

Item:
6



Report to Partnership Meeting 6 February 2009

Review of Discretionary Policies under the Local Government Pension Scheme

Report by Partnership Director

SUMMARY

The purpose of this report is to review the Council's discretionary policies under the Local Government (Scotland) Pension Scheme 2008. The recommendations reflect those policies adopted by The Highland Council Resources Committee at its meeting on 3 December 2008.

RECOMMENDATION

The Board is asked to:

1. agree the recommendations contained in Appendix 1 and 2 of this report
2. agree that all policies be reviewed in 2013
3. agree that, in line with the main scheme policy, there be an "opt out" provision allowing reconsideration of any specific discretion if the special circumstances of an individual case merit it.

1. Introduction

- 1.1 The Local Government (Scotland) Pension Scheme Regulations 1998 provide the Council and employers including HITRANS participating in the Highland Council Pension Fund with powers to determine certain policies in respect of the Local Government Pension Scheme to reflect local circumstances.
- 1.2 These Discretionary Policies were first agreed in 1998 and are reviewed every five years; the last review took place in 2003 with the next full review scheduled for 2008.
- 1.3 Discretionary Polices fall into two distinct categories.
 - 1) Employing Authority. Employers participating in the Highland Council Pension Fund are required to formulate and publish specific policies best suited to their own organisational requirements
 - 2) Administering Authority .These polices apply to all employing authorities participating in the Highland Council Pension Fund.

1.4 The Highland Council is the administering authority for the Highland Council Pension Fund of which HITRANS as an Employing Authority is a Member.

2. New Local Government Pension Scheme

2.1 In addition to the existing policies, new discretionary options introduced as part of the Local Government (Scotland) Pension Scheme Regulation 2008 to be implemented from April 2009 have also been included in this review.

2.2 A separate report on the under noted policies will be submitted to a later Committee following consultation with the Trades Unions.

- Flexible Retirement
- Ill Health Retirement

2.3 A summary of the HITRANS Employer policies requiring to be reviewed and the proposed changes are included in Appendix 1.

2.4 A summary of the Administering Authority policies to be reviewed and the proposed changes are included in Appendix 2

Report by: Dave Duthie
Designation: Partnership Director
Date: 29 January 2009

APPENDIX 1

Employers Discretions	Existing Policy	Recommendation
To allow re-entry to the scheme for members who have opted out on previous occasions	To allow re-entry to the scheme for members who have opted out on two previous occasions	Discretion removed from the regulation. Opting back into the scheme is therefore permitted
To allow pension contributions to be deducted from additional payments/benefits (Non contractual)	Only contractual elements of pay attract pension deductions	No change
To reduce or suspend employee's contributions on attaining 40 years membership	No reduction or suspension of contributions.	No change
<p>Early payment of benefits due to redundancy or efficiency of the service</p> <p><i>The regulations allow the employing authority to grant early payment of benefits to members leaving the employment of the authority between the age of 50 (55 from April 2010) and 60 on grounds of redundancy or efficiency</i></p> <p><u>Early payment of benefits leaving the Authority through their own choice will not be permitted</u></p>	<p>Immediate access to pension benefits with maximum compensation</p> <p>Spouses annual compensation payments to continue during periods of remarriage and cohabitation</p> <p>Allow payment of a larger lump sum as an alternative to lump sum and annual compensation.</p>	No Change
Option to increase scheme members period of membership to scheme at time of joining	Provision not used	Provision no longer in regulations
Option to increase scheme member's period of membership at the time of member ceasing employment.	Provision not used	Provision no longer in regulations
Option to increase scheme membership of an active scheme member by up to 10 years	New provision	<p>Provision not to be used</p> <p><i>It is recommended that the current provisions relating to efficiency, redundancy and ill health are sufficient.</i></p>

<p>Option to award a scheme member additional pension of up to £5000 per annum</p>	<p>New provision</p>	<p>Provision not to be used.</p> <p><i>It is recommended that the current provisions relating to efficiency, redundancy and ill health are sufficient.</i></p>
<p>Whether all or some benefits can be paid if an employee reduces their hours or grade prior to age 60. Flexible retirement</p>	<p>New provision</p>	<p>A separate report will be submitted to a future Meeting of the Board</p>
<p>Establish a shared cost Additional Voluntary Contribution Scheme (SCAVC)</p> <p>A SCAVC requires the employer to pay a contribution to the scheme.</p> <p><i>Taking into account that establishing a SCAVC would result in a direct cost to the Council and that an AVC scheme is already available to scheme members it is recommended that this provision is not used</i></p>	<p>Provision not used</p>	<p>Provision not to be used. <i>Current AVC scheme considered sufficient</i></p>

APPENDIX 2

Administering Authority Discretion	Existing Policy	Recommendation
<p>The reduction or suspension of pensions/compensation when a pensioner is re-employed by any LGPS employer</p>	<p>The reduction/suspension of pensions/compensation ceased with effect from 1st November 2007</p>	<p>No change</p>
<p>Treating education or training as continuous in respect of a child's pension.</p> <p><i>The provision allows for a break in education /training to be treated as continuous. Payment of pension would continue to be paid during the break</i></p>	<p>Training to be treated as continuous if less than one year</p>	<p>No change</p>
<p>Requirement for scheme members to undergo a medical prior to being allowed to purchase additional service</p>	<p>Medical examination at scheme members expense required in all cases</p>	<p>The option to purchase additional service will no longer be available after 31 March 2009</p>
<p>Requirement for scheme members to undergo a medical prior to being allowed to purchase additional pension</p> <p>Payment of lump sum death benefits</p>	<p>Amended provision</p> <p>Payment made provided a nomination form has been completed and the relationship still applies</p>	<p>Medical examination at scheme members expense required in al cases</p> <p>No change</p>
<p><i>The regulations allow payment of a death grant to personal representatives or beneficially entitled to the estate without the need for grant of probate/letters of administration</i></p>		
<p>Recharge of Administration costs for provision of Additional Voluntary Contribution transfer value</p> <p><i>Scheme members may be charged an administration fee for quotations of transfer values</i></p>	<p>No recharge made</p>	<p>No change</p>

<p>Aggregation of terminated concurrent employments with active concurrent employments if scheme member does not complete option form within 1 month of issue.</p> <p><i>Allow Administering Authority to aggregate periods of employments where the scheme member has failed to complete the appropriate option form</i></p> <p>Administering Authorities can recover early payment costs (Strain on the Fund) associated with the early payment of benefits due to redundancy or early retirement by</p> <ol style="list-style-type: none"> 1) A single lump sum payment 2) Instalments of up to a 5 year period 	<p>Members are issued chase up letters until a response is received. This is an unnecessary administrative burden</p> <p>Instalments (including an interest charge) are permitted where applicable</p>	<p>Amend standard documentation to inform member that service will be aggregated unless they confirm to the contrary within 1 month</p> <p>No change</p>
--	--	--