

HERTFORDSHIRE COUNTY COUNCIL

**EMPLOYMENT COMMITTEE
MONDAY 20 JUNE 2016 AT 2.30PM**

Agenda Item
No.

2

**PENSION SCHEMES – ANNUAL UPDATE AND REPORT
ON LGPS EMPLOYER DISCRETIONS USAGE**

Report of the Director of Resources

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Executive Member: Chris Hayward

1. Purpose of report

- 1.1 To present to Employment Committee an update on the Firefighters Pension Scheme (FPS), NHS Pension Scheme (NHSPS) and Teachers Pension Scheme (TPS), including the creation of local pension boards.
- 1.2 To provide an annual report on the use of the Local Government Pension Scheme (LGPS) employer discretions policy.

2. Summary

- 2.1 As reported to Employment Committee on 23 March 2015, on 1 April 2015 revised pension schemes were launched for the NHSPS, TPS and FPS all moving to a career average basis. A summary of the key elements of the revised pension schemes is set out in Appendix 1.
- 2.2 Local Pension Boards have now been set up for both the LGPS and FPS.
- 2.4 The County Council continues to operate the LGPS employer discretion policy approved by Council in 2014. There are only two main discretions that have been used this year; requests for flexible retirement; and requests to allow the transfer in of pension after the 12 month cut-off date.

3. Recommendations

- 3.1 That Employment Committee notes the content of the report.

4. Background

- 4.1 In 2011, Lord Hutton produced his report on 'Public Service Pension Provision' in which he made a number of recommendations on the future of public sector pension schemes. In the light of these recommendations, the Local Government Pension Scheme (LGPS) was revised and launched on

1 April 2014, as a Career Average Re-valued Earning (CARE) scheme or career average scheme.

- 4.2 On 1 April 2015, revised schemes were launched for the NHS, Teachers and Firefighters pension schemes; all moving to a career average basis. A summary of the key elements of the revised pension schemes are set out in Appendix 1.

5. Governance Arrangements

- 5.1 As part of Lord Hutton's 2011 report, there were also recommendations concerning improved governance of public service pension schemes. This has resulted in the requirement to establish Local Pension Boards (LPBs) for both the LGPS and the FPS. LPBs are not required for the TPS or NHS as these are centrally managed schemes.
- 5.2 Local Pension Boards for both the LGPS and the FPS are now fully operational. Their Terms of Reference and Constitutions can be found on Herts Direct, along with minutes from their meetings.
- 5.3 The LGPS Local Pension Board constitution was approved by County Council on 31 March 2015 and the first meeting was held on 22 September 2015.
- 5.4 The Local Pension Board for the FPS's constitution was approved by County Council on 21 July 2015 and the first meeting was held on 23 October 2015.

6. LGPS Discretions

- 6.1 As part of the 2014 changes, new pension discretions were developed. These were approved by Full Council on 15 July 2014. It was agreed that an annual report would be submitted to Employment Committee providing an update on pension changes and on the use of LGPS employer pension discretions.
- 6.2 The LGPS Policy on Exercise of Employer Discretions can be found on Herts Direct, Compass and the LPFA website. A summary of the discretions exercised since 1 April 2015 is as follows;
- 6.3 **Discretion 2 - Flexible Retirement Requests**
Flexible retirements are only agreed in exceptional circumstances and are employer initiated. Flexible Retirement is where an employee continues to work for an agreed, limited period and can start to draw their pension at the same time. Their hours or salary, however, need to reduce to help offset the cost of the early payment of pension. There have been 8 Flexible Retirements agreed since April 2015. Of those, 2 were in schools and 6 were in Council departments (3 in Health & Community Services, 2 in Children's Services and 1 in Environment).

6.4 Discretion 9 – Inward transfer of Pension Rights

The Council received 23 requests for the late transfer in of pension benefits. These are requests from employees to transfer pensions into the LGPS over 12 months from their start date at the Council. Of these, 22 were rejected and 1 is still pending a decision as further information has been requested.

7. Financial Implications

7.1 A number of the discretions above will have an impact on the pension fund. Each decision is made on a case by case basis, including an assessment of cost.

8. Equalities Implications

8.1 There are no equality implications of the changes to the pension schemes. An EQIA is conducted as part of the individual assessment of each request for the use of discretion on a case by case basis.

Appendix 1 - Summary of Pension Schemes Terms / Changes

	LGPS	NHS	Teachers	Fire
Scheme Date	2014	2015	2015	2015
Member contributions	5.5% - 12.5%	5% - 14.5%	7.4% - 11.7%	10% - 14.5%
Type of scheme	Career Average Revalued Earnings (CARE)	Career Average Revalued Earnings (CARE)	Career Average Revalued Earnings (CARE)	Career Average Revalued Earnings (CARE)
Pension Accrual rate	1/49 th revalued each year in line with CPI	1/54 th revalued each year in line with CPI +1.5%	1/57 th revalued each year by indexation +1.6%	1/58 th revalued in line with Average Weekly Earnings (AWE)
Retirement lump sum	Optional lump sum at a rate of 12:1 up to 25% of capital value	Optional lump sum at a rate of 12:1 up to 25% of capital value	Optional lump sum at a rate of 12:1 up to 25% of capital value	Optional lump sum at a rate of 12:1 up to 25% of capital value
Normal Pension Age	Equal to State Pension Age (min. 65 years of age).	Equal to State Pension Age (min. 65 years of age).	Equal to State Pension Age (min. 65 years of age).	60
Minimum Pension Age	55 (with an actuarial reduction) – must take both final salary and CARE benefits	55 (with an actuarial reduction)	55 (with an actuarial reduction) – must take both final salary and CARE benefits	55 (with an actuarial reduction – unless proven unfit for work)
Maximum Age	75	75	75	-
Flexibilities	50/50 scheme	Early Retirement Reduction Buyout (ERRBO).	Up to 3 phased retirements	-
Ill Health Provision	Yes	Yes	Yes	Yes
Death in Service	3 x annual pensionable pay.	2 x earnings in last 12 months	3 x FTE salary	3 x annual pensionable pay.
Increasing your pension	Additional Pension Contributions (APC), or Additional Voluntary Contributions (AVC).	Purchase of Additional Pension (AP) in units of £250, or Money Purchase Additional Voluntary Contributions (AVC).	Additional Pension, or Faster Accrual (1/45 th /1/50 th /1/55 th , or Buy Out.	Additional Pension Contributions (APC), or Additional Voluntary Contributions (AVC).