

WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE
12 MAY 2011

UPDATE OF ADMINISTERING AUTHORITY DISCRETIONS POLICY

Purpose of the Report

1. The purpose of this report is to seek the Committee's approval for the updated Administering Authority Discretions Policy for the Wiltshire Pension Fund.

Background

2. Under the Local Government Pension Scheme (LGPS) Regulations, there are a number of discretions available to both administering authorities and employer bodies in terms of the way they implement the Regulations.
3. The Regulations require that each administering authority and employer body must formulate, publish and keep under review their policy due to changes in the LGPS regulations that are issued from time to time from the Department for Communities & Local Government. In formulating its policies, the administering authority must consult with the scheme employers in its fund. No comments were received from the Wiltshire Pension Fund employers in respect of its proposed changes.
4. This report focuses entirely on the discretions of Wiltshire Council as Administering Authority for the Wiltshire Pension Fund. It does not look at the discretions of the Council as an Employer Body – that is a matter for the Council's Staffing Committee.
5. This paper effectively updates the previous policy approved by this Committee on 28 February 2007 and has been drafted to cover all of the Administering Authority's discretions as detailed in the Local Government Pension Scheme (Administration) Regulations 2008, Clause 5, part 1.

Considerations for the Committee

6. The proposed updated Policy Statement is shown in the Appendix and is broadly the same as previously agreed by this Committee. In reality, the policy is effectively restating policies that are currently in operation. This updated policy which will provide the following:
 - Guidelines to which staff administering the fund on behalf of the committee will work within;
 - Confirmation of the responsibilities of officers acting on behalf of the fund;
 - Transparency in processes undertaken.
7. These discretions have been amended to either cover or provide clarity on the following topics:

- Additional wording on Governance and Funding Strategy (A31 & A35);
 - Clarification of the timescales for the payment of upfront pension strain costs (A41(2));
 - Clarification of the format of data submitted by employers of the fund (A42(4));
 - Clarify the evidence required of co-habitee members to determine interdependency (B25);
 - Clarification of interpretation of the regulations (TSch1 & L122A(8))
 - Adherence to the Communications Strategy (A67);
 - Clarification of the process for bulk transfer payments (A81(1)(b));
 - Procedure for allowing members to transfer in pension rights (A83(9));
 - Compliance with Administration Strategy (A43); and
 - Procedure for Internal Dispute Resolution Procedures (IDRP's) (A60(8));
8. The Committee will be asked to approve the updated policy following a verbal review from officers.

Environmental Impact of the Proposal

9. There is no environmental impact of this proposal.

Financial Considerations & Risk Assessment

10. There is no cost to the Wiltshire Pension Fund or the Scheme's employers as a result of this arrangement.
11. The adoption of the policy would reduce the potential risk of Internal Dispute Resolution Procedure claims being submitted by members.

Reasons for Proposals

12. It is necessary to provide an up to date policy to comply with the LGPS regulations.

Proposals

13. The Committee is asked to approve the updated Discretions Policy Statement (Appendix)

MICHAEL HUDSON
Interim Chief Finance Officer

Report Author: Martin Summers, Pensions Manager.

Unpublished documents relied upon in the production of this report: NONE

APPENDIX

Wiltshire Pension Fund - Administering Authority Discretions LGPS Regulations 2008

Key: A5(1) = Local Government Pension Scheme (Administration) Regulations 2008, Clause 5, part 1

Regulation Reference	Brief Description	Wiltshire Pension Fund's discretion
A5(1) & A7(4)	Whether to agree to an admission Agreement with a community body	<p>Wiltshire Council's Chief Financial Officer has delegated responsibility for approval of admission agreements with Community Admission Bodies (CABs) regardless of the number of scheme entrants where:</p> <ul style="list-style-type: none"> • they arise from transfers of existing LGPS scheme members (either in the Wiltshire Pension Fund (WPF) or another LGPS Fund); and • the original scheme employer (or another local authority with a "community of interest") provides a guarantee to the WPF of equivalent security to that which would have been given under the Regulations had the admission been a Transferee Admission Body. <p>Applications from potential CABs which do not satisfy the terms above, but where the expected active membership within the WPF at the date of admission would be at least 10 people, will be decided by the WPF Committee assuming the applicant satisfactorily passes a risk assessment.</p>
A12(6)	Whether to agree to an admission Agreement with a Care Trust or NHS Scheme employing authority	WPF will accept the admission of a Care Trust or NHS Scheme employing authority subject to the relevant authority meeting the criteria set out in A5(1) & A7(4).
ASch3, para 10	<p>Whether to terminate a transferee admission agreement in the event of:</p> <ul style="list-style-type: none"> - insolvency, winding up or Liquidation of the body - breach by that body of its obligations under the Admission agreement - failure by that body to pay over sums due to the 	<p>In the first instance, the terms of the relevant Admission Agreement will apply.</p> <p>Where the terms of the relevant Admission Agreement leave the decision open to the Administering Authority, the Administering Authority will cease the admission agreement in the event of insolvency, winding up or</p>

	Fund within a reasonable period of being requested to do so	liquidation of the body unless there are strong reasons not to do so. If the terms of the Admission Agreement are broken, WPF will try to resolve the matter, where possible, through reasonable means. If WPF is unable to resolve the matter satisfactorily, WPF will terminate the Admission Agreement.
B3(11)	Frequency of payment of member's Contributions	Member's normal contributions will be deducted monthly and received by the 19 th of the month following which they have accrued service. All other types of Member's contributions (such as those relating to unpaid leave) should be received as a lump sum within two months of the member electing to pay contributions for any missing periods of service.
A19(8)(b)	Whether to extend normal 12 month Period following end of relevant Reserve Forces leave for submitting a "Cancelling notice". (This is where a member requests that the service should not be treated as relevant Reserve Forces service.)	WPF will extend the normal 12 month period when it can be reasonably shown that the member was not informed of this right.
A40(2)&(4)	Agree method of paying for Augmented membership granted under B12 or additional pension Granted under B13	WPF will seek a one off payment of all capital costs relating to Augmented membership or additional pension. Where a convincing reason exists for such payments to be spread, WPF reserve the right to agree to such a request subject to the relevant scheme employer or admitted body passing a risk assessment and following a consideration of any relevant pass through of pension costs between employers that are in place.
A40(9)(b)	Whether to extend the one month Period within which a lump sum Payment by the employer under A40(2) has to be made (to pay for any augmented membership granted Under B12 or additional pension Granted under B13)	WPF will invoice for such a payment and will require payment within thirty days from the invoice date.

A23(3)	Whether to require a satisfactory Medical before agreeing to an Additional Regulation Contribution (ARC) election under B14	WPF will require that any member wishing to take up ARC obtains a medical certificate from a GP or another appropriate qualified medical practitioner stating that as far as they are aware, or can reasonably assess, that they have no reason to believe that the member will retire on health grounds before the age of 65.
A24(3)	Whether to require a satisfactory Medical before agreeing to a request to pay additional contributions for survivor benefits (ASBC) election under B14A	WPF will require that any member wishing to take up ASBC obtains a medical certificate from a GP or another appropriate qualified medical practitioner stating that as far as they are aware, or can reasonably assess, that they have no reason to believe that the member will retire on health grounds before the age of 65.
A28(2)	Whether to charge member for provision of estimate of additional pension that would be provided by the Scheme in return for transfer of in house AVC/SCAVC funds.	Members may request a quote for free that is valid for three months. In the exceptional case that WPF are asked to do another, we reserve the right to make a charge.
A31*	<p>Governance policy must state whether the administering authority delegates their function or part of their function in relation to maintaining a pension fund to a committee, a sub committee or an officer of the admin authority and, if they do so delegate, state</p> <ul style="list-style-type: none"> - the frequency of any committee or sub-committee meetings - the terms of reference, structure and operational procedures appertaining to the delegation - whether representatives of employing authorities or members are included and, if so, whether they have voting rights. <p>The policy must also state the extent to which a delegation, or the absence of a delegation, complies with Secretary of State guidance and, to the extent it does not so comply, state the reasons</p>	WPF has a Governance Policy on its website.

	for not complying.	
A32(1)	Whether to set up a separate Admission Agreement fund	New admitted bodies will be set up as standalone employers within the Fund unless all the parties to the admission agreement agree to allow to the admitted bodies pension assets and liabilities to remain merged with the letting authority.
A35*	Decide on Funding Strategy for inclusion in the Funding Strategy Statement	WPF's Funding Strategy Statement will be updated and available for inspection on the WPF's website.
A38(3)	Whether to obtain revision of employer's contribution rate on termination of an admission agreement where underfunding was not met by insurer, bond or indemnity.	WPF's policy is to obtain a 'cessation valuation' when the admission agreement terminates. WPF's approach to the cessation valuation will be outlined in the WPF's cessation policy which will available on its website.
A38(4)	Whether to obtain revision of employer's contribution rate with a view to ensure no underfunding by the time admission agreement terminates	Beyond the triennial valuation, WPF will set rates in line with the admitted body's contract length and will consider individual cases on their merits, taking into account the effect on the admitted body, the letting authority, the terms of the admission agreement and the level of prudence for the Fund to do so.
A38A	Decide whether to obtain a new Rates and adjustments certificate if The Secretary of State amends the Benefits Regulations as part of the "cost sharing" under A36A	WPF will consider the likely extent of any such changes on employer rates and the amount of time remaining before the next triennial valuation before deciding whether the administrative cost of making such a change is justifiable.
A41(2)	Whether to require any strain on Fund costs to be paid "up front" by Employing authority following redundancy, flexible retirement, or the waiver (in whole or in part) of any actuarial reduction on flexible retirement (but not waiver of reduction in full on compassionate grounds).	<p>WPF will require costs relating to redundancy, flexible retirement and the waiver of any actuarial reduction on flexible retirement to be paid "up front". WPF will invoice for such payments and will require payment to be made within its normal invoice terms.</p> <p>If there is any cost to the fund for deferred benefits being released at the employers consent before the former member attains age 60 these may be (or will be) recharged to the former employer of the member concerned.</p>

A42(1)&(7)	Decide frequency of payments to be made over to the Fund by employers and whether to make an admin charge.	Employers will be required to be make payments by the 19 th of month following when the deduction is made. WPF will not charge an admin charge for this and administration costs forms part of the employer contribution rate.
A42(4)	Decide format and frequency of information to accompany payments to the Fund.	Information accompanying payments will also be required by the 19 th of Month following when the deduction is made.
A43	Whether to issue employer with notice to recover additional costs incurred as a result of the employer's level of performance.	WPF will only issue such a notice in line with the procedures outlined in the Fund's Administration Strategy.
A44(1)	Whether to charge interest on payments by employers overdue by more than 1 month.	WPF will follow the procedures outlined in the Fund's Administration Strategy before issuing such a charge.
TSch1 & L83(5)	Extend time period for capitalisation of added years contract.	WPF will favourably view an extension of the period of time to capitalise an added years contract where it benefits all parties involved.
A45(3)	Outstanding employee contributions can be recovered as a simple debt or by deduction from benefits.	WPF will normally deduct any unpaid employee contributions from benefits.
A52(2)	Can pay death grant due to personal representatives or anyone appearing to be beneficially entitled to the estate without need for grant of probate/letters of administration.	WPF will normally make payments due in respect of deceased persons without the production of probate or letters of administration of estates, where the amounts due are below the amount specified in any order under section 6 of the Administration of Estates (Small Payments) Act 1965.
A56(2)	Approve medical advisors used by employers (for ill health benefits).	WPF will allow employers to approve their own medical advisors subject to them meeting the requirements of the LGPS Regulations.
A60(8)	Decide procedure to be followed by admin authority when exercising its stage two IDRPs functions and decide the manner in which those functions are to be exercised	<p>Stage 1 IDRPs will be determined by Mr Mark Hodgkinson of Muse Advisory.</p> <p>Stage 2 IDRPs will be determined by the Administering Authority following a review of the case being undertaken by Hymans Robertson.</p>
A63(2)	Whether Administering Authority should appeal against employer decision (or lack of a decision)	WPF will only appeal against employer decisions, by approaching the Secretary of State for determination, in exceptional cases where the Fund is adversely affected.

		In the first instance, regarding all levels of employer decisions, WPF will attempt to resolve the matter with the employer in the first instance.
A64(1)(b)	Specify information to be supplied by employers to enable administering authority to discharge its functions.	WPF will specify the standard information and actions required by employers, their format, frequency and level of accuracy in an online Employer's Guide and Administration Strategy.
A65(1) & (2)	Whether to have a written pensions administration strategy and, if so, the matters it should include.	WPF has written pension administration strategy and this can be found on the WPF website.
A67*	Communication policy must set out policy on communicating with members, representatives of members, prospective members and employing authorities and format, frequency and method of communications.	WPF has written Communication Strategy and this can be found on the WPF website.
A68	Date to which benefits shown on Annual benefit statement are calculated	Annual Benefit Statements will be issued each year in line with the Administration Strategy and will show benefits up to 31 st March.
A70(1)* & A71(4)(c) & T12	Decide policy on abatement of pensions following re-employment.	WPF will not abate pensions following re-employment.
A81(1)(b)	Agree to bulk transfer payment	WPF will agree to bulk transfer payments where, with actuarial advice and where necessary with employer consultation, the Fund believes the amount transferred represents a fair valuation of benefits.
A83(9)	Allow transfer of pension rights into The Fund	WPF will allow members to transfer in pension rights in accordance with the LGPS regulations.
B10(2)	Where member to whom B10 applies (use of average of 3 years pay for final pay purposes) dies before making an election, whether to make that election on behalf of the deceased member.	Where WPF is aware that member's family would have benefited from such an election and the member did not have the opportunity to make the election themselves, WPF will make the election on the member's behalf which provides the largest benefit to the member's family.
B27(5)	Whether to pay the whole or part of a child's pension to another person for the benefit of that child.	Where there is more than one eligible child WPF will divide a children's pension equally between them. Where a child is under 17 WPF will normally pay his/her pension to the person who has the care of the child, to be applied for the benefit of that child, or to an account in the name of the eligible child if the carer of the child so wishes.

A52A	Whether, where a person (other than an eligible child) is incapable of managing their affairs, to pay the whole or part of that person's pension benefits to another person for their benefit.	Payments of pension to a person managing the affairs of the member will be permitted on the provision of a copy of Power of Attorney or letter from a solicitor.
B23(2) & B32(2) & B35(2) & TSch1 & L155(4)	Decide to whom death grant is paid	WPF will pay any death grant due to the nominee(s) stated on any completed 'expression of wish' form, or a differently titled form with the same meaning, unless WPF has reason to believe the stated nominee(s) would have no longer wished the stated person(s) to be the nominee(s) or because their nomination is no longer valid (i.e. they have died). Where WPF is unable to pay the death grant to a stated nominee, either because none is stated or for the reasons above, WPF will consider if the payment is made to the person's next of kin or to their estate.
B25	Decide evidence required to determine financial dependence of nominated co-habitee on scheme member or financial interdependence of nominated co-habitee and scheme member	The evidence to determine financial dependence or interdependence will be assessed and agreed on a case by case basis and will include but not be restricted to items such as evidence of a joint bank account, shared utility bills, joint mortgage arrangements etc.
B26(4)	Decide to treat a dependent child who commences full time education or vocational training after the date of the member's death as an eligible child after the child attains age 18 and until age 23	WPF will treat a dependent child as an eligible child in these circumstances.
B26(5)(a)	Decide to treat child as being in continuous education or training despite a break	WPF will treat a child as being in continuous education or training in all cases where the child is under age 18. Where the child is aged between 18 and 23, WPF will ignore all breaks up to 6 months.
B26(5)(b)	Decide to suspend child's pension during a break in education or training	WPF will not suspend a child's pension unless the break exceeds 6 months or is expected to exceed 6 months. WPF will also consider gap years, as being interruptions in education and will restart a suspended children's pension at the end of such a break or gap on confirmation of the child returning to further education.
B26(6)	Decide to treat a dependent child who is disabled within the meaning of the DDA 1995 as being an	WPF will treat a dependent child who is disabled within the meaning of the DDA 1995 (or updated) as being an eligible child.

	eligible child	
B39 & T14(3)	Decide whether to commute small pension	WPF will offer commutation of benefits where the capital value of their LGPS and all other scheme's/fund's do not exceed HMRC's limits and all benefits from these funds are commuted within a period of 12 months. Members to provide information on all their funds to be commuted in order that WPF can determine whether the benefits can be commuted. Members to declare that all information has been provided and that if making a false statement they will be liable for any tax charged by HMRC.
B42(1)(c)	Decide, in the absence of an election from the member, which benefit is to be paid where the member would be entitled to a benefit under 2 or more regulations in respect of the same period of Scheme membership	In first instance, WPF will layout the options to the member to make such an election. If this is not possible for whatever reason, WPF will decide on behalf of the member taking their best interests into account.
TSch 1 & L23(9)	Make election on behalf of deceased member with a certificate of protection of pension benefits i.e. determine best pay figure to use in the benefit calculations (pay cuts/ restrictions occurring pre 1.4.08.).	Where WPF is aware that member's family would have benefited from such an election and the member did not have the opportunity to make the election themselves, WPF will make the election on the member's behalf which provides the largest benefit to the member's family.
TSch1 & L122A(8)	Whether to accept a partial restitution payment	WPF will accept partial restitution payments which will credit a member with service in line with advice received from the scheme actuary.
TSch1 & L147	How to discharge Pension Credit liability	WPF will discharge pension credit liabilities by conferring appropriate rights under the scheme on the ex-spouse or ex-civil partner. Alternatively, the ex-spouse or ex-civil partner may request a transfer of those rights to a suitable qualifying arrangement (occupational pension scheme, personal pension scheme, appropriate annuity contract or suitable overseas arrangement).