

PER253  
FOR DECISION  
WARD(S): GENERAL

PERSONNEL COMMITTEE

8 July 2014

HUMAN RESOURCES – LOCAL GOVERNMENT PENSION SCHEME 2014:  
POLICY STATEMENT

REPORT OF HEAD OF ORGANISATIONAL DEVELOPMENT

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RECENT REFERENCES:

None

EXECUTIVE SUMMARY:

The introduction of the new Local Government Pension Scheme 2014 (LGPS) on 1 April 2014 requires all scheme employers to review their existing discretionary pension policy statements and publish new policy statements effective from 1 April 2014.

While the previous provisions are now obsolete due to the changes in the regulations, this report provides a comparison with the provision provisions for information.

This report makes recommendations for the adoption of new pension policy statements.

RECOMMENDATIONS:

1. That the Local Government Pension Scheme 2014 Policy Statement be agreed and implemented.
2. That the Scheme of Delegation to Officers (Part 3 of the Constitution) be amended as follows:  
That the Head of Organisational Development in consultation with the Chief Finance Officer and relevant Director, be authorised to implement the Council's Local Government Pension Scheme Policy Statement and to determine any applications in respect of individual cases.

## PERSONNEL COMMITTEE

8 July 2014

### HUMAN RESOURCES – LOCAL GOVERNMENT PENSION SCHEME 2014: POLICY STATEMENT

#### REPORT OF HEAD OF ORGANISATIONAL DEVELOPMENT

##### DETAIL:

##### 1 Introduction

- 1.1 The Local Government Pension Scheme Regulations 2014 (“The Regulations”) require all scheme employers to publish and keep under review a written policy statement on how they will apply their discretionary powers in relation to certain provisions of the LGPS.
- 1.2 As the new regulations came into force on 1 April 2014, it is necessary to adopt new policy statements.

##### 2. Background

- 2.1 Following the Government’s fundamental review of public sector pension provision, it was agreed that changes were required to these schemes:
  - All public sector pension schemes should change from final salary pension schemes to career average revalued earnings schemes
  - Scheme retirement ages should be the same as state retirement pension ages
  - Scheme members and employers should share the increased costs of providing public sector pension schemes
  - Existing rights of current scheme members should be protected
- 2.2 Benefits accrued prior to 1 April 2014 are largely unaffected by the new scheme and that element will continue to be assessed on a final salary basis rather than a career averaged scheme.
- 2.3 The Council’s pension policy statements require review. The proposed new policy statement is set out in **Appendix 1**.
- 2.4 **Appendix 2** of this report sets out a summary of the proposed policy and a comparison to the old provisions for information.
- 2.5 The Regulations require that in preparing or making revisions to its pension policy statements, the scheme employer must have regard to the extent to which the exercise of any policies could lead to a serious loss of confidence in the public service.

### 3. Flexible Retirement

3.1 This provision enables an employer to grant permission for an employee who is aged 55 or over to receive payment of the pension benefits they have built up and continue working for the Council with less pay.

3.2 Our current policy is to consider all requests for flexible retirement from staff who are aged 55 or over providing there is a reduction in either the individual's hours or grade; there is no cost to the Council and it is in the Council's interest to do so.

3.3 It is recommended that:

- The policy be amended to state that requests for flexible working will be considered where there is a reduction in hours of at least 40%
- The policy be amended to state that any costs associated with this discretion are affordable and sustainable by the Council
- Discretion should be subject to a business case showing that there will be no adverse impact on the Council's ability to provide efficient and effective service as a result of the flexible retirement proposal
- Any such business case will be determined by the Head of Organisational Development, in consultation with the Chief Finance Officer and the appropriate Director
- The existing policy, incorporating the amendments above be re-adopted under the provision of the new scheme.

### 4. Awarding Additional Pension

4.1 This provision enables an employer to award an additional pension of up to £5,000 per annum to a scheme member. Under the new scheme, this amount will be increased to £6,500 per annum and there will be index-linked increases to this figure each year.

4.2 The cost of awarding additional pension could be substantial and the Council's current policy is that this discretion is not exercised.

4.3 It is recommended that:

- There should be no change to the policy in regard to this discretion, unless it is required by future Regulations
- The existing policy be re-adopted under the provision of the new scheme.

5. Shared Cost Additional Voluntary Contributions (SCAVC) and Shared Cost Additional Pension Contributions (SCAPC)
  - 5.1 Additional pension contributions can be made by the employee through the Additional Voluntary Contributions (AVC) or Additional Pension Contributions (APC).
  - 5.2 Under the 2008 Scheme, the employee's AVC are limited to 50% of pay and APC are limited to £5,000.
  - 5.3 Under the new regulations, the AVC limit of 50% of pay is removed and the APC limit has increased to £6,500. The cost of AVC or APC can be met in full by the employee or in full by the employer or may be split between the employee and employer (SCAVC and SCAPC) in any proportion as agreed but in the case of SCAVC not 100% cost to the employer.
  - 5.4 The cost of awarding additional pension could be substantial and the Council's current policy is that this discretion is not exercised.
  - 5.5 It is recommended that:
    - There should be no change to the policy in regard to this discretion, unless it is required by future Regulations
    - The existing policy be re-adopted under the provision of the new scheme.
6. Discretion to "switch on" the 85 year rule for 55 to 60 year olds
  - 6.1 On 10 March 2014, the Local Government Pension Scheme (Transitional Provisions, Savings and Amendments) Regulations 2014 came into force.
  - 6.2 They introduce the option for employers to "switch on" an entitlement to an enhanced pension under the "85 year rule" for employees aged between 55 and up to reaching the age of 60.
  - 6.3 There is therefore no longer an automatic entitlement for employees in this age group for unreduced pension for employees whose length of service plus age is 85 years or more.
  - 6.4 It is recommend that:
    - The policy is amended to state that the Council will not normally exercise this discretion but may consider it in exceptional circumstances, where any costs associated with the discretion are affordable and sustainable to the Council.

- Discretion should be subject to a business case showing that there will be no adverse impact on the Council's ability to provide efficient and effective service
- Any such business case will be determined by the Head of Organisational Development, in consultation with the Chief Finance Officer and the appropriate Director
- The existing policy, incorporating the amendments above be re-adopted under the provision of the new scheme.

## 7. Waiving Reduction due to Early Payment of Pension

- 7.1 Under the 2008 Scheme, an employer had the discretion to allow an employee to retire between the ages of 55-59 and receive immediate payment of their pension benefits. From age 60, employer's consent was not required.
- 7.2 The pension would be subject to an actuarial reduction to allow for early payment of benefits which could be waived with the consent of the employer. Waiving the reduction would require the Council to make a payment to the Pension Fund to make up the shortfall.
- 7.3 The Council's current policy is that the reduction will not be waived.
- 7.4 Under the new 2014 regulations, employees will no longer need their employer's permission to retire and receive immediate payment of their pension benefits from age 55. The pension benefits will still be subject to an actuarial reduction to allow for early payment. The cost implication for the Council is therefore removed.
- 7.5 It is recommended that:
- The existing policy is amended to state that the Council will not normally exercise this discretion unless Regulation 30 (7) applies (where the employment is terminated on the grounds of redundancy or in the interests of business efficiency) or there are clear compassionate reasons to do so.
  - Any costs associated with the discretion are affordable and sustainable to the Council.
  - Discretion should be subject to a business case showing that there will be no adverse impact on the Council's ability to provide efficient and effective service
  - Any such business case will be determined by the Head of Organisational Development, in consultation with the Chief Finance Officer and the appropriate Director
  - The existing policy, incorporating the amendments above be re-adopted under the provision of the new scheme.

## 8. Early Payment of Deferred Pension Benefits

8.1 The Regulations require an employer to determine the position in relation to scheme members who left the Local Government Pension Scheme between 01 April 2008 and 31 March 2014.

8.2 It is recommend that:

- The policy is amended to state that the Council will not normally exercise this discretion but may consider it in exceptional circumstances, where any costs associated with the discretion are affordable and sustainable to the Council.
- Discretion should be subject to a business case showing that there will be no adverse impact on the Council's ability to provide efficient and effective service
- Any such business case will be determined by the Head of Organisational Development, in consultation with the Chief Finance Officer and the appropriate Director
- The existing policy, incorporating the amendments above be re-adopted under the provision of the new scheme.

## 9. Transfer of Pension Rights

9.1 The Regulations permit the employer to extend the normal time limit (currently 12 months) during which a scheme member may transfer service from a previous employer.

9.2 The Council's current policy is that this discretion is not exercised.

9.3 It is recommended that:

- There should be no change to the policy in regard to this discretion, unless it is required by future Regulations
- The existing policy be re-adopted under the provision of the new scheme.

## 10. Aggregation of Membership

10.1 The Regulations permit the employer to extend the normal time limit (currently 12 months) during which a scheme member may combine previous LGPS membership with their new LGPS membership.

10.2 The Council's current policy is that this discretion is not exercised.

10.3 It is recommended that:

- There should be no change to the policy in regard to this discretion, unless it is required by future Regulations
- The existing policy be re-adopted under the provision of the new scheme.

OTHER CONSIDERATIONS:

11. COMMUNITY STRATEGY AND PORTFOLIO PLAN (RELEVANCE TO):

11.1 The need to make the best use of all available resources by the continued consistent application of policies and procedures which enable resources to be utilised effectively within the City Council is an integral part of the Community Strategy.

12. RESOURCE IMPLICATIONS:

12.1 In exercising these discretions, the Council may incur costs that are not within the original budget for the year. It is therefore recommended that each case is reviewed on merit and that any costs associated with the discretion are approved by the Head of Organisational Development and Chief Finance Officer to ensure that any costs are in the best financial interests of the Council.

13. RISK MANAGEMENT ISSUES

13.1 The changes and policy are a result of the Local Government Pension Scheme Regulations 2013 and 2014, which are bringing the LGPS 2014 into law.

13.2 The policy will ensure compliance with the Council's requirement to publish a statement of its policy in relation to various pension discretions.

13.3 The Council will have an ongoing duty to comply with the Regulations and to ensure that the provisions of the Equality Act 2010 are complied with in relation to the exercise of discretion.

BACKGROUND DOCUMENTS:

Held in Organisational Development

APPENDICES:

Appendix 1 Revised Pension Policy Statement

Appendix 2 Comparison Table showing previous policy and revised policy statements

**Appendix 1:**

**Pensions Discretions Policy Statement**

**Relating to The Local Government Pension Scheme Regulations 2013 and  
Local Government Pension Scheme (Transitional Provisions, Savings and  
Amendment) Regulations 2014**

**1. Introduction**

- 1.1 This policy statement is made in accordance with Paragraph 60 of the Local Government Pension Scheme Regulations 2013 and Paragraph 2 (2) of Schedule 2 of the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014.
- 1.2 It sets out how Winchester City Council will apply discretionary provisions available within those Regulations.
- 1.3 This policy applies to all employees of Winchester City Council who are members of the Local Government Pension Scheme. It does not apply to Elected Members of the Council.
- 1.4 In formulating and reviewing its policy, the Council:
  - Has regard to the extent to which the exercise of discretionary powers, unless properly limited, could lead to serious loss of confidence in the public service; and
  - Is satisfied that the policy is workable, affordable and reasonable having regard to the foreseeable costs.

**2. Purpose of this Policy**

- 2.1 This policy aims to provide fairness and consistency in situations where the Council is considering cases of flexible retirement and increasing pension benefits.

### **3. Flexible Retirement – Regulations 30 (6) and 30 (8) ( 2013 Regulations)**

- 3.1 The Pension Scheme allows for flexible retirement from age 55 with the payment of all or part of accrued pension benefits in situations where the employer agrees to the hours of work or the level of responsibility being reduced and to the release of pension benefits. In most cases, the pension benefits will be reduced if taken before normal retirement age.
- 3.2 Flexible retirement can benefit both the employee through enabling a gradual adjustment to retirement and the Council through the ability to retain valuable experience and knowledge; it also increases the opportunity for succession planning and reflects the ethos of flexible working.
- 3.3 The Council will consider all requests for flexible retirement in response to written requests from eligible employees.
- 3.4 The Council will approve requests only where it is their interests to do so; where there is no adverse impact on the service; where the costs are affordable or where there are likely to be cost savings achieved as a result of the proposal.
- 3.5 A request should typically involve a substantial reduction of at least 40% in salary, either through reduced hours or level of responsibility.
- 3.6 Requests will be considered by the Head of Organisational Development in consultation with the Chief Finance Officer and appropriate Director.
- 3.7 Requests for flexible retirement from Chief Officers will be considered as above, with final approval from Personnel Committee; requests from the Chief Executive will require approval from Council.

### **4. Awarding Additional Pension – Regulation 31( 2013 Regulations)**

- 4.1 The Council will not make use of the provision to award additional pension.
- 4.2 This discretion is therefore not exercised.

**5. Shared Cost Additional Voluntary Contributions (SCAVC) and Shared Cost Additional Pension Contributions (SCAPC) – Regulations 16(2) (e) and 16(4) (d) ( 2013 Regulations)**

- 5.1 The Council will not make use of the provision to award additional pension.
- 5.2 This discretion is therefore not exercised.

**6. Discretion to “switch on” the 85 year rule for 55 year olds and older but before the age of 60 – Para 1(1) (c ) Schedule 2 of the 2014 Regulations**

- 6.1 The Council will only exercise this discretion where there is a business reason to do so and where any costs associated with the discretion are affordable and sustainable to the Council.
- 6.2 Requests will be considered by the Head of Organisational Development in consultation with the Chief Finance Officer and appropriate Director.

**7. Waiving Reduction due to Early Payment of Pension – Regulation 30 (8) ( 2013 Regulations)**

- 7.1 Employees can retire from age 55 and receive immediate payment of their pension benefits however the pension benefits payable will be subject to an actuarial reduction.
- 7.2 The Council will not normally exercise the discretion to waive the actuarial reduction, unless:
- **Regulation 30 (7)** is applicable (that is where employment is terminated on the grounds of redundancy or in the interest of business efficiency) or
  - In exceptional circumstances where there are clear **compassionate grounds** to do so (Reg 31 (1) and (5) 2014 Regulations and 30 (5) or 30A (5) of the 2007 Regulations) .

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- 7.3 Requests will be considered by the Head of Organisational Development in consultation with the Chief Finance Officer and appropriate Director.

**8. Early Payment of Deferred Pension Benefits – Regulation 30 of the LGPS (Benefits, Membership and Contributions) Regulations 2007**

- 8.1 The Council will not normally exercise this discretion but may consider it in exceptional circumstances where any costs associated with the discretion are affordable and sustainable to the Council.
- 8.2 Requests will be considered by the Head of Organisational Development in consultation with the Chief Finance Officer and appropriate Director.

**9. Transfer of Pension Rights – Regulation 100 (6) ( 2013 Regulations)**

- 9.1 The Regulations permit the employer to extend the normal time limit (currently 12 months) during which a scheme member may transfer service from a previous employer.
- 9.2 The Council will not make use of the provision to extend the normal time limit.
- 9.3 This discretion is therefore not exercised.

**10. Aggregation of Membership - Regulations 22, 7(b) 8(b) (2013 Regulations)**

- 10.1 If a member has previous LGPS membership, the Regulations allow for them to make a decision about whether it is combined with their new LGPS membership.
- 10.2 Any such decision to maintain separate pension benefits must be made within 12 months of becoming an active member.
- 10.3 The Regulations permit the employer to extend the normal timescale.
- 10.4 The Council will not make use of the provision to extend the normal time limit.
- 10.5 This discretion is therefore not exercised.

## 11. Other Discretions

- 11.1 With the exception of the discretions set out in this policy statement, the Council will not exercise any pension discretions pursuant to the 2013 and 2014 Regulations.

## 12. Monitoring the application of the Policy

- 12.1 The Head of Organisational Development will monitor the application of this policy to be aware if a disproportionate number of employees from any individual equality strand are affected.
- 12.2 Should that be the case, the Council will consider the reasons why and, if necessary, amend this policy to ensure that any inequalities in the policy are removed.

## 13. Review of the Policy

- 13.1 This policy will be reviewed by the Head of Organisational Development every 3 years or whenever the Regulations change, whichever is sooner.

## 14. Document History

<b>Document Title</b>			<b>The Local Government Pension Scheme Regulations 2013 and 2014 : Pensions Discretions Policy Statement</b>
<b>This Version</b>			<b>0.4</b>
<b>Issue Date</b>			<b>30/06/2014</b>
<b>Version</b>	<b>Issue date</b>	<b>Author</b>	<b>Comments</b>
0.1	20/06/2014	HR Manager	Initial Draft
0.2	25/06/2014	HR Manager	Minor amendments following feedback from Hampshire Pension Fund
0.3	27/06/2014	HR Manager	Minor amendments following feedback from Monitoring Officer
0.4	30/06/2014	HR Manager	Final draft for submission to Committee



## Appendix 2: LGPS Policy Statement

### Summary table showing comparison of 2008 Discretions and 2004 Discretions

Discretion	2008 Policy Statement	2014 Proposed Changes
<b>Flexible Retirement –</b> Regulations 30 (6) and 30 (8)	To permit flexible retirement providing there is a reduction in either the hours or grade and in its interest to do so	As before with the addition that any reduction must be at <b>least 40%</b> , subject to a business case being approved by the Head of Organisational Development and Chief Finance Officer. <sup>1</sup>
<b>Awarding Additional Pension –</b> Regulation 31	Not exercised.	Not exercised.
<b>Shared Cost Additional Voluntary Contributions (SCAVC) and Shared Cost Additional Pension Contributions (SCAPC) –</b> Regulations 16(2) (e) and 16(4) (d)	Not applicable under the 2008 Regulations.	Not exercised. <sup>2</sup>
<b>Discretion to “switch on” the 85 year rule for 55 to 60 year olds –</b> Para 1(1) (c) Schedule 2 of the 2014 Regulations	Not applicable under the 2008 Regulations.	The Council will <b>not normally exercise</b> this discretion but may consider it in exceptional circumstances where any costs associated with the discretion are affordable and sustainable to the Council, subject to a business case being approved by the Head of Organisational Development and Chief Finance Officer.
<b>Waiving Reduction due to Early Payment of Pension –</b> Regulation 30 (8)	Not exercised.	The Council will not normally exercise the discretion to waive the actuarial reduction, unless: <ul style="list-style-type: none"> <li>• <b>Regulation 30 (7)</b> is applicable (that is where employment is</li> </ul>

<sup>1</sup> This proposal defines parameters within which the City Council may consider requests for flexible working and is intended to provide additional guidance to managers determining requests for flexible retirement.

<sup>2</sup> This discretion could be costly to the City Council if adopted. It is therefore recommended that the discretion is not exercised.

		<p>terminated on the grounds of redundancy or in the interest of business efficiency) or</p> <ul style="list-style-type: none"> <li>• In exceptional circumstances where there are clear <b>compassionate grounds</b> to do so, subject to a business case being approved by the Head of Organisational Development and Chief Finance Officer<sup>3</sup></li> </ul>
<p><b>Early Payment of Deferred Pension Benefits</b> – Regulation 30 of the LGPS (Benefits, Membership and Contributions) Regulations 2007</p>	Not exercised.	<p>The Council will not normally exercise this discretion but may consider it in exceptional circumstances where any costs associated with the discretion are affordable and sustainable to the Council, subject to a business case being approved by the Head of Organisational Development and Chief Finance Officer.</p>
<p><b>Transfer of Pension Rights</b> – Regulation 100 (6)</p>	Transfer of pension rights will only be allowed within one year of joining the pension scheme.	No change to previous provisions.
<p><b>Aggregation</b> - Regulations 22, 7(b) 8(b)</p>	Not exercised.	No change to previous provisions.

<sup>3</sup> This proposed statement reflects where there is a statutory reason to waive the reduction and is intended to provide flexibility for the City Council to waive any such reduction in exceptional circumstances. The wording of previous policy prevented this level of flexibility and did not accurately reflect the intentions of the Council at the time.