

Croydon Council

REPORT TO:	Pension Committee 14 June 2022
SUBJECT:	Administering Authority Mandatory Discretions
LEAD OFFICER:	Matthew Hallett - Acting Head of Pensions and Treasury
CORPORATE PRIORITY/POLICY CONTEXT/AMBITIOUS FOR CROYDON: Sound Financial Management: This report details the review of the Administering Authority's mandatory discretions to meet the requirements of the LGPS regulations.	
FINANCIAL IMPACT Failure to comply with regulations requirements could lead to mismanagement of the fund.	

1 RECOMMENDATION

The Committee is asked to:

- 1.1 Note the review of the existing polies and approve the suggested changes ready for consultation with scheme employers.

2 EXECUTIVE SUMMARY

- 2.1 Following the recommendation of the Governance Review commissioned by the Local Pension Board a review of the Administering Authority's mandatory discretions agreed on the 08 July 2014 has been carried out.

3 DETAIL

- 3.1 Regulation 60 of the Local Government Pension Scheme (LGPS) Regulations 2013 require Croydon Council, as an Administering Authority of the LGPS to formulate, publish and keep under review a policy in relation to the exercise of its functions under the LGPS where it may exercise its discretion.
- 3.2 The mandatory discretions are contained in the Local Government Pension Scheme Regulations 1995; The Local Government Pension Scheme Regulations 1997; the Local Government Pension Scheme (Transitional Provisions) Regulations 1997; the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007; the Local Government Pension Scheme (Administration) Regulations 2008; the Local Government Pension Scheme (Transitional Provisions) Regulations 2008; the Local Government Pension Scheme Regulations 2013 and the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014.

- 3.3 A list of the discretions that the Administering Authority exercises, or chooses not to exercise is shown in Appendix A.
- 3.4 The following discretion is brought to your attention as it has been considerably changed following review
- 3.5 Abatement
- 3.6 Abatement is the process of reducing or suspending a LGPS pension when an individual re-enters local government employment (excluding agency workers). If the annual salary of the new employment plus the pension exceeds the annual salary for the retired employment then the pension is reduced or suspended. The abatement continues for the duration of the second employment or until there is a contractual change altering the annual salary such as a change in working hours.
- 3.7 Abatement was compulsory until 01 April 1998 when it became discretionary. In 2014 abatement was removed from the regulations for service accrued post 31 March 2014. Abatement for final salary membership remains as a discretion.
- 3.8 Croydon's current policy is to abate a final salary pension where there has been a cost to the employer to put the original pension into payment. This covers cases of redundancy, efficiency and ill health.
- 3.9 The new policy looks to remove abatement in all cases.
- 3.10 A change in policy will bring greater efficiency to the pension administration team as well as fairness for the members.
- 3.11 Abatement cases are identified following notification from the pensioner, the new LGPS fund or occasionally through the National Fraud Initiative (NFI).
- 3.12 Late notification can lead to pensions being overpaid and the need for repayment plans to be arranged with individual pensioners. This can lead to increased time spent by the pension and payroll teams dealing with cases and potential complaints.
- 3.13 There are a very small number of pensions currently abated. The team have responded to many more requests from pensioners asking how much they could earn before abatement applies. The removal of abatement would remove the need to carry out unnecessary calculations.
- 3.14 The cost of administering abatement and calculating potential cases far outweighs the savings made from abated pensions.
- 3.15 Removing abatement for final salary membership would bring the policy in line with current regulations. Anyone with only post 2014 membership is not subject to abatement and is free to return to any local government employment without penalty.

- 3.16 The pandemic highlighted the need to allow former skilled employees to return to local government employment if needed. On a national level a request was made for administering authorities to temporarily suspend abatement policies to allow former front-line staff to return to work.
- 3.17 The removal of abatement would allow greater flexibility for employers in recruitment and may help reduce dependence on agency workers who are not subject to abatement policies.
- 3.18 All pensions subject to abatement will be reinstated, in full, from the 01 August 2022.
- 3.19 There is a possibility some older cases have not been picked up by our reporting. Targeted communications will be issued to pensioners who could have been affected by abatement advising them of the change and asking them to contact us if they believe their pension was subject to abatement.
- 3.20 Other discretions have been reworded to allow greater flexibility, discretion and clarity on decision making for the administering authority in exceptional circumstance.

4 CONSULTATION

- 4.1 If the changes are approved a statement will be published within one month of the date of the determination issued

5. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

- 5.1 There are no financial or risk assessment considerations arising from this report.

Approved by: Matt Davis, Interim Director of Finance on behalf of Jane West, Corporate Director of Resources (Section 151 Officer)

6. LEGAL CONSIDERATIONS

- 6.1. Burges Salmon LLP (a legal advisor appointed to the Pension Fund) comments that there are no direct legal implications arising from the recommendations within this report, noting that any existing policies regarding abatement should be updated consistently with any agreed change in policy (this being the purpose of updating the policy at Appendix A). This policy must be kept under review.

7. HUMAN RESOURCES IMPACT

- 7.1 There are no direct workforce impacts arising from this report, but the pension scheme is an important staff benefit for recruitment and retention.

Approved by: Gillian Bevan, Head of Human Resources on behalf of Dean

Shoesmith, Chief People Officer

8. EQUALITIES IMPACT

8.1 There are no equalities impacts arising from this report.

9. ENVIRONMENTAL IMPACT

9.1 There are no environmental impacts arising from this report.

10. CRIME AND DISORDER REDUCTION IMPACT

10.1 There are no crime and disorder impacts arising from this report.

11. DATA PROTECTION IMPLICATIONS

11.1 Will the subject of the report involve the processing of 'personal data'?

No.

Has a data protection impact assessment (DPIA) been completed?

No. This report relates to matters relating to the administration of the LGPS and the Croydon Pension Fund.

CONTACT OFFICER:

Matthew Hallett - Acting Head of Pensions and Treasury

BACKGROUND DOCUMENTS:

None.

APPENDIX

Appendix A: Mandatory Administering Authority Discretions

.