

HERTFORDSHIRE COUNTY COUNCIL
INVESTMENT COMMITTEE
THURSDAY 5 SEPTEMBER 2002 AT 10.00 AM

Agenda Item No:

4

DISCRETIONS POLICY

Report of the Finance Director

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1. Purpose of the Report

1.1 To review the Discretions policies of Hertfordshire County Council.

2. Discretions policies

2.1 The Discretions policies were last reviewed by the Committee in June 2002.

2.2 Following an appeal case against the Pension Fund, it has been recommended that the wording of the discretions policies be reviewed to ensure they make Hertfordshire County Council's intentions clear. The appeal related to the discretion on abatement. Abatement is where we reduce a pensioner's pension and any added years awarded, when they are re-employed within local government after they have retired.

2.3 Advice has been taken from the Local Government Pensions Committee's Pensions Consultant in order to produce the attached comprehensive list of discretions policies. No changes have been made to the intention of the previous policy document or to the way decisions are made in practice.

3. Conclusion

3.1 A review of the existing discretions policies was considered necessary to make the intentions of the policies clear following an appeal case. The intentions of the policies have not been changed.

3.2 It is recommended that the policies at Appendices A & B be approved.

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 on ill health grounds.
A2	Waiving of Employees' Contributions	Pension contributions should be waived for employees who achieve 40 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 for 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 a 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 benefit is to be paid, whichever is most beneficial to the scheme member should be applied.

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.
A14	Abatement of compensatory added years pension on re-employment	<p>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:</p> <p>Annual rate of new pay + LGPS pension + annual CAY <u>less</u> Annual pay of former job + inflation</p> <p>When the pensioner leaves the second (or subsequent) period of employment, the CAY are reduced by the following amount:</p> <p>Total pensionable service from first employment + number of CAY awarded + period of re-employment <u>less</u> Total service which individual would have achieved if he/she had stayed in first employment to age 65</p>
A15	Deducting contributions	LGPS employee contributions can be deducted from an individual's pay.
A16	Contributions Equivalent Premium (CEP)	An element of the CEP is recovered from the refund paid to the scheme member and the balance is recovered from the Fund.
A17	Refund of contributions	Refunds shall be made to those ceased to be employed due to an offence of a fraudulent character or due to grave misconduct at the discretion of the Finance Director only.
A18	Forfeiture Certificate	Applications for forfeiture certificates will be made at the discretion of the Finance Director.
A19	Recovery of monies lost on account of fraudulent acts by a scheme member	Individual cases to be approved by the Finance Director to reduce a member's pension rights by the amount lost

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 1 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 only 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 the 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.
B20	Cost of augmented service	Employers should meet the cost of augmented service of a maximum period of 5 years, payable in annual instalments
B21	Commutation of pension in cases of exceptional ill-health	This option should be available to all in the case of exceptional ill health (i.e. less than one year to live in the opinion of the County Medical Advisor)