

# **EAST AYRSHIRE COUNCIL**

## **CORPORATE GOVERNANCE COMMITTEE**

**10 FEBRUARY 2004**

### **CHIEF OFFICERS, CRAFTPERSONS AND LOCAL GOVERNMENT EMPLOYEES**

#### **(i) MANAGEMENT OF EARLY RETIREMENT/VOLUNTARY SEVERANCE**

#### **(ii) POLICY STATEMENT ON EMPLOYERS DISCRETIONS**

### **Joint Report by the Depute Chief Executive/Director of Corporate Resources and the Director of Finance**

## **1. PURPOSE OF REPORT**

**1.1** The purpose of this report is to update the Committee:

- a) on the Council's existing Management of Early Retirement /Voluntary Severance Provisions in respect of Chief Officers, Craftpersons and Local Government Employees;
- b) on the proposed revised policy statement on Employers Discretions available under the Local Government Pension Scheme (Scotland) Regulations 1998 as amended and the Local Government (Discretionary Payments and Injury Benefits) (Scotland) Regulations 1998 as amended; and
- c) on current considerations relating to the Local Government Pension Scheme.

## **2. BACKGROUND INFORMATION**

- 2.1** The Policy and Resources Committee at its meeting on 13 June 1996 agreed a policy on severance payments relating to the calculation of compensation and redundancy payments to employees who leave the Council as a result of redundancy, ill health or in the efficiency of the service. The summary policy position to date has been one of ensuring that retiring employees do so on the most beneficial terms, where appropriate, as defined by their entitlements under the Council's retirement policy.
- 2.2** The Personnel and Property Sub-Committee at its meeting on 24 February 1998 noted the Council's general compliance with the Accounts Commission's recommendations within its report "Bye Now, Pay Later ?".
- 2.3** The Personnel and Property Sub-Committee at its meeting on 19 May 1998 adopted a policy position in respect of certain Employers' Discretions provided within the Local Government Pension Scheme (Scotland) Regulations 1998.

- 2.4 The Accounts Commission's 1997/98 Value for Money Audit of Early Retirement Processes identified an action plan for completion by the Council in respect of its early retirement practices. Procedural guidelines which addressed the points raised in the Action Plan were approved by the Accounts Commission and introduced in July 1999.
- 2.5 The principal regulations relating to employer's discretions in respect of early retirement/severance are the Local Government (Discretionary Payments and Injury Benefits) (Scotland) Regulations 1998, as amended and the Local Government Pension Scheme (Scotland) Regulations 1998, as amended.
- 2.6 In December 2002, the Council participated in a Scotland wide follow up audit by Audit Scotland on the Management of Early Retirement from the Local Government Pension Scheme. The audit was to assess each Council's progress in implementing the recommendations made in the Accounts Commission Report "Bye Now, Pay Later" published in 1997.
- 2.7 One of the recommendations from the Early Retirement Follow-Up Report for the Council was the requirement for the Head of Personnel to review and update the current policy and procedural position to ensure that there is effective documentation and communication in relation to the Council's Early Retirement Policies and Procedures. It was agreed that a report would be submitted to this Committee for approval.
- 2.8 Employees aged 50 and over who are members of the Local Government Pension Scheme and who retire early on grounds of redundancy or efficiency of the service, are entitled to immediate payment of pension benefits based on their actual total membership. All employees who are made redundant, where eligible are entitled to a statutory redundancy payment. In addition pension and redundancy payments may be enhanced by the application of Employers Discretions under the above Regulations.
- 2.9 The Council's current policy has been that the redundancy/early retirement package available to employees will in most instances be based on the most advantageous option available in terms of the relevant Regulations as adopted by the Council. It is expected that the Council will wish to continue with this approach whilst maintaining an emphasis on the individual circumstances of each application taking into account the financial position of service departments and the Council at that time.

### **3. MANAGEMENT OF EARLY RETIREMENT/VOLUNTARY SEVERANCE PROVISIONS**

- 3.1 The proposed update to the Council's Management of Early Retirement/Voluntary Severance Provisions take into account all appropriate legislation and are detailed in **Appendix 1**. For Members interest, the key policy positions are as follows:

- ❖ Continue, wherever possible and subject to consideration and approval by the Chair's Sub Committee of the Policy and Resources Committee, and taking into account the Council's financial position at the time of the early retirement application, to maximise benefit to employees by way of the discretionary powers adopted by the Council, according to individual circumstances. Recommendations submitted to the Chair's Sub Committee will be agreed in advance by the Head of Personnel and the Service Director concerned.
- ❖ Consider awarding up to 10 added membership years to increase the pension benefits that are immediately payable to those employees aged 50 and over with 5 years pensionable service who retire on the grounds of redundancy or efficiency of the service.
- ❖ Consider all continuous local government service in calculating the entitlement to and payment of a statutory redundancy payment.
- ❖ Calculate redundancy payments, where appropriate on a figure up to the employee's actual week's pay as opposed to the statutory maximum (currently £260 per week).
- ❖ Consider making a lump sum severance compensation payment of up to 66 weeks pay for employees aged less than 50 years of age (inclusive of any statutory and discretionary redundancy payment).
- ❖ Consider making a lump sum severance compensation payment of up to 66 weeks for employees aged 50 but less than 65 where no added years have been awarded.
- ❖ Consider requests from employees aged between 50 and 60 to retire early from the Council's service. An employee aged 60 years can retire on pension without the employer's consent.
- ❖ Consider, on compassionate grounds, applications from former employees aged 50 or over and under age 60 to receive immediate payment of pension benefits.

#### **4. POLICY STATEMENT OF EMPLOYERS DISCRETIONS**

- 4.1** The Local Government Pension Scheme (Scotland) Regulations 1998 as amended and the Local Government (Discretionary Payments and Injury Benefits) (Scotland) Regulations 1998 as amended require each authority to formulate and keep under review its policy in relation to discretionary elements provided within both sets of Regulations.
- 4.2** Policy Statements were formulated and submitted to the Strathclyde Pension Fund as Administering Authority in 1998 and 2000, outlining the discretions adopted by the Council at that time. A combined and updated Policy Statement

taking into account the current discretions including those from the earlier statements is detailed in **Appendix 2**. The main points for Members interest are as follows:

- The majority of the paper represents the status quo in terms of the current discretionary elements, however changes are recommended in respect of 'Augmentation of Benefit' and 'Shared Cost Voluntary Contribution Arrangement'. The Head of Personnel will update the Committee with additional comments relating to these specific discretions.
- The Local Government (Discretionary Payments and Injury Benefits) (Scotland) Regulations 1998 consolidated into one statutory instrument all the discretionary powers which authorities had in relation to severance pay and provisions for the payment of injury benefits.
- The Local Government (Discretionary Payments and Injury Benefits) (Scotland) Amendment Regulations 2000 extended the discretion to make a severance compensation payment of up to 66 weeks pay to include employees aged 50 and over and under age 65 who have not been awarded added years to enhance their pension benefits.
- In addition to those discretions required by the Regulations to be included in the Employers Policy Statement, it is considered appropriate to include the discretions relating to i) the number of times an employee can opt in and opt out of the Pension Scheme and ii) the payment of injury allowance.

**4.3** 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.

**4.4** The amended policy will come into effect within one month of the date of this Committee 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.

## **5. CURRENT CONSIDERATIONS RELATING TO THE LOCAL GOVERNMENT PENSION SCHEME**

**5.1** The Local Government Pension Scheme is recognised as being a very strong fund and continues to be a final salary based scheme. This latter point is an increasingly attractive recruitment incentive for prospective employees. The Government has advised of proposed strategic changes to the Local Government Pension Scheme which is designed to safeguard the LGPS as a final salary pension scheme whilst ensuring its affordability for the future. It proposes to issue draft regulations for formal consultation during 2004 and the main issues include:

- Remove the provision for payment of short service ill-health grants.
- Introduce a requirement for the provision of annual benefit statements by April 2005.
- Phase out of the '85 year rule' for existing members.
- Increase the earliest age at which LGPS benefits may be paid, other than on the grounds of ill-health, from 50 to 55 years.
- Assess whether new scheme members should pay a higher employee contribution rate from a future date.
- Introduce flexible retirement and incentivisation methods to assist the retention of Scheme members in employment.

**5.2** The Strathclyde Pension Fund who operate the LGPS for East Ayrshire Council and its employee members keep the Council informed of the proposed changes. Any major policy changes will be reported to a future Committee meeting.

**5.3** Members should note that any employee who joined the Local Government Pension Scheme on or after 1 April 1998 their normal retirement age is 65 years.

## **6. POLICY / LEGAL IMPLICATIONS**

**6.1** The Management of Early Retirement/Voluntary Severance Policy will ensure that the Council continues to meet its obligation as an employer in relation to the Local Government Pension Scheme. The tabling of this report to Committee complies with the requirements of the Audit Scotland report mentioned in paragraph 2.7 above.

## **7. FINANCIAL IMPLICATIONS**

**7.1** All early retirement applications are considered by the Chair's Sub-Committee of the Policy and Resources Committee. Any financial implications associated with early retirement/voluntary severance are charged to the relevant service department and to the Pension Fund, where appropriate, in all circumstances.

## **8. TRADE UNIONS**

- 8.1** The proposed revised Policy Statements on Early Retirement and Employers Discretions are subject to Trade Union consultation.

## **9. RECOMMENDATIONS**

- 9.1** The Corporate Governance Committee is asked to:
- a) approve the Council's Management of Early Retirement /Voluntary Severance Policy in respect of Chief Officers, Craftpersons and Local Government Employees
  - b) approve the revised Policy Statement on Employers Discretions
  - c) instruct the Head of Personnel to consult with the Trade Unions in relation to a) and b) above. Thereafter forward the updated Policy Statement to Strathclyde Pension Fund Office by 9 March 2004 and communicate the Employers Discretions under the Regulations to all relevant employees; and
  - d) note the current considerations relating to the Local Government Pension Scheme and ask the reporting officers to report back on any resultant implications for the Council's policy position.

Fiona Lees  
Depute Chief Executive/  
Director of Corporate Resources  
GP/JS  
2 February 2004

Alex McPhee  
Director of Finance

### **LIST OF BACKGROUND PAPERS**

1. Report on Severance Payments to Employees by the Director of Personnel Services to the Policy and Resources Committee of 13 June 1996.
2. Report on Accounts Commission For Scotland Report Bye Now, Pay Later? – The Management of Early Retirement in Scotland by the Director of Personnel to the Personnel and Property Sub-Committee of 24 February 1998.
3. Joint Report on the Local Government Pension Scheme Regulations 1998 by the Director of Personnel and Director of Finance to the Personnel and Property Sub-Committee of 19 May 1998.

Anyone wishing further information should contact Graham Haugh, Head of Personnel (Telephone 01563 576092) or Alex McPhee, Director of Finance (Telephone 01563 576300).



Appendix 1

# **EAST AYRSHIRE COUNCIL**

## **MANAGEMENT OF EARLY RETIREMENT / VOLUNTARY SEVERANCE PROVISIONS**

- **Early Retirement –  
Redundancy/Efficiency/  
Severance Voluntary**
- **Early Retirement – Efficiency of Service**
- **Early Retirement - Ill Health**
- **Redundancy/Voluntary Severance**

Department of Corporate Resources (Personnel Services)  
Employee Relations Section  
January 2004

## 1. Introduction

1.1 In line with the Council's decision to exercise its discretion to maximise benefits, where appropriate, to employees by way of the discretionary powers adopted by the Council and according to individual circumstances, these provisions outline the compensation and redundancy payments to employees who leave the Council as a result of redundancy, efficiency or ill-health except where there is a statutory reorganisation when special arrangements may apply.

1.2 The current legislative provisions governing the award of lump sum redundancy or compensation payments and/or additional years of pensionable service are outlined in: -

- The Employment Rights Act 1996.
- Local Government Pension Scheme (Scotland) Regulations 1998 (as amended).
- Local Government (Discretionary Payments and Injury Benefits) (Scotland) Regulations 1998 (as amended).
- The Redundancy Payments (Continuity of Employment in Local Government etc) (Modification) Order 1999 (as amended).

1.3 These provisions do not confer any contractual rights upon Council employees.

## 2. Ill Health

2.1 The benefits accruing to ill health retirals are mandatory and are prescribed under the Local Government Pension Scheme (Scotland) Regulations 1998 (as amended). These are summarised as follows: -

- ❖ Less than 1 years total membership – Refund of contributions
- ❖ Between 1 and 2 years total membership – Ill health grant or refund of contributions whichever is greater
- ❖ 2 years total membership and over – immediate payment of pension and lump sum. The total membership used in the calculation of benefits is increased on the following basis:-

▪ <b>Total Membership</b>	<b>Total Membership after Increase Awarded</b>
▪ Less than 5 years	Actual <b>total membership</b> only
▪ Between 5 and 10 years	<b>Total membership</b> doubled
▪ Between 10 and 13 1/3 years	<b>Total membership</b> increased to 20 years
▪ Between 13 1/3 years and 33 1/3 years	<b>Total membership</b> increased by 6 2/3 years

- Between 33 1/3 and 40 years                    **Total membership** increased to 40 years
  - Over 40 years                                    Actual **Total membership** only
- 2.2** Increased membership must not exceed the **total membership** that would have accrued had the member continued in employment until age 65.

### **3. Redundancy**

**3.1** The redundancy/early retirement package available to employees will in most instances be based on the most advantageous option available in terms of the above regulations as adopted by the Council. A broad summary of options available is as follows: -

- **Employees under 50 –**

- Subject to certain qualifying conditions, a lump sum payment of up to 66 weeks actual pay depending on age and continuous service.

Employees with less than 2 years service would not qualify for any payment. Employees who are members of the Local Government Pension Scheme with more than 2 years membership would have their pension benefits deferred until age 60/65 as appropriate.

Employees who are members of the Local Government Pension Scheme with less than 2 years membership would normally receive a refund of pension contributions refunded.

- **Employees aged 50 or over –**

- Where an employee has 2 or more years' membership of the Local Government Pension Scheme or has less than 2 years' membership but has a transfer of pension rights (of any length) into the LGPS from another scheme:-

- immediate payment of pension and lump sum (retirement grant). No award of added membership years' but with a compensation lump sum payment up to a maximum of 66 weeks, subject to certain qualifying conditions, and depending on age and continuous service.

- Where an employee has 5 or more years' membership of the Local Government Pension Scheme;

- immediate payment of pension and lump sum (retirement grant) with an award of added membership years. Where the added years are 6 and 2/3 years or less, a statutory redundancy payment (up to a maximum of 30 weeks actual pay, depending on age and continuous service) can also be made.

Where added years are over 6 and 2/3 years, up to a maximum of 10 years, no redundancy payment is made;

**or**

- immediate payment of pension and lump sum (retirement grant) with no award of added membership years but with a compensation lump sum payment up to a maximum of 66 weeks actual pay, subject to certain qualifying conditions, and depending on age and continuous service.

- Where an employee is not a member of the Local Government Pension Scheme; subject to certain qualifying conditions, a lump sum payment of up to 66 weeks actual pay depending on age and continuous service.

**3.2** Added membership years enhancements cannot exceed the period of service which could have been achieved up to age 65, or increase a period of service which exceeds the employee's period of LGPS membership or increase **total membership** to more than 40 years.

#### **4. Efficiency of the Service - (Employees aged 50 or over)**

**4.1** Where the Council has determined that efficiency of the service is applicable the following provisions will apply: -

- Where an employee has 2 or more years' membership of the Local Government Pension Scheme or has less than 2 years' membership but has a transfer of pension rights (of any length) into the LGPS from another scheme:-

- immediate payment of pension and lump sum (retirement grant). No award of added membership years' but with a compensation lump sum payment up to a maximum of 66 weeks, subject to certain qualifying conditions, and depending on age and continuous service.

- Where an employee has 5 or more years' membership of the Local Government Pension Scheme:-

- immediate payment of pension and lump sum (retirement grant) with an award of up to 10 added membership years.

**or**

- immediate payment of pension and lump sum (retirement grant) with no award of added membership years but with a compensation lump sum payment up to a maximum of 66 weeks actual pay, subject to certain qualifying conditions, and depending on age and continuous service.

- Where an employee is not a member of the Local Government Pension Scheme; subject to certain qualifying conditions:-

a lump sum payment of up to 66 weeks actual pay depending on age and continuous service.

- 4.2 Added years' enhancements cannot exceed the period of service which could have been achieved up to age 65, the current period of LGPS membership, or increase **total membership** to more than 40 years.

## 5. **Employee Request for Early Retiral (Rule of 85)**

- 5.1 An employee aged 50 or over who is a member of the Local Government Pension Scheme may seek to retire and request an immediate payment of pension benefits.

The request would require the Council's consent where the employee is aged between 50 and 60 and if approved the employee would be entitled to immediate payment of pension and lump sum (retirement grant). There would be no award of added years and pension benefits would be subject to an actuarial reduction unless the employee's age and total membership of the Pension Scheme, both counted together in whole years, equal at least 85.

- 5.2 An employee aged 60 or over who meets the 85 year rule outlined in paragraph 5.1 above can retire without the consent of the Council. The employee would be entitled to pension and lump sum (retirement grant). There would be no award of added years.
- 5.3 A former employee with 2 or more years' membership of the Local Government Pension Scheme or less than 2 years' membership but with a transfer of pension rights (of any length) into the LGPS from another scheme, who leaves the Council's service before age 50, may apply to receive immediate payment of his/her pension benefits once he/she has reached the age of 50 or over. Such applications will require to be considered by the Council on compassionate grounds.

## 6. **Notice of Retiral/Termination - Payment in lieu of Notice**

- 6.1 Payment in lieu of notice of up to a maximum of 12 weeks pay will only be made in those circumstances where written notice cannot be given and worked prior to the retiral/termination date.

## 7. **Principles**

- 7.1 All cases of Early Retirements/ Severance must be processed in line with the approved Procedural Guidelines and with the exception of Ill Health Retirement, must have the prior approval of the Chair's Sub-Committee of the Policy and Resources Committee.
- 7.2 When considering early retirals, the Sub-Committee must be advised of the costs associated with Early Retirements/ Severance and receive monitoring information regarding the total number of cases considered/previously approved together with the cumulative costs of the retirals in the current financial year.
- 7.3 Any financial implications associated with early retirement/voluntary severance will be charged to the relevant service department and to the Pension Fund where appropriate, in all circumstances.

- 7.4** The Discretionary Regulations provide increased scope for the exercise of discretionary functions by both employers and administering authorities. Employers and administering authorities have a particular responsibility to ensure that, when exercising these discretions, they act with prudence and propriety. Full details of the main 'Employers' Discretions' as adopted and applied by East Ayrshire Council under the Local Government Pension Scheme Regulations and Discretionary Payments Regulations are outlined in the Council's 'Employers' Discretions Policy Statement'.
- 7.5** **These provisions do not apply to Teachers who have their own Scheme for Early Retirement/Voluntary Severance.**



## Appendix 2

# EAST AYRSHIRE COUNCIL

## EMPLOYERS' DISCRETIONS STATEMENT OF POLICY

- 1) THE LOCAL GOVERNMENT PENSION SCHEME  
(SCOTLAND) REGULATIONS 1998 AS  
AMENDED**
  
- 2) THE LOCAL GOVERNMENT (DISCRETIONARY  
PAYMENTS AND INJURY BENEFITS)  
(SCOTLAND) REGULATIONS 1998 AS  
AMENDED**

## **1. Introduction**

- 1.1** In line with the Local Government Pension Scheme (Scotland) Regulations 1998 as amended and 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.
- 1.2** There are additional costs associated with certain of these discretions which are dependent upon the policy and practice adopted by the Council in respect of each particular discretion. The position adopted by the Council at the date of this Policy document is reflected in paragraphs 2 and 3 and will be reviewed on a regular basis and updated accordingly.
- 1.3** 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.
- 1.4** The exercise of all the discretionary powers as adopted by the Council in relation to individual cases will be subject to approval by the Chair's Sub-Committee of the Policy and Resources Committee or other appropriate Committee of the Council.
- 1.5** This policy statement will be subject to ongoing review. Where, as a result, the Council determine to amend their policy, an amended policy statement will be published within one month of this decision being taken. Any amended policy statement will be forwarded to Strathclyde Pension Fund as Administering Authority.

## **2. Discretions under the Local Government Pension Scheme (Scotland) Regulations 1998 as amended.**

- 2.1** The discretionary provisions adopted by the Council as contained within the Local Government Pension Scheme (Scotland) Regulations 1998, as amended, are as follows:-

- **Reduction of members contributions after 40 years service (Regulation 14)**

This gives the Council discretion to reduce or waive the standard pension contributions for employees with more than 40 years local government service before they reach 60 years of age. In these circumstances the Council would become responsible for meeting the cost to the pension fund of contributions not continuing during the period after the employee had accrued 40 years service and reached 60 years.

In view of the fact that only a minority of local government employees are likely to attain 40 years local government service before age 60, this is a discretion which would not be exercised frequently and which would be relatively inexpensive.

### **Council Position**

The Council will consider applications from employees on an individual basis.

#### ➤ **Voluntary Early Retirement (Rule of 85) (Regulation 30)**

Any employee aged 50 and over who is a member of the scheme can request early payment of pension benefits. Where the employee is under 60 years of age, it will be at the Council's discretion to authorise this. In these circumstances the employee's pension **benefits would be actuarially reduced**, to compensate the Pension Fund for the loss of contributions. The Council has the discretion to waive any actuarial reduction on compassionate grounds. This will result in a strain on the fund cost which will require to be met by the Council.

Where, however, an employee's total years of scheme membership, added to his/her age, amounts to 85 or more, then the employee's pension **benefits will be paid without reduction**, with the Council being required to reimburse the Pension Fund for the early payment of benefits. **(This is known as the "Rule of 85")**

Where the rule of 85 is not met, there will be an actuarial reduction in pension benefits. The Council has discretion to waive this reduction on compassionate grounds.

The new arrangements further complicate the issue of considering voluntary severance in situations other than redundancy, and provide further options to be considered by both individual employees

and the Council. However it is envisaged that in most circumstances, the Council will continue to operate the existing provision of compensatory added years in cases of early retirement where it is in the Council's interests to do so.

### **Council Position**

The Council will consider applications from employees on an individual basis.

#### ➤ **Former Employees – Request for Payment of Pension Benefits (Regulation 30)**

Former employees with 2 or more years' membership of the Local Government Pension Scheme or less than 2 years' membership but with a transfer of pension rights (of any length) into the LGPS from another scheme, who leave the Council's service before age 50, may apply to receive immediate payment of their pension benefits once they have reached the age of 50 or over.

Any such applications require the Council's consent before payment of benefits can be made. The Council will require to consider cases of this nature on compassionate grounds, and if approved will result in a strain on the fund cost being met by the Council.

### **Council Position**

The Council will consider applications from employees on an individual basis.

#### ➤ **Augmentation of Benefit (Regulations 51 and 52)**

Augmentation of benefits enables the Council to award extra years of scheme membership up to a maximum of  $6\frac{2}{3}$  years to an employee within 6 months of first joining the scheme or within 6 months of an employee over 50 years of age leaving the scheme. Augmentation may be granted as an alternative to added years but not in addition.

The Council can continue to grant the award of compensatory added years in accordance with the Local Government (Discretionary Payments

and Injury Benefits) (Scotland) Regulations 1998 and in view of this there is no requirement at this time to augment benefits for those leaving the service.

There are circumstances however where augmentation could be considered:-

- At the commencement of employment, augmentation could be used as an inducement where there is difficulty in recruiting for a key post, although full justification for doing so would be required.
- At the end of employment, one of the few circumstances where augmentation could be considered would be in ill health cases, where an automatic enhancement of service does not apply (eg. an employee with less than 5 years service).

The cost of augmentation on joining must be paid for “up front” whereas the cost of augmentation on leaving will be recharged on a similar basis to compensatory added years.

### **Council Position**

This is considered an expensive discretion and will only be considered in exceptional circumstances.

#### **➤ Shared Cost Additional Voluntary Contribution Arrangement (Regulation 66)**

The previous pension scheme allowed members to pay additional voluntary contributions (AVC's). Contributions from the employer were not permitted.

This provision allows the Council to contribute to an employee's AVC scheme. Whilst there is no set amount that the Council must contribute, it need not match the employee's contribution nor can the Council pay all the contributions.

Shared cost AVC's could be used as an inducement where there is difficulty in recruiting for a key post, although full justification for doing so would be required.

### **Council Position**

The Council will not consider requests for Shared Cost AVC arrangements.

#### ➤ **Widowers Pensions in respect of Service between 1972 & 1988**

Women with pensionable service before 1988 were previously disadvantaged by a restriction on Widower's benefit payable. This discretion enables the Council to ensure that all married women with pensionable service before 6 April 1988 are treated in a similar fashion to males in respect of their pre 1988 service and that, as a consequence, widower's benefits which may become payable, will not suffer any reduction. (There are no widower's benefits payable in respect of pre 1972 service).

Similarly, for women who are presently unmarried but marry subsequently, and who have pensionable service before 6 April 1988, the administering authority will accept "late applications" and so any widower's benefits will be paid without reduction.

The costs resulting from the exercise of this discretion will be met from the pension fund.

### **Council Position**

The Council has agreed to accept all elections from applicants.

#### ➤ **Pension Fund 'Opt Out' Arrangements**

The Council has the discretion to determine the number of times an employee can opt in and opt out of the Local Government Pension Scheme.

Previously employees were allowed to opt out once and opt back in again later. If the employee subsequently opted out a second time they were not permitted to rejoin for as long as they worked with that employer.

## **Council Position**

The Council will apply this restriction.

### **3. Discretions under the Local Government (Discretionary Payments and Injury Benefits) (Scotland) Regulations 1998, as amended.**

#### **3.1** The discretionary provisions adopted by the Council as contained within the Local Government (Discretionary Payments and Injury Benefits) (Scotland) Regulations 1998, as amended are reflected under each of the undernoted headings.

In accordance with its policy position, the Council will continue, wherever possible and subject to consideration and approval by the Chair's Sub Committee of the Policy and Resources Committee, and taking into account the Council's financial position at the time of the early retirement application, to maximise benefit to employees by way of the discretionary powers adopted by the Council, according to individual circumstances. Recommendations submitted to the Chair's Sub Committee will be agreed in advance by the Head of Personnel and the Service Director concerned.

#### ➤ **Redundancy Payment - Part II (Regulation 4)**

The calculation of statutory redundancy payments will be based on the employee's actual pay where it exceeds the statutory weekly pay limit.

#### ➤ **Compensatory Added Years - Part III (Regulations 8)**

Compensatory added membership years to enhance pension benefits will be awarded to local Government employees aged 50 or over who are prematurely retired by the Council on grounds of redundancy or efficiency of the service.

The number of added years awarded will be dependant on the circumstances in each case and subject to a maximum of 6 and 2/3 years for redundancy and a maximum of 10 years for efficiency of the service.

#### ➤ **Apportion of Compensation – Part III (Regulation 20)**

The Council will determine how to apportion compensation between surviving spouses who are jointly entitled to compensation under the Regulations by considering each case on its own merits and taking account of the individual circumstances of the surviving spouses.

➤ **Compensation on Remarriage or Cohabitation - Part III (Regulation 20)**

The Council has agreed that on the death of a former employee who ceased employment before 1 April 1998 who has been awarded compensatory added years, any surviving spouse(s), on remarriage or cohabitation, will continue to receive any compensatory added years element of their pension benefits entitlement.

➤ **Compensation Payment - Part IV (Regulation 35)**

A compensation payment of up to a maximum of 66 weeks remuneration to employees aged 50 and over but under age 65 who have not been awarded added years, and those aged 18 and over but under age 50 who have at least 2 years qualifying employment, who cease to hold local Government employment by reason of redundancy or efficiency of the service. Compensation will be based on the employee's contractual pay, age and continuous service.

➤ **Payment of Injury Benefit – Part V (Regulations 39 and 40)**

The Council will not support applications for payment of injury benefit under this discretion. Similar provisions already exist within the Council's Sickness Allowance and Personal Accident Insurance Schemes.

**4. Principles**

**4.1** The exercise of all the above discretionary powers as adopted by the Council in relation to individual cases will be subject to approval by the Chair's Sub-Committee of the Policy and Resources Committee or other appropriate Committee of the Council.

**4.2 This policy does not apply to Teachers who have their own Pension Scheme Provisions.**