



**General Purposes Committee**  
25 February 2015

**Report from the Director of  
Human Resources**

For Action

Wards affected:  
ALL

**Local Government Pension Scheme  
Employer Pensions Discretions Policy**

**1.0 Summary**

This report details the areas of the Local Government Pension Scheme (LGPS) 2014 relating to Employer Discretions where the council is required to formulate, publish and keep a policy statement under review.

**2.0 Recommendations**

2.1 General Purposes Committee is asked to:

- a) approve the Employer Pension Discretions Policy and
- b) authorise the HR Director in consultation with the Chief Executive and then in consultation with the relevant trade unions to make such other changes as may be necessary from time to time to ensure it remains 'fit for purpose'.

**3.0 Detail**

3.1 The LGPS Regulations 2013 para 60 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 Local Government Pension Scheme.

3.2 The specific areas where the council is required to formulate, publish and keep a policy statement under review are as follows:

- a) Augmentation of membership
- b) Awarding additional pension
- c) Flexible retirement
- d) Allowing early payment of benefits

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Meeting  
Date

Version no.  
Date

- e) Waiving actuarial reduction for early retirement

### 3.3 **Augmentation of membership**

This provision in the 2008 Scheme enabled an employer to award up to 10 years of additional pension scheme membership to a scheme member. Our current policy is that we do not make use of this provision generally, but that in exceptional cases it may be considered. This provision will be removed from the 2014 scheme and is mentioned in this report for information only. We have not used this provision since 2002.

### 3.4 **Awarding additional pension**

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 and there will be index-linked increases to this figure each year. The cost of awarding additional pension would be substantial and our current policy is that we will not make use of this provision generally but that in exceptional cases it may be considered.

It is recommended that the policy be amended to state that the award of additional pension for staff must be supported by a business case. That awarding additional pension will be determined by the HR Director in consultation with the Chief Finance Officer.

### 3.5 **Flexible retirement**

This provision enables an employer to grant permission for an employee who is aged 55 or over to receive payment of the pension benefits they have built up and continue working for the Council with less pay.

Our current policy is to consider all requests for flexible retirement from staff who are aged 55 or over provided that the employee has a permanent reduction in salary of at least 40%.

It is recommended that the policy retains the option for staff requests for flexible retirement subject to the approval of the HR Director in consultation with the Chief Finance Officer.

### 3.6 **Early payment of pension**

Under the 2008 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 the age of 60, the employer's permission is not required. The pension benefits payable would be subject to a reduction to allow for early payment however in exceptional circumstances when it is in the operational interests of the council or where there are other compelling compassionate grounds the reduction could be waived. Waiving of the reduction will require the council to make a payment to the pension fund to make up the shortfall.

Our current policy is that we will usually consider employees' requests to retire before the age of 60 but that we will not waive the actuarial reductions. However, there may be exceptional circumstances where there are compassionate grounds or reasons not covered by other regulations and policies which merit the waiving of the

reductions which can be approved by the HR Director in consultation with the Chief Finance Officer.

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 will be subject to an actuarial reduction to allow for early payment. It is proposed that the council only waives actuarial reductions for staff aged between 55-59 who choose to retire early, however this may be considered where there are exceptional and compelling compassionate grounds.

### **3.7 Discretion to 'switch on' the 85 year rule for 55 to 60 year olds**

On 10 March 2014, the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 came into force introducing various other discretions that the council could exercise in relation to pension entitlement. Due to the additional cost that would be involved in the discretions, it is recommended that the policy should state that, with one exception, no discretions will be exercised by the Council. The exception relates to entitlement to an enhanced pension under the '85 Year Rule' for employees aged between 55 and 60. There is no longer an automatic entitlement for employees in this aged group for unreduced pension for employees whose length plus age of service is 85 or more. It is proposed that in exceptional circumstances, where this is in the interests of the Council, that the Council will pay the additional cost of an unreduced pension.

### **4.0 Financial Implications**

4.1 When the council exercise these discretions, they may incur costs that are not within the original budget for the year. The council will consider the financial implications in each instance and will only agree to the discretion where it is in the best financial interests of the Council when assessed over the medium term.

### **5.0 Legal Implications**

5.1 The new policy statement is underpinned by the Local Government Pension Scheme Regulations 2014.

### **6.0 Diversity Implications**

6.1 The policy and procedure is applicable to all staff and provides a consistent approach to Employer Discretions across the council. The Employer Pensions Discretions policy statement will be regularly monitored to ensure it is implemented fairly across the council.

### **7.0 Staffing/Accommodation Implications**

7.1 Staffing implications are covered in the body of the report.

### **Background Papers**

Employer Discretion policy statement  
LGPS regulations (<http://www.lgpsregs.org/index.php/guides/pdfarchive>)

### **Contact Officer**

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