

Agenda item:

**Title of meeting:** Employment Committee

**Date of meeting:** Tuesday, 4 November 2014

**Subject:** Discretionary Pension Policy Statement Review

**Report by:** Shaun Tetley, Payroll and Pension Manager

**Wards affected:** None

**Key decision:** No

**Full Council decision:** No

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## **1. Purpose of report**

At the Employment Committee meeting on Tuesday, 17 June 2014 approval was given to the Portsmouth City Council Discretionary Pension Policy Statement. A number of minor changes to the policy are now required and this report seeks approval for these changes to be made.

## **2. Recommendations**

Employment Committee approve the discretionary pension policy statement set out in appendix 1 of this report with effect from 1 April 2014.

## **3. Background**

- 3.1 The introduction of the Local Government Pension Scheme (LGPS) from 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. This is required under Regulation 60(1) of the LGPS Regulations 2013 and Regulation 66 (1) of the LGPS (Administration) Regulations 2007.
- 3.2 Employment Committee approved the Portsmouth City Council discretionary pension policy statement at its meeting on Tuesday, 17 June 2014 and following the meeting, we actioned the requirement to lodge a copy of the policy with Hampshire County Council (Pension Services) in their role as the Pension Administering Authority.
- 3.3 Prior to the discretionary pension policy statement being submitted to the Employment Committee, a draft copy was approved by Hampshire Pension Services. In the past few weeks Hampshire have undertaken a review of the discretionary pension policy statements across all employers in Hampshire and have advised employers that some changes are now required.

## 4.0 Discretionary Pension Policy Changes

### 4.1 Amendment 1 - removal of a discretion that is no longer required

The discretion in italics below can now be removed from the discretionary pension policy statement. This discretion is no longer required as the former employee does not require the approval of the council to access their pension benefits early. If they do choose to draw their benefits and a pension strain arises, this will result in a personal reduction in their benefits. There is no scope to waive the reduction as we have an alternative discretion in place to indicate that this is not an option.

The following discretion will therefore be removed:

*Exercise the discretion to approve the early payment of pension benefits before normal retirement age at the request of a former employee (a deferred pensioner) under Regulation 30 (8) provided that no pension strain charge accrues*

### 4.2 Amendment 2 - minor amendment to the wording of a discretion

The following minor amendment is recommended to improve the clarity of the discretion. The only change to the current wording of this discretion is to add the words 'including former employees'

It is proposed that this discretion is now drafted as follows:

*Not exercise the discretion in Regulation 30 (8) to waive any actuarial reduction in a scheme members **(including former employees)** LGPS benefits in cases of:*

- *Flexible retirement*
- *Voluntary retirement*

### 4.3 Amendment 3 - new discretion to be added to policy statement

There is a requirement for a new discretion, shown in italics below, to be added to the discretionary pension policy statement. The introduction of this discretion will ensure that we have the appropriate powers in place to approve the payment of benefits in the circumstances outlined.

*Portsmouth City Council will:*

*Exercise the discretion to approve the payment of pension benefits for former employees between the ages of 55 and 60 who stopped contributing to the LGPS on or after April 2008 and before 1 April 2014 under Regulation 30 (deferred members) and Regulation 30A (suspended tier 3 ill health members) provided that no employer pension strain charge accrues*

### 4.4 Amendment 4 - new discretion to be added to policy statement

There is a requirement for a new discretion, shown in italics below, to be added to the discretionary pension policy statement. The introduction of this discretion will ensure that where a member elects to receive their pension benefits between the ages of 55 and 60, they will not receive benefits in accordance with the 85 year rule protection. If the council were to include 85 year protection within the discretionary policy, this would lead to significant employer pension strain charges.

*Portsmouth City Council will:*

*Not exercise the discretion to authorise the application of the 85 year rule for any member who chooses to receive their pension between the ages of 55 and 60 under Schedule 2, paragraph 2 of the Local Government Pension Scheme (Transitional Provisions, savings and Amendment) Regulations 2014*

**5. Equality impact assessment (EIA)**

A preliminary EIA has been undertaken and no negative impact on any of the equality groups has been identified.

**6. Head of Legal Services comments**

There are no legal implications arising from this report.

**7. Head of Finance's comments**

All of the relevant financial implications are contained within the body of the report.

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Signed by:

**Appendices:**

**Appendix 1 - Discretionary Compensation & Benefits Policy Statement for Portsmouth City Council Employees**

**Background list of documents: Section 100D of the Local Government Act 1972**

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

<b>Title of document</b>	<b>Location</b>
LGPS Regulations 2013	<a href="http://www.lgpsregs.org/index.php/regs-legislation/timeline-regulations-2014">http://www.lgpsregs.org/index.php/regs-legislation/timeline-regulations-2014</a>

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by ..... on .....

.....  
Signed by:



## Discretionary Compensation & Benefits Policy Statement for Portsmouth City Council Employees

The introduction of the new Local Government Pension Scheme (LGPS) from 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. This is required under Regulation 60(1) of the LGPS Regulations 2013 and Regulation 66 (1) of the LGPS (Administration) Regulations 2007.

This discretionary pension policy has been approved by Employment Committee and for completeness contains both the compulsory and non-compulsory discretions.

Portsmouth City Council will:

- Not exercise the discretion to award additional pension under Regulation 31
- Not exercise the discretion to make any employer contribution to regular or lump sum additional pension contribution (APC) under Regulation 16 (2) e and Regulation 16 (4) d other than where the Regulations mandate this
- Exercise the discretion to approve the payment of pension benefits for staff over the age of 55 under the flexible retirement provisions contained in Regulation 30 (6). Approval will be subject to the member of staff meeting the additional flexible retirement conditions contained in the HR policy entitled 'Flexible Retirement Policy'
- Not exercise the discretion in Regulation 30 (8) (including former employees) to waive any actuarial reduction in a scheme members LGPS benefits in cases of:
  - Flexible retirement
  - Voluntary retirement
- Exercise the discretion to approve the payment of pension benefits for former employees between the ages of 55 and 60 who stopped contributing to the LGPS on or after April 2008 and before 1 April 2014 under Regulation 30 (deferred members) and Regulation 30A (suspended tier 3 ill health members) provided that no employer pension strain charge accrues
- Only accept elections *not* to combine pension rights from previous local government employment with a current period of membership, which are made within 12 months of re-joining the scheme under Regulation 22 (7b)
- Only accept elections *not* to combine a deferred pension account with an active pension account, which are made within 12 months of re-joining the scheme under Regulation 22 (8b)

- Not exercise the discretion to extend the period of accepting the transfer of inward pension rights beyond 12 months under Regulation 100
- Not exercise the discretion to authorise the application of the 85 year rule for any member who chooses to receive their pension between the ages of 55 and 60 under Schedule 2, paragraph 2 of the Local Government Pension Scheme (Transitional Provisions, savings and Amendment) Regulations 2014
- Calculate your redundancy pay using the Government statutory redundancy table to assess the number of weeks of redundancy pay. This will use actual week's pay and continuous local government service to calculate the total redundancy pay rather than using the Government statutory maximum weekly rate of redundancy pay
- Not enhance your statutory redundancy pay up to the maximum 104 weeks pay under Regulation 6 of the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006.
- Consider the award of compensation, in cases of early retirement on the grounds of efficiency of the service. Compensation would be calculated on your actual weeks pay and continuous local government service using the Government statutory redundancy pay table. Where compensation is agreed under this discretion your actual weekly rate of pay will be used instead of the Government statutory maximum weekly rate of redundancy pay. The decision to award compensation will be made by the Employment Committee following the recommendation of the relevant Strategic Director in consultation with the Head of Human Resources and Head of Financial Services
- At the end of a period of re-employment, reduce, according to a set formula, the added year's element of your pension to ensure you would be no better off in pension terms than if you had remained in the original job. Details of the formulas are available from the Hampshire Pension Services (Hampshire County Council)
- Assess your pension deduction using the rules set out in annex 1 at the foot of this Discretionary Compensation & Benefits Policy Statement
- Inform you if our policy on Discretionary Compensation and LGPS Benefits changes in the future by updating this policy statement and publishing it

If you have any questions or need further information please contact your HR Manager or the Financial Services Pensions Team.

Updated October 2014