

COLNEY HEATH PARISH COUNCIL

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2024-25 Item 53e

Local Government Pension Scheme

Policy on Exercise of Employer Discretions and Payment of Discretionary Compensation to Employees

1. Introduction

Colney Heath Parish Council (“the Parish Council”) is legally required to prepare, publish, and maintain a written policy statement detailing how it exercises certain discretionary powers under regulations governing the Local Government Pension Scheme (LGPS). Additionally, the Parish Council must formulate and review policies related to the payment of discretionary compensation to employees whose employment is terminated due to redundancy or other specific reasons.

This document outlines the Parish Council’s approach to these discretionary powers and is intended to comply with relevant legislative duties. The Council reserves the right to review and amend this policy, and any changes will require approval by Full Council.

This policy is not a definitive statement of the law and remains subject to the provisions of the relevant LGPS and compensation regulations.

2. Relevant Regulations

The following regulations apply to the Parish Council’s pension and compensation duties:

- **The Local Government Pension Scheme Regulations 2013** (“Pensions Regulations”)
- **The Local Government Pension Scheme (Transitional Provisions, Savings, and Amendment) Regulations 2014** (“Transitional Regulations”)
- **The Local Government Pension Scheme (Benefits, Membership, and Contributions) Regulations 2007**, which apply to benefits accrued before 1 April 2014 and are preserved in part by the Transitional Regulations (“Benefits Regulations”)
- **The Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006** (“Compensation Regulations”)

3. Key Definitions

For the purposes of this policy:

- **The Scheme** refers to the Local Government Pension Scheme (LGPS).
- **The Fund** refers to the Pension Fund maintained under the LGPS.
- **Member** refers to any individual participating in the LGPS.

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- **Active member** refers to a member who is employed and making contributions to the LGPS or who is absent from employment for a reason specified in Regulation 11 of the Pensions Regulations.
- **Member with transitional protection** refers to those who accrued membership before 1 October 2006 and benefit from statutory transitional protection from certain changes to pension entitlements under the Transitional Regulations.
- **The 85-Year Rule** refers to a provision where a member's age (in whole years) combined with their total years of LGPS membership equals 85 years or more.

4. Employer Discretions

The Parish Council retains discretion in the following areas under the LGPS and Compensation Regulations:

Discretionary Power	Relevant Regulation	Parish Council Policy
Award of Additional Pension	Regulation 31 of the Pensions Regulations	The Parish Council will not normally award additional pension to any member. Any such awards will be considered only in exceptional cases and must be approved by Full Council.
Flexible Retirement	Regulation 30(6) of the Pensions Regulations	The Parish Council may allow flexible retirement for employees aged 55 or above, subject to the needs of the service and approval by Full Council. Reductions to working hours or grade will be considered in line with Council policies.
Waiving Actuarial Reductions	Regulation 30(8) of the Pensions Regulations	The Parish Council will not ordinarily agree to waive actuarial reductions unless it is deemed to be in the Council's interests, and approval is obtained from Full Council.
Early Payment of Pension (for Deferred Members)	Regulation 30(2) of the Pensions Regulations	The Parish Council will consider early payment requests on a case-by-case basis, taking into account financial implications and service needs. Approval by Full Council is required.
Discretionary Compensation for Redundancy	Regulation 5 of the Compensation Regulations	The Parish Council will consider additional compensation payments to employees made redundant, up to a maximum of 104 weeks' pay, in exceptional circumstances, subject to Council approval.
Enhancement of Redundancy Payments	Regulation 6 of the Compensation Regulations	The Parish Council will not enhance redundancy payments beyond statutory requirements, except in cases where the Council determines that exceptional service to the community warrants such enhancement. Approval from Full Council is required.

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5. Policy Review and Variation

This policy will be reviewed periodically to ensure continued compliance with the applicable regulations. Any amendments to the policy will require approval from the Full Council. Departures from the policy may be made only with Full Council approval in exceptional circumstances where it is in the best interest of the Parish Council and its employees.

6. Compliance and Legal Framework

This policy is designed to comply with the Parish Council's duties under:

- **Regulation 60 of the Pensions Regulations**
- **Regulation 7 of the Compensation Regulations**

The Parish Council will act within the scope of all relevant legislation, including the Pensions Regulations, Transitional Regulations, Benefits Regulations, and Compensation Regulations. This policy may be amended to reflect any changes in legislation or statutory guidance.

This policy ensures a fair, transparent, and consistent approach in the application of employer discretions under the LGPS and the Compensation Regulations.