

Report Title:	Pension Fund Abatement Policy
Contains Confidential or Exempt Information	No - Part I
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 and;

- 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](#): There are no EQIA impacts as a result of taking this decision. A completed EQIA has been attached at Appendix 2 to this report
- 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 2 Appendices:

- Appendix 1 – Pension Fund Abatement Policy
- Appendix 2 - EQIA

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:</i> Statutory Officers (or deputy)			
Adele Taylor	Executive Director of Resources/S151 Officer	22/02/2022	24/02/2022
Emma Duncan	Deputy Director of Law and Strategy / Monitoring Officer	22/02/2022	
<i>Deputies:</i>			
Andrew Vallance	Head of Finance (Deputy S151 Officer)	22/02/2022	25/02/2022
Elaine Browne	Head of Law (Deputy Monitoring Officer)	22/02/2022	28/02/2022
Karen Shepherd	Head of Governance (Deputy Monitoring Officer)	22/02/2022	25/02/2022
<i>Other consultees:</i>			
Cllr Julian Sharpe	Chairman – Berkshire Pension Fund Committee	22/02/2022	
Nikki Craig	Head of HR, Corporate Projects and IT	22/02/2022	23/02/2022

13. 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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LOCAL GOVERNMENT PENSION SCHEME

ADMINISTERING AUTHORITY STATEMENT OF POLICY CONCERNING ABATEMENT



For the purposes of the Local Government Pension Scheme Regulations, abatement means the extent, if any, to which the amount of a retirement pension payable to a member of the Royal County of Berkshire Pension Fund, as maintained by the Royal Borough of Windsor & Maidenhead as the Administering Authority to the Fund, should be reduced or extinguished where the member has re-entered employment eligible for membership of the Local Government Pension Scheme.

Under the Local Government Pension Scheme Regulations 2013, abatement cannot be applied to any scheme member leaving their employment and drawing their pension. However, abatement provisions as set out in regulations 70 and 71 of the Local Government Pension Scheme (Administration) Regulations 2008 remain extant and the Administering Authority has a statutory duty to keep under review its policy concerning abatement as it applies to those former Scheme Regulations.

Resolved

The Berkshire Pension Fund Committee has resolved to maintain its previous policy NOT to apply the abatement rules as set out under the Local Government Pension Scheme (Administration) Regulations 2008 (or any former Regulations) meaning that any member of the Royal County of Berkshire Pension Fund will NOT have any part of their pension currently in payment, or brought into payment whilst this policy exists, abated whilst in any employment eligible for membership of the Local Government Pension Scheme.

In formulating this policy, the Administering Authority has had 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.

**(This is a reference to the financial gain which it appears to the Administering Authority may be obtained by a member as a result of their entitlement both to a pension and to pay under any new Local Government employment).*

Should the Administering Authority consider amending its policy in future it will consult with all Scheme employers prior to making any such amendment and will publish any revised policy statement before the expiry of the period of one month beginning with the date they determine to do so.