



<b>PENSIONS COMMITTEE</b> 14 June 2016	<b>REPORT</b>

<b>Subject Heading:</b>	Local Government Pension Scheme London Borough of Havering Employer Discretions Statement of Policy and discretion decisions
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<b>Policy context:</b>	The Council's Discretionary Policies covered by the Local Government Pension Regulations
<b>Financial summary:</b>	There are no further savings for the Council as an employer and the fund as a result of these changes from any identified previously.

**The subject matter of this report deals with the following Council Objectives**

Clean, safe and green borough	<input type="checkbox"/>
Excellence in education and learning	<input type="checkbox"/>
Opportunities for all through economic, social and cultural activity	<input type="checkbox"/>
Value and enhance the life of every individual	<input checked="" type="checkbox"/>
High customer satisfaction and a stable council tax	<input checked="" type="checkbox"/>

**SUMMARY**

In accordance with the Local Government Pension Scheme Regulations (LGPS) 2013 and the Local Government Pension Scheme (Transitional Provisions and Savings) Regulations 2014, Scheme employers participating in the LGPS in England and Wales are required to formulate, publish and keep under review a Statement of Policy on certain discretions which they have the power to exercise in relation to members of the Scheme.

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Scheme employers are also required to (or where there was no requirement, were recommended to) formulate, publish and keep under review a Statement of Policy on certain other discretions they may exercise in relation to members of the LGPS arising from the 2013 Regulations, 2014 Transitional Regulations and prior Local Government Pension Scheme Regulations.

At the Pension Committee of the 24 June 2014 the Committee delegated to the Group Director of Resources, the Director of Human Resources and Organisational Development, and the Council's Monitoring Officer, acting jointly, the setting of the discretion decisions and Policy Statement. Following the setting of the discretion decisions and Policy Statement, the final discretion decisions and Policy Statement were brought back to Committee for information.

As a result of Local Government Pension Scheme (Amendment) Regulations 2015/755 introduced in 2015, and changes to the Oracle Payroll system, certain Employer discretions have been reviewed, and the Policy Statement updated accordingly.

Although not mandatory The Fund has also taken the opportunity to publish more of the Administration discretions into the one Policy Statement for publishing.

### **RECOMMENDATIONS**

It is recommended that the Pensions Committee:

- 1 Note the revised Employing Authority Discretions and Administration Authority Discretions - Statement of Policy attached at Appendix A.

### **REPORT DETAIL**

## **1 Introduction**

1.1 The various Local Government Pension Scheme Regulations define the details of the scheme for members, employing authorities and the administering authority (Havering Pension Fund, as part of the London Borough of Havering). The LGPS Regulations do allow both Havering Pension Fund and the employing authorities' discretion over various elements of the pension scheme. In formulating and reviewing its policy, the Scheme employer must have regard to the extent to which the exercise of its discretionary powers could lead to a serious loss of confidence in the public service.

## **2 Review of Discretions**

2.1 The scheme has been operational from 1 April 2014 and there is a regulatory requirement under the LGPS 2013 (Regulation 60) and Transitional Regulations 2014 (Schedule 2, Paragraph 2) to agree the new and revised discretion decisions and a Policy Statement before the 1 July 2014. It is also understood that where the 1<sup>st</sup> July was not achievable the Pension Regulator would only seek assurance that the employer was working towards completing the review of the Policy Statement and discretions.

2.2 An in-depth review of the previous employer discretions, together with the new required discretions as a result of the LGPS Regulations 2013 and Transitional Regulations 2014, had been carried out by the Fund Actuaries Hymans Robertson LLP in 2014. This review informed the Group Director of Resources, the Director of Human Resources and Organisational Development, and the Council's Monitoring Officer, acting jointly, in the setting of the discretion decisions and Policy Statement when they met on the 26 July 2014. Following this the Policy Statement was published through various communication channels, including the Havering Pensions website, as well as being shared with other scheme employers.

2.3 The jointly agreed and reviewed Policy Statement and discretion decisions are attached at Appendix A.

2.4 In reviewing the discretions and making recommendations for the application of the discretions by the Council as an employer, Hymans ensured that each discretion was exercised in a manner that does not 'fetter' the Council's discretion, and ensures decisions taken would review the individual circumstances of each particular case as necessary.

2.5 It has become necessary to review how a scheme member's contribution percentage banding is allocated, due to the complexities of the Oracle payroll system. It was discovered that the method of using the current year's salary scale point plus the previous year's variable pay elements was not possible.

2.6 Oracle worked in conjunction with the Local Government Association (LGA) and Department of Communities & Local Government on a suitable solution of using the previous year's pensionable pay figure. On this premise the discretion has been updated accordingly. The previous discretion was worded as follows:

"Contributions are payable on all pay received such as non-contractual overtime or additional hours. Reductions in pay due to sickness, child related leave etc. are ignored. The salary used to determine the band will be assessed by taking into account basic salary each April plus any additional hours or overtime that were paid for in the previous financial year."

The revised discretion is now worded as follows:

"Contributions are payable on all pay received such as non-contractual overtime or additional hours. Reductions in pay due to sickness, child related leave etc. are ignored. The salary used to determine the band will be assessed by taking into

account the pensionable pay received in the previous financial year, not taking into account any reductions to pay due to child related absence, or sick pay, and equating to a full year if starting employment during the financial year.”

- 3 The difference is unlikely to affect a significant proportion of cases, and any potentially incorrect banding decisions will be ameliorated by appropriate scrutiny. This is the most satisfactory solution given the limitations of the Oracle system on this matter.

## **IMPLICATIONS AND RISKS**

### **Financial implications and risks:**

Examination of the payroll records found using the revised method of banding allocation required manual intervention and updating in approximately 300 of the 9000 payroll records. The risk of insufficient contributions being paid into the fund was calculated as de minimis, due to the range of earnings falling within each banding. However, It is intended that each April the payroll team will monitor and check those cases likely to fall into an incorrect band, and make any adjustments necessary.

### **Legal implications and risks:**

There are no apparent Legal implications arising from this report

### **Human Resources implications and risks:**

There are no direct Human Resource implications arising from this report.

### **Equalities implications and risks:**

There is no direct Equalities Implications or risks arising from this report.

## **BACKGROUND PAPERS**

The London Borough of Havering Employing Authority Discretions and Administration Authority Discretions Statement of Policy document