

SLOUGH BOROUGH COUNCIL

REPORT TO: Employment and Appeals Committee
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WARD(S): All

PART I NON-KEY DECISION

PENSION SCHEME DISCRETIONS

Introduction

1. The introduction of the new Local Government Pension Scheme (LGPS) from 1 April 2014 required all scheme employers to review their existing discretionary pension policy statement and publish a new policy statement. The Council undertook that review in August 2014 and adopted some of the discretions.
2. Experience both local and national has shown that the discretions adopted have not provided sufficient flexibility to enable the Council to maximise the benefit of its financial contributions to the benefit of both the employer and employee. This has the potential to frustrate change at a time when the Council needs to be swiftly adapting to changing circumstances and financial constraint.
3. This report proposes one addition to the pension discretions to enable that greater flexibility.

Recommendation

4. To adopt the Pension Discretion set out in Paragraphs 10 to 12 below.

Background

5. When the Pension Discretions were reviewed in 2014 it was believed that the discretions adopted would enable the Council, where there was a business case to do so, to make in whole or in part contributions to pensions strain and so mitigate the impact of the actuarial reduction of early retirement on the pension received by the employee. Experience has shown that the options to make a part contribution are so severely limited that the Council is almost entirely restricted to offering no mitigation at all or considering mitigation in full potentially at a cost beyond that for which there is a sound business case. This does not offer the flexibility required to secure change at an affordable cost. Having the proposed discretion could save the Council money in certain circumstances.
6. We have been advised that the adoption of the discretion below will enable the Council to make a range of contributions.

7. Since the pensions discretions were brought to the Committee, the Government has consulted on reducing the overall cap of public sector exit payments to £95k. The scope of this would be to include redundancy *and* pension strain costs (as well as some other items). Though no final date has been given for the implementation of this, the Committee should be aware of this, and the intention is, though there is no formal ability to do so until the scheme comes in, that the Council mitigates any payments through the pension discretions to a maximum of £95k.
8. The Council operates within the supplementary guidance issued by the Department of Communities and Local Government in February 2013 in relation to Pay Policy Statements which advises that all severance arrangements in excess of £100k should be brought to full Council. Other severance arrangements are dealt with according to the Council's Scheme of Delegation and the appropriate policies and procedures.
9. In light of the proposed changes to public sector exit payments, it is likely that any pension discretions will need to be further reviewed subject to the final proposals from Government.

LGPS 2013 Regulation 31 – Additional Pension Contributions

10. Regulation 31 gives a Scheme employer the power to award an active member of the Scheme, or a member who was active but dismissed by reason of redundancy or business efficiency or whose employment was terminated by mutual consent, additional pension.
11. Options previously considered were:
 - (a) To consider using this discretion in cases of redundancy and business efficiency subject to the financial implications for the employer.
 - (b) To consider using this discretion on compassionate grounds due to the member's exceptionally difficult personal or domestic circumstances.
 - (c) To consider using this discretion where a sufficient benefit to the employer can be justified.
 - (d) Not to apply this discretion.
12. At that time the Council did not adopt the discretion based upon cost and no overall business benefit to the council. It now appears that this approach used **as an alternative** to waiving the actuarial reduction will deliver greater flexibility in concluding settlement and severance arrangements and enhance the benefit of the Council's contribution to both employer and employee. Officers therefore do not envisage using this discretion post departure.

Conclusion

13. The recommendation is therefore to: Consider individual applications where there is a financial or other benefit to the employer and subject to there being no detrimental impact on the service.

Background Information

Report to Employment and Appeals Committee of 14 August 2014

Public Sector Exit Payment Response – HM Treasury, September 2015