

FAREHAM

BOROUGH COUNCIL

Report to Portchester Crematorium Joint Committee

Date **15 September 2014**

Report of: **Treasurer to the Joint Committee**

Subject: **POLICY STATEMENTS RELATING TO THE LOCAL
GOVERNMENT PENSION SCHEME 2014 REGULATIONS**

SUMMARY

To inform on the changes to the Local Government Pension Scheme (LGPS) from 1 April 2014 and to seek approval of the proposed policy statements in relation to the employer discretions stipulate within the LGPS 2014 regulations.

RECOMMENDATION

The Committee is requested to:

- (a) Note the changes to the Local Government Pension Scheme (LGPS) from 1 April 2014;
- (b) Approve the proposed policy statements for those who stopped contributing to the LGPS between 1 April 2008 and 31 March 2014; and
- (c) Approve the proposed policy statements for those members who continue in the scheme or join it from 1 April 2014.

INTRODUCTION

1. Under the provisions of the Local Government Pension Scheme (LGPS) employers must have a published written policy statement confirming how it will exercise the compulsory discretions and also any of the optional discretions allowed under LGPS that the employer decides to include.
2. This policy statement must be reviewed regularly, revised as necessary and a copy of the policy statement must be provided to the pensions administrator which is Portchester Crematorium's case is Hampshire Pension Fund.

LGPS REGULATIONS 2014

3. The LGPS Regulations are effective from 1 April 2014 and introduce a number of changes to the scheme. The main changes are:
 - Basis of pension will be Career Average Revalued Earnings (CARE) – members will build up a pension each year for each pensionable employment held which is added to their pension account
 - An increased accrual rate of 1/49th from the current of 1/60th
 - Normal pension age aligned with the member's State Pension Age (SPA) – it is currently 65
 - New definition of pensionable pay to include non-contractual overtime and additional hours for part time staff
 - Contribution rates based on actual pay instead of, as now, Full Time Equivalent
 - Revised contribution bands resulting in contribution increases for members' earning more than £43,000
 - A new 50/50 option giving a choice to pay half contributions for half accrual rate (1/98th)
 - Option for leavers to elect for required payment from age 55 onwards without the need for employers consent
 - Qualifying period for benefits will increase from 3 months to 2 years – if a member leaves the scheme within 2 years they will receive a refund of contributions made.
4. All pension built up before 1 April 2014 is fully protected and therefore, when a member leaves, all membership up to 31 March 2014 will be calculated using the final salary. For those members who have an existing rule of 85 protection, this will continue in the new scheme and will be automatically applied to their benefits.
5. For members within ten years of age 65 as at 1 April 2012 there will be an 'underpin', dependent on fulfilling certain criteria.

LGPS 2014 DISCRETIONS

6. LGPS regulations give employing authorities certain discretions over the exercise of their function in the LGPS. From 1 April 2014, employers need to have two sets of discretions:
 - One for members who continue in the scheme or join it from 1 April 2014
 - Another for those who stopped contributing to the LGPS between 1 April 2008 and 31 March 2014.
7. The LGPS 2014 regulations stipulate the requirement for a policy statement in relation to the discretions in four areas:
 - Funding of additional pension
 - Flexible retirement
 - Waiving of actuarial reduction
 - Award of additional pension
8. Given the economic situation and the pressure on the Crematorium's budgets, it is recommended that these discretions are not exercised where the Joint Committee would incur a pension strain or other cost.

CONSIDERATIONS

9. The following areas should be considered when drawing up a policy statement in relation to the discretions:
 - Employer circumstances – the policy should reflect the membership, budgetary constraints and nature of the business,
 - Cost – the policy should be affordable and not likely to cause a serious loss of confidence in the public service,
 - 'Fettering' - the policy should not be unnecessarily restrictive, and
 - Anti-discrimination laws – the policy must not be discriminatory in any way.

PROPOSED POLICY STATEMENTS

10. A proposed policy statement for Portchester Crematorium Joint Committee relating to the LGPS 2014 regulations is shown in Appendix A.

RISK ASSESSMENT

11. There are no significant risk considerations in relation to this report.

CONCLUSION

12. Local authorities are required to publish policies on how they will exercise their powers contained within the provision. A proposed policy is attached as Appendix A to this report which members are asked to consider, and recommend adoption by the Joint Committee with immediate effect.

Background Papers:

None.

Reference Papers:

None.

Enquiries:

For further information on this report please contact Andrew Wannell, (01329) 824620

PORTCHESTER CREMATORIUM JOINT COMMITTEE

POLICY STATEMENTS RELATING TO THE LGPS 2014 REGULATIONS

Award of additional pension (LGPS 2014 Regulation 31)
PCJC Policy for member who continue in the scheme or join it from 1 April 2014
The Joint Committee will not normally consider awarding an additional amount of pension but may consider its use in exceptional circumstances.

Award of additional pension (LGPS 2014 Regulation 31)
PCJC Policy for those who stopped contributing to the LGPS between 1 April 2008 and 31 March 2014
The Joint Committee will not normally consider awarding an additional amount of pension but may consider its use in exceptional circumstances.

Flexible retirement (LGPS 2014 Regulation 30(6))
PCJC Policy for member who continue in the scheme or join it from 1 April 2014
The Joint Committee will consent to pension benefits being paid under the flexible retirement policy to an employee over the age of 55, who requests this, provided their remuneration is reducing typically by 40 per cent through either a reduction in contractual hours or grade. In addition agreement must be obtained from the Clerk to the Joint Committee and the Treasurer to the Joint Committee before final determination is made by the Joint Committee that it is in the interest of the Crematorium having regard to the requirements of service, and that any Pension Fund strain for paying benefits early is affordable in each case.

Waiving of actuarial reduction (LGPS 2014 Regulation 30 (8) and LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014, Schedule 2, paragraph 2)
PCJC Policy for member who continue in the scheme or join it from 1 April 2014
The Joint Committee would not normally consent to waive any of the actuarial reduction applicable to an employee who retires voluntarily or flexibly between age 55 and Normal Pension age but may consider its use in exceptional circumstances.
The Joint Committee would not normally permit unreduced benefits for employees voluntarily retiring between 55 and 59 but may consider its use in exceptional circumstances.
The Joint Committee would not normally consent to switching on the 85 year rule but may consider its use in exceptional circumstances.

Waiving of actuarial reduction (LGPS (Benefits, Membership and Contributions) Regulations 2007. Regulation 30 applies to those with deferred pensions. Regulation 30A applies to those whose tier 3 ill health pensions are suspended)

PCJC Policy for those who stopped contributing to the LGPS between 1 April 2008 and 31 March 2014

The Joint Committee would not normally consent to immediate payment of benefits to an ex-employee who requests this and retires voluntarily between age 55 and 60, unless there is no cost to the employer but may consider its use in exceptional circumstances.

Funding of additional pension contributions (LGPS 2014 Regulation 16(2)(e) and 16(4)(d))

PCJC Policy for members who continue in the scheme or join it from 1 April 2014

The Joint Committee will only contribute to the cost of a member's additional pension contributions where required to do so under the LGPS Regulations. Where a member is voluntarily making additional pension contributions, it will not consider meeting any part of that cost.

Aggregation of previous periods of membership (LGPS Regulations 2014, regulation 22(7)(b) & (8)(b))

PCJC Policy for member who continue in the scheme or join it from 1 April 2014

The Joint Committee will only accept elections *not* to combine rights from previous local government employment with a current period of membership, which are made within 12 months of re-joining the scheme.

Transfers of pension rights (LGPS Regulations 2014, regulation 100(6))

PCJC Policy for members who continue in the scheme or join it from 1 April 2014

The Joint Committee will only accept the election for transfer of pension rights from an external provider into the LGPS if this election is made within 12 months of the member joining the LGPS.

Other Discretions

PCJC Policy for member who continue in the scheme or join it from 1 April 2014

The part of any redundancy payment that relates to earnings in excess of the statutory maximum can be used to buy additional pension in the LGPS. This option is only open to the employee if it is requested before employment ceases. It should be noted that there may be tax implications and early retirement reductions.

Other Discretions - Injury Allowances – Regulations 2011

PCJC Policy for member who continue in the scheme or join it from 1 April 2014

The Joint Committee will not consider making an injury awarding under the regulation.