

HERTFORDSHIRE COUNTY COUNCIL

INVESTMENT COMMITTEE

THURSDAY 20 JUNE 2002 AT 10.00 AM

Agenda Item No:

3

DISCRETIONS POLICY REVIEW

Report of the Finance Director

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1. Purpose of the Report

- 1.1. To review the Pension Fund Discretions policy of Hertfordshire County Council.

2. Summary

- 2.1 Hertfordshire County Council is required to formulate, publish and review policies in respect of the discretionary powers provided to it as both employer and administering authority in the Local Government Pension Scheme Regulations.
- 2.2 There have been no changes to Regulations affecting discretionary powers since the policies were last approved..

3. Conclusion

- 3.1 The Discretions policies at Appendix A and B do not require updating and therefore it is recommended that the Committee approve the policies in their current form.

4. Background

- 4.1 The Local Government Pension Scheme Regulations require that Administering Authorities and employers of the Scheme formulate, publish and review policies in respect of the discretionary powers provided to them in the Regulations.
- 4.2 As Administering Authority, Hertfordshire County Council is required to publish two policies; one in respect of its Administering Authority status and one as an employer in the fund.
- 4.3 The Discretions policy was last reviewed by Cabinet on 23 July 2001. At the meeting on 6 March 2002 the Investment Committee agreed to review the Discretions policy annually at the June meeting.

5. Discretions

- 5.1 Appendix A details Hertfordshire County Council's Discretions policy in its capacity as an employer in the Scheme. These policies apply only to HCC employees. All other employers in the Fund publish their own policies. Discretion A5 refers to the HCC Early Retirement Scheme – this is provided at Appendix C for information.
- 5.2 Appendix B details the Administering Authority Discretions which HCC has adopted. These policies apply to all scheme members regardless of which employer they work for.
- 5.3 There have been no changes to Regulations affecting either employer or Administering Authority discretionary powers and therefore no additions are required.

Appendix A

EMPLOYING AUTHORITY DISCRETIONS : HCC		
A1	Compassionate Retirement	To be approved by the Director of People & Property in consultation with the Finance Director. <u>Criteria:</u> a) caring for someone who cannot manage without help b) parent left with the sole care of one or more children c) ill health, but not sufficient to qualify for early release of benefits ill health grounds.
A2	Waiving of Employees' Contributions	Pension contributions should be waived for employees who achieve 4 years LGPS membership before age 60. Employee contributions should be reinstated when the scheme member is able to accrue further membership.
A3	Shared Cost AVCs	Not applied.
A4	Granting extra membership to new employees	Not applied.
A5	Granting extra membership on termination of employment	Service will be augmented in accordance with HCC's Early Retirement Scheme in cases of early retirement on the grounds of redundancy or the efficient exercise of the Council's functions.
A6	Pre-88 Service for Widower's Benefits	There is an open ended time limit for eligible employees to elect to count their pensionable service, between 1 April 72 and 5 April 88 for widower's pension. It is deemed that all of the eligible female scheme members have elected to uprate their 72-88 service (unless an individual specifically opts not to do so).
A7	Re-joining of employees opted out more than once	Generally not applicable. Applications, in writing setting out the reasons, to the Finance Director to be considered on a case by case basis.
A8	Manual workers contribution rate following return to LGPS	Any manual worker who returns to local government after being outsourced under CCT should be deemed to have elected to pay the 5 contribution rate.
A9	Time limits regarding employees' elections to repay contributions to cover periods of absence	The time limit is extended to three months after the pension administrator informs scheme members of the right to pay such contributions.
A10	Certificates of protection of pension benefits	Should be issued in all cases where it is in the scheme member's best interest to do so.
A11	Which benefits in respect of "double entitlement"	When an employee fails to decide within the time limits which benefits to be paid, whichever is most beneficial to the scheme member should be applied.

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A12	Time limit for converting AVCs to scheme membership	Time limit extended to one month from the date of notification of the potential service credit, in cases where notification of the service credit is made later than the time limits set out in the Regulations.
A13	Transfer rights after 12 months of joining	Transfers will only be allowed where the scheme member has requested that transfer investigations should commence within 12 months of joining the scheme. The Finance Director's approval will be required to investigate transfer requests for scheme members which are made more than 12 months after joining the scheme.

Appendix B

ADMINISTERING AUTHORITY DISCRETIONS		
B1	Abatement of pension on re-employment	Abatement of pensions should continue as under the 1995 regulations i.e. if the rate of pay in the new employment when added to the rate of pension from the former employment exceeds the rate of pay of the former post, then the pension is reduced by the excess.
B2	Re-marriage/cohabitation for existing pensioners	The spouse's pension of any scheme member who left/retired prior to April 1998 should be payable for life (rather than ceasing upon remarriage or cohabitation).
B3	Admission Agreements	Admission agreements are only to be made where the employer is a body of the type specified in the LGPS regulations. Periods of employment with the body prior to the admission agreement should count if the admitted body pays the relevant capital cost of the service to the Fund.
B4	Intervals for deduction of employee contributions	Employees' contributions should be deducted from their pay on their regular pay days.
B5	Election of a different final pay period for a deceased member	Where a scheme member has died without electing to count an earlier pay period to calculate pension benefits the Council should make an election on the member's behalf (if it is to the member's advantage).
B6	Request that an employer issues a 'certificate of protection of pension benefits' for a deceased member	Where a scheme member has died without having made an election under this Regulation, the Council should make an election on the member's behalf (if it is to the member's advantage).
B7	Lump Sum death benefits	Discretion exercised in the following manner: i) if there is a valid nomination form, the grant will be paid to the nominated beneficiaries in the proportions specified. ii) in all other cases, the grant will be paid to the deceased member's personal representatives However, each case will reviewed individually and any representation from someone with an interest will be considered.
B8	Determine "continuous" education" in respect of a child	Children's pensions, after the death of a scheme member, are paid as long as they remain in continuous education. A gap of up to 1 academic year should be ignored when assessing the duration of payment of a child's pension.
B9	Apportion children's pensions and determine the payee	Child's pensions should be apportioned equally between eligible children. Payment should only be made to the child.
B10	Medical for purchase of service contract	Applications by members to purchase added years will be subject to the opinion of a registered medical practitioner, nominated by the County Council, that the applicant is in reasonably good health.

ADMINISTERING AUTHORITY DISCRETIONS CONTINUED

B11	Minimum AVC payments	Minimum is £10 per month.
B12	Pay over dates for employers' contributions	No later than the 19 th day of the month following the month in which deduction of the employees' contributions from pay took place.
B13	Form and intervals of employers' contributions details	Contributions should be paid on a monthly basis, unless agreed otherwise by the Finance Director.
B14	Interest on overdue employer contributions	Contributions paid more than one month after the due date will incur interest from the due date as provided for under the Regulations.
B15	Extension period for employee election to capitalise extra contributions	The extent of the option period should be 3 months from the date the member's benefits are awarded.
B16	Cost of calculating AVC conversion to membership	The cost of calculating AVC conversion to membership will be deducted from the AVC proceeds if the member fails to proceed with the conversion to a service credit.
B17	Intervals at which unfunded Pensions Increase is paid over	Pensions Increase recharges should be paid at least half yearly unless the amount involved is less than £1,500 in which case payments should be made annually.
B18	Payment of Contributions Equivalent Premium	A Contributions Equivalent Premium should be paid where there has been a transfer out of a member's right to a contracted-in pension scheme, or retain liability for a small pension.
B19	Acceptance of transfers into the scheme of members' pensions rights from former employers	Transfer values are accepted provided the amount of the value for service up to 5 April 1997 is sufficient to cover the Guaranteed Minimum Pension liabilities being taken on by the Fund.

EXTRACT FROM POLICY COMMITTEE, 17 SEPTEMBER 1998

Early Retirement Policy and Practices

As a result of the Audit Commission Report 'Retiring Nature', published last year, a Member Reference Group has undertaken a thorough review of existing practice in the light of the Audit Commission's recommendations and proposed the following:

- That with effect from 1 October 1998 the maximum number of added years to be awarded in the case of redundancy be reduced to $6\frac{2}{3}$ from 10 years (subject to age and length of service).
- Under the Revised Scheme added years will be awarded under the Local Government Pension Scheme Regulations 1997.
- That cases be honoured where commitments have been given by the date of this committee awarding more than $6\frac{2}{3}$ added years.
- That the efficiency scheme remain unchanged.
- That the redundancy arrangements remain unchanged.
- That the re-employment of individuals granted early retirement be discouraged except in a set of pre-determined circumstances.
- That the capital cost of early retirement (for retirements after 31.3.99) will be calculated by actuarial tables and annual contributions will be made by departments to the pension fund over a five year period.