

**WEST DUNBARTONSHIRE COUNCIL****Report by the Strategic Lead of People and Technology****Corporate Services Committee: 13 November 2019**

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**Subject: Revised Employer Discretions - Local Government Pension Scheme (Scotland)**

**1. Purpose**

**1.1** The purpose of this report is to update Committee on the review of the Council's Statement of Policy, and the proposed revisions to the Statement.

**2. Recommendations**

**2.1** It is recommended that Committee:

- (1) note the content of this report;
- (2) approve the recommended revisions to the Statement of Policy on Discretions;

**3. Background**

**3.1** At the Corporate Services Committee meeting in August, delegated authority was granted to the Strategic Lead of People and Technology, to make the necessary technical changes to the Council's discretions on receipt of the master policy document from Strathclyde Pension Fund Office (SPFO). However, consideration of the master document prompted additional policy statements to be formulated. These statements, confirming the Council's approach to the discretions now require committee approval. The revised Council Statement of Policy is therefore appended to this report.

**3.2** The discretions available to the council are reviewed periodically as required. The nature of the most recent revisions reflects the current financial climate, while also maximising the opportunities available to employees in accordance with the LGPS (Scotland) Regulations.

**4. Main Issues**

**4.1** The revised statement (Appendix 1) details the specific changes. Those discretions approved in August and the further proposed revisions are clearly identified.

**Changes to the Master Statement of Policy**

**4.2** The Master Statement of Policy from SPFO included all Regulation amendments since the previous version was published in 2015. This resulted in the following:

- the removal of obsolete regulations and an associated change to regulation referencing;

- the addition of new discretions in relation to those who ceased active membership on or after 1<sup>st</sup> April 2015 and before 30<sup>th</sup> June 2015; and therefore
- a requirement to update the Council's obligations, policy decision and the associated regulations.

### Amended Council Policy Statements

- 4.3** Prior to the introduction of the 2015 Regulations, members who moved from one authority to another had the responsibility of transferring their pension to the new employer (should they wish to do so) within 12 months. The introduction of the care scheme confirmed this aggregation would be automatic, with members being able to opt out within 12 months. This provision was previously included in R85 (transfer values) and is now contained in R22. The policy has been revised to reflect that 'the Council will not normally extend the 12 month time limit but may do so in exceptional circumstances. Each case will be considered on its' merits'.
- 4.4** The second amendment is TP10 (6) which relates to pre 2015 deferred benefits for members who re-joined post 31<sup>st</sup> March 2015, allowing them to purchase an amount of CARE (career average revalued earnings) pension. The policy has been revised to reflect that 'the Council will not normally extend the 12 month time limit but may do so if exceptional circumstances can be demonstrated. Each case will be considered on its merits' best managing the associated costs.
- 4.5** As previously reported , in June 2019 the LGPS Regulations changed to allow members to voluntarily retire from age 55 with an actuarial reduction, without their employer's consent.
- 4.6** Having considered this provision further, it is proposed that the Council statement in respect of R2 29 is adopted as a discretion and enables the waiver of the actuarial reduction, in whole or in part, if this is demonstrated to be advantageous to the Council or in its' operational interest. This will also involve consideration of the associated protections. Adopting this waiver provides an alternative mechanism for those wishing to leave on a voluntary basis, where added years is not appropriate and / or financially viable.
- 4.7** The discretions associated with flexible retirement have also been revised to allow the waiver of the actuarial reduction, in whole or in part, if this is demonstrated to be advantageous to the Council or in its' operational interest.
- 4.8** In recognition of the financial climate, the compensatory award table, used where employees are not of pension age or non-members of an occupational scheme, has been amended, reducing the maximum weeks from 60 to 45 weeks. This retains an enhancement of 1.5 times the weeks available under statutory redundancy terms.

- 4.9** To increase the flexibility associated with early release and compensatory added years, regulation D8 (1) has been revised to allow alternative offers to be made that comply with best value principles. Regulation D4 1 has also been revised to clarify that the weekly pay cap will be used for statutory redundancy payments.

### **People Implications**

- 5.1** The majority of these changes offer positive opportunities for employees by increasing the flexibility and benefits available. Subject to approval, the scheme document will be published on the Council's intranet and provided to SPFO as required by the Regulations.

### **6. Financial and Procurement Implications**

- 6.1** The regulation changes to the statement of policy have no added financial impact or procurement implications. The policy statements aim to realise savings or have a cost neutral impact. This can be varied in specified circumstances.
- 6.2** The change to the maximum weeks in the compensation table reduces the financial liability associated with release under this discretion.
- 6.3** In overall terms, the policy statement covers all employer discretionary enhancements. The decision to consider any discretionary enhancement would have a financial impact if, and when the discretion was applied. Early release incurring a financial cost to the Council must always be supported by a business case, clearly demonstrating that costs are offset by savings in subsequent years. This is reflected in the agreed cost benefit analysis process and a bi-annual report is submitted to this Committee confirming all early departures, costs and savings generated.

### **7. Risk Analysis**

- 7.1** In determining application of discretions, the Council must strive to maintain public confidence in the manner in which it exercises these powers. Ensuring the application is open, transparent and cost effective will minimise the risk of public confidence diminishing.

### **8. Equalities Impact Assessment (EIA)**

- 8.1** Discretions available under the LGPS are determined by Regulation, with employers thereafter determining whether or not to exercise specific discretions.
- 8.2** A number of discretions are age specific and apply to those employees aged 55 (age 50 for protected members) or over. While this is a requirement of the regulations, age specific discretions will advantage those older than 55 (age 50 for protected members). To mitigate this, all discretion will be applied in a fair, consistent and transparent manner.

### **9. Consultation**

**9.1** The Trades Unions are aware of the requirement to review and re-publish and were informed of these most recent changes at the October convenors meeting.

## **10. Strategic Assessment**

**10.1** Application of discretions supports the Council to adjust its' workforce profile to changing circumstances. Discretions should be applied in a fair and transparent manner, give value for money to the Council and secure service delivery without putting unnecessary financial strain on the Council.

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**Date: 18<sup>th</sup> October 2019**

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**Appendices:** Appendix 1 – West Dunbartonshire Council Policy Statement LGPS 2019

**Background Papers:** CS Committee report: Revised Employer Discretions - Local Government Pension Scheme (Scotland) – 21<sup>st</sup> August 2019

**Wards Affected:** All