

EAST AYRSHIRE COUNCIL

CABINET - 21 NOVEMBER 2007

LOCAL GOVERNMENT EMPLOYEES, CRAFT EMPLOYEES AND CHIEF OFFICERS

LOCAL GOVERNMENT PENSION SCHEME EMPLOYERS DISCRETIONS

Report by Depute Chief Executive/Executive Director of Corporate Support

1. PURPOSE OF REPORT

- 1.1 The purpose of the report is to ask Cabinet to approve the updated Statement of Policy of Employers Discretions under the Local Government Pension Scheme, subject to consultation with Trade Unions.

2. BACKGROUND

- 2.1 In terms of Regulation 105 of the Local Government Pension Scheme (Scotland) Regulations 1998 as amended, and Regulation 51 of the Local Government (Discretionary Payments and Injury Benefits) (Scotland) Regulations 1998 as amended, the Council is required to formulate, publish and keep under review a Policy Statement in relation to certain 'Employers Discretions' provided in the Regulations.
- 2.2 In addition to the Discretions which require to be included in the Policy Statement, there are a number of other more routine discretions included within the Regulations which do not require Council approval. These discretions do not have direct cost implications to the Council and are currently dealt with administratively by the Head of Personnel.
- 2.3 The Council and Strathclyde Pension Fund, as Administering Authority, have a particular responsibility to ensure that, when exercising these discretions, they act with prudence and propriety. The discretions offer an opportunity for more flexibility but a careful and considered approach is required with due regard being paid to the potential implications for funding and employers' contribution levels together with fairness and consistency of application.
- 2.4 The Council's current Statement of Policy was approved by the Corporate Governance Committee at its meeting on 10 February 2004. Policy Statements were formulated and submitted to the Strathclyde Pension Fund as Administering Authority in 1998, 2000 and 2004 outlining the discretions adopted by the Council at that time.
- 2.5 A review of the Employers Discretions has been necessary to ensure that the Council continues to take account of new legislation and reflect best personnel practice.

2.6 The Statement of Policy of Employer's Discretions is applicable to Local Government Employees, Craft Operatives, and Chief Officers. **They do not apply to Teaching Staff who have their own Pension Scheme provisions.**

2.7 Copies of the updated Statement of Policy of Employers Discretions under the Local Government Pension Scheme are available in the Members' Information Point. The main changes proposed are summarised below:

3. PROPOSED CHANGES

3.1 The documentation has been updated to take account of the Local Government Pension Scheme (Scotland) Amendment (No2) Regulations 2006 and the Local Government (Discretionary Payments and Injury Benefits) (Scotland) Amendment Regulations 2006:

- Flexible Retirement Regulation 34(1A) –
(This allows the employee to access their pension while still working but on reduced hours or salary grade)

The Council agrees to apply this discretion, subject to financial constraints, where there would be positive benefits to the Council in terms of skills retention, efficiency savings etc. In order to qualify for flexible retirement, the employee's hours of duty must be reduced by at least 20%.

- Flexible Retirement Regulation 34(1C) and (1D)
(This allows flexible retirement whilst waiving in whole or part any reduction in the employee's pension benefits)

The Council will only exercise this discretion in exceptional circumstances where it is deemed to be of benefit to the Council.

- Compensation Payment Part 1V Regulation 35
(This allows a redundancy compensation payment of up to 66 weeks remuneration to be paid where no added years have been made to employees aged 50 or over with at least two years qualifying employment and who have not been awarded compensatory added years membership and to those employees aged 18 to 50 and over who have at least two years qualifying employment who leave the Council's employment by reason of redundancy).

The Council has approved an Enhanced Redundancy Payments Scheme which provides for a compensation payment of up to a maximum of 66 weeks remuneration to be made to employees aged 50 and over who have at least two years qualifying employment and who have not been awarded compensatory added membership years, and those employees aged 18 to 50 and over who have at least 2 years qualifying employment, who leave the Council's employment by reason of redundancy

3.3 The updated Statement of Policy of Employer's Discretions will continue to assist the Council to achieve and sustain a corporate and consistent approach to its application of the discretions under the Local Government Pension Scheme, thereby assisting the Council to operate effectively and deliver quality services.

3.4 Any application of those more routine discretions within the Local Government Pension Scheme not required to be included in the Policy Statement will continue to be dealt with administratively by the Head of Personnel e.g. late applications from employees to make pension contributions in respect of periods of maternity leave, unpaid leave of absence; career breaks etc. (Regulation 17) and extending the period in which an employee may transfer previous pension benefits to the Strathclyde Pension Fund (Regulation 121).

4. COMMUNICATIONS

4.1 The amended Statement of Policy will come into effect within one month of the date of the Cabinet approval as laid down under the Local Government (Discretionary Payments and Injury Benefits) (Scotland) Amendment Regulations 2000 and the updated Policy Statement will require to be forwarded to Strathclyde Pension Fund as Administering Authority within the same period.

4.2 Employees will be made aware of the amendments to the Statement of Policy of Employer's Discretions via the Council's intranet site, Eastwords and the issue of a relevant PER Circular.

5. FINANCIAL IMPLICATIONS

5.1 Any additional costs arising from the proposed changes to the Statement of Policy of Employers Discretions will be contained within existing budgets.

6. POLICY/LEGAL IMPLICATIONS

6.1 The proposed changes will ensure that the Council meets its legislative requirements as an employer in relation to the Local Government Pension Scheme. The proposals meet the pursuit of continuous improvement and best value and the guiding principles of the Community Plan.

7. TRADE UNIONS

7.1 The proposed changes are subject to Trade Union consultation.

8. RECOMMENDATIONS

8.1 Cabinet is asked to approve the above changes to the Statement of Policy of Employers Discretions, subject to consultation with Trade Unions.

Elizabeth Morton
Depute Chief Executive/Executive Director of Corporate Support
1 November 2007

LIST OF BACKGROUND PAPERS

1. Joint Report on Policy Statement on Employers Discretions by the Depute Chief Executive/Executive Director of Corporate Resources and the Director of Finance to Corporate Governance Committee of 10 February 2004.
2. Joint Report on the Local Government Pension Scheme (Scotland) Regulations 1998 by the Directors of Personnel Services and Finance to Personnel and Property Sub-Committee of the Policy and Resources Committee of 19 May 1998.

Any person wishing further information should contact Martin Rose, Head of Personnel (Telephone 01563 576092).