

Rodington Parish Council discretionary policies under the Local Government Pension Scheme Regulations and other related Regulations

Summary

1. This report makes recommendations for **Rodington Parish Council** policies on discretions to be exercised:
 - i) under the LGPS Regulations 2013 from 1 April 2014 in respect of members of the Career Average Revalued Earnings (CARE) scheme,
 - ii) under earlier LGPS Regulations in respect of former employees who were members of the LGPS and who left prior to 1 April 2014,
 - iii) under the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006 and earlier compensation regulations,
 - iv) under the Local Government (Discretionary Payments) (Injury Allowances) Regulations 2011, and

Background

2. In March 2011, the Independent Public Service Pensions Commission, chaired by Lord Hutton, published its final report of the review of public service pensions. The report made clear that change was needed to “make public service pension schemes simpler and more transparent, [and] fairer to those on low and moderate earnings”.
3. As a result, it was decided that the Local Government Pension Scheme (LGPS) should be reformed so that, from 1 April 2014, benefits accrue on a Career Average Revalued Earnings (CARE) basis rather than on a final salary basis.
4. The provisions of the CARE scheme, together with the protections for members’ accrued pre 1 April 2014 final salary pension rights, are contained in the Local Government Pension Scheme Regulations 2013 and the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014.
5. As a result of the changes, **Rodington Parish Council** is legally required to formulate, publish and send to the LGPS pension fund administering authority a written Statement of Policy on certain discretions under the LGPS which **Rodington Parish Council** has the power to exercise on and from 1 April 2014 in relation to members of the CARE scheme.
6. **Rodington Parish Council** is also legally required to (or where there is no requirement, is recommended to) formulate, publish and keep under review a Statement of Policy on certain other discretions it may exercise:
 - i) under earlier LGPS Regulations in respect of former employees who were members of the LGPS and who left prior to 1 April 2014, and

7. Any amended policy under paragraph 10(i) above must be published and sent to the LGPS pension fund administering authority within one month of the date the revisions to the policy were made.
8. Overall, **Rodington Parish Council** is:
 - i) required to formulate, publish and keep under review a written Statement of Policy on certain discretions in accordance with:
 - regulation 60 of the Local Government Pension Scheme Regulations 2013,
 - paragraph 2(2) of Schedule 2 to the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014,
9. In formulating and reviewing its policies under the LGPS Regulations referred to in paragraphs 14(i) and (ii) above **Rodington Parish Council** is required to have regard to the extent to which the exercise of its discretionary powers might lead to a serious loss of confidence in the public service.
10. In formulating and reviewing its policies under the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000 and 2006 referred to in paragraphs 14(iii) and (iv) above **Rodington Parish Council**.
 - i) is required to have regard to the extent to which the exercise of its discretionary powers (in accordance with the policy), unless properly limited, could lead to a serious loss of confidence in the public service, and
 - ii) must be satisfied that the policy is workable, affordable and reasonable having regard to the foreseeable costs.

Decisions required

11. **Rodington Parish Council** is asked:
 - i) to approve the policies on the discretions to be exercised under the LGPS Regulations in respect of those employees who are active scheme members after 31 March 2014 and members and who cease active membership after 31 March 2014, as set out in the table at Annex 1, and

Effective date of policies

20. The policies on discretions to be exercised under the LGPS Regulations 2013 take immediate effect from the date **Rodington Parish Council** agrees the policies. Any change to the policies on existing discretions to be exercised under the LGPS Regulations in respect of former employees who were members of the scheme and who left pre 1 April 2014 (and in respect of local authority councillor members) take immediate effect from the date **Rodington Parish Council** agrees the policies.

Non-fettering of discretions

23. The recommendations contained within this report, if approved, will form **Rodington Parish Council** policies on pension and compensation discretions. It should be noted that:

- the policies will confer no contractual rights
- subject to paragraphs 20 to 22, **Rodington Parish Council** will retain the right to change the policies at any time without prior notice or consultation
- only the policy which is current at the time a relevant event occurs to an employee / scheme member will be the one applied to that employee / member.

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Annex 1

| <p>Table A: Discretions to be exercised on and after 1 April 2014 under the LGPS Regulations 2013 in relation to active scheme members (other than local authority councillor members) and members who cease active membership after 31 March 2014 (other than local authority councillor members).</p> | <p>Rodington Parish Council policy</p> |
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| <p>1. Whether, at full cost to Rodington Parish Council, to grant extra annual pension of up to £6,675 (figure at 1 April 2015¹) to an active scheme member or, within 6 months of leaving, to a member who is dismissed by reason of redundancy or business efficiency or whose employment is terminated by mutual consent on the grounds of business efficiency.</p> | <p>Rodington Parish Council will not make use of the discretion to grant extra annual pension of up to £6,675 (figure at 1 April 2015) to an active scheme member or, within 6 months of leaving, to a member who is dismissed by reason of redundancy or business efficiency or whose employment is terminated by mutual consent on the grounds of business efficiency.</p> |
| <p>2. Whether, where an active scheme member wishes to purchase extra annual pension of up to £6,675 (figure at 1 April 2015²) by making Additional Pension Contributions (APCs), Rodington Parish Council will voluntarily contribute towards the cost of purchasing that extra pension via a Shared Cost Additional Pension Contribution (SCAPC).</p> | <p>Rodington Parish Council will only voluntarily contribute towards the cost of purchasing extra pension via a Shared Cost Additional Pension Contribution (SCAPC) where:</p> <p>an active scheme member returns from a period of authorised leave of absence, and the member does not, within 30 days of returning</p> |

¹ The figure of £6,500 that applied at April 2014 is increased each April (starting April 2015) under the Pension (Increase) Act 1971 (as if it were a pension with a PI date of 1 April 2013).

² The figure of £6,500 that applied at April 2014 is increased each April (starting April 2015) under the Pension (Increase) Act 1971 (as if it were a pension with a PI date of 1 April 2013).

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| | <p>from the leave of absence, make an election to buy-back the amount of pension 'lost' during that period of leave of absence, and the member subsequently makes an election to do so whilst an active member and it can be demonstrated that the reason for the member missing the original 30 day deadline was because the member had not been made aware of that deadline, and the election is made no more than 3 months after the member returns from the period of leave of absence or such longer period as Rodington Parish Council may deem reasonable in any individual case.</p> <p>A decision on whether the member meets the above criteria (and on whether the 3 month period referred to should be extended in any individual case) will be taken by Rodington Parish Council and, where it is agreed that the conditions are met, Rodington Parish Council will be required to contribute 2/3rds of the cost of buying back the 'lost' pension via a SCAPC.</p> |
| <p>3. Whether to permit flexible retirement for staff aged 55 or over who, with the agreement of Rodington Parish Council, reduce their working hours or grade and, if so, as part of the agreement:</p> <ul style="list-style-type: none"> - whether, in addition to the benefits the member has accrued prior to 1 April 2008 (which the member must draw if flexible retirement is agreed), to permit the member to choose to draw <ul style="list-style-type: none"> • all, part or none of the pension benefits they | <p><u>Flexible retirement</u> Rodington Parish Council will not agree to flexible retirement except in circumstances where Rodington Parish Council considers it is in its financial or operational interests to do so. Each case</p> <ul style="list-style-type: none"> - will be considered on the merits of the financial and / |

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| <p>accrued after 31 March 2008 and before 1 April 2014, and / or</p> <ul style="list-style-type: none"> • all, part or none of the pension benefits they accrued after 31 March 2014, and - whether to waive, in whole or in part , any actuarial reduction which would otherwise be applied to the benefits taken on flexible retirement before Normal Pension Age (NPA) | <p>or operational business case put forward,</p> <ul style="list-style-type: none"> - will set out whether, in addition to any pre 1 April 2008 benefits, the member will be permitted, as part of the flexible retirement agreement, to take <ul style="list-style-type: none"> a) all, some or none of their 1 April 2008 to 31 March 2014 benefits, and /or b) all, some or none of their post 31 March 2014 benefits, and - will require the approval of Rodington Parish Council <p><u>Waiver of any actuarial reduction on flexible retirement</u></p> <p>Where flexible retirement is agreed, the benefits payable will be subject to any actuarial reduction applicable under the Local Government Pension Scheme Regulations and the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014.</p> <p>Rodington Parish Council will only waive any such reduction, in whole or in part, where it considers it is in its financial or operational interests to do so. Each case will be considered on the merits of the financial and / or operational business case put forward and will require the approval of Rodington Parish Council including, where the reduction is only to be waved in part, approval for the amount of reduction to be waived.</p> |
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| <p>4. Whether, as the 85 year rule does not (other than on flexible retirement – see 3 above) <u>automatically</u> apply to members who would otherwise be subject to it and who choose to voluntarily draw their benefits on or after age 55 and before age 60, to apply the 85 year rule to such voluntary retirements.</p> | <p>Rodington Parish Council will not agree to apply the 85 year rule where members choose to voluntarily draw their benefits on or after age 55 and before age 60 except in circumstances where Rodington Parish Council considers it is in its financial or operational interests to do so. Each case will be considered on the merits of the financial and / or operational business case put forward, and will require the approval of Rodington Parish Council</p> |
| <p>5. For:</p> <p>i) active members voluntarily retiring on or after age 55 and before Normal Pension Age who elect under regulation 30(5) of the LGPS Regulations 2013 to immediately draw benefits, and</p> <p>ii) deferred members and suspended Tier 3 ill health pensioners who elect under regulation 30(5) of the LGPS Regulations 2013 to draw benefits (other than on ill health grounds) on or after age 55 and before Normal Pension Age</p> <p>who:</p> <ul style="list-style-type: none"> - were <u>not</u> members of the LGPS before 1 October 2006 [Group 4 members], whether to: <ul style="list-style-type: none"> o waive on compassionate grounds, any actuarial reduction that would otherwise be applied to benefits, if any, accrued before 1 April <u>2014</u>, and / or o waive, in whole or in part (on any grounds), any actuarial reduction that would otherwise be applied to benefits accrued after 31 March <u>2014</u> - <u>were</u> members of the LGPS before 1 October 2006 and <u>will</u> be 60 or more on 31 March 2016 [Group 1 members], whether to: <ul style="list-style-type: none"> o waive on compassionate grounds, any actuarial reduction that would otherwise be | <p>Where members choose to voluntarily draw their benefits on or after age 55 and before Normal Pension Age Rodington Parish Council will not agree to waive in whole or in part any actuarial reduction that would otherwise be applied to their benefits except in circumstances where Rodington Parish Council considers it is in its financial or operational interests to do so or there are compelling compassionate reasons for doing so.</p> <p>Each case will be considered on the merits of the financial and / or operational business case put forward, or will be considered on the merits of the compassionate case put forward, and will require the approval of Rodington Parish Council including, where the</p> |

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| <p>applied to benefits accrued before 1 April <u>2016</u>, and / or</p> <ul style="list-style-type: none"> ○ waive, in whole or in part (on any grounds), any actuarial reduction that would otherwise be applied to benefits accrued after 31 March <u>2016</u> <p>- <u>were</u> members of the LGPS before 1 October 2006 and will <u>not</u> be 60 or more on 31 March 2016 and will <u>not</u> attain age 60 between 1 April 2016 and 31 March 2020 [Group 3 members], whether to:</p> <ul style="list-style-type: none"> ○ waive on compassionate grounds, any actuarial reduction that would otherwise be applied to benefits accrued before 1 April <u>2014</u>, and / or ○ waive, in whole or in part (on any grounds), any actuarial reduction that would otherwise be applied to benefits accrued after 31 March <u>2014</u> <p>- <u>were</u> members of the LGPS before 1 October 2006 and will <u>not</u> be 60 or more on 31 March 2016 but <u>will</u> attain age 60 between 1 April 2016 and 31 March 2020 [Group 2 members], whether to:</p> <ul style="list-style-type: none"> ○ waive on compassionate grounds, any actuarial reduction that would otherwise be applied to benefits accrued before 1 April <u>2020</u>, and / or ○ waive, in whole or in part (on any grounds), any actuarial reduction that would otherwise be applied to benefits accrued after 31 March <u>2020</u> | <p>reduction is only to be waved in part, approval for the amount of reduction to be waived</p> |
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