

APPOINTMENTS COMMITTEE

Appointments Committee Date	14 July 2014
Officer	Dilys Wynn
Purpose of Reports	<ol style="list-style-type: none">1. Compliance with the Local Government Pension Scheme (LGPS) Regulations which require an Employer to prepare and keep under review, a written statement of its policy in relation to the exercise of its functions under a number of provisions of the Regulations.2. Update on the introduction of a Gloucestershire Living Wage supplement.
Recommendations	<ol style="list-style-type: none">1. To approve the new employer 'Statement of Policy on discretions' as detailed in the accompanying report.2. To approve the Council's Policy Statement on the introduction of a Gloucestershire Living Wage supplement.
Resource Implications	Officer time

Statement of Policy/Discretions in relation to the Local Government Pension Scheme

1. Introduction:

A new Local Government Pension Scheme (LGPS) came into effect from 1 April 2014. Each LGPS employer is required to formulate, publish and keep under review a policy statement in relation to the exercise of a number of discretions under the LGPS.

The Gloucestershire LGPS Administration Authority have requested all Scheme employers to confirm their position and have provided a 'Statement of Policy on discretions' template for completion.

In formulating and reviewing its policy employers, are required by the Regulations to:

- Have regard to the extent to which the exercise of their discretionary powers, unless properly limited, could lead to a serious loss of confidence in the public service, and
- Be satisfied that the policy is workable, affordable and reasonable having regard to foreseeable costs

They are split into compulsory and recommended decisions. The compulsory decisions are in the following key areas:

- Additional Pension Contributions
- Flexible Retirement
- Waiving actuarial reductions
- Voluntary retirement pre-age 60 ('switching on the rule of 85')

The GCC Corporate Management Team have reviewed the policy statements and a recommended position on each new discretionary element is detailed in the accompanying document.

The proposals are consistent with those being adopted by other Local Authority employers.

Some of the discretions are historic and have therefore been determined by GCC already. Appointments Committee are not being asked to review previously ratified decisions but are asked to ratify the new discretions.

2. New compulsory policy statements in relation to the exercise of discretions

2.1 Additional Pension Contributions

There are two compulsory policies that GCC is required to consider and publish its position:

2.1.1 Voluntary funding of additional pension:

This regulation has been amended to allow GCC to adopt a policy to award an additional annual pension of up to £6,500 (from the current £5,000) to:

- active scheme member, or
- a member who was an active member but dismissed by reason of redundancy, or business efficiency, or whose employment was terminated by mutual consent on grounds of business efficiency (within six months of leaving).

Current GCC policy position: not to grant additional pension (up to £5,000)

Recommendation: current policy position to be maintained (and be applied to the new amount of £6,500)

2.1.2 Additional Pension Contributions:

This new discretion allows GCC to have a policy to fund in whole or in part, any arrangement entered into by an active scheme member to pay additional pension contributions by way of regular contributions or a lump sum.

Recommendation: due to the current cost restraints and to be consistent with our recommended approach to voluntary funding of additional pension (see above) the Director of People Services recommends that the GCC policy position be 'not to fund, in whole or in part, any Additional Pension contributions'.

2.2 Waiving actuarial reduction on early retirement:

This discretion has been updated and the employer now needs to agree a policy statement on whether to waive on compassionate grounds (any reduction applying to transitional protected membership) **AND** whether to waive on any grounds any actuarial reduction that would otherwise apply to any unprotected membership. This applies for members retiring on or after age 55 and before Normal Pension Age (other than on Flexible retirement) who elect to immediately draw benefits. This also applies for deferred members and suspended tier 3 ill health pensioners who elect to draw benefits on or after age 55 and before Normal Pension age. Please note that there will be direct costs to the employer where actuarial reductions are waived.

The recommendation position for this updated discretion is as follows:

For active members: The Director of People Services and Chief Financial Officer will consider each request on its merits and will only be agreed if it is in the County

Council's economic and/or operational interests to do so, as detailed in a business case. The Director of People Services and Chief Financial Officer will only exercise the employers discretion in exceptional circumstances on compassionate grounds with requests not normally likely to succeed due to the associated cost.

For deferred members: The Chief Financial Officer will consider each request on its merits and will only exercise the employers discretion in exceptional circumstances on compassionate grounds with requests not normally likely to succeed due to the associated cost.

2.3 Voluntary retirement pre-age 60 ('switching on the rule of 85'):

This is a new discretion that enables employers to have a policy to allow 'switch on' of the rule of 85 for this group of employees and fund the associated cost/shortfall to the pension fund.

In the previous scheme (2008), the employers consent was required if a person was under the age of 60. This is no longer the case but it is important to understand that, as retirement at the members own choice between 55 and 59 inclusive is a new scheme facility, the 85 year rule protection **will not automatically apply** in full to such cases.

2.3.1 What is the Rule of 85?

This is when an employee's age at the date when they draw their pension plus their Scheme membership (each in whole years) adds up to 85 years or more. The rule of 85 protects some or all of their benefits from the normal early payment reduction. It was removed from the Scheme back in 2006 but protections were put in place for those members affected by its removal.

The key considerations are:

- if GCC does 'switch on' the 85 year rule to a scheme member wishing to voluntarily draw benefits on or after 55 and before age 60, it would have to meet any strain on Fund cost
- if GCC does not apply the 85 year rule, the scheme member would meet any strain on Fund cost via an actuarial reduction applied to their pension benefits.

Recommendation: it would be appropriate to adopt a consistent policy position with that of waiving actuarial reductions (2.2 above) to state that 'GCC will not normally 'switch on' on the Rule of 85, unless exceptional circumstances apply and whether it is in the County Council's economic and/or operational interests to do so, as detailed in a business case. This is also consistent with the approach of other Local Authorities.

2.4 Waiving actuarial reduction relating to 'non-active' scheme members (i.e. who have already left GCC employment and are entitled to deferred benefits under previous regulations).

This discretion relates to the 2007 regulations which cover members (including for a suspended tier 3 ill health pensioner) who left employment between 1/4/2008 - 31/3/2014 and

- i) whether to grant early payment of deferred benefits
- ii) Whether on compassionate grounds, to waive any actuarial reduction that would normally be applied

The current position in relation to the 1997 regulations (where a member left employment between 1/4/1998 – 31/3/2008) and 1995 regulations (where the member left employment before 1/4/1998) have been ratified by Appointments Committee previously as follows:

- (i) The Chief Financial Officer will consider each request on its merits with requests not normally likely to succeed due to the associated cost.
- (ii) The Chief Financial Officer will only apply discretions in exceptional circumstances on compassionate grounds, with requests not normally likely to succeed due to the associated cost.

Recommendation: Appointments Committee are requested to extend the application of the current policy statements to the 2007 regulations

3. New recommended policy statements in relation to the exercise of discretions

3.1 Contribution Banding:

This policy statement relates to how GCC will assign members of the LGPS to the relevant contribution band for the year based upon the pensionable pay that they earned in the scheme year.

Recommendation: GCC will review employees' pensionable earnings against the new table of bandings each April. GCC will notify individuals in writing where their contribution rate has changed.

GCC may review the appropriate band and rate on any material change in pay. GCC may also regularly review the band and rate that employees are attached to, during the scheme year (1 April - 31 March).

Those employees who are not employed throughout the year will be assigned to the relevant LGPS contribution band based upon their annual salary. If they do not have an annual salary rate and were not working for the whole of the previous year (for example those working under a casual contract) they will initially be assigned to the lowest LGPS contribution band.

3.2 Additional Voluntary Contributions:

This new discretion allows GCC to have a policy to fund in whole or in part, any arrangement entered into by an active scheme member to pay additional voluntary pension contributions by way of regular contributions or a lump sum.

Recommendation: To be consistent with the approach taken with Additional Pension Contributions (2.1.2) GCC's policy will be not to contribute to a Shared-Cost Additional Voluntary Contribution arrangement.

3.3 Merging of Deferred Member Pension Accounts with Active member Pension accounts

This new discretion gives the employer the opportunity to extend the 12 month time limit within which a scheme member who has a deferred LGPS benefit may elect **not** to have the deferred benefits aggregated with their new LGPS employment.

Recommendation: each case will be reviewed on its own merits.

3.4 Assumed Pensionable Pay

This is a new discretion and relates to whether or not, when calculating assumed pensionable pay to include in the calculation the amount of any 'regular lump sum payment' received by the member in the 12 months preceding the date absence began (or ill health retirement or death occurred).

Recommendation: each case will be reviewed on its own merits.