

Executive Management Team: 20 May 2014
Industrial Relations Committee: 29 May 2014
General Purposes and Licensing Committee: 13 June 2014
Council: 14 July

Local Government Pension Scheme – Policy Statement on Pension discretions

1. Introduction

- 1.1 This report details the proposed policy on Pension Discretions which has to be in place by 30th June 2014.

2. Background

- 2.1 The Local Government Pension Scheme (LGPS) in England and Wales is being amended from 1 April 2014 so that benefits accruing for service after 31 March 2014 will accrue on a Career Average Revalued Earnings (CARE) basis, rather than on a final salary basis.
- 2.2 The provisions of the CARE scheme, together with the protections for members' accrued pre 1 April 2014 final salary rights, are contained in the Local Government Pension Scheme Regulations 2013 and the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014.
- 2.3 As a result of the changes, Scheme employers participating in the LGPS in England or Wales will have to formulate, publish and keep under review a Statement of Policy on certain discretions which they have the power to exercise in relation to members of the CARE Scheme.
- 2.4 Scheme employers are also required to (or where there is no requirement, are recommended to) formulate, publish and keep under review a Statement of Policy on certain other discretions they may exercise in relation to members of the LGPS.

3. Compulsory Discretions

- 3.1 The Council is required to have a written policy statement on the following compulsory discretions the recommended Policy Statement is attached as Appendix 1 – Part A. The table makes reference to current policies as appropriate.
1. Regulation 16 (2e) (4d) Shared cost additional pension contributions
(Recommendation: Not to exercise this discretion – the costs can be highly prohibitive)
 2. Regulation 30 (6) Power to allow flexible retirement
(Recommendation: Continue to exercise this discretion in line with current policy – policy to be reviewed by 30th September 2014. The Council will no longer consider waiving of any actuarial reductions on an exceptional basis)
 3. Regulation 30 (8) Waiving of actuarial reductions on compassionate grounds
(Recommendation: Continue to exercise this discretion provided there is no cost to the Council)
 4. Regulation 31 Power to award additional pension

(Recommendation: Continue not to exercise this discretion – the costs can be highly prohibitive)

5. (LGPS Regulations 2014 (Transitional provisions, savings and amendments – paragraph 2 (2) of schedule 2)) – Switching on the 85 year rule.

(Recommendation: Not to exercise this discretion – the costs can be highly prohibitive)

6. Regulation B30 (2) (5). B30A. (3). (5) Post – 31 March 2008 / pre – 1 April 2014 leavers early payment of pension.

(Recommendation: Continue not to exercise this discretion – the costs can be highly prohibitive)

4. Optional Discretions

- 4.1 There are also a number of optional discretions where it is recommended that these are laid out in the written policy statement; the recommended Policy Statement is attached as Appendix 1 – Part B. The table makes reference to current policies as appropriate.

1. Membership aggregation Regulation 22 (7)(b), (8)(b)

(Recommendation: Continue not to exercise this discretion)

2. Transfers of Pension Rights (Administration Regulation 100 (6)

(Recommendation: Continue not to exercise this discretion)

3. Pension Contribution Bands (Regulations 9 and 10 of LGPS Regulations 2013)

(Recommendation: To exercise this discretion as detailed in Policy Statement)

4. Assumed Pensionable Pay and 'regular lump sum' (regulations 21(4)(a), 21(4)(b) and 21(5) of the LGPS Regulations 2013)

(Recommendation: Not to exercise this discretion)

5. Employee Side Comments

- 5.1 Employee Side acknowledge the content of the report.

- 5.2 Employee Side accept the recommendations and appreciate this is generally in keeping with current arrangements and where necessary extending the same principles to ensure a consistent approach to discretionary policies. However, Employee Side do consider such discretions to remain as a negotiable item with the employee for consideration in the event of changes to business practice or future changes to the pension scheme.

6. Financial Implications

- 6.1 The recommended Policy Statement does not increase the costs for the Council.

7. Environmental Implications

- 7.1 There are no environmental implications arising from this report.

8. Crime and Disorder Implications

- 8.1 There are no crime and disorder implications arising from this report.

9. Equality and Diversity Implications

9.1 The recommended policy statement applies to all employees, subject to the criteria laid out in the relevant regulations.

10. IRC Comments

10.1 IRC supported the Policy statement detailed in Appendix 1.

11. Recommendation

11.1 That it be recommended to the Council that the Policy Statement detailed in Appendix 1 be approved.

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Background Papers:

Industrial Relations
Committee 29 May 2014
Minutes

New Forest District Council

Local Government Pension Scheme (LGPS) 2014 Employer Discretions

Most elements of the Local Government Pension Scheme are defined by Acts of Parliament. There are, however, some elements called Employer Discretions, which employers have the freedom to decide. The LGPS legally requires employers to prepare and publish a written statement of policy in relation to these elements.

Who is covered?

All employees of New Forest District Council who are members of LGPS and in some instances deferred members of the scheme.

What are the main points?

The LGPS Scheme 2014 came into force on 1 April 2014 and introduces some new discretions. There are, therefore, a number of policy decisions which have to be made by New Forest District Council within the discretions available. These are listed below.

When preparing or making revisions to the discretions, the pension regulations require that the employer must have regard to the extent to which the exercise of any of its policies could lead to a serious loss of confidence in the public service.

Compulsory Discretions – Part A - There are six specific discretions for which we are required under the scheme to have a policy statement

LGPS 2014 Discretion	Existing Discretion taken from current policy statement	Existing Council Policy	Recommendations for 2014 Discretion Policy Statement
<p>Discretion 1 - Regulation 16 (2e) (4d) Shared cost additional pension contributions</p> <p>Whether where an active scheme member wishes to purchase extra annual pension up to £6,500 (figure at 1 April 2014) by making Additional Pension Contributions (APCs), to (voluntarily) contribute toward the cost of purchasing the extra pension via a Shared Cost Additional Pension Contribution (SCAPC)</p> <p>Whether, how much and in what circumstances to contribute to a Shared Cost Additional Pension Contribution arrangement entered into on or after 1 April 2014 and whether, how much, and in what circumstances to continue to contribute to any Shared Cost Additional Pension Contribution (SCAPC) arrangement that the employer has entered into before 1 April 2014</p>	<p>This is a new discretion.</p> <p>None</p>	<p>None.</p> <p>We do not currently contribute to our existing voluntary contribution schemes.</p>	<p>It is recommended that the Council does not exercise this discretion</p> <p>It should be noted that this does not relate to cases where a member had a period of authorised unpaid leave of absence and elects within 30 days of return to pay into a Shared Cost Additional Pension Contribution to cover the pension lost. In these cases the Council must contribute 2/3rds of the cost. There is no discretion on whether this can be applied.</p> <p>It is recommended that there is no change to the Council's existing policy; and that the existing policy should be re-adopted under the provisions of the new scheme.</p>

LGPS 2014 Discretion	Existing Discretion taken from current policy statement	Existing Council Policy	Recommendations for 2014 Discretion Policy Statement
<p>Discretion 2 – Regulation 30 (6) Power to allow flexible retirement</p> <p>Whether to permit flexible retirement for staff aged 55 or over, who with the agreement of the employer reduce their working hours or grade</p> <p>and</p> <p>Whether to waive, in whole or in part, any actuarial reduction which would otherwise be applied to the benefits taken on flexible retirement before Normal Pension Age (NPA).</p>	<p>Whether all or some benefits can be paid if an employee aged 55 or over reduces their hours or grade (Flexible Retirement)</p> <p>Whether to waive, in whole or in part, actuarial reduction on benefits paid on flexible retirement. Actuarial reduction means that an employee had their pension benefits reduced to take account of their pension being paid for longer.</p>	<p>The Council will consider all written requests for Flexible Retirement from Employees from age 55. Consent will be given provided there is a reduction in the individual's salary of a minimum of 40% (either through reduced hours or level of responsibility (Band). Any change is to be made on a permanent basis. The Council will approve requests when it is in the Council's interest to do so.</p> <p>The Council will only consider in exceptional circumstances.</p>	<p>It is recommended that the existing policy is fully reviewed by 30th September 2014. In the interim the Council should re-adopt the existing policy under the provisions of the new scheme.</p> <p>The Council does not exercise this discretion.</p>
<p>Discretion 3 – Regulation 30 (8) Waiving of actuarial reductions</p> <p>Whether to waive, on compassionate grounds any actuarial reductions applied to benefits paid early.</p>	<p>Whether to waive, on compassionate grounds, the actuarial reduction applied to benefits paid early.</p>	<p>The Council currently allows this provided there is no cost to the Council.</p> <p>Waiving the percentage reduction on compassionate grounds does not currently result in a cost to the council, however, does have an impact on the pension fund, therefore, careful consideration to every request is required.</p>	<p>It is recommended that the Council continues to exercise this discretion provided there is no cost to the Council.</p>

LGPS 2014 Discretion	Existing Discretion taken from current policy statement	Existing Council Policy	Recommendations for 2014 Discretion Policy Statement
<p>Discretion 4 – Regulation 31 Power to award additional pension</p> <p>Whether to grant extra annual pension of up to £6500 (figure at 1 April 2014) to an active scheme member</p> <p>or</p> <p>Within 6 months of leaving, to a member whose employment was terminated on the grounds of redundancy or business efficiency.</p>	<p>Whether to grant additional pension to a member by up to £5,000 per annum.</p> <p>The Council does not currently exercise this discretion.</p>	<p>The Council does not currently exercise this discretion.</p> <p>N/A</p>	<p>It is recommended that there is no change to the Council's existing policy; and that the existing policy should be re-adopted under the provisions of the new scheme.</p> <p>It is recommended that there is no change to the Council's existing policy; and that the existing policy should be re-adopted under the provisions of the new scheme.</p>
<p>Discretion 5 (LGPS Regulations 2014 (Transitional provisions, savings and amendments – paragraph 2 (2) of schedule 2)) – Switching on the 85 year rule</p> <p>Whether, as the 85 year rule does not (other than on flexible retirement) automatically apply to members who would otherwise be subject to it and who choose to voluntarily draw their benefits on or after age 55 and before age 60, to switch the 85 year rule back on for such members.</p>	<p>This is a new discretion.</p>	<p>None.</p>	<p>It is recommended that the Council does not agree to switch back on the 85 year rule, or the Council will have to meet the cost of any strain in the fund resulting from the payment of benefits prior to age 60.</p>

LGPS 2014 Discretion	Existing Discretion taken from current policy statement	Existing Council Policy	Recommendations for 2014 Discretion Policy Statement
<p>Discretion 6 – Regulation B30 (2)(5) B30A (3) (5) Post – 31 March 2008/ Pre – 1 April 2014 leavers early payment of pension</p> <p>An employer can allow the early payment of deferred benefits to those with pre 2014 benefits between ages 55 and 59</p>		<p>The discretion is not exercised for leavers</p>	<p>It is recommended that there is no change to the Council's existing policy; and that the existing policy should be re-adopted under the provisions of the new scheme.</p>

Optional Discretions – Part B - There are four discretions where it is advised that Scheme employers have a written policy in order that members can be clear of the organisation's policy on these matters.

LGPS 2014 Discretion	Existing Discretion taken from current policy statement	Existing Council Policy	Recommendations for 2014 Discretion Policy Statement
<p>Discretion 1 – Membership aggregation Regulation 22 (7) (b), (8) (b)</p> <p>Whether to extend the 12 month time limit within which a Scheme member who has a deferred LGPS benefit in England or Wales following the cessation of employment (or cessation of a concurrent employment) may elect not to have the deferred benefits aggregated with the new LGPS employment (or ongoing concurrent LGPS employment) if the member had not made an election to retain separate benefits within 12 months of commencing membership of the LGPS in the new employment (or within 12 months of ceasing the concurrent membership).</p>	<p>Whether to extend the 12 month period allowed in which new employees can choose to link previous Local Government pension service to their pension accruing with New Forest District Council</p>	<p>The Council does not currently exercise this discretion.</p>	<p>It is recommended that there is no change to the Council's existing policy; and that the existing policy should be re-adopted under the provisions of the new scheme.</p>

LGPS 2014 Discretion	Existing Discretion taken from current policy statement	Existing Council Policy	Recommendations for 2014 Discretion Policy Statement
<p>Discretion 2 – Transfers of Pension Rights (Administration Regulation 100 (6))</p> <p>Whether, with the agreement of the Pension Fund administering authority, to permit a Scheme member to elect to transfer other pension rights into the LGPS if he/she has not made an election within 12 months of joining the LGPS</p>	<p>Whether to extend the 12 month period allowed in which new employees can choose to transfer in non-local Government pension benefits.</p>	<p>The Council does not currently exercise this discretion.</p>	<p>It is recommended that there is no change to the Council's existing policy; and that the existing policy should be re-adopted under the provisions of the new scheme.</p>
<p>Discretion 3 – Pension Contribution Bands (Regulations 9 and 10 of LGPS Regulations 2013)</p> <p>How the pension contribution band to which an employee is to be allocated on joining the scheme, and at each subsequent April, will be determined and the circumstances in which the employer will, in addition to each April, review the pension contribution band to which an employee had been allocated following a material change which affects the member's pensionable pay in the course of a Scheme year (April to 31 March)</p>	<p>This is a new discretion.</p>	<p>None.</p>	<p>It is recommended that we review an employee's contributions band when there is a contractual change to the member's salary or hours at some point during the year, when the change is permanent. Any changes in variable pay (i.e. overtime) will only be reviewed once on 1st April each year</p>

LGPS 2014 Discretion	Existing Discretion taken from current policy statement	Existing Council Policy	Recommendations for 2014 Discretion Policy Statement
<p>Discretion 4 – Assumed Pensionable Pay and ‘regular lump sum’ (regulations 21 (4)(a), 21(4)(b) and 21(5) of the LGPS Regulations 2013)</p> <p>Whether or not, when calculating assumed pensionable pay when a member is:</p> <ul style="list-style-type: none"> - on reduced contractual pay or no pay due to sickness or injury, or absent during ordinary maternity, paternity, or adoption leave or during paid additional maternity, paternity or adoption leave, or - absent on reserve forces service leave, or - retires with a Tier 1 or Tier 2 ill health pension, or - Dies in service <p>To include in the calculation the amount of any ‘regular lump sum payment’ received by the member in the 12 months preceding the date the absence began or the ill health retirement death occurred. A ‘regular lump sum payment’ is a payment for which the member’s employer determines there is a reasonable expectation that such a payment would be paid on a regular basis.</p>	<p>This is a new discretion.</p>	<p>None.</p>	<p>It is recommended that the Council does not exercise this discretion as the Council’s regular lump sum payments are paid on a monthly basis or are not pensionable or are not guaranteed.</p>