

Local Government Pension Scheme April 2014

Contact Officers

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Papers with this report

SUMMARY

The Local Government Pension Scheme has been revised and a new scheme will be introduced from 1 April 2014. This report details the main changes to the scheme and the communications undertaken with Scheme Members to inform them of these changes. In addition, a number of policies and discretionary policies have had to be updated as part of the scheme changes and these are listed and attached for reference.

RECOMMENDATIONS

That the contents of the report be noted

INFORMATION

From 1 April 2014 the LGPS will become a Career Average Revalued Earnings (CARE) Scheme. Members of the scheme will earn a pension based on their earnings each year. The annual pension earned is added to the individual's pension account, which increases each year in line with the cost of living.

Retirement Age - Scheme members will have the option of retiring and receiving immediate payment of reduced benefits from age 55, previously the earliest an employee could retire voluntarily was age 60. However, the date an employee may receive their unreduced scheme benefits has also changed, and will in future be linked to an individual's State Retirement Age. Therefore, if the State Retirement Age is amended at any time in the future, the earliest date that a LGPS pension may be taken unreduced will move automatically in line with any change.

Contributions - An employee's pension contribution rate is dependent on their annual pay. Each Employer will decide on which contribution banding to apply to each scheme member. The bandings indicate a lower and upper pensionable pay limit within each band, and the relevant contribution rate is applied. The bandings will be increased each year in line with cost of living increases. The number of bands is moving from 7 to 9, with contribution rates ranging from 5.5% to 12.5%. Under the current scheme pension contributions are paid on "Contractual Pay", but in the new scheme all salary payments, with the exception of expenses, will be subject to pension contributions. Part time scheme members will pay a contribution rate based on actual pay, rather than full time equivalent, which could potentially move employees into a lower contribution band.

PART I - MEMBERS, PRESS & PUBLIC

50:50 Scheme - A 50:50 option is being introduced, where a scheme member can elect to pay contributions at 50% of the main scheme rate, for a 50% accrual of benefits. Any scheme member who elects for the 50:50 scheme will remain eligible for full benefits in the event of death or retirement on the grounds of permanent ill health.

Vesting Period - the length of service required to qualify for a pension has been increased from the current period of 3 months to 2 years.

Councillor members - With effect from 1 April 2014 Councillors will no longer be eligible to join the LGPS. Those Councillors who are already Members of the scheme will be able to remain as scheme members until the end of their current term of office. For London Boroughs that date will be 22 May 2014. Protections have been put in place to retain the normal pension age for Councillor Members at age 65. Those Councillor Members aged 65 or over at 23 May will be entitled to claim immediate payment of their benefits without reduction. All other members will be awarded a deferred benefit which will be payable without reduction from the age of 65. However, once a member attains the age of 60 the member may elect to receive their benefits, but these will be subject to an actuarial reduction based on the period between his current age and age 65.

The other main features of the scheme have remained unchanged, such as ill health enhancements and the payment of unreduced benefits from age 55 if an employee's service is terminated due to Redundancy or Business Efficiency. No changes have been made regarding payments due for death in service, or payments to Spouses or Dependents.

COMMUNICATING CHANGES

An intensive programme of employee communications has been undertaken over the last few weeks to educate members on the changes to pension arrangements. Information has been circulated via all staff emails, articles in Team Hillingdon and updates posted on Horizon. In addition 12 bitesize pensions seminars were held in the Civic Centre, during the lunch period and 2 early evening sessions. Sessions have also been held at Uxbridge College, London Housing Consortiums Offices and Harlington Road Depot. Specific sessions were held for HR Staff and for Finance Managers. Further presentations are being planned to ensure that all scheme members have to opportunity to attend a presentation.

Communication will continue to ensure that details of the changes reach as many employees as possible. A separate communication has been sent to Elected Members.

POLICIES

A number of policies and discretionary policies relating to the scheme have been updated and these are attached as appendices to this report for information:

PART I - MEMBERS, PRESS & PUBLIC

- The Communications Policy
- Power of Authority to Pay Additional Pension Contributions to an Active Member's Pension Account
- Flexible Retirement
- Power to Award Additional Pension
- Power to waive Actuarial Reduction

Communication Policy Statement

THE LOCAL GOVERNMENT PENSION SCHEME REGULATIONS 2013

Issued by: Corporate Pension Section, Finance Directorate

Under the terms of regulation 61 of the above regulations, which came into force on 1st April 2014, the Council must publish a statement of policy concerning communications with members and Scheme employers.

This Communications Policy Statement concerns communications with scheme members, representatives of members, prospective members and Scheme employers. It details:

- a) the provision of information and publicity about the Scheme
- b) the format, frequency and method of distributing such information or publicity, and
- c) the promotion of the scheme to prospective members and their employing authority

There are a number of stakeholders that have an interest in the affairs of the Fund and these may be summarised as follows:- Stakeholder	Primary Interests
<p>London Borough of Hillingdon as Administering Authority</p> <p>Capita Employee Benefits as Scheme Administrators</p>	<ul style="list-style-type: none"> • administration of the scheme in accordance with the regulations • cost of scheme • stability of cost of scheme • fiduciary duty to other stakeholders whom it must treat equally • investment strategy
<p>Scheduled Employers:</p> <p>Academies within the London Borough of Hillingdon Uxbridge College London Housing Consortium</p>	<ul style="list-style-type: none"> • cost of scheme • stability of cost of scheme • investment strategy • production of FRS17/IAS19 Reports
<p>Admission Employer Bodies:</p> <p>Hillingdon & Ealing Citizens Advice Heathrow Travel Care MITIE FM Stag Security Genuine Dining Greenwich Leisure</p>	<ul style="list-style-type: none"> • affordability of scheme • stability of cost of scheme • investment strategy • production of FRS17/IAS Reports

PART I - MEMBERS, PRESS & PUBLIC

<p>Active Members:</p> <p>London Borough of Hillingdon Pension Fund Scheduled and Admitted bodies, who have elected to join the scheme</p>	<ul style="list-style-type: none"> • solvency of scheme • ability to pay pensions at distant future date • implications of rising costs for benefits and contributions
<p>All literature and communications sent to Scheme members will be branded with the Capita Employee Benefit Logo</p>	
<p>Deferred Members</p>	<ul style="list-style-type: none"> • solvency of scheme • ability to pay pensions at distant future date
<p>Pensioners</p>	<ul style="list-style-type: none"> • ability to pay pensions now • security of pensions liability
<p>Prospective Members</p>	<ul style="list-style-type: none"> • benefits • solvency of scheme • ability to pay pensions at distant future date
<p>Local Taxpayers</p>	<ul style="list-style-type: none"> • rising impact on Council Tax and services • returns on scheme [as a cost mitigating factor] • funding level (i.e. unfunded liabilities)
<p>Government</p>	<ul style="list-style-type: none"> • stability of cost of scheme • avoidance of political issues arising • good governance • consistency of administration • funding level (i.e. unfunded liabilities)

In addition there are a number of other stakeholders with whom we communicate on a regular basis, such as Her Majesty's Revenue and Customs, Communities & Local Government, Department of Works and Pensions, Pensions Advisory Service, Solicitors, actuaries and other pension providers.

PART I - MEMBERS, PRESS & PUBLIC

1. **WEB SITES:** www.hillingdon.gov.uk/central/pensions/index.php
2. : www.mylgspension.co.uk

The **web site** of the London Borough of Hillingdon Pension Fund is the main vehicle for publishing information in relation to the fund. All information relating to the Local Government Pension Scheme and to the Hillingdon Fund is available on the web site. As this site is part of Hillingdon Council's public web site it is available to all our stakeholders. Hard copies of any of the documents will be made available to any member, prospective member or employer on request.

The web site is split into the following sections to make it easier to find the required information.

Fund Information:

- Annual Report and Accounts
- Statement of Investment Principles
- Funding Strategy Statement
- Copies of all pension Fund Policies
- Details of Pension Committee meetings, reports and minutes
- Performance information of the funds investments

Member Information:

- Joining Information
- Details of the Benefits available
- Scheme booklets
- Regulations
- Information on relevant topics – eg increasing contributions,
- Copies of all relevant forms
- Some frequently asked questions

Latest News

- This section highlights all the latest information available about the scheme

Communications:

- Newsletters
- Circulars
- Regulation Updates

Useful Links:

There are links to other related web sites – for example DWP, HMRC, The Pensions Regulator. Capita Employee Benefits (CEB) also maintain a website providing general information regarding the LGPS. This website is for the use of the London Boroughs participation in the CEB London Framework. Work is in progress to allow

individual Scheme members access to their own pension record via this website. Development of this access is planned for mid 2014.

2. OTHER METHODS OF COMMUNICATION

This section details the means by which CEB communicate directly with our key stakeholders and the frequency of such communications. Where information is sent to members it is posted to their home address.

Scheme Employers

- Main contact with scheme employers is through operational contact.
- Currently, CEB write directly to all scheme employers to keep them informed of any changes. As the web site is developed, there will be more frequent use made of email and notifications of postings on the web site.
- CEB aim to commence an annual consultative meeting with employers, both as an information forum and as a means of direct consultation with our Scheme employers.

Active Members

- CEB send annual benefits statements to our members following the end of the financial year, and plan to send these statements by August each year.
- The Pensions Fund Annual Report will be available on request.
- Each time there is a regulations change, which affects members benefits, updates are made to both web sites.
- Updates to the web site are notified via 'Horizon', and CEB will also inform Scheme employers.

Pensioner Members

- CEB are planning on allowing pensioner members access to their pension records via the web site. This will also maintain a record of each monthly pension payment for information. This enhancement is due to be in place by the end of 2014. A message is contained on pensioners March payslip to inform them of any annual percentage increase to pensions.
- The Pensions Fund Annual Report will be available on request.

Deferred Members

- CEB send annual benefits statements to our deferred members following the end of the financial year. These statements will be sent by the end of June each year.
- The Pensions Fund Annual Report will be available on request.

Prospective Members

A summarised version of the scheme and details of the available web sites are sent to all new members of staff along with an application form.

PART I - MEMBERS, PRESS & PUBLIC

PENSIONS COMMITTEE –26 MARCH 2014

Power of Authority to Pay Additional Pension Contributions to an Active Members Pension Account

Contents

1. [Scope](#)
2. [Purpose](#)
3. [Policy](#)

Human Resources

Authorised by:

Effective date: 1st April 2014

PART I - MEMBERS, PRESS & PUBLIC

1. Scope

This Policy applies to all employees of the Council.

2. Purpose

The purpose of this policy is to allow the Council as an employer to exercise its discretion under Regulation 16 of The Local Government Pension Scheme Regulations 2013.

3. Policy

- Under the above regulations the council must publish a statement of policy, which is to be applied in the exercise of the “discretionary powers”, detailed within those regulations. Regulation 16(2)(e) and (4)(d) of The Local Government Pension Scheme Regulations 2013 allows the Council to resolve to pay additional pension contributions into an active members Pension Account.
- The authority may pay extra contributions on a regular basis or make a lump sum payment to increase a members pension.
- Operation of the scheme must be consistent to avoid successful challenge on the grounds of discrimination.
- The Authority has resolved not to consider use of this provision but instead continue to apply compensation payments in accordance with the Council's Redundancy and Compensation Policy.

Flexible Retirement Policy

Contents

1. [Scope](#)
2. [Purpose](#)
3. [Policy](#)
4. [Procedure](#)
5. [Management Guidance](#)

1. Scope

This Policy applies to all employees of the Council.

2. Purpose

The purpose of this policy is to allow the Council to exercise its discretion under Regulation 30 of The Local Government Pension Scheme Regulations 2013 to enable flexible retirement in circumstances where it is advantageous for the Council.

3. Policy

- Flexible retirement is where an employee aged over 55 is permitted by the employer to reduce their hours or grade and may elect for payment of Local Government Pension Scheme benefits, notwithstanding that they have not retired.
- In agreeing flexible retirement the guiding principle should be that it will enhance or protect service delivery.
- Regulation 30(8) allows the Council to waive any actuarial reduction applicable, this discretion will not be exercised due to the financial impact on the Council.
- Operation of the scheme must be consistent to avoid successful challenge on the grounds of discrimination.

4. Procedure

The manager must detail the business case for granting flexible retirement on the attached form.

This form must be approved by the Director and Head of HR.

The Pensions administrator will supply an estimate of the level of pension benefits payable to the employee on request. Benefits may be actuarially reduced and the employee must have the long-term effects of such a reduction explained to them.

5. Management Guidance

- This arrangement is applicable where an employee has stated or is considering their intention to retire.

- It is intended that this policy will result in savings, be cost neutral or cost effective. It should not result in increased costs to the Council.
- The policy is intended to protect or enhance service delivery. Whilst it is difficult to provide an exhaustive list of examples, three are set out below:
 - I. Loss of scarce skills. Where an employee in a skill shortage area decides to resign and would be difficult to replace, but was prepared to draw their pension and work part time. If this would protect or enhance service delivery, then flexible retirement could be agreed.
 - II. To complete a piece of project work and it is cheaper or more cost effective to have it done by the retiree on reduced hours.
 - III. The retiree could continue on a reduced hours basis to provide cover whilst recruitment is in progress, where this would be more cost effective than using interim arrangements.

Power of Authority to Award Additional Pension

1. Purpose

The purpose of this policy is to allow the Council to exercise its discretion under Regulation 31 of The Local Government Pension Scheme Regulations 2013.

2. Policy

- Under the above regulations the council must publish a statement of policy, which is to be applied in the exercise of the “discretionary powers”, detailed within those regulations. Regulation 31 of The Local Government Pension Scheme Regulations 2013 allows the Council to resolve to award an increase to a members' annual pension.
- Any increase to a members' pension will only be considered in exceptional cases, where the employee has demonstrated an outstanding contribution to the Council's plans.
- The member is eligible to retire at no cost to the Council.
- Cases will only be considered where the employee has completed at least 15 years service with the London Borough of Hillingdon.
- The maximum increase to a members' pension is £6,500 (as at 1 April 2014, this figure will increase each year from April 2015 in line with the Consumer Prices Index (CPI)).
- Operation of the scheme must be consistent to avoid successful challenge on the grounds of discrimination.
- Only cases submitted by both the Chief Executive and Leader of the Council will be considered.

Human Resources

Authorised by: Chief Executive

Effective date: 1st April 2014

PART I - MEMBERS, PRESS & PUBLIC

PENSIONS COMMITTEE –26 MARCH 2014

Power of Authority to Waive Any Actuarial Reduction for Employees Leaving Before Age 60, Under the "Rule of 85"

Contents

1. [Scope](#)
2. [Purpose](#)
3. [Policy](#)

Human Resources

Authorised by: Chief Executive

Effective date: 1st April 2014

PART I - MEMBERS, PRESS & PUBLIC

1. Scope

This Policy applies to all employees of the Council.

2. Purpose

The purpose of this policy is to allow the Council as an employer to exercise its discretion under The Local Government Pension Scheme (Transitional Provisions and Savings) Regulations 2014.

3. Policy

- Under the above regulations the council must publish a statement of policy, which is to be applied in the exercise of the “discretionary powers”, detailed within those regulations. The Local Government Pension Scheme (Transitional Provisions and Savings) Regulations 2014 allows the Council to resolve to waive any actuarial reduction applicable to a members benefits coming in to payment as a result of their voluntary retirement before age 65, and satisfying the "Rule of 85".
- The authority may waive any actuarial reduction, and as a result pay the strain cost associated with waiving the reduction in to the pension fund.
- Operation of the scheme must be consistent to avoid successful challenge on the grounds of discrimination.
- The Authority has resolved not to consider use of this provision.