

Discretions Policy for Wiltshire Council

Purpose of Report

1. To present an updated Discretions Policy for Wiltshire Council, following the changes to the Local Government Pension Scheme (LGPS) in April 2014.

Background

2. The introduction of new LGPS regulations effective from April 2014 requires Wiltshire Council to review its existing pension discretions policy and to publish a new policy with effect from April 2014.
3. The discretions policy states how the council will apply its discretionary powers in relation to specific provisions of the pension scheme.

Wiltshire Council Discretions

4. The LGPS regulations provide a set of nine discretions for employers to review and agree. Seven of these discretions are the same as stated in Wiltshire Council's existing discretions policy, with the addition of two new discretions. The discretions are as follows:

- Discretion 1 – awarding additional pension

This discretion enables the employer to grant an additional pension of up to £6,500 per year to an employee.

Wiltshire Council's current discretion policy states that this discretion will not be exercised. It is recommended that this is revised slightly to allow for this discretion to be exercised by Staffing Policy Committee in exceptional circumstances.

- Discretion 2 – whether to make either a regular or lump sum additional pension contribution (new)

The new LGPS regulations enable an employee to pay an Additional Voluntary Contribution (AVC) or Additional Pension Contribution (APC) to buy lost pension.

This is a new discretion that enables the employer to fund the cost of the AVC or APC either in part (split with the employee) or in full on behalf of the employee via a Shared Cost Additional Pension Contribution (SCAVC) or Shared Cost Additional Pension Contribution (SCAPC).

It is recommended that this discretion is only exercised by Staffing Policy Committee in exceptional circumstances after considering the costs that will apply.

- Discretion 3 – flexible retirement

This discretion enables the employer to grant permission for an employee who is 55 years or over to receive payment of the pension benefits that they have built up, and continue to work for the council on a flexible retirement basis.

Wiltshire Council's current discretions policy states that requests for flexible retirement will be considered by the associate director for people and business in conjunction with the appropriate associate director based upon the resource implications and pension strain costs. It is therefore recommended that this continues.

- Discretion 4 – waiving actuarial reduction on flexible retirement

In allowing employees to take flexible retirement from 55 years and access their pension benefits, the pension benefits that they receive are significantly reduced in the form of an actuarial reduction. This takes into account that the employee is taking their pension benefit at an earlier stage (before their normal retirement age) and for a longer period. This discretion enables the employer to waive the actuarial reduction in pension benefits so that the pension is paid without reduction, with the employer picking up this cost/shortfall to the pension fund.

Wiltshire Council's current discretions policy states that this discretion will not be exercised, and the actuarial reduction will not be waived so that there is no additional cost to the council. It is therefore recommended that this continues.

- Discretion 5 – waiving actuarial reduction on early retirement

The new LGPS regulations allow for all employees to take early voluntary retirement from 55 years and access their pension benefits. However, in so doing, their pension benefits are significantly reduced in the form of an actuarial reduction to allow for the pension being taken at an earlier stage (before their normal retirement age) and for a longer period. This discretion enables the employer to waive the reduction and pick up the cost/shortfall to the pension fund.

Wiltshire Council's current discretions policy states that this discretion will be exercised by Staffing Policy Committee in individual cases on compassionate grounds only. It is therefore recommended that this continues.

- Discretion 6 – to allow the rule of 85 for employees aged between 55 and 59 (new)

The new LGPS regulations result in a loss of the rule of 85 protection for some employees aged between 55 and 59, as there is no longer an automatic entitlement for employees in this age group for unreduced pension where their length of service plus age, total 85 or more.

This is a new discretion that enables employers to allow the rule of 85 for this group of employees and fund the cost/shortfall to the pension fund.

It is therefore recommended that this discretion will be exercised by Staffing Policy Committee in exceptional circumstances after considering the costs that will apply.

- Discretion 7 – extending 12 month period to transfer separate previous LGPS service

This discretion enables employers to extend the 12 month limit to transfer LGPS service.

Wiltshire Council's current discretions policy states that this discretion will not be exercised, and it is therefore recommended that this continues.

- Discretion 8 – determining rate of employee contributions

This discretion enables employers to determine how frequently employee contributions are assessed and paid to the pension fund.

Wiltshire Council's current discretions policy states that reassessment of all salary changes will take place as they occur during the year. It is therefore recommended that this is clarified to state that Wiltshire Council will re-assess all employee contribution bands on a monthly basis, taking into account all salary changes as they occur during the year.

- Discretion 9 – extending 12 month period to transfer non local government pension.

This discretion enables employers to extend the 12 month limit to transfer non local government pension to the LGPS.

Wiltshire Council's current discretions policy states that this discretion will not be exercised, and it is therefore recommended that this continues.

Environmental Impact of the Proposal

5. None.

Equalities Impact of the Proposal

6. None.

Financial Impact of the Proposal

7. If a discretion is exercised and agreed, costs may be incurred that have not been budgeted for. The financial implications of exercising a discretion will be considered on a case by case basis, and the discretion only agreed where it is in the council's best financial interests.

Risk Assessment

8. None.

Options Considered

9. None.

Recommendation

10. That staffing policy committee approve the recommendations to the discretions policy as stated above.

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The following unpublished documents have been relied on in the preparation of this Report: None