

**Local Government Pension Scheme  
Employer Discretions**

**15 September 2015**

**Report of the HR & OD Manager**

**PURPOSE OF REPORT**

To present to members the revised arrangements set out in the Local Government Pension Scheme (LGPS) regulations and the associated discretions available to Lancaster City Council, and seek approval of a new Statement of Policy in relation to LGPS employer Discretions.

This report is public.

**Recommendations**

- 1 That the Council adopts the discretionary powers set out in its Statement of Policy 2015 (Appendix One).**
  - 2 That subject to approval of the Statement of Policy 2015 document that other policies and procedures are amended to comply with the statement of policy.**
- 1.0 Background**
- 1.1 The Local Government Pension Scheme (LGPS) is a statutory pension scheme and its rules are laid down under acts of parliament. The 1997 Regulations provided less central control of pension arrangements to increase the scope of local decision making and offer the improved flexibility in pension provision. These arrangements have given employers more scope to manage pension scheme benefits. They are known as discretions.
  - 1.2 From time to time the local government pension scheme regulations are amended or revised. The latest changes being brought forward are set out in the LGPS 2014 regulations. As a 'Scheme Member' (Employer) the Council is required to formulate, publish and keep under review a policy statement in relation to a number of discretions that available under the Local Government Pension Scheme. Lancaster City Council's revised Statement of Policy (2015) is set out at Appendix One. This document incorporates all the local government pension scheme 2014 requirements.
- 2.0 Details**
- 2.1 It is important that any discretionary powers are exercised correctly. In formulating the revised policy the regulations require the Council to have regard to the extent to which the

exercising of its discretionary powers, unless properly limited, could lead to serious loss of confidence in public service (Regulation 60(5) of the Local Government Pension Scheme Regulations 2013). As an employer, the Council also: needs to:

- be aware of its discretions relating to age and demographics;
- be satisfied that the policy is workable, affordable, and reasonable, having regard to foreseeable costs.

2.2 It is also recommended that policies are reviewed every three years (in-line with the triennial valuation by the Pension Actuaries).

2.3 Discretionary powers must **not** be used for any ulterior motive. The Council must:

- exercise its discretions reasonably;
- take account of all (and only) relevant factors;
- only use the discretions when there is a real and substantial future benefit to the employer in return for incurring the extra cost;
- record when a discretion is used.

2.4 The Statement of Policy (2015) set out at Appendix One covers the Council's approach to discretions in the following areas:

- active members and leavers;
- deferred members (people who are no longer members of the scheme including Council scheme members);
- calculations of redundancy payments and injury allowances for leavers, deaths and reduction in pay after 15 January 2012.

2.5 The Council's Statement of Policy 2015, links to key employment policies and therefore, if approved, these policies will be amended to ensure alignment with the operation of the Council's discretions. These policies include flexible retirement, ill-health retirement and early termination of employment. In line with existing practice any change to these policies will be reported back to Personnel Committee for their approval.

**CONCLUSION OF IMPACT ASSESSMENT**

**(including Health & Safety, Equality & Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)**

None directly arising from this report.

**HR Comments**

The Statement of Policy 2015 brings the Council's discretions up to date incorporating the changes introduced by the LGPS 2014. Although there appears to be some imbalance between the provisions of the 2014 arrangements and historic arrangements, particularly in relation to the options available for members that have 'deferred benefits', there is no facility at this time for the Council to deal with this locally. However, the arrangements relating to deferred benefits are the topic of discussion at a national level. Should these discussions develop, any amendments will be set out in the appropriate regulation updates. The Council will respond to these updates, with a review of its existing discretions and report to members any amendment to the Council's Statement of Policy that may be required to maintain compliance.

**LEGAL IMPLICATIONS.**

The Statement Of Policy 2015 set out at Appendix One ensures that the Council is compliant with the administrative requirements of the current LGPS Regulations.

**FINANCIAL IMPLICATIONS**

There are no new financial implications arising from the proposals. As is currently the case, any financial implications associated with specific HR/pension proposals will be identified and considered on a case by case basis and this is reflected in the policy statement.

**SECTION 151 OFFICER'S COMMENTS**

The s151 Officer has had input into the proposals and has no further comments.

**MONITORING OFFICER'S COMMENTS**

The Monitoring Officer has been consulted and has no further comments.

**BACKGROUND PAPERS**

None.

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