

AGENDA ITEM 9: APPENDIX E

WAVERLEY BOROUGH COUNCIL

EXECUTIVE – 30 SEPTEMBER 2014

Title:

PENSIONS POLICY STATEMENT 2014

**[Portfolio Holder: Cllr Robert Knowles]
[Wards Affected: All]**

Summary and purpose:

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 statement effective from 1 April 2014.

Under Regulation 60 of the LGPS Regulations 2013 and paragraph 2 (2) of Schedule 2 to the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014, Scheme employers are required to have a policy in relation to five specific discretions.

This report outlines the pension policy statements that have to be reviewed under the Regulations, together with a recommendation on the policy that should be adopted. This replaces the Pension Policy Statement of April 2008.

How this report relates to the Council's Corporate Priorities:

Value for Money: The pensions' policy supports Waverley's strategic aim to ensure that the Council is equipped to provide excellent services to local people and strong community leadership by creating a high performing staff team and to deliver high quality front line services.

Financial Implications:

The Pensions Policy and the recommendations in this report support the strategic aim to ensure that all spending delivers value for money. There are no direct financial implications from this report. The Policy provides a framework against which a limited number of pension cases will be assessed.

Legal Implications:

The policy meets the requirements of the relevant Local Government Pension Scheme Regulations.

Introduction

1. The Local Government Pension Scheme (LGPS) Regulations require all scheme employers to publish and keep under review a written policy statement on how they will apply their discretionary powers in relation to certain provisions of the scheme.

2. The introduction of the new Local Government Pension Scheme from 1 April 2014 requires all scheme employers to review their existing discretionary pension policy statement effective from 1 April 2014. This replaces the Council's Pension Policy Statement of April 2008.
3. The Regulations require that in preparing or making revisions to its pension policy statements, the scheme employer must have regard to the extent to which the exercise of any of its policies could lead to a serious loss of confidence in the public service.

Pensions Policy Statements

4. Under Regulation 60 of the LGPS Regulations 2013 and paragraph 2 (2) of Schedule 2 to the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014, Scheme employers are required to have a policy in relation to five specific discretions.
5. This report outlines the pension policy statements that have to be reviewed under the Regulations, together with a recommendation on the policy that should be adopted.
6. Also included is an additional discretionary item regarding late transfer requests which does not form part of the changes to the Pension Scheme which came into effect in April 2014, but it is recommended that the Council's policy on this discretionary item is included in the Pensions Policy for clarity.
7. The decision-making authority for all these discretionary functions are the Executive and full Council.
8. The revised Pension Policy Statement is attached to this report as Appendix 1.
9. The five specific discretions on which employers are required to have a policy are as follows:
 1. **Power of employing authority to award additional pension.**
10. This provision currently enables an employer to award an additional pension of up to £5,000 per annum to a scheme member. Under the new scheme this amount will be increased to £6,500 per annum from 1 April 2014.
11. Council previously chose not to apply this power. It is proposed that this decision be continued.

Recommendation:

That there should be no change to the Council's existing policy on this provision and Waverley will not apply the discretionary power to award additional pension up to £6,500.

2. Flexible Retirement

12. This provision enables an employer to grant permission for an employee who is age 55 or over to receive payment of the pension benefits they have built up and continue working for the council on a lower level of pay.

13. The Council's current policy is that it will approve requests only when it is in the Council's interests to do so and the request should typically involve a reduction in salary of 40%, either through reduced hours or level of responsibility (grade).
14. The current policy will be updated in September 2014 to clarify the circumstances in which it would not be in the Council's interests to approve requests.

Recommendation:

That there should be no change to the Council's existing policy that it will approve requests only when it is in the Council's interests to do so and the request should typically involve a reduction in salary of 40%, either through reduced hours or level of responsibility (grade).

3. Early payment of pension provisions at the request of a current employee

15. Under the current scheme an employer has the discretion to allow an employee to retire voluntarily between the ages of 55-59 and receive immediate payment of their pension benefits. From age 60 the employer's permission is not required.
16. The Council's current policy states: 'Early retirement policy - to consider and decide individual cases on their merits, where this is in the mutual interests of the employee and employer and where other HR policies and other pension provisions are not appropriate. Employer costs of the early payment of pension benefits will be taken into account in all cases.'
17. Pension benefits payable will normally be reduced. In exceptional cases on compassionate grounds* Waverley may determine that the actuarial reduction will not apply.'
18. Under the new scheme, employees aged between 55 and 59 will no longer need their employer's permission to retire and receive immediate payment of their pension benefits. However, the pension benefits payable would still be subject to an actuarial reduction to allow for early payment. It is proposed that the policy of waiving the actuarial reduction in exceptional cases on compassionate grounds be retained. There is no definition of compassionate grounds in the Regulations and it is expected that the Council will make an assessment based on objective criteria. It is not expected that this power would be used very often. In the last 6 years there have been no such cases.

Recommendation:

That there should be no change to the Council's existing policy on this provision.

4. Early payment of pension benefits before normal retirement age at the request of a former employee (a deferred member)

19. The Council's current policy states: 'Deferred members - where a deferred member requests early payment of pension benefits, this will only be agreed on compassionate grounds or to relieve severe financial hardship and where there is no cost to the Council.'

Recommendation:

That there should be no change to the Council's existing policy on this provision.

5. Power of employing authority to apply the 85 year rule for scheme members voluntarily retiring between the ages of 55 and 60

20. The 85 year rule applies to a limited number of eligible staff for pension benefits taken from age 60.
21. Under the 2014 Pension Regulations employees may retire early from age 55 before their normal pension age with retirement benefits taken before age 60 reduced in accordance with guidance issued by the Secretary of State, with the 85 year rule protection not applying.
22. However, there is a new discretionary power to apply the 85 year rule.

Recommendation:

That the discretionary power to apply the 85 year rule for scheme members voluntarily drawing their benefits on or after age 55 and before age 60, should not normally be applied. However, in exceptional circumstances, it may be applied, including waiving any actuarial reduction, where it is in the operational interests of the Council and taking into account the employer's cost arising.

Provision removed

Power of employing authority to increase total membership of active members by up to 10 years.

23. This provision has been removed from the new scheme which came into effect in April 2014. The Council's current policy is not to use this power, so its removal will not impact on the Council.
24. Mention of this power will be removed from the Policy.

The following item does not form part of the changes to the Pension Scheme which came into effect in April 2014, however it is recommended that Waverley's policy on this discretionary item is included in the policy for clarity:

Late transfer request

25. Under the LGPS Regulations, transfers of previous pension memberships into the scheme should occur within the first year of scheme service or, in the case of personal pensions, within a year of closing that pension, unless agreement is given by the employing authority to a late transfer request.
26. Due to the risk of future additional cost, to date the Council has not agreed late transfer requests.

Recommendation: that Waverley's policy not to agree to late transfer requests be added to the Pensions Policy, as follows:

'Waverley will not agree requests for transfer of other pensions outside the normal transfer period of the first year of scheme service or, in the case of personal pensions, within a year of closing that pension.'

Recommendation

That the Executive recommends to Council the approval of the Pension Policy Statement 2014 which replaces the Pension Policy Statement 2008.

Background Papers

There are no background papers (as defined by Section 100D(5) of the Local Government Act 1972) relating to this report.

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