

HERTFORDSHIRE COUNTY COUNCIL

**CABINET
MONDAY 23 JULY AT 10.00 A.M.**

**EXECUTIVE COMMITTEE
MONDAY 23 JULY AT 2.15 PM**

Agenda Item No:

4

LOCAL GOVERNMENT PENSION SCHEME DISCRETIONS POLICY

Report of the Finance Director

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Executive Member: Michael Janes

1. Purpose of the Report

To report on the proposal that Hertfordshire County Council's policy on abatement be equivalent to that required under previous regulations, and that the updated Discretions Policy at Appendix 1 be approved.

2. Summary

The Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000 require employing authorities to publish their own policy on abatement of Compensatory Added Years on re-employment and when re-employment ceases.

The changes to the LGPS regulations allow employers to be more restrictive with their policies around abatement of Compensatory Added Years than the previous statutory rule, but do not allow employers to be less restrictive.

Although re-employment of former employees is rare, it does assist with meeting cover for critical shortages.

Views of Select Committee

The report was considered by the Resources, Prosperity, Partnership and Consultation Select Committee on 5th July 2001. They agreed with the proposal set out in the report.

Cabinet Proposal

The Cabinet, on 23rd April 2001, asked the Select Committee to comment on the following proposal:

That Hertfordshire County Council's policy on abatement be equivalent to that required under previous regulations, and that the updated Discretions Policy at Appendix 1 be approved.

3. Conclusion

Members will need to determine whether or not Hertfordshire County Council's policy on abatement should be equivalent to that required under previous regulations, and the updated Discretions Policy at Appendix 1 approved.

1. Background

- 1.1 The Local Government Pension Scheme Regulations 1997 required each employing authority within the scheme to have a written policy on the discretions available within the Scheme. Policy Committee approved Hertfordshire County Council's policy on 30 April 1998.
- 1.2 The Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000 give employing authorities discretion on how to apply abatement of Compensatory Added Years when an individual is re-employed and when that re-employment ceases. The treatment of this was previously defined in the regulations, with no discretion available.
- 1.3 Employing authorities are required to agree a policy on the abatement issue and re-publish their Discretions Policy to incorporate the new policy.

2. Abatement on Re-employment

- 2.1 The previous regulations stated that someone who has retired early with compensatory added years (CAY), who is then re-employed by a Local Government Pension Scheme (LGPS) employer had to have the CAY reduced if:

A: Annual rate of new pay + LGPS pension + annual CAY
was greater than

B: Annual rate of pay prior to retirement + inflation.

The amount of the abatement (reduction) was equal to A-B. This ensured that an individual could not retire and then be re-employed and be better off than they were before retiring.

- 2.2 The new regulations state that employers must agree and publish their own policy on the level of abatement to be applied, but it cannot be more generous than the previous regulations.
- 2.3 It is rare for Hertfordshire County Council to re-employ former employees. However, Personnel Officers advise that it can be a useful way of meeting critical skill shortages and that any change to the current policy could affect the ability to cover such critical shortages.

3. Abatement When Re-employment Ceases

- 3.1 The previous regulations stated that when someone with CAY left after a period of re-employment their CAY was abated so that:

C: Total pensionable service from first employment + CAY + pensionable service from re-employment

was not greater than

D: Total pensionable service achievable if the person had stayed in the first employment to age 65.

The Compensatory Added Years had to be reduced by C – D. This ensured that an individual's pension position could not be better after a period of re-employment, than it would have been had they not been re-employed.

3.2 The new regulations state that employers must publish their own policy on this. However it cannot be any more generous than the previous regulations.

3.3 It is proposed that the County Council adopt a policy equivalent to that required under previous regulations.

4. Financial Implications

4.1 There are none.

Revised Statement of Policy (Proposed changes in italics)

LOCAL GOVERNMENT PENSION SCHEME

HERTFORDSHIRE COUNTY COUNCIL

LOCAL GOVERNMENT PENSION SCHEME REGULATIONS 1997

EMPLOYING AUTHORITY DISCRETIONS

As required by the Local Government Pension Scheme Regulations 1997, the Local Government Pension Scheme (Transitional Provisions) Regulations 1997 and the Local Government (Early Termination of Employment) (Discretionary Compensation) Regulations 2000, Hertfordshire County Council has determined policies in respect of the discretion's outlined below.

The County Council may revise the policies at any time.

Before taking any actions which may affect your benefits under the Local Government Pension Scheme it is important to establish with the scheme's administrators, ITNET Managed Services pension section (01992 555467), that you are referring to the most up to date policy statement and employee's guide to the scheme.

A. EMPLOYING AUTHORITY DISCRETIONS

APPLICATIONS FOR EARLY PAYMENT OF BENEFITS ON OR AFTER AGE 50 AND BEFORE AGE 60 (REGULATION 31)

Employees of the County Council, who are members of the LGPS, and deferred pensioners are able to apply to the County Council for early payment of benefits. If the application is made before the age of 60 the consent of the County Council is required to enable the early payment of benefits.

The County Council retains the discretion to decide whether or not to release an employee by early retirement in order to preserve an appropriate balance of skills and experience in the service concerned. Whilst scheme members and deferred pensioners may apply under the appropriate regulations for early payment of benefits, the County Council's policy is to only consider such applications on the following compassionate grounds:

- i) where the applicant needs to cease employment for the purpose of caring for someone who cannot manage without help because of illness, frailty or disability;
- ii) a parent left with the sole care of one or more children.

- iii) applicants suffering from ill-health which is not sufficiently incapacitating to render them permanently incapable of working and therefore eligible for early payment of benefits on the grounds of ill health, but which nevertheless is sufficiently recurring or incapacitating as to render discharge of their duties difficult or spasmodic.

The County Council has delegated authority to the Director of Personnel in consultation with the Finance Director to exercise the discretion to authorise the early payment of benefits on compassionate grounds. When determining whether to exercise the discretion the Director of Personnel will consider the following factors:

- a) the age of the applicant in relation to the age at which they would normally access their retirement benefits;
- b) the medical advice of the County Council's medical advisor;
- c) the care required by the individual unable to manage without help;
- d) length of service with HCC and the reasons for leaving the service.

In cases where payment of pension benefits are made on compassionate grounds (this includes individuals aged between 60 and 65 with less than 25 years service) the County Council has exercised its discretion to pay unreduced benefits irrespective of the applicant's length of scheme membership.

GRANTING EXTRA MEMBERSHIP ON TERMINATION OF EMPLOYMENT – (REGULATION 52)

The County Council has resolved to apply this regulation in cases of early retirement on the grounds of redundancy or for the efficient exercise of the Council's functions. Service will be augmented in accordance with the Council's Early Retirement Scheme.

GRANTING EXTRA MEMBERSHIP ON APPOINTMENT – (REGULATION 53)

The County Council has chosen not to exercise, at this time, the discretion to increase the membership of a scheme member on appointment.

ABATEMENT OF COMPENSATORY ADDED YEARS ON RE-EMPLOYMENT

When a pensioner who has been awarded Compensatory Added Years (CAY) is re-employed by a Local Government Pension Scheme employer then the annual CAY is reduced by the following amount:

Annual rate of new pay + LGPS pension + annual CAY
less *Annual pay of former job + inflation*

When the pensioner leaves the second (or subsequent) period of employment, the CAY are reduced by the following amount:

Total pensionable service from first employment + number of CAY awarded + period of re-employment
less *Total service which individual would have achieved if he/she had stayed in first employment to age 65*

SHARED COST AVC SCHEME – (REGULATION 67)

The County Council has determined not to, at this time, establish a shared cost Additional Voluntary Contribution scheme for scheme members. The County Council reminds scheme members of the options available to them to enter into AVC arrangements or purchase added years. Full details of the options can be obtained from ITNET Managed Services pension team (01992 555467).

B. ADMINISTERING AUTHORITY DISCRETIONS

SPOUSES PENSIONS FOR LIFE

After consultation with other employing bodies within the Hertfordshire Local Government Scheme, the County Council has determined to exercise the discretions available under the Local Government Pension Scheme (Transitional Provisions) Regulations 1997 to allow the spouses of pensioners who died before March 1998 to receive widow or widower's benefits where remarriage or cohabitation takes place from 1 April 1998.

If you have any questions on this policy statement please contact the scheme's administrators: ITNET Managed Services pension section (01992 555467).