

Highland and Islands Fire Board

22nd April 2008

Agenda Item	
Report No	

Review of Discretionary Policies under the Local Government Pension Scheme

Report by Treasurer

SUMMARY

The purpose of this report is to review the Board's discretionary policies under the Local Government Pension Scheme following changes in HM Revenues and Customs (HMRC) legislation.

1 INTRODUCTION

- 1.1 The Local Government (Discretionary Payments and Injury Benefits) (Scotland) Regulations 1998 provide Highlands and Islands Fire Board (as a Scheduled Body) with powers to make payments to employees and their beneficiaries in various circumstances. These payments are in addition to the benefits (if any) that they may be entitled to under the provisions of the Local Government Pension Scheme.
- 1.2 The Discretionary Payments Regulations were initially set up in 1998 and are reviewed every five years; the last review took place in 2003 with the next full review scheduled for 2008.

2 Legislative changes

- 2.1 Changes to HMRC legislation which were incorporated into the Local Government Pension Scheme (Scotland) Regulations with effect from October 2006 directly affect two of the current Discretionary Policies requiring them to be reviewed in advance of the next scheduled review in 2008.

3 Policies requiring review/amendment

- 3.1 **Suspension of contributions on attaining 40 years scheme membership.**
- 3.2 Regulation 14 of the Local Government Pension Scheme (Scotland) Regulations 1998 allowed Employers the discretion to reduce/suspend members' contributions if the member's pensionable service exceeded the 40 year maximum at age 60.
- 3.3 Highlands and Islands Fire Board agreed on 5th May 2004 to adopt this policy and suspend pension contributions for employees who had attained 40 years scheme membership prior to age 60.
- 3.4 With effect from 6 April 2006 HMRC restrictions of service limits at age 60 and 65 were removed and replaced with a lifetime allowance maximum on all pension benefits removing the requirement for the policy.

3.5 Removal of the suspension of contributions will ensure that scheme members have benefits calculated on full service.

4 Abatement of pension on re employment

4.1 Abatement is applied where earnings from re-employment plus Local Government pension are greater than the current value of pre-retirement earnings. In these instances the pension is reduced by the excess.

4.2 The Administering Authority (The Highland Council) is responsible for formulating and keeping under review their policy concerning abatement, but they must first consult the employing authorities. A letter to this effect was issued to employing authorities asking for their views. Responses were requested by 21st July 2007 and no objections were received.

4.3 Highland Council Resources Committee approved the removal of abatement on 3rd October 2007.

RECOMMENDATION

The Board is asked to:

1. agree that the suspension of contributions is removed with effect from 1st October 2006
2. note the removal of the policy on the abatement of pensions upon re-employment
3. agree to review all policies in 2008 as part of the five year review incorporating these changes
4. 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.

Signature:

Designation: Treasurer

Date: 8 April 2008

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