



Hinckley & Bosworth Borough Council

Forward timetable of consultation and decision making

Ethical Governance and Personnel Committee 12 November 2024

Wards affected: All wards

Local Government Pension Scheme Employer Discretions Policy

Report of Director Corporate and Streetscene Services

1. Purpose of report

1.1 To present an updated version of the Local Government Pension Scheme Employer Discretions Policy for this council.

2. Recommendation

2.1 Following a review of the pension discretions it is recommended to:

1. Approve the Local Government Pension Scheme Employer Discretions Policy.
2. Approve that the existing discretions currently in place remain unchanged.
3. Adopt the policy template as required by the Leicestershire Pension Scheme Administrator, Leicestershire County Council.

3. Background to the report

3.1 The Local Government Pension Scheme (LGPS) regulations include several areas where pension scheme employers have discretionary powers regarding pension benefits. Under the regulations, employers are required to publish and keep under review a policy to explain how they will apply certain discretions, should a request be made by a pension scheme member (an employee or former employee). This allows employers flexibility in managing some issues relating to pensions benefits of their scheme members, although exercising these discretions can have immediate costs that would need to be funded.

- 3.2 There are four main categories where there is a statutory requirement to have a published policy. These categories are briefly explained below:

Additional Pension

There is an option for pension scheme members to purchase additional pension to boost their pension benefit at retirement. This discretion allows for employers to consider whether to help scheme members who are buying additional pension and share the cost with them.

Waiving of Early Retirement Reductions

When scheme members elect to retire before their normal pension age (65 years) their pension payment will be reduced; the employers can exercise discretion to waive these reductions in part or in full.

Switching on the 'Rule of 85'

This is a complicated rule and only applicable to scheme members who were in the LGPS before 1 October 2006. They must meet 85 years with their length of service and age. Ordinarily if a scheme member has met the rule of 85 and is retiring and drawing their pension after 60 years of age it applies automatically. However, if they meet the 85-year rule and are between the age of 55-59 the employer has the discretion to 'switch on' the rule of 85, however this will come at a cost to the employer.

Flexible Retirement

If an employee aged 55 or over reduces their hours or moves to a less senior position, they may start receiving their pension even though they are still working. This is flexible retirement. To achieve this then this discretion must be exercised by the employer. Under the council's policy this is only agreed by the employer if there is no additional cost to the council.

- 3.3 There are additional discretions that are not mandatory, but it is advised to adopt such discretions to ensure good practice, and these are set out in the last section of the policy.
- 3.4 The council's discretions policy does not in the main support these discretions and would only consider in exceptional circumstances, save the discretion relating to flexible retirement. This is due to financial costs which the council would have to immediately fund.
- 3.5 The council's current discretionary policy was last reviewed in 2019. Leicestershire County Council, as the scheme administrator, has recommended that all scheme employers, when reviewing their discretions, complete a standardised template to ensure good governance and that all local employers are consistent in their approach.

3.6 The attached template sets out the councils existing discretions and to mitigate against any future budgetary impact, it is recommended that these remain unchanged. Once approved, the discretions will be published on the council's website and submitted to Leicestershire County Council.

4. Exemptions in accordance with the Access to Information procedure rules

4.1 Open session.

5. Financial implications [DW]

5.1 No payments have been made for at least 20 years. Therefore it is proposed that no funding is set aside to fund payments. If a discretionary payment were endorsed the cost would require approval in accordance with financial procedure rules. Depending on the age and service of the employee these costs could be significant.

6. Legal implications [ST]

6.1 None.

7. Corporate Plan implications

7.1 None.

8. Consultation

8.1 N/A

9. Risk implications

9.1 It is the council's policy to proactively identify and manage significant risks which may prevent delivery of business objectives.

9.2 It is not possible to eliminate or manage all risks all of the time and risks will remain which have not been identified. However, it is the officer's opinion based on the information available, that the significant risks associated with this decision / project have been identified, assessed and that controls are in place to manage them effectively.

9.3 The following significant risks associated with this report / decisions were identified from this assessment:

None

10. Knowing your community – equality and rural implications

10.1 Adopting a discretions policy will ensure transparency and consistency for all scheme members.

11. Climate implications

11.1 N/A.

12. Corporate implications

12.1 By submitting this report, the report author has taken the following into account:

- Community safety implications
- Environmental implications
- ICT implications
- Asset management implications
- Procurement implications
- Human resources implications
- Planning implications
- Data protection implications
- Voluntary sector

Background papers: none

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