

Report to: Council
Date of meeting: 19 March 2014
Report of: Head of Human Resources
Title: Local Government Pension Scheme 2014 – Adoption of new pension discretion

1.0 SUMMARY

- 1.1 The objective of the report is to seek Council's approval to exercise its discretion under Regulation 9 (3) of Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2008.

2.0 RECOMMENDATIONS

- 2.1 That the Council agrees to exercise its discretion under Regulation 9(3) of the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2008 by determining the rate of each employees contributions monthly.

Contact Officer:

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Report approved by: Cathy Watson, Head of HR

3.0 DETAILED PROPOSAL

3.1 Background

- 3.1.1 On 1 April 2014 the Local Government Pension Scheme (LGPS) changes from a final salary scheme to a Career Average Re-valued Earnings (CARE) Scheme.

This means that each scheme member will have an individual pension account for each year. Their pensionable pay and their pension contribution rate will be calculated based on their actual total pay for that year and not on the whole time equivalent as at present. The pension amount accrued is then added to their pension account

At the end of each scheme year the amount in the pension account will be adjusted in line with a cost of living indicator (currently the Consumer Price Index) to ensure it

keeps its value.

Therefore, unlike the current LGPS, which is based on whole time equivalent final pay, it is essential that a comprehensive and accurate account is maintained for each year of an employee's Scheme membership.

It is the responsibility of the Employing Authority (WBC) to collate accurate data through payroll and provide it to the Administering Authority (Herts County Council). Under LGPS 2014 non-contractual overtime earnings become pensionable, and the proposed discretion will enable this information to be recorded accurately.

Under the new scheme each Employing Authority has to exercise its own discretion under Regulation 9 (3) on how frequently it determines the rate of each employees contributions per pay period.

The simplest way to achieve the required level of accuracy is to monitor earnings each pay period (i.e. monthly) and reflect any pay changes as they occur. The current automated payroll system is capable of managing this level of detail. Backdated pay awards will continue to be applied retrospectively; they will not form part of the monthly review.

The only disadvantage is that an employer is required to notify in writing an employee of any new contribution rate that is payable and the date from which it is to be applied. However, as movements between contribution bands in WBC should be relatively infrequent, this is not considered to be problematic.

Council is therefore asked to agree to exercise its discretion under Regulation 9(3) by determining the rate of each employees contributions monthly.

4.0 **IMPLICATIONS**

4.1 **Financial**

4.1.1 There are no financial implications contained in this report.

4.2 **Legal Issues** (Monitoring Officer)

4.2.1 The legal implications are contained in the body of the report.

4.3 **Equalities**

4.3.1 There are no known equalities implications.

4.4 **Potential Risks**

4.4.1	There are no potential risks in following the recommendations	Likelihood	Impact	Overall score
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4.5 **Staffing**

4.5.1 Not applicable

4.6 **Accommodation**

4.6.1 Not applicable

4.7 **Community Safety**

4.7.1 Not applicable

4.8 **Sustainability**

4.8.1 Not applicable

Appendices

- Appendix 1: WBC Employer Discretion R9 (3) April 2014

Background Papers

- <http://lqpsregs.org/>

File Reference

- None