

## **Pension Fund Committee**

Meeting to be held on 30 September 2015

Electoral Division affected: None
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### **Lancashire County Pension Fund - Report on Administering Authority Discretions**

(Appendices 'A', 'B', 'C', 'D' and '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 presents proposals to the Committee, with additional information to that previously provided, in five key areas of discretion:

- 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:

- (i) Approve the recommendations set out at Appendices 'A', 'B', 'C', 'D' and 'E', and:
- (ii) Further agree that these 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 a future meeting.

## **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 areas of discretion. 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) - to maintain the existing abatement policy until the outcome of the Government's recently announced '£95k redundancy cap for the public sector' on members of the LGPS is known
- 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 the 'standard offer'. 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 presentation of revised policies to the Committee for approval and 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/Tel
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N/A

Reason for inclusion in Part II, if appropriate

N/A

