



SUPPLEMENTRY 1

THE EXECUTIVE

Tuesday, 15 July 2008

Agenda Item 11. Local Government Pension Scheme - Employer Discretions (Pages 1 - 4)

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15 JULY 2008

REPORT OF THE CORPORATE DIRECTOR OF RESOURCES

This report is submitted under Agenda Item 9. The Chair will be asked to decide if it can be considered at the meeting under the provisions of Section 100B(4)(b) of the Local Government Act 1972 as a matter of urgency in order not to delay the delivery of the project.

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| Title: LOCAL GOVERNMENT PENSION SCHEME REGULATIONS – EMPLOYER DISCRETIONS | For Decision |
| <p>Summary: This report sets out the discretions within the Local Government Pension Scheme (LGPS) Regulations 2007 and 2008 that the London Borough of Barking and Dagenham as the employer are required to agree a relevant policy.</p> <p>Wards Affected All</p> | |
| <p>Recommendation(s) The Executive is recommended to:</p> <p>(i) Agree the discretionary policies as set out in Section 2 of this report; and (ii) Note the approval process as set out in Section 3 of this report.</p> | |
| <p>Reason(s) The Council has a statutory responsibility to formulate, publish and keep under review a policy statement in relation to the exercise of a number of discretions under the Local Government Pension Scheme.</p> | |
| <p>Implications:</p> <p>Financial: Some of the discretions will have financial implications which are set out in the body of the report. The discretions potentially could all have a financial impact. However, in the cases that are cost neutral, an automatic agreement is recommended (following assessment of the financial implications by the pension's team). All other cases must be referred to a panel consisting of the Director of Resources, Divisional Director of Corporate Finance and Divisional Director of Legal and Democratic Services for approval.</p> <p>Legal: We are legally obliged to prepare such a written statement of policy in relation to the exercise of the discretions.</p> <p>Risk Management: In preparing such a statement, the Council must have regard to the extent to which the discretions are exercised to avoid a loss of confidence in the service provided,</p> <p>Social Inclusion and Diversity: There are no specific adverse impacts insofar as this report is concerned.</p> | |

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| <p>Crime and Disorder: There are no specific adverse impacts insofar as this report is concerned.</p> | | |
| <p>Options Appraisal: The various options available to the Council are detailed in section 2 of this report.</p> | | |
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1. Background

- 1.1 Under the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 and Local Government Pension Scheme (Administration) Regulations 2008 the London Borough of Barking and Dagenham are required to formulate, publish and keep under review a policy statement in relation to the exercise of a number of discretions under the LGPS.
- 1.2 In formulating and reviewing a policy, the employer is required by the Regulations to have regard to the extent to which the exercise of their discretionary powers, unless properly limited, could lead to a financial loss.

2. Employer Discretions

- 2.1 The detailed discretions available to the Council and recommendations are as follows:

| DISCRETION | DESCRIPTION | RECOMMENDATION |
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| 1. Early payment of pension benefits at the request of a member. | An employee can request that the Council grant them early retirement between 55 (50 for protected members*) and 60. Employees aged over 60 do not need their employer's consent. Early payment will be subject to a capital cost unless sufficient actuarial reductions to the members' benefits make the case cost neutral. | Each case to be judged on its own merits having fully considered the case details and financial implications. <i>(Policy as originally agreed by Establishment Committee 11.3.98)</i> |
| 2. Former members request for early payment of benefits | From age 55 (50 for protected members*) former members with deferred benefits have the right to apply for early payment | Cases that have no financial consequences (cost neutral) to be approved automatically. |

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| | of their retirement benefits. Early payment is subject to employers consent and possible resulting costs. | Other cases to be considered on their own merits having fully considered the case details and financial implications. <i>(Policy as originally agreed by Establishment Committee 11.3.98)</i> |
| 3. Flexible Retirement | An employee over age 55 (50 for protected members*) can request immediate payment of their pension benefits if permission is granted for them to reduce their hours or grade. Employer's consent is needed if before age 60. Early payment will be subject to a capital cost if the reductions to the members' benefits are not sufficient to make the case cost neutral. | All cases will be reviewed individually taking account of the Council's business needs including service delivery and financial costs. <i>(This is a new requirement)</i> |
| 4. The establishment of a Shared Cost AVC scheme | This discretion allows the Council to contribute to an employee's AVC scheme. | The Council has not adopted this discretion on financial grounds. <i>(Policy as originally agreed by Establishment Committee 11.3.98)</i> |
| 5. Requirement for any strain on Fund costs to be paid 'up front' by an employing authority. | This discretion allows the Administering Authority to require employing authorities to pay any strain costs up front following redundancy, discretionary retirement, flexible retirement or the waiver of any actuarial reductions. Strain costs are the actuarial costs incurred by the pension fund for early or unreduced release of pension benefits. | The Council had adopted this discretion and all costs incurred must be met up front. <i>(Policy as originally agreed by Establishment Committee 11.3.98)</i> |
| 6. Increase membership of an active member up to 10 years | The Council have the discretion to award to an active member, an additional period of pension scheme membership (maximum 10 years) through augmentation. | The Council will adopt this discretion only in exceptional circumstances on financial grounds. <i>(This is a new policy)</i> |
| 7. Award of additional pension up to £5000 per annum. | The council have the discretion to award an active member, additional pension of up to £5000 per annum | The Council will adopt this discretion only to be applied in exceptional circumstances on financial grounds. <i>(This is a new policy)</i> |

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| 8. Power to allow transfer values to be accepted after ten months' membership | This discretion allows the extension of the 12 month time limited transfer of pension rights from previous pension schemes to be extended. | The Council will adopt a policy to allow this discretion in limited circumstances only. Each case will be judged on its own merits. <i>(This is a new policy)</i> |
| 9. Statement of policy concerning abatement of retirement benefits in new employment | Abatement is the automatic reduction or suspension of pension to ensure that staff who retire and are re-employed in Local Government or similar bodies cannot earn in excess of their pre retirement final salary. | The Council will adopt a policy to abate pensions upon re-employment only in cases where a capital cost was incurred or if the individual retired on ill health grounds. All age or actuarially reduced pensions will not be abated. <i>(This is a new policy)</i> |

* Protected Members – a person who was a member of the Local Government Pension Scheme on 31 March 2008 is able to request early payment of benefits from age 50 until 31 March 2010.

3. Financial Implications

- 3.1 The discretions potentially could all have a financial impact, and they are detailed above. However, in the cases that are cost neutral, an automatic agreement is recommended (following assessment of the financial implications by the pension's team). All other cases must be referred to a panel consisting of the Director of Resources, Divisional Director of Corporate Finance and Divisional Director of Legal and Democratic Services for approval.
- 3.2 The panel must consider each case referred to them equally and fairly on its own merits having fully considered the case details and the financial costs.

4. Appeals Process

- 4.1 Any decision made through the panel will be subject to an independent appeals process. Details of this process will be made available through the pension's team.

5. Risk Management

- 5.1 The employer must be satisfied that the policy is workable, affordable and reasonable having regard to foreseeable costs.

6. Consultation

- 6.1 The following have been consulted on this report:

Bill Murphy – Corporate Director of Resources
Nina Clark – Divisional Director of Legal and Democratic Services

Background Papers - None