

## PERSONNEL COMMITTEE – 2ND APRIL 2019

### Report of the Head of Strategic Support

#### Part A

#### ITEM 5 LOCAL GOVERNMENT PENSION SCHEME DISCRETIONS

##### Purpose of Report

To gain Personnel Committee approval on the Council's Pension Scheme Discretions.

##### Recommendation

That the Personnel Committee formally agree the Council's Pension Scheme Discretions as attached as Appendix A.

##### Reason

It is necessary for the Council to provide information to the Pensions Services about which discretions they would want to be applied as soon as possible.

##### Policy Justification and Previous Decisions

Proposals relating to the Council's Pension Scheme Discretions were attached to the Pay Policy Statement which was agreed at the previous Personnel Committee meeting on 4th December 2018. These discretions were discussed and appropriate questions were raised and answered at the time. While committee members appeared to be in agreement, no formal motion to agree the proposals was recorded at that meeting.

The Personnel Committee are therefore requested to formally agree the discretions as outlined in Appendix A.

##### Implementation Timetable including Future Decisions

These discretions are applicable from May 2018.

##### Report Implications

The following implications have been identified for this report.

##### Financial Implications

There are no immediate financial implications arising from this decision.

### Risk Management

There are no specific risks associated with this decision.

Background Papers: none

Appendices: Appendix A - Pension Discretions table

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## Part B

### Background

1. Pension Scheme Discretionary Arrangements – Regulation 60 of the LGPS Regulations 2013 (as amended) require each scheme employer to publish and keep under review five policies explaining how it will apply certain discretions. The pension discretions have been published in accordance with pension requirements.

### Pension Discretions

2. Recent amendments to the LGPS regulations have expanded the period in which many deferred members can claim their pension without the need for employer consent. Since 2014, members who leave and are over age 55 may claim an actuarially reduced pension without employer consent. It has now been extended to all deferred leavers between 1 April 1998 and 31 March 2014 and some, but not all, who left before 1 April 1998.
3. The LGPS advised that there were 2 relevant areas for which policy decisions need to be made. The Council had the option to retain the current decision or not. Appendix A will need to be treated as an addendum to the Council's pre 2014 member policies.
4. The discretionary policies for decision are:
  - Waiving any actuarial reduction for deferred members accessing their pension benefits, for compassionate reasons.

<b>Current Position (Discretion not applied)</b>
<p>The Council will not apply this discretion, unless there are exceptional circumstances.</p> <p>The Personnel Committee and the Director involved will consider any cases and will decide whether the actuarial reductions should be waived. In all cases the financial position of Charnwood Borough Council must be considered.</p>

- The Discretionary policy to switch on the rule of 85.

<b>Current Position (Discretion not applied)</b>
<p>The Council will not apply this discretion, unless there is a business case to support this as an alternative to a redundancy situation.</p> <p>It is recommended to simplify this approach that the current position is amended to state only that "The Council will not apply this discretion".</p>

## Consultation

5. The statement was agreed at the SMT meeting on 29th August 2018 and JMTUM on 18th October 2018.

## Discretionary Policies

**Employer:** Charnwood Borough Council

**Local Government Pension Scheme, (LGPS), Regulations Policy statement on all eligible former members effective 14<sup>th</sup> May 2018**

Under the pertinent LGPS Regulations, each scheme employer must publish and keep under review a Statement of Policy to explain how it will apply certain discretions allowed under the Pensions Regulations.

This statement is applicable to all former employees of the above named employer who are eligible to be members of the LGPS and are required following the introduction of the LGPS (Amendment) Regulations 2018 in the following areas:

### **LGPS Benefits Regulations – Early payment of retirement benefits at a former member’s request.**

#### **Election for early payment of deferred benefits at age 55 for leavers before 1 April 1998**

Original Regulation 24(a) and 30(d)

Regulations amended/inserted or deleted **LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014:**

New reg 3(5A)(a)

#### **Election for early payment of deferred benefits from age 55 for leavers between 1 April 1998 and 31 March 2008**

Original Regulation 24(a), 30(e) and 30(f)

Regulations amended/inserted or deleted **LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014:**

New reg 3(5A)(b)

New para 1(1)(e) of Sch 2

New para 1(1)(f) of Sch 2

Amends para 1(2) of Sch 2 and para 2(3) of Sch 2

#### **Election for early payment of deferred benefits from age 55 for leavers between 1 April 2008 and 31 March 2014**

Original Regulation 24(a), 30(a), 30(c), 30(e) and 30(f)

Regulations amended/inserted or deleted **LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014:**

New reg 3(5A)(c)

Amends para 1(1)(a) of Sch 2

New para 1(1)(aa) of Sch 2

Amends para 1(1)(c) of Sch 2, para 1(2) of Sch 2 and para 2(3) of Sch 2

## Discretionary Policies

### I. Affirmation of existing policy in this area required:

Explanation	Employer's Policy
<p>Where the former member elects for voluntary early retirement before their normal pension age (NPA), the deferred benefits will be reduced for early payment.</p> <p>The scheme employer may, in respect of deferred members who can under the relevant regulations (details above) voluntarily draw their benefits on or (if regulations allow) after age 55 and prior to NPA, choose to waive on the grounds of compassion any reduction for early payment.</p> <p>The cost of which would fall upon the employer.</p> <p>n.b. "Compassionate grounds" is not defined in the regulations</p>	<p>In relation to waiving any reduction which may apply on compassionate grounds, the policy is that:</p> <p><b>The discretion in this area is:</b></p> <p><b>The Council will not apply this discretion, unless there are exceptional circumstances.</b></p> <p><b>The Personnel Committee and the Director involved will consider any cases and will decide whether the actuarial reductions should be waived. In all cases the financial position of Charnwood Borough Council must be considered.</b></p>

## Discretionary Policies

### 2. Additional new decision required to cover former members who left after 1 April 1998 but before 31 March 2014 regarding Switching on 'Rule of 85'

Explanation	Employer's Policy
<p>A former member who has not attained normal pension age (NPA) but who has attained the age of 55 or over, may elect to receive immediate payment of a retirement pension in relation to an employment if that member is not an employee in local government service in that employment, reduced by the amount shown as appropriate in actuarial guidance issued by the Secretary of State.</p> <p>In these circumstances (other than flexible retirement) the 85 year rule does not automatically apply to members who would otherwise be subject to it who choose to voluntarily draw their benefits on or after age 55 and before NPA.</p> <p>The employer has the discretion to “switch on” the 85 year rule for such a member.</p> <p>If the employer does agree to switch back on the rule of 85, the cost of any strain on the fund resulting from the payment of benefits before NPA would have to be met by the employer.</p>	<p>In relation to early retirements with employer's consent, policy on 'Switching on Rule of 85' is that:</p> <p><b>The discretion in this area is:</b></p> <p><b>The Council will not apply this discretion.</b></p>

## Discretionary Policies

**Employer declaration sheet:**

**I confirm that the above policies have been approved by the delegated person/committee.**

**I confirm that should any of the decisions change in the future the Pensions Section will be notified immediately.**

**The attached statements therefore provide a summary of the policies which have been adopted and certify that they are correct on behalf of:**

**Employer's Name:**

**Print Name:**

**Position:**

**Signed:**

**Date:**

**Please sign and copy. Keep one for reference and return the other to [carol.haywood@leics.gov.uk](mailto:carol.haywood@leics.gov.uk)**