

Pension Fund Committee

Meeting to be held on 5 June 2015

Electoral Division affected: None

Lancashire County Pension Fund – Report on Administering Authority Discretions

(Appendices 'A' to 'E' refer)

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Executive Summary

The LGPS regulatory framework grants certain 'discretions' to administering authorities (AAs), which allow some areas of LGPS policy to be locally-determined.

There are many discretions, ranging from relatively trivial to those where the application of a local discretion could have a significant impact on scheme members, fund employers and the Fund itself.

Significant change to pension legislation, including changes to the LGPS regulatory framework, have prompted a review of existing policies and discretions. This report considers five key policy areas:

- Abatement of pensions (Appendix 'A' refers)
- Transfer in of pension rights (Appendix 'B' refers)
- Commutation of pensions (Appendix 'C' refers)
- Admissions and Terminations (Appendix 'D' refers); and
- Bulk Transfers (Appendix 'E' refers).

Recommendation

The Committee is asked:

- To endorse the recommendations set out at Appendices A, B,C,D and E.
- That subject to 1. above being approved, to agree that the recommendations form the basis of a consultation exercise with fund employers and the Lancashire Local Pension Board prior to formal policy adoption by the Committee at its meeting scheduled to take place on 4 September 2015.

Background and Advice

Administering Authorities within the Local Government Pension Scheme need to maintain a range of discretionary policies, which it is appropriate are reviewed from time to time. Appendices 'A' to 'E' outline proposals in relation to five key policy

areas. Subject to the Committee's agreement it is proposed to consult with employers on these proposals on the basis that the Fund is minded to implement them.

The key areas of change proposed are:

- abatement of pensions (Appendix 'A' refers) – pensions in excess of £30,000 per annum are abated where an individual is re-employed. This is in addition to the current policy to abate ill-health pensions where a pensioner is re-employed;
- transfer in of pension rights (Appendix 'B' refers) – transfers into the Fund continue to be accepted within the existing 12 month time limit. Decisions in respect of exceptions are now jointly made by the Fund and the relevant employer;
- commutation of pensions (Appendix 'C' refers) - small pension pots are to be commuted as standard practice. An exercise to commute existing 'small' pensions is to be considered pending advice from the Fund Actuary on the impact on Fund cashflow and liabilities;
- admissions and terminations (Appendix 'D' refers) - admissions are no longer accepted, unless these follow as a result of contracting-out by a scheme employer or there are exceptional circumstances. Small admissions are streamlined for ease of administration; and
- bulk transfers (Appendix 'E' refers) – bulk transfers are treated on a case by case basis and on the advice of the Fund Actuary

Consultations

A consultation exercise will be conducted with fund employers prior to formal policy adoption.

Implications:

Risk management

The recommendations contained within this report are intended to mitigate financial and reputational risk where possible. Overall the impact of adopting these revised policies should be fair, transparent and justifiable to the scheme member, the fund employer and the Fund itself.

Financial

The recommendations, whilst not solely focussing on financial implications, are intended where possible to make financial savings and reduce liabilities.

**Local Government (Access to Information) Act 1985
List of Background Papers**

Paper	Date	Contact/Directorate/Tel
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N/A

Reason for inclusion in Part II, if appropriate

N/A