

## EAST AYRSHIRE COUNCIL

CABINET – 26 JANUARY 2011

CHIEF OFFICERS, LOCAL GOVERNMENT EMPLOYEES, CRAFT OPERATIVES

### LOCAL GOVERNMENT PENSION SCHEME EMPLOYERS' DISCRETIONS

#### Report by Executive Director of Finance and Corporate Support

#### 1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to seek Cabinet's approval of proposed revisions to the Council's current Statement of Policy of Employers Discretions which are required as a result of revisions to the Council's severance arrangements.

#### 2. BACKGROUND

- 2.1 In terms of Regulation 61 of the Local Government Pension Scheme (Administration) (Scotland) Regulations 2008, 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 Statement of Policy in relation to certain Employers' Discretions provided within the Regulations.
- 2.2 The Council and the 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.
- 2.3 The Council's current Statement of Policy was approved by Cabinet at its meeting on 21 October 2009. This and previous Statements of Policy were formulated and submitted to the Strathclyde Pension Fund as Administering Authority outlining the discretions adopted by the Council at that time.
- 2.4 A review of the Employers' Discretions has been necessary as a result of revisions to the Council's revised severance arrangements.
- 2.5 The Statement of Policy of Employers' Discretions is applicable to Local Government Employees, Craft Operatives and Chief Officers. **It does not apply to Teaching Staff who have their own Pension Scheme.**
- 2.6 Copies of the revised Employers' Discretions Statement are available in the Members' Information Point and Members' Portal.

### **3. PROPOSED CHANGES**

3.1 Proposed changes to the existing Employers' Discretions are summarised below:

#### **3.1.1 AUGMENTATION OF MEMBERSHIP**

#### **Regulation B12**

The Council may augment the membership of an active member at any time by up to 10 years or up to the member's 65<sup>th</sup> birthday, if shorter. The Council would be required to meet the full cost of the additional membership by payment of a lump sum into the pension fund, payable within one month of a resolution being passed to award augmentation.

#### **Council Position**

The Council will only exercise this discretion in exceptional circumstances and subject to a maximum of 5 years where it is deemed to be of benefit to the Council.

#### **3.1.2 DISCRETIONS UNDER THE LOCAL GOVERNMENT (DISCRETIONARY PAYMENTS AND INJURY BENEFITS) (SCOTLAND) REGULATIONS 1998, AS AMENDED**

The Council will consider employees' benefits in terms of these Regulations, according to individual circumstances and subject to approval by the Council, taking into account the Council's financial position at the time of the severance/early retirement arrangements.

#### **3.1.3 COMPENSATORY ADDED YEARS**

#### **Part III Regulations 8**

This allows the Council to pay compensation, by way of added membership years, to employees aged 50/55 or over (see Administrative Note on Page 11) who are prematurely retired by the Council on grounds of redundancy or efficiency of the service and who have not been awarded a compensation payment under Regulation 35 of the Local Government (Discretionary Payments and Injury Benefits) (Scotland) Regulations 1998, as amended.

#### **Council Position**

The Council will continue to award compensatory added years to employees who are members of the Local Government Pension Scheme subject to the provisions of paragraph 3.1.2 above. The number of added years awarded will be dependent on the circumstances in each case. Compensatory added years will be subject to a maximum of 6 years 243 days for redundancy and a maximum of 10 years for efficiency of the service. With effect from 1 April 2011, compensatory added years will subject to a maximum of 5 years of service for redundancy and for efficiency of service as detailed in the following sliding scale of added years:

<b>Length of Local Government Pension Scheme Membership</b>	<b>Number of Added Years Awarded</b>
Up to 10 years	No added years
10 years and less than 20 years	Up to 2 added years
20 years and less than 30 years	Up to 4 added years
30 years and over	Up to 5 added years

Compensatory added years will not be awarded to employees who are not members of the Local Government Pension Scheme.

- 3.2** The updated Statement of Policy of Employers' 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. It will also contribute to elements of effective workforce planning.

#### **4. COMMUNICATIONS**

- 4.1** The updated Statement of Policy of Employers' Discretions will come into effect within one month of the date of the Cabinet approval and 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 Employers' Discretions via the Council's intranet site, Ewords and the issue of a relevant PER Circular.

#### **5. FINANCIAL IMPLICATIONS**

- 5.1** There are no additional costs arising from the proposed changes to the Statement of Policy of Employers' Discretions.

#### **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 Regulations and the Local Government (Discretionary Payments and Injury Benefits) (Scotland) Regulations. 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 proposed revisions to the Council's current Statement of Policy of Employers' Discretions which are required as a result of revisions to the Council's severance arrangements; and

**Alexander McPhee**  
**Executive Director of Finance and Corporate Support**  
**22 December 2010**

### **LIST OF BACKGROUND PAPERS**

1. Report on Policy Statement on Employers Discretions by the Depute Chief Executive/Executive Director of Corporate Support to Cabinet of 21 October 2009.
2. Report on Policy Statement on Employers Discretions by the Depute Chief Executive/Executive Director of Corporate Support to Cabinet of 17 June 2008.
3. The Local Government Pension Scheme (Administration) (Scotland) Regulations 2008.
4. The Local Government Pension Scheme (Benefits, Membership and Contributions) (Scotland) Regulations 2008.
5. The Local Government Pension Scheme (Scotland) Regulations 1998 as amended.
6. The Local Government (Discretionary Payments and Injury Benefits) (Scotland) Regulations 1998 as amended.

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