

PENSION POLICY

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PENSION POLICY

1. INTRODUCTION

- 1.1 Since 1998, the Pension Regulations have allowed employers to exercise certain discretionary powers to improve benefits for its employees. These powers have since been enhanced by changes to the scheme Regulations in 2000 and again in 2004. A major review of the Pension Scheme in April 2005, revised in 2006, coupled with Age Discrimination legislation implemented in October 2006 has resulted in further changes to the discretionary powers available to employers.
- 1.2 To ensure that these discretionary powers continue to be exercised in a fair and consistent manner, the Council is required to publish a policy explaining how the Council will exercise these powers.

2. SCOPE

- 2.1 This policy applies to all employees of Winchester City Council who are or become members of the Local Government Pension Scheme and those ex-employees of the Council whom have previously been members of the Local Government Pension Scheme and have preserved benefits under that scheme.

3. LEGISLATION

- 3.1 The provisions of this policy are subject to the Regulations governing the operation of the Local Government Pension Scheme which may be amended from time to time.

4. RELATED POLICIES

- 4.1 In the application of this policy, due consideration should be given to any requirements set out under the following Council policies:
- Absence Management Policy
 - Redundancy and Redeployment Policy
 - Retirement Policy

5. CONSULTATION

- 5.1 This policy will be reviewed regularly by the Director of Human Resources in consultation with UNISON to ensure continued compliance with legislation.

6. DISCRETIONARY BENEFITS

6.1 As explained in 1.1 above, under the Local Government Pension Regulations the Council can exercise certain discretions under the Local Government Pension Scheme.

Winchester City Council will exercise those discretions as follows:

- i) Consent to immediate payment of benefits to an employee who requests this and retires voluntarily between the ages of 50 and 60 providing that the Chief Executive agrees that it is in the Council's best interests to do so and having regard for the pension funds charge for early retirement being affordable in each case.

(Note: If the person's age in (whole) years plus the period of scheme membership (in whole years) is 85 years or more in total then benefits will be paid without reductions. If the total is less than 85 pension benefits will be reduced – this rule only applies to people who will be age 60 by 31st March 2013. In all other cases, benefits will be reduced for retirements before age 65

- ii) Allow a woman's pensionable service between 1 April 1972 and 5 April 1988 to count towards the calculation of her widower's pension.
- iii) To extend the deadline for employees to opt to combine benefits on leaving the pension scheme for a second time, except for employees who wish to transfer benefits when under notice of redundancy or early retirement.
- iv) Consider an application for flexible retirement from an employee aged 50 or over allowing the employee to reduce their grade and/or hours and draw pension benefits at the same time. Where the employee is under 65 these benefits may be paid at a reduced rate for life. The Council may consider waiving some or all of the reduction in benefits where the Chief Executive agrees that it is in the Council's best interests to do so and where the cost of doing so is affordable and reasonable in terms of cost.

Any applications for flexible retirement will be made in accordance with the provisions of the Flexible Working Policy and will be considered against the needs of the organisation.

7. DISCRETIONARY COMPENSATION

7.1 In addition to the discretionary benefits outlined in section 6, the Council currently has the discretion to make certain compensation under the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006. With effect from 1 October 2006, the Council will do so as follows:

- i) Consider augmenting on employee's pension membership by up to $6\frac{2}{3}$ years (or up to age 65) on retirement in cases of redundancy or on grounds of efficiency of the service, where this is affordable and reasonable in terms of costs and providing that the Chief Executive agrees that it is in the Council's best interests to do so.

8. OTHER ISSUES

8.1 No discretionary compensation will be paid without the prior approval of the Personnel Committee.

8.2 Where there are additional charges to decisions on early retirements, these will be charged to the Directorate making the decision with the cost to be met from savings from any reorganisation over a timescale agreed between the relevant Director and the Director of Finance and approved by Members.

SUMMARY OF CHANGES TO THE LOCAL GOVERNMENT PENSION SCHEME

EARLIEST RETIREMENT DATE

If you retire voluntarily from age 60, or with your employer's permission from age 50, you are entitled to immediate payment of your pension scheme benefits. However, your benefits will be reduced for life **except** in the following circumstances:

- Benefits earned before 1 October 2006 will not be reduced if you satisfy the '85 Year Rule'. On 26 May 2006 the Government proposed extending this date to 1 April 2008.
- Benefits earned before 1 April 2013 will not be reduced if you are 60 by that date and satisfy the '85 Year Rule'. The Government has proposed extending this date to 1 April 2016.
- The Government also proposed that benefits earned between 31st March 2008 and 1st April 2020 should be reduced by a smaller amount if you are 60 between 31st March 2016 and 1st April 2020 and satisfy the '85 Year Rule'. No more details are available at present.

You satisfy the '85 Year Rule' when your period of membership, added to your age last birthday, equals 85 years or more.

You are entitled to your benefits **without reduction** if you retire:

- voluntarily from age 65, or
- on grounds of redundancy or efficiency from age 50, or
- on grounds of permanent ill health at any age.

COUNTING SERVICE FOR PENSION PURPOSES FROM 6 APRIL 2006

- Membership of the pension scheme is no longer limited to 40 years at age 60 or to 45 years in total.
- This means that anyone on a 'contribution holiday' must pay pension contributions from April 2006. The 'holiday' will count in full for pension purposes and employers are entitled to collect arrears of contributions for this period.
- Pension contributions are no longer limited to 15 per cent of pay and you can buy additional service up to a maximum of 6 $\frac{2}{3}$ years.
- The upper age limit for membership of the pension scheme is now 75, and includes Councillors. Your benefits will be increased if your first retirement is beyond age 65. However, your benefits must be paid by your 75th birthday if you have not already retired by that date. **

OPTIONS AVAILABLE AT RETIREMENT FROM 6 APRIL 2006

- You can increase your tax-free lump sum by giving up some of your pension. For each £1 of annual pension that you give up, your lump sum will be increased by £12.
- If you have paid 'in house' AVCs with Equitable Life or Zurich Assurance, you can use your AVC fund to increase your tax-free lump sum.
- From age 50, with your employer's permission, you can reduce your grade or hours and draw your benefits at the same time. However, if you do so before age 65, your benefits may be reduced for life. Your employer can waive this reduction but will incur a charge from the pension fund for doing so.
- Former Councillors can now take their benefits without reduction from age 65. **

Further information

Some of the changes need further clarification from the Government so we may not be able to answer all your questions at present. An up-to-date-guide to the pension scheme will be made available as soon as possible. Until then you can find more information on the Local Government Employers' website at <http://www.lge.gov.uk/pensions/>.

Information extracted from HCC Pension Services website
June 2006

**** Winchester City Council did not adopt the pension scheme for Councillors. This will be considered again in the Report from the Independent Members Allowances Panel in Autumn 2006 and will allow the Council to consider whether or not it wishes to change its approach.**