

<b>1.</b>	<b>Meeting:</b>	<b>Staffing Committee Meeting</b>
<b>2.</b>	<b>Date:</b>	<b>30<sup>th</sup> April 2014</b>
<b>3.</b>	<b>Title:</b>	<b>Pensions Update</b>
<b>4.</b>	<b>Directorate:</b>	<b>Resources</b>

## **5. Summary**

This report provides information in respect of the application of Council discretions applicable as a result of changes to the Local Government Pension Scheme with effect from 1<sup>st</sup> April 2014.

## **6. Recommendations**

Staffing Committee is asked to: -

- Approve the adoption and publication of the required Pensions Discretions.
- Confirm the proposal to review these discretions as required.

## **7. Proposals and Details**

### **7.1 Review of Discretions**

Local Government employers operating under the Local Government Pension scheme are able to follow some local determinations within the parameters of the nationally-determined scheme.

The implementation of a new Pension Scheme from 1<sup>st</sup> April 2014 has highlighted the need to review the current published Council discretions.

The new revised and updated list of discretions to be published is attached at Appendix 1.

The new Scheme has identified the need to incorporate an additional discretion related to interim protections related to the Rule of 85 and so an additional discretion is now included (***shown in bold italics***).

We are also recommending taking the opportunity to include a reference to the changing nature of employee pension contributions under the new scheme. These are now dependant on actual earnings and we propose to highlight this in payslip messages published each pay period so that employees know to check the rates being applied.

Discretions Policies require approval by Elected Members.

Where changes are made these have to be formally tabled for consideration by Elected Members and adopted by the Council.

These then have to be formally published for a period of 30 days before any change could come into effect.

Pensions discretions should be reviewed periodically and it is proposed that these should be reviewed every 5 years with the next review being scheduled for 2019, unless there are other changes introduced that warrant an earlier review.

## **8. Finance**

The new Local Government Pension Scheme effective from 2014 is designed to be cost neutral the Council could be faced with additional wages costs from overtime working being deemed pensionable in future.

Whilst most employees will pay the same or lower contributions in the new Scheme, our higher paid employees will be paying additional contributions up to a maximum of an additional 5% on top of current contribution rates.

## **9. Risks and Uncertainties**

A failure to introduce effective pay and rewards will impact upon the Council's ability to recruit, retain and motivate employees.

Senior Employee responses if a negative perception is received from the revision to pensions and increased contributions. This could lead to potential for earlier retirements to preserve benefits accrued under the old Final Salary Scheme.

**10. Policy and Performance Agenda Implications**

The way we do business: Right people, right skills, right place, right time; reducing bureaucracy; and getting better value for money.

**11. Background Papers and Consultation**

Local Government Pension Scheme Regulations 2014

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**LOCAL GOVERNMENT PENSION SCHEME REGULATIONS 2014**  
**EMPLOYER STATEMENT OF DISCRETIONARY POLICIES**  
**(Published April 2014)**

**Introduction**

Rotherham Council is required by the 2014 Local Government Pension Scheme Regulations to publish its policies in relation to how it will exercise its discretionary powers under those Regulations in the following areas:-

- The funding of additional pension for a member either through regular contributions or by lump sum, Regulations 16 (2)(e) & 16 (4)(d)
- Flexible retirement, Regulation 30 (6)
- The waiving of the actuarial reduction in those cases where a member voluntarily retires early, Regulation 30 (8)
- ***Applying the 85 year rule for members voluntarily drawing benefits on or after age 55 and before age 60, (Schedule 2 of the Transitional Regulations makes provision for Regulation 60 of the 2013 Regulations apply as if it were already contained within that Regulation)***
- The awarding of additional pension to a member, Regulation 31
- ***Preferred methodology to decide employee contribution rate / notification.***

Whilst Rotherham Council recognises the need to use its discretionary powers under the Pension Regulations in a properly considered manner and in such a way as to not fetter any of the discretions available, it also recognises that the following general principles need to apply:-

- The application of a discretion needs to fit with the business aims and plans of the Council and must help or further those plans where appropriate
- The application of a discretion should not give rise to a cost to the Council unless that cost can be met from any savings arising from the long term use of the discretion in question and meets or supports the business aims and plans of the organisation
- The Council will recognise that the application of a discretion must be equitable and fair in every case
- The application of a discretion must not be seen to be a reward for a particular class or group of staff
- Notwithstanding any of the above, each and every case or application will be considered on its individual merits

**DISCRETION****POLICY STATEMENT**

<p>Funding of additional pension under Regulations 16 (2)(e) and/or 16 (4)(d)</p>	<p>Because of the costs involved and the likelihood of this provision either being of little or no benefit to the Council, or not being vital to the support and application of the Council's business plan and strategy, then the Council would not normally expect to exercise its discretion to fund additional pensions for members either through regulation contributions or lump sum contributions. However, each and every application will be considered in the light of the circumstances of the individual case concerned and a decision reached on the merits of that case.</p>
<p>Flexible retirement, Regulation 30 (6)</p>	<ul style="list-style-type: none"><li>• The Council seeks to support the principle of allowing members to prepare for retirement in as many ways as possible. In this it also seeks to support Government Policy where that policy supports the Council in its efforts to run its business and services in the most efficient and cost effective manner. As such, subject to the following criteria, the Council would normally expect to exercise its discretion in allowing members to retire flexibly:-Any reduction in working hours or salary must be permanent.</li><li>• Any reduction in working hours or salary must be at least 40% of those hours or that salary being worked or earned immediately prior to the member's flexible retirement.</li><li>• The reduction in hours or reduction in responsibility allowing the member to be paid a reduced salary must not impact upon the Council's ability to carry out its business efficiently and effectively.</li><li>• The individual flexible retirement concerned must support the Council's overall business plan and strategy.</li></ul> <p>The Council reserves the right, having considered each individual case, to refuse an application where any of the above criteria are not met.</p>
<p>The waiving of the actuarial reduction in those cases where a member voluntarily retires early, Regulation 30 (8)</p>	<p>Because of the additional costs involved to the Council of waiving the actuarial reduction to member benefits in cases of voluntary retirement it is not envisaged that the Council would normally exercise its discretion in favour of waiving those reductions.</p> <p>However, each case will be considered on its merits and with reference to the circumstances involved of the individual concerned.</p>

	<p>A potential exception to this policy would be where the individual can make a case for the waiving of such a reduction to be granted on compassionate grounds.</p> <p>An example of “compassionate grounds” may be where the member has been forced to cease work to take up a caring role for an immediate family member, although it is recognised that other grounds could and may exist.</p> <p>Every application will be considered on the circumstances of the individual concerned. Financial hardship alone would not constitute “Compassionate grounds.</p>
<p><b><i>Applying the 85 year rule for members voluntarily drawing benefits on or after age 55 and before age 60, (Schedule 2 of the Transitional Regulations)</i></b></p>	<p><b><i>Because of the potential retrospective impact on the 2013 Fund Valuation and the future additional costs that the exercise of this discretion would bring to the Council, and the fact that the Council does not deem the exercise of this discretion to be necessary in the pursuit of its overall business plan and strategy, then it is not anticipated that there will be any instances where the Council will apply the rule of 85 for members wishing to retire voluntarily between the ages of 55 and 60.</i></b></p> <p><b><i>However, every application will be considered on its individual merits and the circumstances involved.</i></b></p>
<p>The awarding of additional pension to a member, Regulation 31</p>	<p>Because of the costs involved and the likelihood of this provision either being of little or no benefit to the Council, or not being vital to the support and application of the Council’s business plan and strategy, then the Council would not normally expect to exercise its discretion to award additional pension to members.</p> <p>However, each and every application will be considered in the light of the circumstances of the individual case concerned and a decision reached on the merits of that case.</p>
<p><b><i>Member contribution rate, Regulation 9</i></b></p>	<p><b><i>In order to account for fluctuating pay over the year the employees applicable contribution rate will be assessed each pay period based on their actual monthly or weekly pensionable earnings.</i></b></p> <p><b><i>The contribution rate will be displayed on payslips with employees having the right of appeal against any contribution banding change within 6 months of the change date.</i></b></p>