

Pension Fund Committee

Date: 23 March 2015

Agenda item 4

Committee:	Pension Fund Committee
Meeting Date:	23 March 2015
Lead Councillor/s:	Cllr Peter Bellfield
Local Councillor/s:	None
Director:	Geoff Dobson, Director of Resource Management 01473 264347
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ADMINISTERING AUTHORITY DISCRETION - ABATEMENT

BRIEF SUMMARY OF REPORT

- 1 The purpose of this report is to provide the background to the abatement of pensions, clarify where abatement is not applicable, provide information on the current and recent cases of abatement, and to explain the administering authority discretion.
- 2 The report also sets out the options available to the administering authority and makes a recommendation on the administering authority discretion.

FOR DECISION BY THE COMMITTEE

The Committee is asked:

- a. To approve the current operation of the administering authority discretion which is to abate the pension of a reemployed pensioner by which their salary in their new employment and their pensions exceeds the salary in their previous employment.
- b. To note that this does not apply in cases of flexible retirement, where no abatement takes place.

SOURCES OF FURTHER INFORMATION

Agenda Item 12 – Report on Administering Authority Discretions (29 September 2014)

MAIN BODY OF REPORT

Background

1. At the 29th September 2014 meeting the Committee approved proposals relating to the operation of the administering authority's discretionary decisions in respect of the pension scheme. Following a request from the employee representative the Committee requested more information on the background to the operation of one of those discretions:

TITLE and REGULATION	DISCRETION	OPERATION
Membership before 1st April 2014 2014 – Transitional regulation 3 (13) 2008 – Regulation 70 (1) and 71 (4) (c) 1997 – Regulation 109 and 110 (4) (b)	Decide policy on abatement of pre 1 st April 2014 element of pensions in payment following reemployment	If a pensioner is reemployed in a local government employment and the total of their pension and their new salary exceeds their salary at the date of their first retirement, the pension will be reduced by the excess

2. For clarity, the above does not apply where a member has retired under the flexible retirement provisions of the local government pension scheme regulations. Flexible retirement allows an individual who reduces their working hours or grade of employment, with their employer's consent, to elect to receive the immediate payment of all or part of their retirement pension. These flexible retirement provisions are at the employers' discretion and are set by each employer in the pension fund. In these cases no reduction of pension would apply.
3. The administering authority discretion relates to cases where there is a change of employment, often with a few years gap between employments. The operation of this discretion continues the existing operation and follows from when the position was set by the regulations. The regulations as set at the time were in place to set a ceiling on payments to individuals receiving both a pension and a salary from public funds, as the pension scheme is there to provide a pension at retirement.

4. Other administering authorities operate this policy differently and have determined that there should be full, partial or no abatement on re-employment. Some of these scenarios are:
 - To abate in every circumstance;
 - Not to abate, except where compensatory added years have been awarded, where it is mandatory;
 - To abate only for cases since a recent policy change;
 - To abate only where the member retired from the original position under redundancy/ill-health grounds
5. For the Suffolk Fund in the two years to January 2014 there were 12 new cases and the abatements for this period amounted to £39,599. This is in addition to the pre-existing cases where abatement applies. An example of just one of the pre-existing cases showed a saving for the pension fund of £118,088 over 10 years.
6. At the current point in time there are 7 cases where the pension is being reduced and the annual abatement is £16,510.
7. Abatement does not apply for pensions accrued on and from 1st April 2014 and the number of new cases is therefore expected to reduce over the years as the proportion of retiree's benefits in the 2014 scheme increases.

Options available:

- a) To continue abating those pensions currently reduced, but not to abate in any new cases arising, except where mandatory to do so. The decision will need to set a point in time when no further abatements will apply. This may be seen as unfair on those currently being abated and will mean the public sector is paying an individual twice – through salary and pension.
- b) To cease abating pensions for all those currently reduced and not to abate for any further cases, except where mandatory. This would currently mean an additional £16.5k spend for the pension fund and will mean the public sector is paying an individual twice – through salary and pension.
- c) To continue with the current practice of abating which has the potential to reduce spend from the pension fund and will mean that the public sector will only be paying the full retirement pension when an individual retires.



Suffolk County Council
Pension Fund Meeting 23 March 2015

Agenda Item 5 – External Audit Plan for the Pension Fund accounts for 2014-2015

The following document is a copy of a report by Ernst & Young LLP