

LOCAL GOVERNMENT PENSION SCHEME 2014
PENSION DISCRETIONS
WDA/28/14

Recommendation

That Members:

1. Review the discretions set out in the report at Section 3; and
2. Determine how those discretions will be applied to employees who are members of the Local Government Pension Scheme.

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Report of the Finance Director

1. Purpose of the Report

- 1.1 Recent changes introduced by the Local Government Pension Scheme (LGPS) 2014 have provided an additional two discretions where the Authority's approach needs to be considered by Members for inclusion and update to the Pension Policy Statement.
- 1.2 The report asks for Members consideration of the additional two discretions, and to approve the recommendation about whether to apply the individual discretion or not.

2. Background

- 2.1 In April 2014 the Local Government Pension Scheme (LGPS) was amended from being a 'Final Salary Scheme' and going forward is now a 'Career Average Scheme'. As part of these changes, some Regulations have changed and a number of discretions contained within them required reviewing.
- 2.2 Members agreed the Authority's approach to those discretions contained within the Local Government Pension Scheme Regulations 2013 which apply to the Authority as detailed in report WDA/23/14. A Pensions Policy Statement was then produced which detailed, to the Pension Fund, the discretions which are adopted and how they will be applied to employees who are members of the LGPS.
- 2.3 The introduction of the LGPS 2014, require the consideration of two additional discretions and both, whether and how, they will be applied to employees of the Authority.
- 2.4 The discretions that the Authority adopts enable the Authority to consider them on a case by case basis. This consideration will be dependent upon the circumstances of both the case and the Authority at the time, and will be made by either the Authority or by the Chief Executive where delegated powers exist.

- 2.5 The decision taken on the additional discretions and how they will be applied must be included in the Pensions Policy Statement.

3. Decisions on Discretions

- 3.1 Below is a summary of each discretion, the issues to consider and the recommendation of officers.

3.2 Regulation 16 (2) (e) – Funding of additional pension.

This provision permits an employer to fund, in whole or part, additional pension contributions (APC) to cover a period of absence, where the employee has opted for this arrangement. These absences are in respect of child related leave, reserved forces leave, absence for illness/injury and unpaid leave with permission. This does not cover absence due to trade dispute.

In respect of periods of unpaid leave where an APC is used to cover those periods of unpaid leave, the Authority is required to automatically pay 2/3rds of the cost with the Member paying the rest. Any request by the Member to pay additional contributions to cover unpaid leave must be made within 30 days of returning to work.

It is recommended that the Authority adopts this discretion and agrees to pay part of the period of absence by meeting 2/3rds of the cost of the arrangement where the employee elects to do so within 30 days of their return to work.

3.3 Schedule 2 Para 2 – Transitional Provisions Application of the 85 Year Rule protections to members voluntarily retiring between 55 before age 60.

The '85 year rule' allowed members of the LGPS to take unreduced benefits before normal retirement date when their age plus membership of the scheme totalled 85 years. If the 85 year rule was not met reductions applied. These reductions were based on the shortfall to when the member would have achieved the 85 year rule.

The 85 year rule was removed from the Scheme in October 2006.

The 85 year rule no longer applies to members choosing to voluntarily draw their benefits on or after age 55 but before age 60, this discretion

allows the Authority (at a cost) to 'turn back on' the 85 year rule protections.

Where the Authority does not do so, benefits would be subject to a reduction in accordance with actuarial guidance issued by the Secretary of State.

The Authority may resolve to waive certain actuarial reductions on compassionate grounds.

If the Authority agreed to adopt this discretion, the cost of any strain on the fund resulting from the payment of benefits before aged 60 would have to be met by the Authority.

It is therefore recommended not to adopt the application to 'turn back on' the 85 year rule as detailed, and that the discretion shall not be permitted in any circumstances due to the additional cost.

4. Risk Implications

- 4.1 There are no significant additional risks to the Authority from adopting the discretions at 3.2.
- 4.2 The Authority may be at risk of legal challenge by a LGPS member, if it fails to consider and determine how it intends to apply its discretionary power under the LGPS Regulations 2013.

5. HR Implications

- 5.1 There are no immediate HR implications associate with the report, however, an annual review of the Authority's Pension Policy Statement must be undertaken to ensure it is current or appropriately amended in line with any future changes to the LGPS Regulations.

6. Environmental Implications

- 6.1 There are no environmental implications associated with this report.

7. Financial Implications

- 7.1 There are no immediate financial implications associated with this report. The proposed policy may generate additional cost in some situations such as early retirement, the precise nature of which would depend upon the circumstances at the time, when they would be considered in full.

8. Legal Implications

- 8.1 Failure to consider and determine how the Authority intends to exercise its discretionary functions under the Regulations and to produce a Pension Policy Statement may lead to a breach of The Local Government Pension Regulations 2013.

9. Conclusion

- 9.1 The Local Government Pension Scheme (LGPS) 2014 has undergone a number of changes. As a result the Authority is required to consider whether or not to adopt an additional two discretions over the way it manages its membership of the scheme and the benefits to its employees, past present and future.
- 9.2 Members are asked to consider two further discretions detailed in Section 3 of this report and make a decision on each discretion, this will be the Authority's approved position
- 9.3 The decision taken on the discretion will be included within the Pension Policy Statement, and sent to the Fund as required.

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The background documents to this report are open to inspection in accordance with Section 100D of The Local Government Act 1972 – Nil.