
REPORT TO:	FINANCE and MANAGEMENT COMMITTEE (SPECIAL – FINAL ACCOUNTS)	AGENDA ITEM: 8
DATE OF MEETING:	26th JUNE 2014	CATEGORY: DELEGATED
REPORT FROM:	DIRECTOR OF FINANCE and CORPORATE SERVICES	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (01283 595811) Kevin.stackhouse@south-derbys.gov.uk	DOC: u/ks/pay and pensions/pensions/2014 regulations/discretion report
SUBJECT:	LOCAL GOVERNMENT PENSION SCHEME 2014 – LOCAL DISCRETIONS	REF:
WARD AFFECTED:	ALL	TERMS OF REFERENCE: FM 05

1.0 Recommendation

- 1.1 That the Committee approve the employer discretions set out in **Appendix A**, which are required to be determined and published by 30th June 2014 in accordance with the requirements of the Local Government Pension Scheme.

2.0 Purpose of the Report

- 2.1 To determine the Council's employer discretions permitted under the new Local Government Pension Scheme (LGPS) Regulations 2014.

3.0 Detail

- 3.1 The LGPS requires each employer to formulate, publish and keep under review a policy statement in relation to the exercise of a number of discretions under the LGPS Regulations. A review is now required following changes to the LGPS that came into effect on 1st April 2014. The Council has a statutory deadline of 30th June 2014 to submit its policy statement to the pension administering body which is Derbyshire County Council.

Areas to be reviewed

- 3.2 The LGPS Regulations stipulate a review in four areas namely:
- Voluntary funding of additional pension via a Shared Cost Additional Pension Contribution (SCAPC) contract either by regular on-going contribution or one-off lump sum.
 - Flexible retirement.
 - Waiving all or part of any actuarial reduction.
 - Award of additional pension (at whole cost to the employer).

“85 year rule”

- 3.3 The LGPS (Transitional Provisions and Savings) Regulations 2014 also require that employers have a policy on whether to agree to apply the “85 year rule” to a scheme member wishing to voluntarily draw benefits on or after 55 and before age 60.
- 3.4 The rule of 85 is satisfied if a scheme member’s age at the date they draw their benefits and their scheme membership add up to 85 or more.
- 3.5 The 85 year rule does not automatically apply if an employee decides to voluntarily draw benefits on or after age 55 and before age 60 but the employer can agree to apply the 85 year rule. However, if the employer does apply the 85 year rule, the employer would have to meet any strain on the Pension Fund. If the employer does not apply the 85 year rule, the scheme member would meet any strain on the Pension Fund by an actuarial reduction applied to their pension. The employer has the discretion to waive actuarial reductions (at a cost to the employer).

Discretions post 31st March 2008 and pre 1st April 2014

- 3.6 Some of the existing discretions under the 2008 scheme are replaced by similar provisions (granting additional pension, flexible retirement and waiving actuarial reductions). This will necessitate a rewording of existing policies to reflect the provisions of the 2014 Scheme.
- 3.7 It is also necessary to draw up a new list of discretions for post 31st March 2008 and pre 1st April 2014 leavers. For example, the need for the employer to consent to applications for early payment of benefits for employees under the age of 60 will cease on the 1st April 2014 as there is no equivalent provision from April 2014. However, it will still be possible for pre 1st April 2014 leavers to ask for employer consent for the early release of deferred benefits. The employer will need to have a policy in this respect.

Publishing the policy statement

- 3.8 The 2014 LGPS contains a provision that discretion policies must be prepared, published, and copied to the Pension Fund administering authority within three months of 1st April 2014. Any subsequent revisions must be copied to the administering authority within one month of the date of the revision.
- 3.9 The deadline for providing Derbyshire County Council with the Council’s policy statement is 30th June 2014.

The Council’s policy statement

- 3.10 Authorities have delayed formulating their policy statements until after the publication of their policy statement by Derbyshire County Council. This has been done to enable them to model their policies, subject to local conditions, on the County Council’s policy statement. This approach has been taken by the Council.
- 3.11 It is recommended that the policy statement in Appendix A is adopted by the Council. The approved policy statement will then be provided to Derbyshire County Council as the Pension Fund administering body in accordance with the Pension Regulations.
- 3.12 Additionally, the Council should consider a review of its Pay Policy Statement (effective 1st April 2014) as this includes a description of the discretions current

exercised by the authority. Any revision to the Pay Policy Statement must be approved by Full Council in accordance with Localism Act.

4.0 Employment Implications

- 4.1 The approved policy statement will set out how the Council will apply the pension regulations in terms of the discretions. It should ensure the consistent treatment of employees when such discretions are applied by the Council.

5.0 Financial Implications

- 5.1 There are no financial implications arising from this report.

6.0 Conclusion

- 6.1 The LGPS requires each employer to formulate, publish and keep under review a policy statement in relation to the exercise of a number of discretions under the LGPS Regulations. A review is now required following changes to the LGPS effective 1st April 2014. The Council has a deadline of 30th June 2014 to submit its policy statement to the pension administering body which is Derbyshire County Council.
- 6.2 It is recommended that the policy statement in Appendix A is approved by the Council and provided to Derbyshire County Council as required by the LGPS Regulations.

7.0 Background Papers

Derbyshire County Council published Pension Discretions.
Policy Statement for Local Government Pension Scheme - dated October 2013.

South Derbyshire District Council – Policy Statement on Pension Discretions June 2014

Under Regulation 60 of the Local Government Pension Scheme Regulations 2013 (as amended) each scheme employer must publish and keep under review a Statement of Policy to explain how it will apply certain discretions allowed under the pension regulations.

This statement is applicable to all employees of South Derbyshire District Council who are eligible members of the LGPS.

Discretion	Regulation	Required to Publish by 30/06/2014	South Derbyshire District Council (SDDC) Published Discretion
Whether, how much and in what circumstances to contribute to a shared cost Additional Pension Contribution (APC) Scheme	R16(2)(e) & R16(4)(d)	Y	Policy is for the Finance and Management Committee to consider a shared cost APC in exceptional circumstances, where a person opts to pay for the break after 30 days up to a period of 12 months from the end of the break. If the person opts to pay an APC to buy extra pension the shared cost option does not apply.
Whether all or some benefits can be paid if an employee reduces their hours of work or grade (flexible retirement)	R30(6) & TP11(2)	Y	The Council's policy is that all benefits can be paid. The Flexible Retirement Policy says that benefits will be paid subject to a reduction of half the employee's contractual hours.
Whether to waive, in whole or in part, actuarial reduction on benefits paid to the employee when granted flexible retirement.	R30(8)	y	The Council's policy is not to waive the actuarial reduction for routine flexible retirements.
Whether to waive, in whole or part, the actuarial reduction on benefits which a member voluntarily draws before normal pension age.	R30(8)	Y	The Council's policy is not to waive any actuarial reduction on benefits which a member voluntarily draws before normal retirement age.

Appendix A (continued)

Discretion	Regulation	Required to Publish 30/06/2014	South Derbyshire District Council (SDDC) Published Discretion
Whether to waive any actuarial reduction on pre and or post 1 st April 2014 benefits paid early on compassionate grounds.	TP3(1), TPSch 2, paras 2(1) and 2(2), B30(5) and B30A(5)	Y	The Council's policy is for cases to be considered by the Finance and Management Committee in order for it to determine whether an actuarial reduction is appropriate.
Whether to "switch on" the 85 year rule for a member voluntarily drawing benefits on or after age 55 and before age 60	TP Sch 2 paras 1(2) and 2(2)	Y	The Council's policy is not to "switch on" the 85 year rule for a member voluntarily drawing benefits on or after age 55 and before age 60.
Whether to grant additional pension to an active pension scheme member or within six months of ceasing to be an active member by reason of redundancy or business efficiency. The additional pension that can be granted is up to £6,500 (figure as at 1 st April 2014) a year.	R31	Y	The Council's policy is not to grant any additional pension to an active member or within six months of ceasing to be an active member by reason of redundancy or business efficiency.
Whether, for a member leaving on the grounds of redundancy or business efficiency on or before 31 st March 2014, to augment membership by up to 10 years. The resolution to do so would have to be made within six months of the date of leaving. Hence this discretion is spent entirely after 30 th September 2014.	B12	Y	The Council's policy is not to grant any augmentation to a scheme member leaving on grounds of redundancy or business efficiency.
Whether to grant application for early payment of deferred benefits on or after age 55 and before age 60.	B30(2)	Y	The Council's policy is to only grant application for the early release of deferred benefits on or after age 55 and before age 60 where there is no cost to the Council.

Appendix A (continued)

Discretion	Regulation	Required to Publish 30/06/2014	South Derbyshire District Council (SDDC) Published Discretion
Whether to waive, on compassionate grounds, the actuarial reduction applied to deferred benefits paid early under B30.	B30(5)	Y	The Council's policy is to take cases to the Finance and Management Committee in order for it to consider whether an actuarial reduction is appropriate.
Whether to grant an application for early payment of a suspended tier three ill health pension on or after age 55 and before age 60.	B30A(3)	Y	The Council's policy is to grant an application for early payment of a suspended tier three ill health retirement pension on or after age 55 and before age 60 where there is no cost to the Council.
Whether to waive, on compassionate grounds, the actuarial reduction applied to benefits paid early under B30A	B30A(5)	Y	The Council's policy is to take cases to the Finance and Management Committee in order for it to consider whether an actuarial reduction is appropriate.
Grant application from a post 31/03/98 / pre 01/04/08 leaver or from a councillor for early payment of benefits on or after age 50/55 and before age 60.	31(2)	Y	The Council's policy is to grant an application from a post 31 st March 1998/pre 1 st April 2008 leaver or from a councillor for early payment of benefits on or after age 50/55 and before age 60 where there is no cost to the Council.
Waive, on compassionate grounds, the actuarial reduction applied to the benefits paid early for a post 31/08/98 / pre 01/04/08 leaver or a councillor leaver.	31(5)	Y	The Council's policy is to take cases to the Finance and Management Committee in order for it to consider whether an actuarial reduction is appropriate.
Councillor optants out and pre 01/04/08 employee optants out to only get benefits paid from Normal Retirement Date if employer agrees.	31(7A)	Y	The Council's policy is to allow councillor optants out and pre 1 st April 2008 employee optants out to only get benefits paid from Normal Retirement Date.