

ABERDEEN CITY COUNCIL

COMMITTEE Finance and Resources **DATE** 12 November 2009

CORPORATE DIRECTOR Stewart Carruth

TITLE OF REPORT Review of Pension Scheme Member Contribution Rate – Discretionary Provision

REPORT NUMBER CG11/127

1. PURPOSE OF REPORT

This report seeks Committee approval to revise the date of the implementation of the discretion contained in the Local Government Pension Scheme Regulations to reassess and, where necessary, change an employee's pension contribution rate during the financial year, where there has been a permanent and material change to an employee's employment contract involving a significant change in pay – to 1 April 2010.

2. RECOMMENDATION(S)

It is recommended that the Committee:

- 1) Approves the revised implementation date of 1 April 2010 as the next date at which the Council will exercise of the discretion contained in the pension regulations to reassess and where necessary adjust an employee's pension contribution rate, with effect from that date, where there has been a significant change in pay during the current financial year. This will also be the effective date for the next annual review of employee contribution rates.

3. FINANCIAL IMPLICATIONS

It was detailed in the original report to Resources Management Committee of 10 March 2009, the significant changes to the Local Government Pension Scheme, that the actuary had not calculated any assumed increase in employer contribution rates to the pension fund in 2009/10 (as a result of increased salary/wages from EP&M implementation) so by not implementing the discretion until 1 October 2009 this would not have a significant impact on the employer contribution rate. The actuary has advised that impact would remain insignificant by revising implementation of the discretion, with effect from 1 April 2010. Similarly, no additional employer contributions to the Pension Fund in 2009/10 were assumed as a result of the discretion.

4. SERVICE & COMMUNITY IMPACT

There are no service or community impact implications

5. OTHER IMPLICATIONS

There are no other implications.

6. REPORT

6.1 A report was submitted to the Resources Management Committee of 10 March 2009 on the significant changes to the Local Government Pension Scheme which came into force on 1 April 2009. In paragraph 6.2 of the report the discretionary provision of reviewing an employee's pension contribution rate during the financial year was covered.

6.2 The discretionary provision allows an employer to amend an employee's pension contribution rate where the employee's earnings have altered during the financial year, resulting in a permanent and material change to their contract of employment.

6.3 The report went on to mention that each year there are a number of permanent and material contractual changes relating to existing employees, in particular where there has been a promotion of an employee or their post has been re-graded. It pointed out that in some cases the resulting changes in pay could be significant.

6.4 The report went on to indicate that in determining whether to apply the discretion, a balance had to be struck between employees paying the appropriate pension contribution rate where their contractual pensionable pay changes and the need for ensuring administrative efficiency. It was proposed in the report that the pension contribution rate be reviewed and adjusted where there was a permanent and material contractual change which represented an increase or decrease in pensionable pay of over £4000 per annum before deductions, with the employee notified of the change in rate when the new contractual offer was made. The adjusted rate would be applied from the date of the promotion or regrading.

6.5 The report also went on to state that many employees in the Council would have their rate of pay changed as a result of the implementation of the Equal Pay and Modernisation arrangements with effect from 1 May 2009. It proposed that in recognising the massive amount of work that was required to change to the new EP&M pay structure, the implementation of the discretion would be applied as soon as was administratively possible following the implementation of EP&M, but no later than 1 October 2009.

6.6 It was also noted in the report that the actuary had not calculated any assumed increase in employer contribution rates to the pension fund in 2009/10 as a result of increased salaries/wages from EP&M implementation,

so by not implementing the discretion immediately, this would not have a significant impact on employer contributions.

- 6.7 Although the intention had been to implement the discretion by 1 October 2009 there has been a reassessment of this due to the ongoing workload associated with the EP&M implementation, primarily the changes involved in moving employees from weekly to monthly pay. In light of the fact that this work is technically more complex than was anticipated it is now proposed to revise the implementation of the discretion until 1 April 2010, with no backdating, and this report seeks Committee approval for this revision. 1 April 2010 is also the effective date for the annual review of employee contribution rates so it would be administratively more convenient to amend all employee contribution rates on that date.
- 6.8 This will allow for the remainder of the residual work associated with EP&M implementation, which is complicated and involves detailed changes on the Payroll System, to be completed before the discretion to change pension contribution rates during a financial year were applied. The transition of employees to monthly pay is a priority task which will be time consuming to complete. It is considered that from a business point of view it would not be appropriate to divert scarce HR, ICT and Payroll resources off this priority task to implement this pension scheme discretion at this point in time. Also, bearing in mind that the financial impact would be insignificant of revising implementation by six months it is the officer view that the revision would be appropriate in the circumstances.

7. REPORT AUTHOR DETAILS

Keith Tennant, Principal HR Adviser
ktenant@aberdeencity.gov.uk
01224 523094

8. BACKGROUND PAPERS

Not applicable.