

ABERDEEN CITY COUNCIL

COMMITTEE: PENSIONS COMMITTEE
DATE: 15 JUNE 2015
REPORT BY: HEAD OF FINANCE
TITLE OF REPORT: ADMINISTERING AUTHORITY DISCRETIONS
REPORT NUMBER: PC/JUN15/DISC

1. PURPOSE OF REPORT

Under the Local Government Pension Scheme (Scotland) Regulations 2014, Aberdeen City Council, as the Administering Authority of the North East Scotland Pension Fund, has the right to exercise a number of discretion in respect of the scheme regulations. In exercising those discretions the Council has considered the prudent management of the Pension Fund in the interest of both scheme employers and scheme members.

The Council is required to publish its policy with regard to certain discretions before 1 July 2015 and these are detailed in section 5.2 of the report.

2. RECOMMENDATION(S)

It is recommended that the Pensions Panel:

- i.) Approve the discretions detailed in 5.2 below and all other discretions detailed at Appendix 1
- ii.) Instruct the Head of Finance to publish via the Pension Fund website the discretions detailed in section 5.2 of the report

3. FINANCIAL IMPLICATIONS

The administering authority discretions have been exercised in order to minimise the financial risk to the Pension Fund.

4. OTHER IMPLICATIONS

The administering authority discretions have been exercised in order to minimise the reputational risk to the Pension Fund.

5. REPORT

5.1 **Background**

5.1.1 As part of the implementation of the new Local Government Pension Scheme (Scotland) Regulations 2014 effective from 1 April 2015, each administering authority and each scheme scheduled employer must agree and where applicable publish a policy regarding its discretions within the regulations prior to 1 July 2015.

5.2 **Discretions**

5.2.1 In deciding its policy regarding the discretions, the Administering Authority has considered the interests of:

- The Pension Fund
- Scheme Employers
- Scheme Members

5.2.2 Appendix I details, the policy in respect of all administering authority discretions. Detailed below are those discretions, for which the administering authority is required to publish its policy.

5.2.3 **Regulation R53 (Governance Compliance Statement)**

Discretion – *Determine the content of the Governance Compliance Statement.*

(a) whether the authority delegates its functions, or part of its functions under these Regulations to a committee, a sub-committee or an officer of the authority;

(b) if the authority does so—

(i) the terms, structure and operational procedures of the delegation,

(ii) the frequency of any committee or sub-committee meetings,

(iii) whether such a committee or sub-committee includes representatives of Scheme employers or members, and if so, whether those representatives have voting rights;

(c) the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Scottish Ministers and, to the extent that it does not so comply, the reasons for not complying; and

(d) details of the terms, structure and operational procedures relating to the local pension board established under regulation 51(4) (Scheme managers).

An administering authority must keep a statement prepared under paragraph (1) under review, and make such revisions as are appropriate, following a material change to any of the matters mentioned in that paragraph.

Before preparing or revising a statement under this regulation, an administering authority must consult such persons as it considers appropriate.

An administering authority must publish its statement under this regulation, and any revised statement.

Policy – The Fund has prepared and published a Governance Compliance Statement which is reviewed on an annual basis by the Pensions Committee.

5.2.4 Regulation R 56 (Funding Strategy Statement)

Discretion – *Determine the content of the Funding Strategy Statement which must be published no later than 31st March 2016.*

The authority must keep the statement under review and, after consultation with such persons as it considers appropriate, make such revisions as are appropriate following a material change in its policy set out in the statement, and if revisions are made, publish the statement as revised.

In preparing, maintaining and reviewing the statement, the administering authority must have regard to—

- *the guidance set out in the document published in October 2012 by CIPFA, the Chartered Institute of Public Finance and Accountancy and called “Preparing and Maintaining a Funding Strategy Statement in the Local Government Pension scheme 2012 and*
- *the statement of investment principles published by the administering authority under regulation 12 of the Local Government Pension Scheme (Management and Investment of Funds) (Scotland) Regulations 2010.*

Policy – The Fund has prepared and published a Funding Strategy Statement (FSS) having consulted with such persons as it considers appropriate. In preparing the statement the Fund has taken regard of :

- the guidance set out in the document published in October 2012 by CIPFA, the Chartered Institute of Public Finance and Accountancy and called “Preparing and Maintaining a Funding Strategy Statement in the Local Government Pension Scheme 2012; and
- the statement of investment principles published by the administering authority under regulation 12 of the Local Government Pension Scheme (Management and Investment of Funds) (Scotland) Regulations 2010

The FSS is reviewed triennially in line with the Fund valuation and revised having consulted with such persons as the Fund considered being appropriate.

5.2.5 Regulation R59 (Statement of policy concerning communication with members and scheme employers)

Discretion –*Determine the content of the Communication statement concerning communication with:*

- *members;*
- *representatives of members;*
- *prospective members; and*
- *Scheme employers.*

In particular the statement must set out its policy on—

- *the provision of information and publicity about the Scheme to members, representatives of members and Scheme employers;*
- *the format, frequency and method of distributing such information or publicity; and*
- *the promotion of the Scheme to prospective members and their employers.*

The statement must be revised and published by the administering authority following a material change in their policy on any of the matters referred to in paragraph (2).

Policy - The Fund has prepared, maintained and published a written policy concerning communication with members and scheme employers. It is reviewed on an annual basis by the Pensions Committee.

5.2.6 Regulation R29(8) (Waive actuarial reduction in relation to an employer that has ceased to exist)

Discretion - *(i) Whether to waive, in whole or in part, actuarial reduction on benefits paid on flexible retirement*

Policy - The Fund has determined not to waiver in whole or in part, actuarial reduction on benefits paid on flexible retirement

Discretion - *(ii) Whether to waive, in whole or in part, actuarial reduction on benefits which a member voluntarily draws before normal pension age, other than on the grounds of flexible retirement (where member only has post 31/03/15 membership)*

Policy – The Fund will determine each case on its merits as to whether or not to waive, in whole or in part, actuarial reduction on benefits which a member voluntarily draws before normal pension age, other than on the grounds of flexible retirement (where member only has post 31/03/15 membership)

5.2.7 Regulation TP Sch 2 para 2(1) (Flexible Retirement in relation to an employer that has ceased to exist)

Discretion - *(i) Whether to apply the 85 year rule for a member voluntarily drawing benefits, with consent, on or after age 55 and before age 60 (other than on the grounds of flexible retirement)*

Policy – The Fund has determined not to apply the 85 year rule for a member voluntarily drawing benefits, with consent, on or after age 55 and before age 60 (other than on the grounds of flexible retirement)

Discretion - *(ii) Whether to waive, in whole or in part, any actuarial reduction on pre and post April 2015 benefits which a member voluntarily draws before normal pension age, other than on the grounds of flexible retirement (where the member has both pre and post membership and in subject to the 85 year rule)*

Policy – The Fund has determined not to waive, in whole or in part, any actuarial reduction on pre and post April 2015 benefits which a member voluntarily draws before normal pension age, other than on the grounds of flexible retirement (where the member has both pre and post membership and in subject to the 85 year rule)

Discretion - *(iii) Whether to waive on compassionate grounds any actuarial reduction on pre April 2015 benefits and to waive, in whole or in part, any actuarial reduction post April 2015 benefits which a member voluntarily draws before normal pension age, other than on the grounds of flexible retirement (where the member has both pre and post membership and is not subject to the 85 year rule)*

Policy – the Fund has determined to treat each case on its merits regarding the decision to waive on compassionate grounds any actuarial reduction on pre April 2015 benefits and to waive, in whole or in part, any actuarial reduction post April 2015 benefits which a member voluntarily draws before normal pension age, other than on the grounds of flexible retirement (where the member has both pre and post membership and is not subject to the 85 year rule)

5.2.8 Regulations A64(1), A65(4) T12 (Abatement of pensions under the 2008 LGPS (Scotland) Benefit Administration Regulations and the 2008 LGPS (Scotland) Transitional Regulations, in respect of scheme members who ceased active membership on or after 01/04/09 and before 01/04/2015)

Discretion - *Decide policy on abatement of pensions following re-employment*

Policy - The Fund has determined that it will not abate pensions of pensioner members on re-employment. Pension benefits resulting from the

award of additional service to a member by an employer under the Local Government (Discretionary Payments and Injury Benefits)(Scotland) Regulations where that member has been retired on efficiency or redundancy grounds are still subject to abatement on re-employment as abatement under these provisions is not discretionary.

- 5.2.9 Regulation B30(2) (Early payment of deferred benefits under the 2008 LGPS (Scotland) Benefit Administration Regulations and the 2008 LGPS (Scotland) Transitional Regulations, in respect of scheme members who ceased active membership on or after 01/04/09 and before 01/04/2015 but whose employer has ceased to exist)

Discretion - *Whether to grant application for early payment of deferred benefits on or after age 50/55 and before age 60*

Policy – The Fund has determined not to grant application for early payment of deferred benefits on or after age 50/55 and before age 60

- 5.2.10 Regulation B30(5) (Waiver of actuarial reduction benefits under the 2008 LGPS (Scotland) Benefit Administration Regulations and the 2008 LGPS (Scotland) Transitional Regulations, in respect of scheme members who ceased active membership on or after 01/04/09 and before 01/04/2015 but whose employer has ceased to exist)

Discretion - *Whether to waive, on compassionate grounds, the actuarial reduction applied to deferred benefits paid early.*

Policy – The Fund has determined to consider each case on its merits in order to decision whether or not to waive, on compassionate grounds, the actuarial reduction applied to deferred benefits paid early.

- 5.2.11 Regulation 109 & 110(4)(b) Policy on Abatement under the 1998 LGPS (Scotland) Regulations in relation to pre 01/04/09 scheme leavers)

Discretion - *Decide policy on abatement of pensions following re-employment (pre 01/04/09 leavers)*

Policy - The Fund has determined that it will not abate pensions of pensioner members on re-employment

6. REPORT AUTHOR DETAILS

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7. BACKGROUND PAPERS

The Local Government Pension Scheme (Scotland) Regulations 1998
The Local Government Pension Scheme (Benefits, Membership and Contributions) (Scotland) Regulations 2008

The Local Government Pension Scheme (Administration) (Scotland) Regulations 2008
The Local Government Pension Scheme (Transitional Provisions) (Scotland) Regulations 2008
The Local Government Pension Scheme (Scotland) Regulations 2014
The Local Government Pension Scheme (Transitional Provisions and Savings) (Scotland) Regulations 2014