

TRAFFORD COUNCIL

Report to: Employment Committee
Date: 14th December 2015
Report for: Approval
Report of: Acting Director of HR and Director of Finance

Report Title

**STATEMENT OF POLICY – LOCAL GOVERNMENT PENSION SCHEME (LGPS)
EMPLOYER DISCRETIONS**

Recommendation

It is recommended that Employment Committee approves the Statement of Policy for Employer Discretions in relation to the Local Government Pension Scheme.

Contact person for access to background papers and further information:

Name: Deborah Lucas
Extension: x4095

Background Information

- The Local Government Pension Scheme (Transitional Provisions and Savings) Regulations 2014
- The Local Government Pension Scheme Regulations 2013
- The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (as amended)
- The Local Government Pension Scheme Regulations 1997 (as amended)

Relationship to Corporate Priorities	The proposed policy statement on discretions will ensure that there is a consistent and prudent approach to the application of discretions, demonstrating Value for Money.
Financial	The cost of exercising discretions can have an impact on the Council's financial position with respect to pension strain costs, the employer's contribution rate and the wider financial viability of the Scheme. Discretions are therefore considered and monitored by the Council's S.151 Officer in conjunction with the Director of HR.
Legal Implications	The proposed policy statement on discretions is required as a result of regulatory amendments to the Local Government Pension Scheme.
Equality/Diversity Implications	An Equality Impact Assessment has been

	undertaken with respect to the new policy statement; this is attached at Appendix 2.
Sustainability Implications	None
Staffing/E-Government/Asset Management Implications	The policy statement will ensure that the Council has transparency and consistency in relation to the exercise of its discretionary powers for those individuals who are members of the Local Government Pension Fund.
Risk Management Implications	The Council is required to publish its policy in relation to the exercising of its discretionary functions.
Health and Safety Implications	None

1.0 BACKGROUND

- 1.1 The Local Government Pension Scheme (LGPS) is a statutory pension scheme with its rules laid down under Acts of Parliament. The 1997 Regulations increased the scope of local decision-making and offered improved flexibility in pension provision. This flexibility gave employers more scope to manage pension scheme benefits. These are known as discretions.
- 1.2 Subsequent LGPS Regulations, including the Local Government Pension Scheme Regulations 2013 and the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 require employers to ‘prepare, maintain and keep under review’ a statement of policy concerning pension discretions made available to them.
- 1.3 This report proposes a consolidated Policy Statement on Employer Discretions (Appendix 1), in particular, taking into account the new discretionary powers provided under the Local Government Pension Scheme 2014.
- 1.4 Following approval, the Policy Statement will be submitted to the Administering Authority (Tameside) for publication, in line with regulatory requirements.

2.0 PENSION SCHEME DISCRETIONS

- 2.1 Since 1997, the LGPS Regulations have required employers to have policy statements in relation to a number of their discretionary powers.
- 2.2 In particular, the LGPS Regulations 2014 stipulate that employers must have compulsory policy statements in the following areas:
- The voluntary funding of additional pension via a Shared Cost Additional Pension Contribution (SCAPC) contract [*Regulation 16(2)(e) and 16(4)(d)*];
 - Flexible retirement [*Regulation 30(6)*];
 - The waiver of any actuarial reduction [*Regulation 30(8)*]; and
 - The award of additional pension [*Regulation 31*];
 - Switching on the 85 year rule [*Schedule 2, Paragraphs 2(2)*].

2.3 Whilst it is compulsory for the employer to have policy statements on the areas set out above, the Regulations also set out a number of discretionary areas for which a policy statement is recommended. This is good practice and in the interests of transparency and effective administration.

2.4 The proposed Policy Statement incorporates those discretionary areas which are compulsory as well as those that are recommended.

3.0 EXERCISE OF DISCRETIONARY POWERS

3.1 The Regulations require any Policy Statement to be workable, affordable and reasonable and one which maintains public confidence in the organisation.

3.2 Specifically, employers must ensure that their discretionary powers are:

- exercised reasonably;
- not used for an ulterior motive;
- only used when there is a real and substantial benefit to the employer, in return for incurring additional costs.

3.3 These principles underpin the proposed new Policy Statement.

4.0 CONCLUSION

4.1 The proposed Policy Statement reflects the requirements set out in the Regulations with the overarching aim of maintaining public confidence in decisions that the Council makes.

4.2 Pension discretion decisions will continue to be under the control of the Council's S.151 Officer and the Director of HR; this provides assurance in terms of consistency and the assessment of financial and employment impact.

5.0 RECOMMENDATION

5.1 It is recommended that the Employment Committee approves the attached Policy Statement on Employer Pension Discretions.