

CHURCH STRETTON TOWN COUNCIL

SPECIAL AMENITIES, FINANCE AND GENERAL PURPOSES MEETING

To be held on Tuesday 1st December 2015

Agenda Item 5: Pension Discretions Policy

1. BACKGROUND

The Introduction of the new Local Government Pension Scheme 2014 (LGPS) on 1 April 2014 requires all scheme employers to formulate, publish and keep under review any existing discretionary pension policy statements and to publish new policy statements with effect from 1 April 2014. (Reg 60 of the LPGA Regulations 2013, and further Para 2(2) of Schedule 2 to the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014). This was reported to AF & GP in July 2014 and a review of existing Town Council pension policy statement undertaken.

2. NATURE OF THE DISCRETIONS

Although the LGPS is a statutory pension scheme and therefore governed by Act of Parliament, the regulatory framework has never been rigid, and has allowed for regional and local variances. Over the years the trend has been towards increasing these ‘flexibilities’, which although undoubtedly beneficial to the scheme members, does have a direct impact on time spent in administering the scheme.

We are required to have a written policy in respect of LGPS 2013 regulations 16(2)(e), 30(6)(8) and 31, covering the following five areas:

- **Award of Additional Pension**
- **Flexible Retirement**
- **Waiving Actuarial Reductions**
- **Contribution to a shared cost Additional Pension Contribution Scheme**
- **Switching on the 85 year rule**

The review has been undertaken with the aim of providing fairness and consistency, and with regard to:-

- **Cost** – exercising discretionary powers comes at a price. Policies must be affordable.
- **Fettering discretions** – Care must be taken when constructing a discretionary policy so as to ensure that it does not fetter the employer’s wider discretion (eg in respect of redundancy payments)
- **Anti-discrimination laws** – Employers must have regard to issues of equality, particularly in relation to age, where it must be demonstrated that the policy can be objectively justified

3. POLICY CONSIDERATIONS

The recommended policy in respect of the mandatory flexible discretions is therefore attached at Appendix A for consideration.

Based on this analysis it is recommended that Church Stretton Town Council approve a policy of adopting mandatory discretions only, and further, to approve the policies in respect of individual discretions as outlined in Appendix A.

APPENDIX A

This Policy applies in conjunction with the Town Council’s Pensions Policy contained within the Employee Handbook.

REGULATION	DISCRETION	POLICY
31	<p>Award of additional pension up to £6,675 (with effect from 1/4/15) (at whole cost to the employer).</p> <p>This does not apply to employees who have been granted unpaid leave of absence and, within 30 days of return to work, have requested to work to pay a Shared Cost Additional Pension Contribution SCAPC to cover the amount of pension ‘lost’ during their absence period due to the cost to the employer.</p>	<p>The Town Council will only apply this discretion where the employee can demonstrate a need and has previously made a beneficial contribution towards the Council’s service delivery.</p>
16(2)e and 16(4)d	<p>Voluntary funding of additional pension contributions via a (SCAPC) contract, either by regular on-going contribution or one-off lump sum.</p> <p>This discretion allows employees in the Scheme to buy extra annual pension, up to a maximum of £6,675. The employer will contribute towards this additional pension.</p> <p>This discretion applied to employees who may wish to buy extra pension because they have taken unpaid leave.</p>	<p>This discretion allows the Town Council to award an employee an extra annual pension of up to £6,675. (Applicable as at 1 April 2015.)</p> <p>The Town Council will only apply this discretion where:</p> <ul style="list-style-type: none"> i. The employee can demonstrate a need and has previously made a beneficial contribution towards the Council’s service delivery, and the award of such discretion would not be discriminatory towards other employees. ii. The employee is absent from work e.g. for child related leave, with no pensionable pay and their absence is approved by the Council.
30(6)	<p>Flexible retirement.</p> <p>This discretion allows an employee at the age of 55 (with the consent of their employer) to reduce their hours of work or salary and to draw all or part of the pension benefits they have already built up.</p> <p>Flexible retirement allows employees to move gradually towards retirement by reducing their hours of work or</p>	<p>The Town Council will consider all requests from employees wishing to take flexible retirement. The Council’s decision will be based on the merits of the request and the financial implications for the Council and the impact this may have on the Council’s service delivery.</p>

	<p>responsibilities i.e. downgrading their post.</p> <p>In such cases, pension benefits will be reduced in accordance with actuarial tables (unless the employer waives reduction on compassionate grounds or a member has protected rights).</p>	
30(8)	<p>Waiving all or part of any actuarial reduction.</p> <p>This discretion allows employees in the Scheme aged between 55 and normal pension age to retire and take their pension. In this case the employer may waive the actuarial reduction in whole or in part in order to protect the Pension Fund against loss of funding.</p>	<p>All requests will be considered on their merit. The Town Council will only waive the actuarial reduction after taking into account the possible costs that it may incur if an employee receives their benefits early and subject to guidance from the Shropshire County Pension Fund Team.</p>
RTPSch2	<p>Whether to agree to apply the 85 year rule for members choosing to voluntarily draw their benefits between 55 and 59.</p> <p>Since 1st April 2014 members do not require consent if they wish to retire before the age of 60. However, the 85 year rule will not apply automatically unless it is 'switched on'.</p> <p>'Switching on' means that we will meet the strain cost for members who retire early. Not switching on means that the member will meet the strain cost via actuarial reduction to benefits.</p>	<p>All requests will be considered on their merit and subject to establishing the strain cost provided by actuary and advice from SCPFT</p>