

Report Title:	Pension Fund Abatement Policy
Contains Confidential or Exempt Information	No - Part 1
Lead Member:	Councillor Julian Sharpe, Chairman Pension Fund Committee and Advisory Panel
Meeting and Date:	Pension Fund Committee and Advisory Panel – 7 March 2022
Responsible Officer(s):	Damien Pantling, Head of Pension Fund
Wards affected:	None

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REPORT SUMMARY

This report provides Members with information regarding the reduction or suspension of a Local Government Pension on account of further employment within Local Government after a Scheme member has become entitled to receive their retirement benefits.

The report explains the background to the abatement rules, the current statutory provisions and the current policy of the Administering Authority.

The Pension Fund's abatement policy can be found at Appendix 1 to this report.

1. DETAILS OF RECOMMENDATION(S)

RECOMMENDATION: That the Pension Fund Committee notes the report;

- i) **Considers, notes and approves the revised abatement policy and;**
- ii) **Approves publication of the final version on the Pension Fund website.**

2. REASON(S) FOR RECOMMENDATION(S) AND OPTIONS CONSIDERED

- 2.1 The LGPS Regulations require that each Pension Fund Administering Authority must formulate and keep under review a policy on pension abatement. Pension abatement is the extent, if any, to which a Scheme member's pension in payment is reduced or suspended where the member re-enters a new employment under which they are again eligible for membership of the LGPS.
- 2.2 Under the current LGPS Regulations 2013, effective from 1 April 2014, pension abatement has been removed. However, under former Regulations still in force, abatement can still be applied. Until 31 March 1998 abatement was mandatory but between 1 April 1998 and 31 March 2014 it became discretionary and an Administering Authority is still required to issue a statutory policy as to how it will apply the abatement rules.

2.3 When formulating an abatement policy, the Pension Regulations require that the Administering Authority has regard to:

- the level of potential financial gain at which it wishes abatement to apply;
- the administrative costs which are likely to be incurred as a result of abatement in the different circumstances in which it may occur;
- the extent to which a policy not to apply abatement could lead to a serious loss of confidence in the public service.

2.4 Since 2002, the Administering Authority has adopted a policy not to apply abatement for many reasons:

- The application of abatement is inconsistent as it only applies where an individual is appointed to a public service employment eligible for membership of the LGPS and does not apply if an individual becomes re-employed in an employment eligible for any other public service pension scheme e.g. teachers or NHS employees;
- Abatement places a potential limit on the amount of Local Government work an individual can undertake or that a Scheme employer may wish to offer because of the financial constraints abatement can place on an individual;
- Abatement is incompatible with modern day working practices e.g. the need to work longer, flexible retirement options, pension freedoms etc;
- Abatement places a barrier against the re-appointment of experienced individuals to Local Government roles thereby promoting the appointment of individuals as agency workers, contractors and consultants which is more costly for the Scheme employer;
- Abatement is difficult and costly to administer.

3. KEY IMPLICATIONS

3.1 The Administering Authority must produce, publish and keep under review its abatement policy. Failure to do so could result in the Pensions Regulator issuing fines to the Authority where it is deemed to have failed in areas of scheme governance.

3.2 A change in current policy to instead apply abatement would lead to a significant administrative and financial burden being placed upon the Pension Fund.

3.3 Scheme employers must be consulted with should any change in policy be considered.

4. FINANCIAL DETAILS / VALUE FOR MONEY

4.1 The administrative complexity and incompatibility with modern working practices associated with the abatement of pensions far outweigh the financial benefit the Fund would receive from abating pensions.

5. LEGAL IMPLICATIONS

- 5.1 There are no abatement provisions in the LGPS Regulations 2013. Therefore, abatement cannot be applied to any scheme member leaving their employment and drawing their pension from a date on or after 1 April 2014.
- 5.2 Abatement provisions in regulations 70 and 71 of the LGPS (Administration) Regulations 2008 continue to have effect in relation to pensions in payment deriving from the pre-1 April 2014 Scheme.
- 5.3 The Administering Authority has a statutory duty to keep under review its policy concerning abatement as it applies to the former Scheme Regulations.

6. RISK MANAGEMENT

- 6.1 The below table relates to risk "PEN050" from the risk register considered and approved by Pension Fund Committee on 6 December 2021.

Table 1: Impact of risk and mitigation (PEN050)

Risk description	Gross Risk Score	Mitigating Actions	Net Risk Score
Failure to comply with legislative requirements e.g. ISS, FSS, Governance Policy, Freedom of Information requests.	20	1) Publication of all documents on external website and all appointed managers expected to comply with ISS and investment manager agreements. 2) Local Pensions Board is an independent scrutiny and assistance function. 3) Compliance with the legislative requirements are reviewed annually through the audit process.	10

7. POTENTIAL IMPACTS

- 7.1 Failure to comply with Pension legislation could result in the Administering Authority being reported to the Pensions Regulator where failure is deemed to be of a material significance.
- 7.2 Equalities: Equality Impact Assessments are published on the [council's website](#): N/A
- 7.3 Climate change/sustainability: N/A
- 7.4 Data Protection/GDPR. N/A

8. CONSULTATION

- 8.1 Not applicable unless a change to the abatement policy is put forward that requires consultation with all Scheme employers.

9. TIMETABLE FOR IMPLEMENTATION

9.1 From 7 March 2022

10. APPENDICES

10.1 This report is supported by 1 Appendix:

- Appendix 1 – Pension Fund Abatement Policy

11. BACKGROUND DOCUMENTS

11.1 This report is supported by 0 background documents:

12. CONSULTATION (MANDATORY)

Name of consultee	Post held	Date sent	Date returned
<i>Mandatory: Statutory Officers (or deputy)</i>			
Adele Taylor	Executive Director of Resources/S151 Officer		
Emma Duncan	Deputy Director of Law and Strategy / Monitoring Officer		
<i>Deputies:</i>			
Andrew Vallance	Head of Finance (Deputy S151 Officer)		
Elaine Browne	Head of Law (Deputy Monitoring Officer)		
Karen Shepherd	Head of Governance (Deputy Monitoring Officer)		
<i>Other consultees:</i>			
Cllr Julian Sharpe	Chairman – Berkshire Pension Fund Committee		
Nikki Craig	Head of HR, Corporate Projects and IT		

REPORT HISTORY

Decision type:	Urgency item?	To follow item?
Pension Fund Committee decision	Yes/No	Yes/No

Report Author: Damien Pantling, Head of Pension Fund
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