

PLYMOUTH CITY COUNCIL

Subject: Local Government Pension Scheme – Employer Discretions
Committee: City Council
Date: 24 November 2014
Cabinet Member: Councillor Peter Smith
CMT Member: Giles Perritt (Assistant Chief Executive)
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Ref:
Key Decision: No
Part: I

Purpose of the report:

To outline the existing and revised discretions available to the Council following the introduction of the new Local Government Scheme Regulations (LGPS) 2014 scheme on 1 April 2014; and to seek approval for the recommended discretions as they apply to current scheme members, employees eligible for scheme membership or previous scheme members.

The regulations require scheme employers to formulate, publish and keep under review a policy statement in relation to the exercise of a number of discretions available under the LGPS.

Power to deal with this type of pension decision is given to Council rather than Cabinet under the Local Government (Functions and Responsibilities) Regulations 2000.

The Brilliant Co-operative Council Corporate Plan 2013/14 -2016/17:

If agreed, the recommendations of this report will reflect the Council's co-operative values of fairness and responsibility, demonstrating that the Council is using its resources wisely.

Implications for Medium Term Financial Plan and Resource Implications: Including finance, human, IT and land:

The recommendations of this report meet the Council's statutory obligations under the scheme. Discretions, that if exercised, would increase overall costs to the Council have not been exercised. Where discretions have been exercised at no cost, these are to the benefit of the Council and to the scheme members.

Other Implications: e.g. Child Poverty, Community Safety, Health and Safety and Risk Management:

None arising directly from this report

Equality and Diversity:

Has an Equality Impact Assessment been undertaken? Yes

Recommendations and Reasons for recommended action:

To approve the recommended discretions as they apply to current scheme members, employees eligible for scheme membership or previous scheme members.

To endorse the following policy documents and guide as attached to give effect to the changes set out in the report –

1. Plymouth City Council Discretions under the Local Government Pensions Scheme Regulations
2. Early Retirement Discretionary Pensions Arrangements Policy
3. Flexible Retirement Guide

Alternative options considered and rejected:

There is a statutory requirement to have a discretionary policy that sets out how each discretion available under the regulations has been exercised.

Published work / information:

Local Government Pension Scheme Regulations 2013

Government Pension Scheme (Transitional Provisions & Savings) Regulation 2014

Background papers:

Title	Part I	Part II	Exemption Paragraph Number							
			1	2	3	4	5	6	7	
Equality Impact Assessment	X									

Sign off:

Fin	cdr1 415. 08	Leg	lt/216 44	Mon Off	2165 7/DV S	HR	HR- CS10. 11.14	Assets		IT		Strat Proc	
Originating SMT Member – Chris Squire													
Has the Cabinet Member(s) agreed the content of the report? Yes / No													

I INTRODUCTION

Following the implementation of the Local Government Pension Scheme Regulations 2013, the Local Government Pension Scheme (Transitional Provisions & Savings) Regulations 2014 and previous regulations, Plymouth City Council has a number of discretions available under those regulations.

This report sets out the recommended discretion for each regulation where a policy is either required or recommended by the Administering Authority of the scheme, Peninsula Pensions (formerly Devon Pension Services).

The principle applied to the recommendation to exercise previous discretions and the discretions set out in this report are that, where there is a cost to PCC or an inconsistency would be created with the Teachers' Pension Scheme, that the discretion is not exercised (e.g. sharing the cost of Additional Voluntary Contributions). Where there is no cost and there are administrative benefits that the discretion is exercised (e.g. employee contribution rate review basis).

2 SCOPE OF POLICY

The **Local Government Pension Scheme** sets out the specific discretions available which are applied on the following basis:

Discretions exercised in relation to the 2014 scheme regulations – For all Plymouth City Council employees either active in or eligible to be members of scheme on or after 1 April 2014.

Discretions exercised in relation to the 2008 scheme regulations – For members who ceased active membership of scheme on or after 1 April 2008 and before 1 April 2014 with deferred benefits accrued.

Discretions exercised in relation to the 1997 scheme regulations – For members who ceased active membership of scheme on or after 1 April 1998 and before 1 April 2008 with deferred benefits accrued and active members where the 1997 regulations continue to apply (Councillor scheme members).

3 DISCRETIONS MADE UNDER LOCAL GOVERNMENT PENSION SCHEME 2013 AND TRANSITIONAL REGULATIONS 2014

3.1 Regulation 9 – Contributions payable by active members

The employer may decide on the time at which the contribution rate for active members is amended.

Plymouth City Council will determine the rate of contribution on 1 April 2014 and subsequently where there is a change in employment, or a material change which affects the member's pensionable pay, with the contributions payable being the applicable rate dependent on the relevant earnings banding in which the member's pensionable pay falls.

3.2 Regulations 16(2)(e) and 16(4)(d) – Funding of additional pension

Where a scheme member enters into an arrangement to pay additional pension contributions to purchase additional pension either by regular contributions or by lump sum, the employer may fund in whole or in part the contributions.

This discretion is exercised only in the circumstances where an scheme member has a period of approved unpaid leave and wishes to pay additional contributions to fund the lost pension due to reduced pensionable pay, has not made the election within 30 days of returning to work, but has done so within 30 days of the notification of the option to pay. The total cost is funded by scheme member at 1/3rd of cost and employer at 2/3rd of cost.

In any other circumstances any additional pension contributions will be funded in full by scheme members.

3.3 Regulation 17(1) – Funding of shared costs additional voluntary contributions commencing from 1 April 2014

The employer may enter into an arrangement to share the cost of the contributions to an additional voluntary contribution scheme with a scheme member.

This discretion is not exercised and any contributions will be funded in full by scheme members.

3.4 Transitional Regulation 15(1) – Funding of shared costs additional voluntary contributions commencing prior to 1 April 2014

The employer may enter into an arrangement to share the cost of the contributions to an additional voluntary contribution scheme with a scheme member.

This discretion is not exercised and any contributions will be funded in full by scheme members.

3.5 Regulations 22(7)(c) and 22(8)(b) – Aggregation of benefits

Where a scheme member has deferred pension benefits this will automatically be aggregated with any new employment or concurrent employment, unless the scheme member elects to retain the deferred benefit separately. The regulations provide for a period of 12 months from the relevant event* for this election to be made. The employer may extend this period.

*Relevant event is either commencement of new employment or ceasing concurrent employment.

This discretion is not exercised and any election must be made with 12 month of relevant date.

3.6 Regulations 30(6) and Transitional Regulations 11(2) – Flexible Retirement

A scheme member, who has reached the age of 55 or over and who reduces their working hours or grade of employment, may request that the employer agrees to payment of either all or part of their accrued benefits.

Some examples of where an employee may be eligible to apply to take flexible retirement are as follows:

- Employee accepts a new job role on less hours or lower grade as part of a restructure.
- Request by employee to reduce hours or move to lower graded post approved by employer.
- Reduction in grade following job evaluation review.

To ensure consistency with the Teachers Pension Regulations, PCC will currently only consider release of benefits where there is a reduction in employee's gross pay of at least 25% and, will only agree where there is no cost to employer.

3.7 Regulation 30(8) – Waiving of actuarial reduction in benefits

The employer may agree to waive in whole or in part any reduction that would be applied to a scheme members benefits due to early release, where a scheme member, is aged 55 or over, has either left employment before their normal pension age or has taken flexible retirement (see 3.6).

This discretion to waive reductions in early released benefits is not exercised and any reduction to benefits will apply.

3.8 Transitional Regulation Schedule 2 Para. 2(2 and 3) – '85 year rule' switch-on

Where a member voluntarily leaves after age 55 and before age 60, the employer may allow the 85 year rule to apply. This would result in the scheme member not suffering an actuarial reduction in benefits where the scheme member's service plus age at date of leaving total 85 years.

Where this discretion is allowed, the employer would incur additional costs.

*To ensure consistency with **3.7 - Regulations 30(8) – Waiving of actuarial reduction in benefits** above, this discretion is not exercised.*

3.9 Regulation 31 – Award of additional pension

The employer may grant additional pension of up to £6500 per annum to an active scheme member or within 6 months of ceasing to be an active scheme member by reason of redundancy or business efficiency.

This discretion to increase pension for eligible scheme members is not exercised.

3.10 Regulation 100(6) – Inward transfer of pension rights

Where a member has previous pension rights, they have 12 months from the date they became an active member in their employment to elect to transfer the value of these rights. The employer may extend this normal time limit.

To ensure consistency with the Teachers Pension Scheme, where this discretion does not exist in that pension scheme, Plymouth City Council will not exercise this discretion.

4 DISCRETIONS MADE UNDER LOCAL GOVERNMENT PENSION SCHEME 2008

4.1 Benefit Regulation 11 – Final Pay: Fees

Where a scheme member's remuneration consists of fees (e.g. Returning Officer), their remuneration may be averaged over a period of three consecutive years ending 31st March in the ten consecutive years prior to leaving.

Plymouth City Council will continue to exercise this discretion.

4.2 Benefit Regulation 30 – Early payment of pension

Under regulation 30, a scheme member who has left a local government employment before they are entitled to payment of retirement benefits under other regulations (and before 1 April 2014), may, once they have reached the age of 55, choose to receive payment of their benefits. However, if the scheme member is aged under age 60, the benefits are only payable with consent of their former employer. Any reduction to these benefits may be waived by the former employer on compassionate grounds.

This discretion will continue to be applied on a case by case basis, and only in exceptional circumstances. Where a reduction to the benefits is applicable, the Assistant Director responsible for Human Resources may agree in consultation with the Council's Section 151 Officer, on the behalf of Plymouth City Council, to waive the reduction on compassionate grounds.

5 DISCRETIONS MADE UNDER LOCAL GOVERNMENT PENSION SCHEME 1997 (as amended)

5.1 Regulation 31 – Early payment of pension

Under regulation 31, a member who has left a local government employment before they are entitled to payment of retirement benefits under other regulations (and before 1 April 2008) or are a member where the 1997 regulations apply (Councillor Members), may, once they have reached the age of 50, choose to receive payment of their benefits. However, if the scheme member is aged under age 60, the benefits are only payable with consent of their former employer. Any reduction to these benefits may be waived by the former employer on compassionate grounds.

Additionally, if a scheme member who has previously opted out of scheme and continues to be employed requests for payment of pension benefits from their normal retirement date, they may only do so with the employers consent.

This discretion will continue to be applied on a case by case basis for those aged 55 and over when the benefits would be paid, and only in exceptional circumstances. Where a reduction to the benefits is applicable, the Assistant Director responsible for Human Resources may agree in consultation with the Council's Section 151 Officer, on the behalf of Plymouth City Council, to waive the reduction on compassionate grounds.

For those aged 50 to 54 when the benefits would be paid, this discretion won't be applied as releasing benefits would result in the Authority contravening HMRC regulations which do not allow the release of benefits before age 55 and would additionally receive a financial penalty. In these circumstances the member would also receive an enhanced tax liability on their pension benefits.