

Manchester City Council Report for Resolution

Report to: Personnel Committee - TBC January 2019

Subject: Local Government Pension Scheme: Updated Discretions Policy Statement

Report of: The City Treasurer

Purpose of the report

The Local Government Pension Scheme (LGPS) regulations require the Council, as an employer in the scheme, to formulate, publish and keep under review a policy statement on the mandatory discretions it can exercise.

The Discretions Policy Statement was last revised in 2014. Following changes to the pension regulations, the most significant being that all members of the pension scheme can now access their pension from age 55 with reductions on pension benefits forecasted at normal retirement age, it is necessary to review our policy and publish this up to date version.

The key changes are:

- clarification of the Council's expectation that individual members take responsibility for planning and funding their retirement
- a broadening of the scope the Council has to consider applications from members to waive reductions. Previously cases were considered on caring or financial grounds. Now members have an opportunity to explain their circumstances and why they believe that their case is exceptional
- allowing the Council to offer shared cost Additional Voluntary Contribution schemes which reduce costs to the Council and to members
- the addition of the remit of schools

There are no changes to the Council's redundancy and industrial injury discretion position.

This policy will provide important background information to scheme members when they are making a decision about accessing their pension.

This report seeks approval for the updated Council Policy Statement on the exercise of these discretions.

Recommendations

The Committee is asked to agree:

1. To recommend that Council adopts the discretionary framework set out in the revised Pension Scheme Policy Statement.

2. That periodic reviews of the policy statement and any associated documents are carried out by the City Treasurer and the Director of HR and OD in consultation with the Executive Member for Finance and Human Resources. Any substantial changes arising out of that review will be referred to Personnel Committee for approval.

Wards affected

All

Financial consequences for revenue and capital budgets

As the costs of exercising these discretions can have an impact on the Council's financial position in respect of capital cost payments to the Pension Fund, the employer's contribution and the wider financial viability of the scheme, these areas of discretion are considered and monitored by the City Treasurer in their role as Chief Financial Officer (Section 151 Officer).

The City Treasurer may delegate any such decision making, as required, to a suitable nominated representative(s).

Contact officers

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Background documents

The following documents disclose important fact on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy, please contact one of the Contact Officers on the previous page.

- The Local Government Pension Scheme Regulations 2013.
- The Local Government Pension Scheme (Transitional Provisions and Savings) Regulations 2014.
- The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (as amended).
- The Local Government Pension Scheme Regulations 1997 (as amended).
- The Local Government (Discretionary Payments) (Injury Allowances) Regulations 2011.
- 1996 Discretionary Payment Regulations - Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000 (as amended).
- Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006 (as amended).
- Personnel Committee report and minutes 18 June 2014 Local Government pension scheme

1.0 Introduction

- 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, increased the scope of local decision-making and offered improved flexibility in pension provision. This gave employers more scope to manage pension scheme benefits. These are known as discretions.
- 1.2 Subsequent LGPS regulations, including the LGPS 2014 rules, required employers to formulate, publish and keep under review a policy statement in relation to the exercise of a number of discretions under the LGPS. The policy statement should show the basis on which the employer would make its decisions on the various discretions.
- 1.3 Given that there have been further changes to the pension regulations it is both necessary and timely to review the previous policy and publish an updated version.

2 Exercise of Discretionary Powers

- 2.1 It is important that any discretionary power is exercised correctly. In formulating and reviewing its policy an employer is required by the Regulations to:
 - 2.1.1 Have regard to the extent to which the exercise of its discretionary powers, unless properly limited, could lead to a serious loss of confidence in the public service (Regulation 60(5) of the LGPS Regulations 2013).
 - 2.1.2 An employer also needs to be aware of discrimination, i.e. age related, and to be aware of the area demographics as an employer.
 - 2.1.3 Be satisfied that the policy is workable, affordable and reasonable having regard to foreseeable costs. It is recommend that policies are reviewed every 3 years, i.e. in line with the triennial valuation.
 - 2.1.4 Discretionary powers must also:
 - not be used for an ulterior motive and be exercised reasonably;
 - be used taking account of all relevant factors;
 - only be used when there is a real and substantial future benefit to the employer in return for incurring the extra costs; and
 - be duly recorded when used.

3 Local Government Pension Scheme Discretionary Areas – Policy Statement

- 3.1 A copy of the Pension Scheme Policy Statement is attached as Appendix 1. The policy statement document covers the Council's approach to its discretion in the following areas:

- Active members and leavers;
- Deferred members (people who are no longer members of the scheme); including Councillor scheme members;
- Calculation of redundancy payments; and
- Injury Allowance for leavers, deaths and reductions in pay after 15 January 2012.

3.2 It is important to note that nothing in the Policy Statement shall fetter the Council's discretion to exercise its powers. Each application within the discretionary areas will be considered in line with the published policy, taking account of the financial impact on the Council and the pension scheme, the need to avoid unlawful discrimination, and any exceptional circumstances that may exist.

4 Equality Impact Assessment

4.1 An Equality Relevance Assessment and an Equality Impact assessment has been conducted on the Policy Statement. The Equality Impact Assessment is attached as Appendix 2.

5 Review of the Policy Statement

5.1 The LGPS Regulations 2013 ('The Regulations') require all scheme employers to publish and keep under review a written policy statement on how they will apply their discretionary powers in relation to certain provisions of the LGPS.

5.2 This policy statement will be reviewed on a three yearly basis or sooner if there is a change in legislation that would affect its operation or if the Council's business need requires it.

5.3 It is proposed that the review of the policy statement and any associated documents is carried out by the City Treasurer and Director of Human Resources and Organisational Development

5.4 In consultation with the Executive Member for Finance and Human Resources. Any substantial changes arising out of that review will be referred to Personnel Committee for approval.

6 Conclusions

6.1 The Council has carefully considered its approach to the discretionary areas as required by the legislation. The approach has been developed considering the impact on current members, deferred members and leavers.

6.2 Ensuring that discretions are considered under the ultimate control of the City Treasurer or their nominated representative provides assurance in terms of consistent decision making along with full consideration of both the individual financial impacts and the ongoing strategic financial impact of policy decisions.

7 Recommendations

- 7.1 The Committee is recommended to agree:
- 7.2 That the Council adopts the discretionary framework set out in the revised Pension Scheme Policy Statement.
- 7.3 That periodic reviews of the policy statement and any associated documents are carried out by the City Treasurer and the Director of Human Resources and Organisational Development in consultation with the Executive Member for Finance and Human Resources. Any substantial changes arising out of that review will be referred to Personnel Committee for approval.