

The Highland Council

Pensions Committee – 14 November 2014

Agenda Item	6
Report No	PC/13/14

Discretionary Policies – Employing Authority

Report by Director of Finance and Head of People and Performance

Summary

The purpose of this report is to review the Council's discretionary policies under the Local Government (Scotland) Pension Scheme 2008 and 2015.

1. Introduction

- 1.1 The Local Government (Scotland) Pension Scheme Regulations provide the Council and employers 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 should be reviewed every five years. The last full review took place in 2008 however changes such as flexible retirement and a change to the Voluntary Severance Scheme have been introduced since that date.
- 1.3 Discretionary Policies fall into two distinct categories.
 - 1) Administering Authority. These policies apply to all employing authorities participating in the Highland Council Pension Fund.
 - 2) 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.
- 1.4 The Highland Council is the administering authority for the Highland Council Pension Fund. The Administering Discretions were approved by the Pension Committee on 21 Feb 2014.
- 1.5 This report is in respect of Employing Authority Discretions.
- 1.6 Individual elements of Employer Discretions as stated in para 1.2 have been reviewed since 2008 and the purpose of this report is to present a full list of proposals for approval.

2 Employing Authority Discretions

- 2.1 A complete list of the Discretions and the Council's current position is included in Appendix 1 of this report.

2.2 No changes are proposed to the current position.

3 Voluntary Severance Scheme

3.1 Changes introduced as part of the 2015 scheme regulations may require a review of the Council's Voluntary Severance Scheme.

3.2 A separate report will be submitted to Resources Committee if changes are required.

4. Implications

4.1 There are no additional implications other than those highlighted in the report.

Recommendation

The Committee is asked to agree:

1. the recommendations contained in Appendix 1 of this report;
2. that all policies be reviewed in 2018; and
3. 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.

Designation: Director of Finance

Date: 27 October 2014

Author: Charlie MacCallum, Payroll and Pension Manager

Regulation No- A – Administration Regs B – Benefit Regs T – Transitional Regs	Description of discretion	Current Highland Council practice / discretion	Proposed change
B4(2) and 4(4) & A51(9)	Determination of annual contribution rate to be paid by active members by reference to pay band and how those rates are to be reassessed	Contributions assessed on 1 st April annually	None
B5(1)(b)	Determination of elements of pay on which pension contributions should be assessed	Contractual elements of pay only assessed	None
B11(2)	Final pay period to be used where a member's pay consists of fees	Best average 3 in last 10 years	None
B12(1)	<p>Power to increase membership of an active member.</p> <p>This provides that the Council may increase an employee's Scheme membership of the Local Government Pension Scheme before their employment is terminated. The amount of additional Scheme membership awarded must not exceed 10 years</p>	Not adopted	None
B13	Power to award additional pension to a scheme member only (no survivor benefits can be awarded) of not more than £5,000 per year	Not adopted	None

Regulation No- A – Administration Regs B – Benefit Regs T – Transitional Regs	Description of discretion	Current Highland Council practice / discretion	Proposed change
B18(1) & (3)	Flexible retirement – consent to reduction in hours or grade of post (18(1)) and waiving any actuarial reduction that would apply (18(3))	Council policy exists with no waiving of actuarial deduction	None

Regulation No- A – Administration Regs B – Benefit Regs T – Transitional Regs	Description of discretion	Current Highland Council practice / discretion	Proposed change
B30(2)	<p>Elections for early payment of pension (Member under age 60). This provides that an employee can elect to receive the early payment of their retirement benefits where all of the following conditions are met:-</p> <ul style="list-style-type: none"> • they are either an existing Scheme member, or became a deferred member on or after 1 April 1998 • they are aged between 55 and 59, and • the employee has the employers written consent <p>Certain members will have the benefit of protections enabling them to receive their retirement benefits under this discretion without suffering any early retirement reduction</p>	<p>Not adopted but applications for the release of deferred benefits on compassionate grounds will be considered by the Early Retirement Sub Committee.</p>	<p>None</p>

Regulation No- A – Administration Regs B – Benefit Regs T – Transitional Regs	Description of discretion	Current Highland Council practice / discretion	Proposed change
B30(5)	Waive actuarial reduction of pension on compassionate grounds where pension benefits are paid early in accordance with regulation 30(2) of the Benefit Regulations	Not adopted	None
A13(8)(aa)(ii)	Extension of the 12 month option period for aggregation of deferred benefits	Not adopted	None
A19(2)	Late application by member to pay optional contributions for period of absence – the rules of the scheme allow for someone to elect to pay pension contributions to cover a period of absence from duty. The election should be made within 30 days of returning to work, but the employer can extend this time limit if it so wishes	Not adopted	None
A22(3)	Shared cost AVC schemes This provides for an employer to establish and maintain a shared cost Additional Voluntary Contributions (SCAVC) arrangement to receive contributions by both employee and employer.	Not adopted	

Regulation No- A – Administration Regs B – Benefit Regs T – Transitional Regs	Description of discretion	Current Highland Council practice / discretion	Proposed change
A40(1)	Method of payment of employee contributions (e.g. an employer may deduct pension contributions from the member's pay)	Contributions deducted through salary	None
A40(2)	Deduction of contributions from relevant Reserve Forces pay	Contributions deducted from Reserve Forces pay	None
A42(2)	Exclusion of right to return of contributions – if employment is terminated due to fraud or grave misconduct. Refunds in such circumstances do not have to be paid to the individual. It is for the employer to decide if this should happen, or if it wishes to reclaim the money (see 66 & 68 below).	Contributions offset against any amount due to be repaid to the Council.	None
A66(1)	Forfeiture of pension rights on issue of Secretary of State's certificate following a conviction of a work related offence.	Yes	None
A66(3)	Where forfeiture certificate is issued, whether to direct that benefits are to be forfeited	Yes	None

Regulation No- A – Administration Regs B – Benefit Regs T – Transitional Regs	Description of discretion	Current Highland Council practice / discretion	Proposed change
A67(1) & (2)	Where forfeiture certificate is issued, whether to direct interim payments out of Pension Fund until decision is taken to either apply the certificate or to pay benefits	Suspend payment	None
A68(2)	Recovery of monetary obligation by former employee where employment ceases due to misconduct, negligence or a fraudulent act.	yes	None
A70() & (3)	Whether to recover from the Pension Fund any financial loss caused by fraudulent offence or grave misconduct of employee (who has left because of that offence), or amount of refund if less	yes	None
A76(1)(b)	Agreement to a bulk transfer	Yes	None