

AVON FIRE AUTHORITY

MEETING:	AVON FIRE AUTHORITY
MEETING DATE:	26 September 2008
REPORT OF:	Treasurer to the Fire Authority Chief Fire Officer / Chief Executive
REPORT SPONSOR(S):	Treasurer to the Fire Authority Director of Finance and other Assets Director of Human Resources and People Development
SUBJECT:	Local Government Pension Scheme - Employer Discretions

SUMMARY

A report setting out the discretionary powers in relation to pensions, for a decision on when and how the discretion be exercised. All LGPS employers are required to have policies in place in relation to each of the four employer discretions pension regulations listed and to review this policy periodically. Policies must be submitted to the Pension Scheme Provider.

RECOMMENDATION(S)

i) That the policy on the exercise of discretion be published in the terms as set out in the report in respect of Regulations 12, 13,18 and 30.

BACKGROUND

Support staff employees of AFRS are entitled to join the Local Government Pension Scheme The LGPS is an excellent occupational pension scheme which is administered by Bath & North East Somerset Council and is called the Avon Pension Fund. AFRS encourage employees to take advantage of the opportunity to join the LGPS.

The general framework of the LGPS is determined nationally by the Department of Communities and Local Government and is set out in legislation. This covers all major aspects of the scheme such as;

- Who can join;
- Contribution rates;
- Type and level of Benefits;
- When benefits are payable or can be claimed.
- What happens to a leaver's accrued benefits.

Within the legislation, there is provision in specific areas for the employer to exercise discretion over the entitlements of its current or past employees. The employer must publish a written statement of how it intends to exercise such powers.

Power of employing authority to increase total membership of active members (Benefits Regulation 12)

Increasing (i.e. augmenting) total membership is a power which employers may use, for example, to attract scarce people with key skills from outside local government.

Guideline: We have no recruitment or retention issues and therefore there would be no value to the service to offer this financial pensions incentive. However, this decision would be reviewed periodically as required. Industrial cases could be considered for such payment to be granted on exceptional compassionate grounds.

Power of employing authority to award additional pension (Benefits Regulation 13)

The employer may resolve to award a member additional pension of not more than £5,000 a year. Members of the Avon Pension Fund may choose to enhance their pension benefits by purchasing additional pension up to a maximum of £5000 (in multiples of £250) by paying Additional Regular Contributions (ARCs). AFRS already makes a significant contribution to the Avon Pension Fund for its employees as determined by an independent Actuary.

Guideline: Due to the additional financial burden this regulation could place upon the already significant pension costs. It is recommended that the discretion in respect of this regulation would only be used on exceptional compassionate grounds.

Flexible Retirement (Benefits Regulation 18)

An employee who is aged 55 or over (50 until 31 March 2010, age 55 from 1 April 2010 and new joiners from 1 April 2008), can make a request to AFRS to allow them to access pension benefits whilst still remaining employed. This would only be in situations where the employee wishes to reduce hours and/or move to a lower graded post, and must be agreed by AFRS.

Flexible Retirement is aiming to assist a more gradual move into retirement over a period of years, by allowing an employee to work fewer hours and/or in a less demanding job, whilst at the same time drawing their pension. This may be of benefit to the employee, and also AFRS in terms of retaining the services of the employee.

The key factors in this scheme are:-

The acceptability to the employee of the level of pension he/she would receive.

The willingness of AFRS to agree to the specific flexible retirement requested.

AFRS recommend that Flexible Retirement applications should only be approved where:-

There are no pension costs to AFRS arising from the employee's flexible retirement. (Pension estimates for Flexible Retirement from Avon Pension Fund will reflect this policy).

The Flexible Retirement will provide benefits to AFRS, for example financial savings or the facilitation of organisational or staffing changes and will not result in any detriment to the level of service.

If the request is to work reduced hours, AFRS would need to assess that there would be no operational problems caused, or recruitment difficulty anticipated, in making up the reduced hours.

If the request is for a move to a lower graded post, this would be subject to an appropriate vacancy arising and the operation of AFRS's normal recruitment procedures in filling the post.

Guideline: It is anticipated that in practice Flexible Retirement is likely to be more applicable to those employees aged 60 and where there is no "strain on the fund" pension costs, but may be exercised on exceptional compassionate grounds.

Voluntary early retirement between the ages of 55 and 59 (Benefits Regulation 30)

An employee aged 55 or over (50 until 31 March 2010, age 55 from 1 April 2010 and new joiners from 1 April 2008) but not yet 60, who wishes to voluntarily resign, may apply for approval to the early payment of accrued pension benefits.

Guidance that such applications will only be accepted where it can be demonstrated as being in AFRS's interests or where there are compassionate grounds for the early release of pension benefits. If AFRS agrees to permit early retirement with the immediate payment of pension benefits, an actuarial reduction will be applied to the person's accrued pension benefits. (For employees born before 1 April 1956, if the sum of their age and pensionable service is 85 or more, pension benefits are paid without an actuarial reduction for early payment, if they retire before 1 April 2016.)

As a general rule, AFRS will only agree to the early release of pension benefits on compassionate grounds if it can be demonstrated that the person is unable to continue working or resume employment due to circumstances outside of their control, for example to look after and care for a dependant spouse. Financial reasons alone will not normally be considered sufficient grounds for the early release of benefits.

IMPLICATIONS

In the absence of a policy for HR officers to follow, AFRS will need to consider each case on an individual basis. This could lead to inconsistency of application and potential for employees to raise appeals or grievances in relation to how pension regulation discretions are being exercised.

CONTRIBUTION TO KEY POLICY PRIORITIES

Impacts upon human resources policies, specifically workforce planning and retention.

FINANCIAL IMPLICATIONS

There could be significant financial implications under these pensions discretions, although it is not possible to predict the volume of applications under each regulation or provide indicative costings. The recommendations are aimed at keeping these to a minimum while retaining fairness.

LEGAL IMPLICATIONS

It is a requirement of the Local Government Pension Scheme 2007 to publish a policy on the exercise of the discretionary powers.

DIVERSITY IMPLICATIONS

Regulation 13 has an impact upon married female employees who were employed between 1972 and 1988.

CORPORATE RISK ASSESSMENT

None

ENVIRONMENTAL/SUSTAINABILITY IMPLICATIONS

None

HEALTH & SAFETY IMPLICATIONS

None

List of background documents: None

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