

## North Yorkshire County Council

### Pension Board

6 October 2016

#### **Proposal for project on item 19 of Pension Board Work Plan - Reviewing the exercise of Employer and Administering Authority Discretions**

Under the LGPS 2014, scheme members opting to retire and take their pensions before the defined Normal Retirement Age (usually, their State Pension Age) do not normally receive the full pension they've built up to that date. Rather, an actuarially calculated reduction is applied, to reflect the longer period the pension is in payment.

This actuarial reduction is not applied in cases of ill health retirement or redundancy, under LGPS rules. In addition, Employers may choose to exercise **discretions** to waive the actuarial reduction in circumstances established by policy at Employer level; ordinarily such circumstances may include **business efficiency** considerations in the delivery of a service, or **compassionate grounds** relating to the individual.

Additionally, some Employers may have policy allowing **augmentation or award of additional pension** in some circumstances; and all Employers should define how they implement **flexible retirement** provisions.

Where any such discretions are exercised, additional costs fall on the Employer to reimburse to the Fund, such that the Fund is not 'out of pocket' to any degree.

In the interests of transparency and accountability, and as a matter of good practice, Employers ought to have and publish documents setting out their policies and procedures governing the exercise of these discretions.

Under item 19 of the Pension Board Work Plan, I'd propose to lead on a (hopefully relatively straightforward!) piece of work, asking Employers for a copy of their policies and procedures in respect of the above **pension discretions**, and confirming how these are accessible to scheme members and other stakeholders.

(Anticipating that smaller Employers may in fact have no policies and procedures currently in place, it may also make sense to seek to assist them by developing a draft 'model policy' based on sharing best practice from the larger Employers.)

Timescale: Given it may take some time to follow up with the wide and growing range of Employers in the Fund, one year seems reasonable, so reporting back to Pension Board in Autumn 2017.

Resources required: Support/time from officers to draft and send a letter to all Employers in the Fund, and subsequently to chase up responses; also to develop a draft 'model policy' as above. Clearly this will need to be planned in discussion with officers, recognising their existing demanding work schedule.

**Report Author**: Ben Drake, Unison Scheme Member Representative,  
North Yorkshire Pension Board