

13 January 2014		ITEM: 5
General Services Committee		
Local Government Pension Scheme Employer Discretions		
Report of: Lindsey Francklin, Business Development Manager		
Wards and communities affected: None	Key Decision: No	
Accountable Head of Service: Jackie Hinchliffe, Head of HR, Organisational Development & Customer Strategy		
Accountable Director: Graham Farrant, Chief Executive		
This report is public		
Purpose of Report: To implement an addendum to the Councils Discretionary Compensation Policy statement relating to the treatment of deferred benefits		

EXECUTIVE SUMMARY

This report proposes an addendum (appendix 1) to the Councils Policy on discretions within the Local Government Pension Scheme regulations. The current policy was last updated under the 2008 pension changes and is due to be reviewed April 2014 when the new scheme regulations come into force.

This addendum to the policy provides for consideration a clear and consistent approach allowing employer consent to early release of deferred pension benefits from age 55 and before age 60, where a request in writing has been made to the Council from an ex employee who was a member of the Essex Pension Fund.

1. RECOMMENDATIONS:

- 1.1 Approve appendix 1 to publish as an addendum of the Councils Local Government Pension Scheme on Discretionary Powers.**
- 1.2 That no early payments of deferred benefits are approved for leavers prior to the 31st March 2008 between age 50 and 54.**
- 1.3 The Business Case process for early termination of employment is extended to include decisions on early release of deferred benefits for any ex-employees of the Council.**

2. INTRODUCTION AND BACKGROUND:

- 2.1 Under the Local Government Pension Scheme regulations the rules governing early payment of deferred benefits are dependant on when the ex employee left the scheme and became a deferred beneficiary.
- 2.2 Thurrock Council as the last employer or the responsible scheme employer can exercise discretion under compassionate grounds to allow early payment of deferred benefits from age 55 and before age 60. For leavers prior to 1st April 1998 and between 1st April 1998 and before 31st March 2008 the earliest date age 50 applies.
- 2.3 For leavers prior to the 31st March 2008, where age 50 applies, the Finance Act 2004 deemed such payments unauthorised and a tax levy applies to the employer as well as the employee. It is advised that the Council should not authorise early release of benefits at age 50 and prior to age 55.

3. ISSUES, OPTIONS AND ANALYSIS OF OPTIONS:

- 3.1 The Councils current policy is silent on deferred benefits and it is a requirement under the scheme regulations that a policy is published on how the discretionary decisions are made.
- 3.2 The ex employee can challenge any discretionary decisions using the Internal Dispute Resolution Procedures (IDRP), which are part of the way the Local Government Pension Scheme settles disputes.
- 3.3 It is important to have a clear and succinct policy setting out the criteria for early release of deferred benefits on compassionate grounds.
- 3.4 The Councils process to agree any costs associated with discretionary pension decisions requires authorisation by production of a business case which is approved by the
 - Manager
 - Head of Service or and Director
 - Head of Human Resources
 - Corporate Director of Resources
 - Chief Executive
 - Leader
- 3.5 Currently the Business Case covers costs associated to early termination of employment that includes costs to the pension fund due to early payment of pension benefits.
- 3.6 It is recommended that to ensure due process that the business case process is extended to include decisions relating to ex employees.

4. REASONS FOR RECOMMENDATION:

- 4.1 All Local Authorities are required to act with prudence and propriety in respect of costs associated with early retirement and pensions issues and this

addendum to policy will be applied in order to put in place clear authorisation process for deferred benefits

- 4.2 This does not confer contractual rights and the Council retains the right to review and amend the decision at any time.

5. **CONSULTATION (including Overview and Scrutiny, if applicable)**

- 5.1 The Trade Unions who the Councils has a collective bargaining agreement have been fully consulted

7. **IMPLICATIONS**

7.1 **Financial**

Implications verified by: **Mike Jones**
Telephone and email: **01375 652772**
mxjones@thurrock.gov.uk

Each case for early retirement and redundancy will be judged upon the individual merits and the financial impact of a decision assessed accordingly. The Council's business case process, as set out in the policy, requires a financial justification for agreeing any early retirements and redundancy.

7.2 **Legal**

Implications verified by: **Daniel Toohey**
Telephone and email: **01375 652049**
dtoohey@thurrock.gov.uk

This updating of the Council's policy regarding discretionary powers re LGPS will provide additional clarity and aid efficient management practices, which will contribute to appropriate and compliant responses should the authority's procedures be subject to internal or external challenge.

7.3 **Diversity and Equality**

Implications verified by: **Samson De'Alyn**
Telephone and email: **01375 652472**
sdealyn@thurrock.gov.uk

There are no direct Diversity implications noted in this report

- 7.4 **Other implications (where significant)** – i.e. **Section 17, Risk Assessment, Health Impact Assessment, Sustainability, IT, Environmental**

None

APPENDICES TO THIS REPORT:

- Appendix1 – Addendum to Local Government Pension Scheme Discretionary powers policy.

Report Author Contact Details:

Name: Lindsey Francklin

Telephone: 01375 652931

E-mail: lfrancklin@thurrock.gov.uk