

CHESHIRE EAST COUNCIL

Cabinet

Date of Meeting: 29th April 2014
Report of: Head of People and Organisational Development
Subject/Title: Pensions Discretions – Changes to the Local Government Pension Scheme (LGPS 2014) (Forward Plan Ref: CE 13/14-81)
Portfolio Holder: Cllr Barry Moran, Performance

1.0 Report Summary

- 1.1 This report outlines the changes to the Local Government Pensions Scheme (LGPS) and the Local Government Pensions Discretions that must be considered by the Council and included within the Council's current Employer Discretions. Any changes made to the discretions will also be reflected in the Redundancy and Retirement and Severance Policies.

2.0 Recommendation

- 2.1 That cabinet consider the report and approve the recommendation to exercise its discretion(s) as outlined in the table in section 10.0.

3.0 Wards Affected

- 3.1 None

4.0 Local Ward Members

- 4.1 N/A

5.0 Policy Implications including

- 5.1 Changes made to the Pensions Discretions Policy, as recommended in section 10, will be reflected in the Redundancy Policy and Retirement and Severance Policy.

6.0 Financial Implications

- 6.1 There would be no direct financial cost to the Council of adopting the recommendations in this report, other than in relation to the discretion to allow scheme members to have pension released on 'appropriate' grounds, which may include more cases than previously encompassed within the term 'compassionate' grounds.

7.0 Legal Implications

- 7.1 Employers are required to review, update and publish their Pensions Discretions in line with the Local Government Pension Scheme Regulations 2013 which come into force on 1st April 2014. Cheshire East Council is obliged to provide the Pension Provider, Cheshire Pension Fund a policy in relation to some of the new Pension Discretions by 1st July 2014 in order to comply with scheme rules.

8.0 Risk Management

- 8.1 This report and the recommended changes to the Council's Pensions Discretions will ensure that the Council complies with the Local Government Pension Scheme Regulations 2013.

9.0 Background and context

- 9.1 The Local Government Pension Scheme (LGPS) is changing significantly with effect from 1st April 2014. The most notable change is the move to a career average scheme (CARE.) but there are a number of additional changes to the scheme which must be considered and reflected in the Council's Pensions Discretions Policy. The existing policy will be retained (and applied where applicable) for employees with service prior to April 2014, with transitional arrangements being put in place.

10.0 Current position and recommendations

Discretion	Current Policy	Proposed Policy	Reason for proposal
Power to increase total membership of active members (augmentation of service)	Policy for Active Members. – This discretion is used to enable redundant employees to purchase additional service within the non-statutory part of their redundancy pay.	Remove augmentation of membership.	Under the new LGPS regulations, members no longer build up service in years, and in future will build up yearly pension accounts. As a result, employer's ability to grant additional years' pension service is no longer available.

Discretion	Current Policy	Proposed Policy	Reason for proposal
Power to award additional pension (of up to £5,000 per year)	This provision will not be used other than in exceptional circumstances.	Policy for Active Members- Change upper limit to £6,500.	This is recommended under the new scheme as option of augmentation has been removed.
Flexible retirement	<p>Employees aged 55 and above may apply to have their hours and/or their pay grade reduced and to seek agreement to early release to some or all of their pension.</p> <p>Requests for early release of their pension will be considered if:</p> <p>Either their substantive grade reduces by a minimum of 2 grades (e.g. grade 6 to grade 4) and/or Their contract hours reduce by a minimum of 1/5th</p>	<p>Policy for Active Members-</p> <p>Requests for early release of their pension will be considered if:</p> <p>Either their substantive grade reduces by a minimum of 2 grades (<i>or equivalent</i>) and/or Their contract hours reduce by a minimum of 1/5th</p> <p>However, regard will be given to service requirements, financial pressures and managerial responsibility in reaching a decision in each case.</p>	Although not a new requirement under the LGPS 2014 regulations, this revision is required to include employees on a spot rate salary (under the new pay structure), as a failure to amend the current policy results in categories of employees being potentially excluded from this aspect of the flexible retirement provision.

Discretion	Current Policy	Proposed Policy	Reason for proposal
Choice of early payment of pension	<p>Policy for Active Members- Early release of pension will only be approved where the Council is satisfied that such release represents value for money, or is on compassionate grounds. The Council will release benefits on compassionate grounds in full for active members.</p> <p>Policy for Deferred Members- Early release of pension to a former employee or a former employee with a Tier 3 Ill health pension that has been suspended , will only be approved where the Council is satisfied that such release is on compassionate grounds. The Council will not waive, on compassionate grounds, the actuarial reduction applied</p>	<p>Policy for Active Members- Early release of pension will only be approved where the Council is satisfied that such release represents value for money, or is on <i>appropriate</i> grounds. The Council will release benefits on <i>appropriate</i> grounds in full for active members.</p> <p>Policy for Deferred Members- Early release of pension will only be approved where the Council is satisfied that such release is on <i>appropriate</i>. The Council will not waive, on <i>appropriate</i> grounds, the actuarial reduction applied to the release of pension benefits paid</p>	<p>Under the new regulations, all scheme members have an automatic right to receive benefits from age 55 (with no cost to the employer.)</p> <p>Under the new regulations, employers retain the power to waive some or all of the reduction, but the criteria is no longer restricted to compassionate grounds for service post April 2014.</p> <p>By substituting the word 'compassionate' with 'appropriate', this option can be utilised as a more flexible management tool, for example allowing management to agree to allow an employee to exit the organisation on grounds considered to be appropriate. The cost of allowing any such request will always be considered against the benefits the exit will allow.</p>

	to the release of pension benefits paid early to deferred members under this discretion (unless the deferred member is protected in the '85 year rule' group) .	early.	
Contributions payable by active members	Employees are allocated to a band once a year from 1 April and subsequently only if their contract changes permanently, i.e. promotion or a down grading. Where an employee receives a mid year grade increment or a late pay award, this will be picked up when the band is reviewed in the following April.	Add in: Employees on casual contracts will be allocated an estimate banding at the beginning of their assignment. The banding will be reviewed annually, or earlier at the employees request.	Under the new regulations, Pension contribution rates are based on actual salary (including overtime). The appropriate banding for casual employees will generally be the lowest percentage rate, or may be higher based on salary received in the preceding 12 months.
Re-employed and rejoining deferred members	An employee may elect to aggregate current and previous periods of membership within 12 months of current membership commencing. Extensions to the 12 month period for aggregating current membership will not be generally	Aggregation of current and previous service will be automatic unless the member chooses not to aggregate the service. If the member does not wish to aggregate service, this decision must be made within 12 months of	Aggregation is automatic under the new regulations, unless the employee chooses to keep benefits separate. Therefore, the employer discretion is to extend the 12 month period for a member <i>not</i> to aggregate benefits.

	considered, other than in exceptional circumstances.	joining the scheme. Extensions to the 12 month period will not generally be considered, other than in exceptional circumstances.	
Applications to make absence contributions	An employee may elect, within 30 days of unpaid absence, to make up lost contributions. Extensions to the 30 day period for making up lost contributions will not generally be considered, other than in exceptional circumstances.	An employee may elect, within 30 days of unpaid absence, to make up lost contributions.	Under the new regulations, there is no discretion to extend the time limit, so reference to this must be removed to ensure compliance. The full cost of purchasing lost pension will be met by the individual who must enter into an Additional Pension Contribution Agreement directly with the Pensions provider.
Inward transfer of pension rights	An employee may elect to transfer rights from a previous pension scheme within 12 months of joining the Local Government Pension Scheme. Extension to the 12 month period to transfer pension values will not be generally considered, other than in exceptional	An employee may elect to transfer rights from a previous pension scheme within 12 months of joining the Local Government Pension Scheme. Extension to the 12 month period to transfer pension values will not be	This has now become a joint discretion requiring employer and Administering Authority agreement.

	circumstances.	generally considered, other than in exceptional circumstance, <i>and will only be agreed with approval from the Administering Authority.</i>	
Early Leavers – III Health	An employee has to have a qualifying period of three months pensionable service, and be certified by an Occupational Health Practitioner as incapable of carrying out their contractual role. To be eligible an employee must be certified by an Independent Registered Medical Practitioner (IRMP) that they are permanently incapable of undertaking their contractual job and that they have a reduced likelihood of obtaining gainful employment (whether in Local Government or otherwise) before age 65. They will then be entitled to one of three levels of benefit as determined by the Local	An employee has to have a qualifying period of <i>two years</i> pensionable service, and be certified by an Occupational Health Practitioner as incapable of carrying out their contractual role. To be eligible an employee must be certified by an Independent Registered Medical Practitioner (IRMP) that they are <i>incapable of immediately</i> undertaking their contractual job and that they have a reduced likelihood of obtaining gainful employment	Under the new regulations, an employee has to have a qualifying period of 2 years service before this provision applies. There has also been a change in the need for the IRMP to be required to state that the employee has a reduced likelihood of gaining employment before age 65, and is now required to state they are incapable immediately of undertaking work.

	Government Pensions Regulations. The employer will decide the appropriate tier according to the likelihood of the employee obtaining gainful employment as certified by the IRMP.	(whether in Local Government or otherwise). They will then be entitled to one of three levels of benefit as determined by the Local Government Pensions Regulations. The employer will decide the appropriate tier <i>after consideration of the medical information available, and</i> according to the likelihood of the employee obtaining gainful employment as certified by the IRMP.	
Early payment of pension – ill health	Requests from ex employees with deferred benefits who seek early release of their pension on the grounds of ill health will be referred to an IRMP who will certify whether or not the ex employee is permanently incapable of undertaking the duties of their former	Delete reference to age 65.	As outlined above.

	employment because of ill health and that they have a reduced likelihood of obtaining any gainful employment before age 65 or for at least three years whichever is the sooner.		
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10.1 Removal of Local Government Pension Scheme (LGPS) Membership for Councillors.

- 10.2 On Monday 10th March, the government announced that with effect from 1 April 2014 the Local Government Pension Scheme will be closing to elected members. Any councillors in the Scheme at that point may remain in membership until their term of office ends but the government have made clear that LGPS membership will end from the date of the next election following 1 April 2014, regardless of whether or not a councillor is re-elected.

11.0 Access to Information

- 11.1 The background papers relating to this report can be inspected by contacting the report writer:

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