulations.
5. The Policy Statement on Employer Discretions was last updated in July 2008 and needs to be reviewed and updated in light of the revised LGPS Pensions Regulations 2014. Publication of this Policy ensures we are meeting our obligations of transparency and consistency in managing and applying decisions regarding membership of the Local Government Pension Scheme. Once agreed, this Policy will be published on the Council's website and intranet.

REPORT

6. The revised Policy on Employers Discretions is attached as Appendix 1, this will supercede previous versions.
7. The LGPS Pensions Regulations 2014 haven't fundamentally changed the discretions open to employers with the exception of the following key changes:

6.1 Funding of Additional Pension Contributions.

This is a new discretion and sets out that the Council can pay additional pension contributions on behalf of current employees. It is proposed that the Council doesn't adopt this practice due to the financial implications of such a decision.

6.2 Early Payment of Pension in the case of pension scheme members with Transitional Protection & Waiver of Actuarial Reductions to Pensions in case of scheme members with Transitional Protection.

Under the new regulations, early retirement (excluding redundancy or ill health retirement), between ages 55 and 60 with immediate payment of pension no longer requires the employers consent. These discretions set out that the Council will not agree to the payment of unreduced pension benefits to a pension scheme members who is covered by the transitional protections who meets the “85 year rule” until they are aged 60.

Additionally that the Council will only agree on compassionate grounds, to waive any reduction to pension benefits that would otherwise be made to the pension payable to a scheme member covered by the transitional protections if there are exceptional circumstances. Any reduction would only be agreed where there is no cost to the Council or in cases of compassionate grounds.

8. The decision in each case, would be delegated to the Head of HR & Monitoring Officer in consultation with the Head of Finance, and must be supported by a business case. This doesn't prevent pension scheme members opting to take early retirement between the ages of 55 and 60 with a reduced pension.

PROPOSAL/OPTION

9. It is proposed that the Policy Statement on Employer Discretions shown as Appendix 1 is approved and published

LEGAL IMPLICATIONS

10. The LGPS is a statutory scheme with some parts subject to local decision as to how the provisions will apply. Save for those previously included there are no specific legal implications to this report at this stage and this has been agreed with J. Newman, Solicitor, in Legal Services on 12 June 2014.

STAFFING IMPLICATIONS

11. The staffing implications are included in the body of this report. This report was cleared by the Head of Human Resources and Monitoring Officer on 12 June 2014.

FINANCIAL IMPLICATIONS

12. LGPS pensions are funded from both employer and employee contributions. The employer contribution is set following the triennial actuarial valuation of the fund.
13. The basis of the continuing reforms of the LGPS emphasise the long term policy objective of a scheme that's affordable, viable and fair to tax payers. Central to the reform process has been the objective of ensuring an equitable and proportionate balance between the actual level of pension benefits provided by the Scheme for its members, and the costs of providing those benefits incurred by employers.
14. Consideration has been given of the potential impact of granting discretionary benefits on the Council's budget. The Council has always been extremely mindful of the costs in awarding discretionary options and this is reflected in the draft policy statement.
15. The Head of Finance cleared this report on 12 June 2014.

EQUALITIES IMPLICATIONS

16. The successful provision of equality proofed regulations for the LGPS is critical. The establishment of a policy on LGPS discretions ensures the equality of treatment by all LGPS scheme members at the Council.

APPENDIX

Appendix 1 - POLICY ON EXERCISE OF EMPLOYER DISCRETIONS

LIST OF BACKGROUND PAPERS

LOCAL GOVERNMENT ACT 1972, SECTION 100D

The Local Government Pension Scheme Regulations 2013.
The Local Government Pension Scheme (Transitional Provisions, Savings & Amendment) Regulations 2014.