



Meeting: Council

Date: 1 May 2014

Wards Affected: All wards in Torbay

Report Title: LGPS Pensions Discretions 2014

Executive Lead Contact Details: Derek Mills, Executive Lead for Business Planning and Governance, 07791 598091, Derek.Mills@torbay.gov.uk

Supporting Officer Contact Details: Anne-Marie Bond, Executive Head Commercial Services, (01803) 207160, Anne-Marie.Bond@torbay.gov.uk

1. **Purpose**

1.1 Changes to the Local Government Pension Scheme 2014 have resulted in a new set of pensions discretions requiring approval.

2. **Proposed Decision**

2.1 It is recommended that Council approve the pension discretion policy statements set-out in Appendix 2.

3. **Action Needed**

3.1 To approve the set of pensions discretions policy statements attached in Appendix 2.

4. **Summary**

4.1 The Local Government Pension Scheme regulations require all scheme employers to publish and keep under review a written policy statement on how they will apply their discretionary powers in relation to certain provisions of the scheme. As the new LGPS came into force on 1 April 2014, it has been necessary to review the current discretions and to adopt a set of discretionary pension policy statements to ensure compliance with the new Regulations.

Supporting Information

5. **Position**

Under the rules of the Local Government Pension Scheme (LGPS) the employer has the right to authorise discretion on a number of matters regarding the administration of the pension scheme.

Torbay Council already has a set of policy statements that it has developed in relation to the 2008 LGPS Regulations. The policy statements set out its position in regard to each of the discretions and in what circumstances it will/will not operate them. These current discretions are contained in Appendix 1.

The LGPS Regulations 2014 have introduced some changes to the discretions that the Council must now consider, approve and publish in order to be compliant with the new Regulations.

The table below provides a summary of the changes between the 2008 and 2014 LGPS discretions:-

Regulation under Local Government Pension Scheme	Discretion	Current Discretion (under 2008 Regulations)	New Discretion (under 2014 Regulations)
Regulation 12	Augmentation of membership	Yes	No
Regulation 13	Awarding additional pension	Yes	Yes
Regulation 16	Shared cost Additional Pension Scheme	No	Yes
Regulation 18	Flexible Retirement	Yes	Yes
Regulation 25(3)	Shared cost AVC arrangement	Yes	No
Regulation 30	Allowing early payment of benefits + waiving of actuarial reduction	Yes	Yes
Regulation 30(A)	Waiving actuarial reduction for ex-employees	Yes	Yes
Regulation TPSch 2	Power of employing authority to "switch on" the 85 year rule	No	Yes

The current set of discretion statements were agreed so that the Council could retain choice and flexibility over when it can exercise its discretions. This has had the advantage of enabling the Council to be responsive to budget pressures whilst ensuring that the Scheme is as cost-effective to the employer as possible.

With the exception of the Flexible Retirement discretion, the Council has not needed to exercise any of the existing discretions within the past six years. This has resulted in a significant decrease in the associated 'strain costs' that the Council has had to pay in the past, and is still committed to, when the discretions were more generously applied.

The Council's new set of policy statements developed in response to the 2014 regulations are contained in Appendix 2.

The new set of discretions are based on the same principles as the existing discretions and have been worded in such a way as to continue to save the Council money in regard to employer pension costs.

6. Possibilities and Options

- 6.1 The Council can choose to either adopt the new pension discretion policy statements as set-out in the Appendix 2 or to revise the options again with a view to applying them more generously, which is likely to result in additional costs.

7. Preferred Solution/Option

- 7.1 That Council approves the recommended pension discretion policy statements in Appendix 2. This would enable the Council to retain its current stance of flexibility and choice but at the same time ensure that the Scheme continues to operate in the most cost-effective way.

8. Consultation

- 8.1 Consultation has taken place at a national level in regard to LGPS changes. The Council's recognised Trade Unions, Unison and GMB have been notified of the changes (Single Status Group meeting 27.3.14).

9. Risks

If the pension discretion policy statements are not agreed on 1st May 2014, the Council will be non-compliant with the Local Government Pensions Scheme Regulations 2014.

If the new set of pension discretion policy statements are not approved by Council and need to be reviewed and changed, this will likely result in an increase to the Council's employer pension costs.

Appendices

Appendix 1 – Torbay Council's Current Pension Discretion Policy Statements based on 2008 LGPS Regulations.

Appendix 2 – Torbay Council's Proposed Pensions Discretion Policy Statements based on 2014 LGPS Regulations.

Additional Information

LGPS Pensions Changes 2014 – Discretions from Peninsula Pensions.

The following documents/files were used to compile this report:-

The Local Government Pensions Regulations 2014.

Wiltshire Pension Scheme:- <http://www.wiltshirepensionfund.org.uk/about-the-scheme/employer-discretions-policies.htm>

Surrey County Council 'Review of Pension Discretion Policy Statements':-

<http://mycouncil.surreycc.gov.uk/documents/s11230/PPDC%20Report%20New%20Scheme%20Discretions%20FINAL.pdf>