

REPORT TO POLICY & FINANCE COMMITTEE – 17TH SEPTEMBER 2008
LOCAL GOVERNMENT PENSION SCHEME – DISCRETIONARY POLICIES

1 Introduction

- 1.1 New Local Government Pension Scheme (LGPS) regulations that came into effect on 1 April 2008 give employing authorities certain discretions over the exercise of their functions in the LGPS.
- 1.2 The Council must therefore put in place its own discretionary policies, or adopt Hampshire County Council's revised Pension Policy Statement.

2 New powers for employers

- 2.1 A list of employer discretions that need to be supported by a written policy statement is attached as Appendix A.
- 2.2 *Regulation 12 (power to increase total membership of active members) and Regulation 13 (power to award additional pension to active members):* employers had a similar discretionary power under the old LGPS regulations to purchase additional service for active members. In line with the policy adopted by Hampshire County Council, the Town Council did not use this power.
- 2.3 It is therefore recommended that the Council continue with this approach and approve a policy that Ringwood Town Council will not consider increasing total membership of, or awarding additional pension to, active members.
- 2.4 *Regulation 18 (decision to allow flexible retirement):* Members will have considered adopting a Flexible Retirement Policy earlier in the Meeting, which will inform this policy.
- 2.5 *Regulations 16 and 8:* The Council has previously agreed to only accept transfers of pension rights which are requested within one year of joining (Minute F/4100 of P&F meeting on 18/4/07 refers).

3 Recommendation

- 3.1 Attached as Appendix B is a copy of Hampshire County Council's revised discretionary policy statement.
- 3.2 It is RECOMMENDED that the Committee recommend to Council the adoption of a revised Pension Policy Statement in line with that adopted by Hampshire County Council.

For further information, contact Mrs Jo Stannard, Deputy Town Clerk
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Employer discretions that need to be supported by a written policy statement

Power to increase total membership of active members (regulation 12)

An employer can increase the total membership of an active member.

The member's total additional membership under this regulation (including additional membership in respect of different employments) must not exceed 10 years.

The employer will pay for the additional cost of this membership.

1. Power to award additional pension (regulation 13)

An employer can award an additional amount of pension to an active member, up to £5,000.

The cost of providing this additional pension must be met by the employer.

2. Decision to allow flexible retirement (regulation 18)

Where with the consent of the employer, an employee aged 55 or more reduces their hours or grade, they can elect to receive all or part of their benefits immediately.

(this is age 50 for existing members on 31 March 2008 leaving before 31 March 2010)

Any cost for early payment of the benefits would have to be met by the employer.

Employers can also choose to waive the member's early payment reduction on compassionate grounds. This cost will also have to be met by the employer.

3. Choice of early payment of pension (regulation 30)

Employees leaving after age 55 can elect to receive benefits immediately if the employer consents.

(this is age 50 for existing members on 31 March 2008 leaving before 31 March 2010)

Any cost for early payment of the benefits would have to be met by the employer.

Employers can also choose to waive the member's early payment reduction on compassionate grounds. This cost will also have to be met by the employer.

4. Extension of 12 month limit on transfer in of service (regulations 16 and 83)

Employees must elect to transfer in previous LGPS membership or other pension rights within 12 months of joining the scheme. Employers can choose to extend this period

Revised LGPS policy statement for Hampshire County Council

Pension policy statement for non-teaching employees

"Your Pension – An Employee's Guide" explains that your employer can exercise certain discretions under the Local Government Pension Scheme (LGPS). In addition, if you are made redundant or retired in the interests of the efficient exercise of your employer's functions – known as early retirement - your employer can compensate you under the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations. From 1 April 2008 the County Council will exercise these discretionary powers as set out below, and inform you if it alters them in future:

- It will consent to immediate payment of benefits to an employee who requests this and retires voluntarily between age 55 and 60 (or age 50 for employees who have been in the LGPS since 31 March 2008, leaving before 31 March 2010), provided the relevant Chief Officer, the Director of Human Resources and the County Treasurer agree that it is in the Council's interests to do so, and having regard to the Pension Fund charge for paying benefits early being affordable in each case. In exceptional circumstances the waiving of any reduction in benefits under the LGPS's 'rule of 85' will also be considered.
- It will consent to pension benefits being paid under the flexible retirement policy to an employee over the age of 55 (or age 50 for employees who have been in the LGPS since 31 March 2008, leaving before 31 March 2010), who requests this, provided their remuneration is reducing typically by 40 per cent through either a reduction in contractual hours or grade. In addition agreement must be obtained from The Executive Member for Policy and Resources, or the Chief Officer and the Director of Human Resources and the County Treasurer, whichever is appropriate under the policy, that it is in the Council's interest having regard to the requirements of the service, and that any Pension Fund charge for paying benefits early is affordable in each case. In exceptional circumstances the waiving of any reduction in benefits under the LGPS's 'rule of 85' will also be considered.
- It will base any redundancy payment due to you on your actual weekly rate of pay (rather than the current statutory maximum of £330 per week) and on your years of continuous local authority service. The part of your redundancy payment that relates to earnings in excess of the statutory maximum can be used to buy additional service in the Local Government Pension Scheme. This option is only open to you if you request it before your employment ceases.
- If you are retired in the interests of the efficiency of the service it will consider buying you additional service in the Local Government Pension Scheme using an amount no greater than the payment you would have received had you been made redundant.
- If you are a Chief Officer or a Hampshire management grade employee in the situations listed above then it will submit your case for prior approval to the Executive Member for Policy and Resources
- It will pay preserved benefits without reductions to an ex-employee over age 55 (or age 50 for employees who have been in the LGPS since 31 March 2008, leaving before 31 March 2010), on compassionate grounds, provided that the Chief

Executive and the County Treasurer are satisfied that the person had to give up work to care for an aged or sick relative or partner. Serving employees can apply for this before leaving

- It will automatically include a woman's LGPS membership between 1 April 1972 and 5 April 1988 in the calculation of her widower's pension at no charge to her.
- It will reduce or suspend where necessary the added years pension paid to you during a period of re-employment with a LGPS employer. At the end of the period of re-employment it will reduce, according to a set formula, the added years element of your pension. In both instances you will be no better off, in pension terms, than if you had remained in the original job. Details of the formula are available from Pensions Services Section.
- It will not consider either increasing total membership of active members or awarding an additional amount of pension
- It will only accept elections 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, except for those members who hold certificates of protection or whose pension rights are affected by Pay & Benefits.
- It will only accept the election for transfer of pension rights from an external pension provider into the LGPS if this election is made within 12 months of the member joining the LGPS.