

REPORT TO THE POLICY AND FINANCE COMMITTEE

17th AUGUST 2009

DISCRETIONARY POLICIES

Bath and North East Somerset Council has responsibility for managing the Avon Pension Fund, in which Weston-super-Mare Town Council participates. Certain parts of the pension scheme are discretionary and the Town Council is required to formulate and publish policies on these discretions.

This report has been compiled following discussion with the Avon Pension Fund and research into policies made by a range of different local authorities including North Somerset Council, town councils and a larger parish council. In the past these were widely used but given current financial pressures most councils surveyed no longer make wide use of these powers and I recommend a similar restrictive approach, in general limiting their use to where there is a clear benefit to the Town Council. On this basis some possible policies are proposed below.

Regulation 12

Regulation 12 gives employing authorities a power to increase the membership of active members of the scheme I.E. current or new employees, by up to 10 years. This has the effect of enhancing the pension payable and carries a cost to the authority. It can be used, for example, to attract scarce people with key skills from outside local government.

Proposed Policy: Augmented membership will not normally be granted under regulation 12 but the Council may consider its use in exceptional circumstances where there is a clear benefit to the Town Council, any such exceptional circumstances to be considered by the relevant committee.

Regulation 13

Regulation 13 gives employing authorities the power to award additional pension on retirement of up to £5,000 per year. This may be awarded in addition to added years under regulation 12. In the past this was not unusual but other than early retirements which provide a clear benefit to the authority (dealt with below) it is difficult to see any circumstances in which the award of additional pension would be justified.

Proposed policy: Additional pension benefits will not normally be granted under regulation 13.

Regulation 18

Regulation 18 concerns flexible retirement options. In the past an employee taking retirement had to take all of his or her pension and leave his or her employment with the authority. Under recent changes to the regulations, an

employee who reaches the age of 55 (50 until 1 April 2010) may have the option to take a lower graded or part time post. This “flexible retirement” option is aimed at allowing an employee to move gradually into full retirement, by working fewer hours or moving into a less demanding job while taking part of his or her pension. This recognises the reality of an aging workforce profile and can benefit the authority by enabling it to retain the services of an older experienced and knowledgeable employee who might otherwise choose to leave entirely.

In practice, flexible retirement is likely to be possible where the employee is over 60 as there is then no financial strain on the pension fund which has to be compensated. The flexible retirement option must be agreed by both the employee and the authority.

Proposed policy: An application under regulation 18 will normally only be approved where:

- a) there are no pension costs to the Town Council arising from the flexible retirement, or
- b) the flexible retirement will provide either compensating financial savings, for example from the facilitation of organisational changes.

Any application to be considered by the appropriate committee.

Regulation 30

Regulation 30 concerns an employee who retires below the standard retirement age. It allows authorities to agree to the early release of pension benefits for an employee who reaches the age of 50 (55 from 1 April 2010). This may carry a “strain” on the pension fund but may enable compensating cost savings, for example from a restructuring. In recent years authorities have tended to a more restrictive use of this discretion to limited circumstances.

Proposed policy: An application under regulation 30 will normally only be approved where

- a) it can be demonstrated as providing either compensating financial savings, for example from the facilitation of organisational changes or
- b) on very exceptional compassionate grounds, for example retirement to care for a terminally ill spouse.

Any application to be considered by the appropriate committee.

Decision required

Members are asked to approve appropriate policies.

Malcolm Nicholson
Town Clerk
3rd August 2009