

Report to the Cabinet

Report reference: ***C-020-2014/15***
Date of meeting: ***8 September 2014***



**Epping Forest
District Council**

Portfolio: **Technology and Support Services**

Subject: **Local Government Pension Scheme 2014 – Discretions Policy Statement.**

Responsible Officer: **Paula Maginnis (01992 564536).**

Democratic Services Officer: **Gary Woodhall (01992 564470).**

Recommendations/Decisions Required:

- (1) To agree the Discretions Policy Statement attached at Appendix 1.**

Executive Summary:

The Local Government Pension Scheme (LGPS) was amended from 1 April 2014 so that benefits accrued after 31 March 2014 will be based on a Career Average Revalued Earnings (CARE) basis, rather than on a final salary basis.

As a result of the changes to the LGPS the Council is required to formulate, publish and keep under review a Statement of policy on discretions which they have the power to exercise in relation to members of the CARE Scheme.

The purpose of the Statement of Policy at Appendix 1 is to ensure that there is clarity on the policy of the Council with regard to the various discretions provided by the Local Government Pension Scheme. This is for the purpose of the Council, the Essex Pension Fund, ex-employees and current employees of the Council who are contributing members of the LGPS or eligible to be a member of the LGPS.

In formulating the draft policy on discretions, officers have had regard to the principles of cautious and conservative management of its financial resources and the extent to which the policy is workable, affordable and reasonable having regard to foreseeable cost. Because of the potential costs involved, many of the discretions offered at the present time have not been recommended.

Reasons for Proposed Decision:

To seek approval for the adoption of a revised scheme of employer pension discretions for the Council.

Other Options for Action:

That Cabinet substitute the proposed employer discretions with others.

Non adoption of a Discretions Policy Statement is not an option as it is required under the Local Government Pension Scheme Regulations 2013.

Report:

1. The Local Government Pension Scheme (LGPS) in England and Wales was amended from 1 April 2014 so that benefits accruing for service after 31 March 2014 will be based on a Career Average Revalued Earnings (CARE) basis, rather than on a final salary basis.
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.
3. As a result of the changes the Council is required 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.
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.
5. The purpose of the Statement of Policy at Appendix 1 is to ensure that there is clarity on the policy of the Council with regard to the various discretions provided by the Local Government Pension Scheme. This is for the purpose of the Council, the Essex Pension Fund, ex-employees and current employees of the Council who are contributing members of the LGPS or eligible to be a member of the LGPS.
6. In formulating the draft policy on discretions, officers have had regard to the principles of cautious and conservative management of its financial resources and the extent to which the policy is workable, affordable and reasonable having regard to foreseeable cost. Because of the potential costs involved many of the discretions offered at the present time have not been recommended.
7. In particular Members are asked to note the following information regarding early retirement options under the 2014 LGPS. Sections noted are those on the attached Statement of Policy at Appendix 1.

Early Retirement (Section 1d)

8. Under the 2014 scheme, members of the LGPS can voluntarily retire at age 55. Previously under the 2008 scheme early retirement was with the employer's consent. The Council has a choice of waiving the percentage reduction on the early payment of benefits. Under the 2008 scheme Members had already agreed that in cases of early retirement, the Council would not waive the percentage reduction applied to the early payment of benefits.
9. It is also proposed that under the 2014 scheme, the Council will not waive any percentage reduction to benefits on early retirement under normal pension age.

Early Retirement for Employees who can meet the 85 Year Rule (Section 1e and 1f)

10. The 85 year rule applies to those employees who:
 - are aged over 55;
 - who joined the pension scheme before 1 October 2006;
 - who have pension membership before 1 April 2008; and

- whose age and pension membership added together equal 85, e.g. age 59 and with pension membership of 26 years.

11. Under the 2014 scheme there are two decisions to be made regarding the 85 year rule. One is whether to 'switch on' the 85 year rule provision in the scheme. Switching the 85 year rule back on might be a mechanism an employer would wish to consider to encourage members to retire early to, for example, help achieve a balanced age profile within the workforce or to avoid possible redundancies later which would have a greater attendant cost.

12. If there is a decision to 'switch on' the 85 year rule, the second decision is whether to waive the percentage reduction which would apply to the payment of benefits.

13. Whilst the Council knows the age of all employees, length of pension membership is not known for individual employees as this information is held by the Essex Pension Fund and not held by the Council as the employer. Therefore it is not known how many employees meet the 85 year rule.

14. However taking into account potential additional costs to the Council by 'switching on' the 85 year rule it is proposed not to do so which is reflected in the attached table. As this discretion is not being applied the percentage reduction on the early payment of benefits is not waived.

Flexible Retirement (Section 1b and 1c)

15. The provision for a flexible retirement under the LGPS remains within the 2014 scheme. Flexible retirement is a way of enabling employees, who are aged 55 or over, to have early release of their accrued pension benefits and continue working either on reduced working hours or in a lower graded role. Such early release of pension benefits needs to be agreed by the Council following consideration of a business case and that it is at no cost.

16. It is proposed that the Council policy with regard to Flexible Retirement remains unchanged in that agreement for the flexible retirement of an employee is only agreed in the circumstances set out in Section 1b.

Redundancy (Section 6a and 6b)

17. It is proposed that the Council's policy with regard to the calculation of redundancy payments under discretionary compensation regulations remains unchanged.

Definition of Pensionable Pay

18. The Decision Statement also reflects the changes to the amended definition of pensionable pay which now includes non-contractual overtime.

Resource Implications:

Many of the pension discretions available to the Council will not be applied at this time and therefore the scheme seeks to protect the Council from significant pension costs that are unaffordable in the current economic climate.

Legal and Governance Implications:

An up-to-date LGPS employer pension discretions document will ensure consistency of decision making and transparency of policy for all employees.

The Council's Pension Policy will also be updated accordingly.

Safer, Cleaner and Greener Implications:

N/A.

Consultation Undertaken:

None.

Background Papers:

None.

Risk Management:

A clear scheme of employer discretions will ensure consistency of decision making and will help ensure that the Council complies with the Pension Scheme Regulations and controls the financial and reputational risk associated with staff disputes and Employment Tribunal cases.