

Lancashire Local Pension Board
Meeting to be held on 19 October 2015

Electoral Division affected: None

Lancashire County Pension Fund - Report on Administering Authority Discretions

(Appendices 'A', 'B', 'C', 'D' and 'E' refer)

Contact for further information:

Diane Lister, (01772) 534827, Head of Your Pension Service,
diane.lister@lancashire.gov.uk

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. At its meeting on 30 September 2015, the Pension Fund Committee approved proposals in the following five key areas of discretion as the basis for a consultation exercise with fund employers and the Lancashire Local Pension Board prior to formal policy adoption by the Committee at a future meeting:

- 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 Board is asked to:

- (i) Note the proposals approved by the Pension Fund Committee set out at Appendices 'A' - 'E' and:
- (ii) Consider, in response to the consultation, the proposals set out at Appendices 'A' - 'E' and comment as appropriate.

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 which, following approval by the Pension Fund Committee on 30 September 2015, will now be subject to consultation with the Local Pension Board and with employers 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 now be conducted with the Local Pension Board and 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