

Administration and Communications Sub-Committee

Minutes of meeting held on 4th September 2014, Unison Centre, 130 Euston Road, London, NW1 2AY

Item

1. In attendance and apologies

In attendance:

Glyn Jenkins	Member representative (UNISON)
Ged Dale (Chair)	LGPS Fund practitioners
Alan South	LGPS Fund practitioners
Kevin Gerard (via phone link)	Pension Officers' Technical Group
Nigel Keogh	CIPFA
Kevin Simmons	Member representative (UNITE)
Helen Gibson	The Pensions Regulator
Phil McEvoy	Member representative (GMB)
Richard Paul	Employer representative (Education)
Cllr Mark Smith	Employer representative (LAs)
Craig Martin	Pension Officers' Technical Group

Observers:

Lynda Jones	DCLG
Ian Colvin	Hymans Robertson
Daniel Kanaris	Aon Hewitt
Annemarie Allen	Barnett Waddingham

Presenters:

Christopher Paul	Heywood
Vanessa Burke	Heywood

Secretariat:

Terry Edwards	LGA
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Apologies:

Janet Caiazzo	Pension Officers' Technical Group
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2. Minutes of the meeting held on 8th May 2014

The minutes of the meeting were approved.

Craig Martin (Environment Agency) replaces Ian Colvin as a Pensions Officers' Technical Group representative.

3. **Update from the Shadow Scheme Advisory Board**

The update was noted.

4a. **Work plan items from the Shadow Scheme Advisory Board for the Administration and Communications Sub-Committee – Ill Health Retirement**

Members discussed the options paper on ill health retirement benefits.

It was agreed that the following options should be considered further:

- To determine entitlement to an ill health pension, move from the current two gate approach to a single gate as applies in the LGPS in Scotland i.e. delete gate 2 from the current 2 gate approach below
 - Gate 1 - the member must, as a result of ill health or infirmity of mind or body, be permanently incapable of discharging efficiently the duties of the employment the member was engaged in i.e. the member will, more likely than not, be incapable until, at the earliest, the member's Normal Pension Age; and
 - Gate 2 - the member, as a result of ill health or infirmity of mind or body, must not be immediately capable of undertaking any gainful employment (i.e. paid employment for not less than 30 hours in each week for a period of not less than 12 months).
- Move from the current three tier ill health system to a two tier system, meaning that those members who would currently fall into Tier 3 would become entitled to a Tier 2 benefit (as per in the LGPS in Scotland). NB: existing Tier 3 pensioners at the date of the change to the ill health retirement provisions remain entitled to a reviewable Tier 3 pension.
- The additional cost resulting from the above two proposals to be costed by GAD.
- Options for meeting that additional cost should be costed i.e.
 - (i) what would the effect on the level of Tier 1 enhancement be if all of the additional cost was recovered by a reduction in the level of Tier 1 enhancement
 - (ii) what would the effect on the level of Tier 2 enhancement be if all of the additional cost was recovered by a reduction in the level of Tier 2 enhancement
 - (iii) what would the effect on the level of Tier 1 and Tier 2 enhancement be if all of the additional cost was recovered by a proportionate reduction in the level of Tier 1 and Tier 2

- enhancement
- (iv) what would be the level of savings if entitlement to an enhanced ill health pension only arose after 5 years LGPS membership (and only an accrued pension were granted to members who had met the 2 year vesting period but had less than 5 years LGPS membership)
 - (v) what would be the level of savings if, for members leaving in the future with a deferred pension (but not existing deferred members), that deferred pension could only be payable on ill health grounds if the member met the Finance Act 2004 severe ill health criterion (i.e. is suffering from ill-health which makes the individual unlikely to be able, otherwise than to an insignificant extent¹, of undertaking gainful work in any capacity before State Pension Age), rather than the current requirement of being permanently incapable of discharging efficiently the duties of their former job in the LGPS (which they might have left many years ago) and being unlikely to be capable of undertaking gainful employment for at least 3 years (or by Normal Pension Age if sooner).
- Move to a position where, if a member suffering from ill health agrees to try to carry on working at reduced hours or moves to a job on a lower grade or with less responsibility for a trial period but the trial period does not work out, resulting in eventual ill health retirement, the ill health enhancement is calculated using an APP figure based on the pay the member would have received had their hours or grade not been reduced (even though their CARE benefit up to the point of leaving will not be based on the pay they would have received had their hours or grade not been reduced) **provided** the reduction in hours or grade occurred within the previous 12 months continuous membership (or such longer period as the employer may allow), rather than the current open ended time limit which applies following a reduction in hours. The same protection should be extended to members who die in service within a 12 month continuous period of membership following a reduction in their contractual hours or grade due to ill health (or such longer period as the employer may allow).
 - In order to meet the Minister's request, options for reviewing Tier 1 and Tier 2 pensions if the pensioner becomes re-employed in the public service should be developed and costed. What would be the 'cost' if none are reviewable / what would be the 'saving' if all are reviewable? In the absence of a definition of 'public sector job', the initial costing exercise should be limited to a member who returns to

¹ 'Insignificant extent' means, for example, that the person could undertake voluntary work or unpaid work where out of pocket expenses are reimbursed or small amounts of travelling or subsistence payments are made. Any paid work should be insignificant, for example it should be infrequent or only for a few days during the year and the payment must be small in amount, not just as a proportion of the pay or salary the person was earning in the job from which they are to be ill health retired.

any public sector job and costed on the basis that abatement kicks in when the sum of the pension plus pay of the new employment, exceeds the Assumed Pensionable Pay upon which the ill health enhancement had been determined.

Further consideration will need to be given to the following:

- (i) What is the definition of “public service”?
 - (ii) What would happen if an ill health pensioner takes a job with a private company which subsequently wins a tender for a function being outsourced by a scheme employer i.e. would the pensioner then be deemed to be employed in the ‘public service’.
 - (iii) Should the review be undertaken if the pensioner is capable of re-employment or only if the member actually becomes re-employed?
 - (iv) Should it matter where the re-employment earnings are derived from i.e. if there is to be abatement, why only abate the pension of those obtaining employment in the public sector?
 - (v) Should Tier 1 and Tier 2 pensions be reviewable or only Tier 1 pensions (given that Tier 2 members are expected, in any case, to be capable of gainful employment at some point before Normal Pension Age)?
 - (vi) Would any level of earnings from the public service result in an adjustment, or only earnings of a certain level relative to the amount of the member’s ill health pension, or only earnings of a certain level relative to the member’s old level of pay, or only earnings from ‘gainful employment’ of more than 30 hours per week?
 - (vii) Would the pensioner’s whole pension cease or only the enhanced element?
 - (viii) If earnings from the public service subsequently ceased / diminished, would the pension be reinstated?
 - (ix) Should the same abatement provisions be applied equally to ill health pensioners across all of the public service pension schemes (i.e. the LGPS should not be singled out)?
 - (x) Is there an equality issue e.g. do female ill health retirees find it more difficult to obtain future employment in the private sector than male ill health retirees?
- The decision to terminate employment should, as now, be taken by the employer. However, the decision over whether a member meets the criteria for an ill health pension and, if so, which Tier, should be taken by the administering authority. This will ensure there is impartiality in the determination over whether or not a member meets the criteria for entitlement to an ill health pension. Employers would be required to provide all relevant information to the administering authority to enable them to make the determination over entitlement

BEFORE employment is terminated. LGA to consider the option of putting in place a national framework agreement for IRMPs which Funds could draw upon.

- The IDRP for medical appeals (and, indeed, for any appeals against administering authority decisions) should move to a single stage IDRP. This could be a function of the Local Pensions Board which, given that it will have an equal number of employer and member representatives, would perhaps be seen to be independent by scheme members.

Actions:

1. Secretariat to liaise with DCLG to obtain costings from GAD.

4b. **Work plan items for the Administration and Communications Sub-Committee – data quality**

Chris Paul from Heywood gave a presentation on the reasons to improve data quality and on the suite of data quality tests Heywood have developed based on the various elements of regulatory guidance. Each test is mapped to the regulations and codes of practice it addresses. Heywood have also identified the business risk poor data in each area may present. The mapping can greatly assist Pensions Boards in understanding the risk their data presents and would assist in the standardisation of data quality tests for scheme annual reports. This would be beneficial for comparisons across LGPS Funds and across public service pension schemes, audits, and valuations.

The sub-committee agreed that the sample data cleansing report provided by GMPF would be useful to other administering authorities and that the report and other sample reports offered by GMPF should be made available to all administering authorities.

Actions:

1. Chris Paul to share master spreadsheet of “must have” data quality tests with members of the sub-committee. The sub-committee, liaising with any other sub-committee where there is an overlap, is to consider working with Heywood to develop guidance for Funds once the Pensions Regulator’s Code of Practice no. 14 (governance and administration of public service pension schemes) and the governance guidance being prepared for the Shadow Scheme Advisory Board have been published. Any guidance developed by the sub-committee should cover what constitutes ‘good pensions administration’, the minimum data cleansing that should be performed (including appropriate administering authority internal checks, internal audit programmes and expectations of employers) and the information on outcomes to be reported to the Local Pensions Board and to the Scheme Advisory Board on an annual basis.

2. GMPF to provide the Secretariat with their suite of data cleansing reports and the Secretariat is to arrange for them to be loaded under the Resources tab at www.lgpsregs.org. Once loaded, confirmation is to be e-mailed to Pension Managers and reported in the Scheme Advisory Board update. Administering authorities are subsequently to be surveyed as to what data cleansing reports they run and how frequently. If there are useful reports identified that are not already available under the Resources tab at www.lgpsregs.org the Secretariat should seek to make these available too.

4c. **Work plan items for the Administration and Communications Sub-Committee – working with the Communications Working Group**

The sub-committee noted the extremely useful work being undertaken by Communications Working Group (CWG). It was agreed that the Chairperson of the CWG should be invited to attend meetings of the sub-committee when there are communication matters on the agenda.

Action: Secretariat to notify the CWG of the decision to invite its Chairperson to meetings of the sub-committee when there are communication matters on the sub-committee's agenda.

5. **AOB**

If HM Treasury decide that members of the LGPS should be permitted to transfer their accrued rights to DC schemes in order to avail themselves of the freedoms permitted under "Freedom and Choice", representations should be made to DCLG to permit pre 1st April 2014 deferred members to voluntarily draw their deferred benefits on or after 55 (and before age 60) without the need for employer consent.

6. **Date of next meeting**

Date of next meeting to be arranged once the ill health costings have been obtained from GAD.

Dates for meetings in 2015 should then also be agreed.

It was agreed that the UNISON Centre was a convenient venue for future meetings.