

General Purposes Committee

AGENDA STATUS: PUBLIC

Report Title	NEW LOOK LOCAL GOVERNMENT PENSION SCHEME
Date of Meeting:	18 March 2008
Directorate:	People Planning and Regeneration
Ward(s)	ALL

1. Summary

- 1.1 To recommend to the General Purposes Committee for adoption by the Council the recommendations as indicated below.

2. Recommendations

- 2.1 Cabinet recommend to General Purposes Committee the following decisions for final determination and implementation from 1 April 2008, except 2.1.2
- 2.1.1 Not to apply the new discretion allowing employers to award additional pension (funded by the employer) of up to £5k.
- 2.1.2 Not to apply the discretion to adopt the policy on flexible retirement, but to include this in a later review of the Council's flexible working policies during 2008/09.
- 2.1.3 To adopt the attached Statement of Discretions (Appendix 1) which reflect the recommendations in 2.1.1 and 2.1.2 above.
- 2.1.4 To accept the changes to the Council's Severance Scheme which are required to make it consistent with the new pension regulations (Appendix 2).
- 2.1.5 To change the Council's Attendance Management Framework in relation to ill health retirement appeals making it clear that employees can appeal about the 'tier' of ill health retirement granted.

3. Report Background

- 3.1 The new look LGPS has been under consultation for some time and the fact the LGPS was changing was highlighted to both Cabinet and General Purposes Committee in September – October 2007 when the Council's Severance scheme was under revision.
- 3.1.1 The key changes introduced in the new look LGPS are covered briefly in Appendix 3. The proposed decisions in this report have been the subject of consultation with Trade Unions. Northamptonshire County Council, who is the Council's administering authority, will be writing to all scheme members.
- 3.1.2 Whilst the changes listed in Appendix 3 have administrative implications for the HR/payroll team, these are manageable for a 01/04/08 implementation date.

3.1.3 There are no changes to the Councillor Pension scheme.

4. Implications (including financial implications)

4.1 Resources and Risk

- 4.1.1 There are two provisions where there is discretion on the part of the employer to adopt them or not. These are to (i) award additional pension funded by the employer of up to £5k, and (ii) to grant flexible retirement to employees aged over 55 who are pension scheme members.
- 4.1.2 Additional Pension. An employee will be able to make their own provision for additional pension entitlement (up to £5k) through making Additional Regular Contributions (ARCs). Employers can adopt a policy where they can also grant additional extra pension up to £5k to pension scheme members but this element would incur a direct cost to the Council. The cost is not yet known, as the necessary actuarial advice has not yet been made available to Pension authorities.
- 4.1.3 Even though the costs are not yet known, it is clear that there would be some cost to the Council from exercising this discretion and in addition non-discriminatory criteria would need to be determined to base any awards to individual staff on. In order to avoid cost pressures, and the further work necessary to determine fair award criteria, it is recommended that this discretion is not adopted.
- 4.1.4 Flexible Retirement. This flexibility, introduced initially last year, has not yet been taken up by many Councils. As benefits are actuarially reduced to employees who are permitted to take this option there is not normally a cost to the employer unless (i) the employee is covered by the 85-year rule or (ii) the employer decides to waive the actuarial reduction.
- 4.1.5 At the time of writing the report details are still awaited on the benefits an employee could draw down if taking flexible early retirement.
- 4.1.6 It is recommended that the Council continues not to adopt this discretion, but takes a further view of the costs and possible benefits later in 2008/09 when the Council's flexible working policies are due for review.

4.2 Choices (Options)

- 4.2.1 The Council has no choice in relation to introducing the majority of changes in the new look LGPS as summarised in Appendix 3.
- 4.2.2 The choices the Council has relate to two areas of discretion and these have been covered in section 3.2 above.
- 4.2.3 From 1 April 2008 employee contributions will be based on salary and contributions will vary depending on which of the 7 bands an employee falls into. In line with the new pension regulations, contribution rates will be automatically determined each pay period.

4.3 Legal

- 4.3.1 Accepting the recommendations in this report would not expose the Council to any specific legal issues.

4.4 Other Implications

4.4.1 Policy

4.4.2 This report impacts on two existing Council policies, the Severance Scheme and the Attendance Management Framework. These both deal with issues of retirement and ill health retirement, which the new look LGPS regulations affect.

4.4.3 **Severance Scheme.** The council revised its Severance Scheme in October 2007 and it was noted then that there would be some further change as the new pension scheme was introduced. As a result of the new look LGPS regulations further changes are recommended and are shown as italics in Appendix 2. Most of these are minor, with the exception of ill health.

4.4.4 **Attendance Management Framework.** The current framework document refers to Ill Health Retirement but only requires one change to ensure that it is consistent with the new regulations. It is recommended that section 11.2.1 which deals with appeals regarding Ill Health Retirement decisions by Occupational Health should include the phrase "or disagrees with the tier of ill health retirement granted". The relevant part of section 11.2.1 should then read as follows:

"Where an employee disagrees with the Occupational Health recommendation to retire the employee on medical grounds, or disagrees with the tier of ill health retirement granted, the employee will be referred to an independent doctor to be agreed with the employee"

4.5 Resources and Risk

4.5.1 Accepting the recommendations in this report would not impose additional financial or administrative consequences.

4.6 Equality

4.4.1 An Equalities Impact Assessment was completed when the Council's Severance Scheme was changed in October 2007. This has been reviewed against the recommendations in this report and no changes to that assessment are felt to be necessary.

5. Background Papers

- 5.1 Report to General Purposes Committee 15 October 2007. Councils Severance Policy.
Author Howard Crabtree, Corporate Manager - Human Resources
- 5.2 Report to Cabinet 1 October 2007. Councils Severance Policy
Author Howard Crabtree, Corporate Manager - Human Resources
- 5.3 Report to Cabinet 3 September 2007. Councils Severance Policy
Author Howard Crabtree, Corporate Manager - Human Resources
- 5.4 Report to Cabinet 3 March 2008, New Look Local Government Pension Scheme
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