

MEETING	Pensions Committee
DATE	17 June 2014
TITLE	Policy on Abatement of Pension Benefit
PURPOSE FOR THE REPORT	To amend the Fund's Abatement Policy in the context of revised Government Policy and Regulations
AUTHOR	Dafydd L. Edwards – Head of Finance
RECOMMENDATION	Change Policy to allow re-employed members to receive full pension benefits

1. Background

- 1.1 Members may be aware that the Administrating Authority has the discretionary power to “abate” members’ pensions, should they become re-employed within Local Government.
- 1.2 The Fund’s current abatement policy has been in place since 1998. It states pension benefits will be reduced or suspended where the member is re-employed, and where the new salary plus pension exceeds the salary when they ceased the original employment. The intention is to ensure that they are no better off from receiving their pension and the new salary compared with the salary they were receiving when they initially retired
- 1.3 Changes in tax legislation from the 6th April 2006, allowed the introduction of “flexible retirement”, giving employers discretion to pay pensions to employees who reduce their hours or grade after age 55, so that they receive their pension early as well as earning salary from reduced hours or pay. This became a provision of the Local Government Pension Scheme in April 2008.
- 1.4 There are eight pensions currently “abated” in the Gwynedd Fund, three of which relate to one person. The approximate annual value of abatement as of 2013/14 was £18,000.
- 1.5 Some cases have come to light a number of years after re-employment has commenced, where the re-employed member has failed to notify the Pensions Unit at the time. Such cases tend to cause emotive arguments and time consuming correspondence in agreeing measures to recover overpayments.

2 Change of Policy

- 2.1 Following the changes in April 2006, members who have retired under the “flexible retirement” rule (see 1.3), can now receive their benefits unaffected by abatement, whilst others who leave employment and subsequently return cannot.
- 2.2 The only exception is for members who were awarded additional years because they retired on redundancy or efficiency grounds, and, as such, this part of their pension would still have to be adjusted under the old abatement policy. There is no discretion available to remove the reduction or suspension rules in respect of compensatory added years.

- 2.3 The Fund's policy of reducing or suspending pensions during re-employment needs to be reviewed to be consistent with provisions for "flexible retirement" as outlined in 1.3, and especially now that the LGPS 2014 doesn't allow abatement of pension accruing after 31 March 2014.
- 2.4 Discussions with other local government funds (Flintshire, Cardiff, Powys, Torfaen, RCT, Shropshire, Merseyside, Cheshire, Staffordshire, Warwickshire and Worcestershire) have revealed that they have already amended their policies where re-employed members can now receive their benefits unabated. An exception to the above in Wales is Dyfed Pension Fund, who continues to abate tiers one and two ill health cases that are re-employed.

3. Recommendation

- 3.1 The Pensions Committee is asked to approve the policy change, where re-employed members can generally receive their pension unaffected by abatement. In the case of the eight pensions referred to in 1.4 this could require the re-instatement of reduced or suspended pensions from 1 July 2014.
- 3.2 The Pensions Committee is asked to consider excepting tiers one and two ill health retirees, and pre 2008 ill health retirees i.e. such pensions that would be allowable (pre 2014 accrual only) would be abated on re-employment if the new salary plus pension exceeds the salary prior to their ill health retirement.