

# **EXETER CITY COUNCIL**

**EXECUTIVE  
18 MARCH 2008**

## **STANDBY PAYMENTS – LOCAL GOVERNMENT PENSION SCHEME CONTRIBUTIONS**

### **1. PURPOSE OF THE REPORT**

- 1.1 To report on changes to the Local Government Pension Scheme contributions in respect of standby payments and to consider the options for managing past contributions from employees and from the Council.

### **2. INTRODUCTION**

- 2.1 Standby payments are made in the Council for services such as Housing, BEST and Cleansing to ensure that essential services are maintained during out of hours evenings and weekends and at the RAM Museum to ensure there is someone available to respond to an emergency situation at museums premises.
- 2.2 Payments for standby arrangements have to date not been considered as part of the overall employee's pensionable pay.
- 2.3 In response to a query highlighted to the Devon Pension Services clarification was sought from the Local Government Employers (LGE) Pensions Manager regarding whether or not payments made to employees in respect of standby arrangements should be regarded as pensionable.
- 2.4 This clarification outlined that subject to an employee's agreement to be part of a formal standby arrangement, which then created a contractual obligation to perform their duties, all payments made as a result of this arrangement would form part of the regular feature of the employee's pay. On this basis the standby payment does not fall under the exclusion contained in section 13 (2) of the LGPS Regulation 1997.
- 2.5 Prior to this clarification, pension contributions had not been made by the employees or the Council as it was considered the exclusion outlined in 2.4 had applied to these payments.
- 2.6 Following the advice received all affected employees have been notified that with effect from 1<sup>st</sup> February 2008 all standby payments will be considered as part of their pensionable pay and subject to LGPS contributions.
- 2.7 Unison/Unite have been consulted and advised of this advice.

### **3. BACKPAY SITUATION**

- 3.1 The issue for consideration is the decision on how to treat historic past contributions up to 31<sup>st</sup> January 2008 that have not been made to the LGPS.
- 3.2 Further advice from the LGE outlines that ‘technically, a decision that the payments are pensionable would mean that employers should go back and collect both employee’s and employer’s contributions from all past payments. Whether, in reality, the Council chooses to do so will be for it to decide. The employee’s pension benefits will be based on the (now) higher pensionable pay figure even though they and the Council would not have paid the pension contribution on that higher pay for the period it had been paid. The Council’s contribution rate to the pension fund would, as a result, be adjusted at the triennial valuation to reflect any cost to the fund should this prove necessary.
- 3.3 The revised definition of pensionable pay presently affects 32 employees who are all based within the Community and Environment Directorate.
- 3.4 If the contributions were to be back calculated to 2000, when full payroll data on standby is available, the impact would be:

Total Employee Contributions:	£7,525.78
Total Employer Contributions	£25,935.60

Total Pension Contributions: £33,461.38

### **4. OPTIONS**

- 4.1 The options available to the Council are:
- To backdate contributions to 2000 and seek to recover employees’ backdated contributions ranging from individual amounts of £11.12 to £869.41
  - To pay the contributions from 1st February 2008 and absorb any impact of future increases on the Council’s contributions rate if and when effective.

### **5. RECOMMENDATION**

- 5.1 To commence contributions with effect from 1<sup>st</sup> February 2008 and absorb any future costs within the Council’s contribution rate.

HEAD OF HUMAN RESOURCES

CORPORATE SERVICES DIRECTORATE

5 March 2008

**Local Government (Access to Information) Act 1985 (as amended)**

Background papers used in compiling this report:

None