

Pensions Committee

10am, Wednesday, 13 March 2013

Revisions of Pensions Discretions Policy and Communication Policy

Item number	5.2
Report number	
Wards	All

Links

Coalition pledges

Council outcomes [CO26](#)

Single Outcome Agreement

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Revisions of Pensions Discretions Policy and Communication Policy

Summary

The Local Government Pension Scheme (LGPS) allows for certain decisions to be made by the Administering Authority, mainly in relation to operational matters. The current Administering Authority discretions policy was adopted by the Pensions and Trusts Committee in March 2009.

Appendix 1 provides an updated Policy for approval by the Pensions Committee. The Policy has been extended to describe the Fund's approach to each of discretion in the regulations for completeness and clarity. It also covers a number of areas out-with the regulations where the application of discretion is required.

A number of the discretions are addressed by other policy statements. The Funding Strategy Statement, for example, addresses the most financially significant discretions – this was reviewed in March 2012 as part of the actuarial valuations.

Many of the discretions in the draft Policy cover issues relating to day-to-day administration of members' entitlements. The most financially significant discretion in pension administration is the decision on the recipient(s) of death grants (number 28 in the Policy). Such decisions are becoming more difficult as family and personal circumstances become more complicated. The Fund actively encourages members to complete, and keep up-to-date, an 'expression of wish' form to help with such decisions.

The Pensions Administration Strategy (which sets out the employer's duties, responsibilities and discretions and is referred to in the Discretions Policy) was approved by Committee in 2010. It will be reviewed during 2013 following the introduction of the system interface for employers to submit information to the Fund.

Lothian Pension Funds' Communications Policy has been updated to reflect the introduction of on-line access to personal information for active and deferred members and now incorporates the Fund's approach to Freedom of Information requests (previous covered under a different policy). Appendix 2 provides an updated Policy for approval by the Pensions Committee.

Recommendations

Pensions Committee are asked to approve:

- the Pensions Discretions Policy provided in Appendix 1, and;
- the Communications Policy as provided in Appendix 2 of this report.

Measures of success

The Policies ensure that Lothian Pension Fund and its stakeholders are aware of and understand responsibilities under the LGPS regulations.

Financial impact

There are no direct financial implications related to this report.

Equalities impact

There are no adverse equalities impacts arising from this report.

Sustainability impact

There are no adverse sustainability impacts arising from this report.

Consultation and engagement

The Consultative Panel for the Lothian Pension Funds, comprising employer and member representatives, is integral to governance.

Background reading / external references

Not applicable.

Links

Coalition pledges

Council outcomes CO26 – The Council engages with stakeholders and works in partnerships to improve services and deliver agreed objectives.

Single Outcome Agreement

Appendices

Appendix 1 - Pensions Discretions Policy
Appendix 2 - Communications Policy

Lothian Pension Fund Pensions Discretion Policy

Appendix 1

This is the Pensions Discretions Policy of the Lothian Pension Fund (“the Fund”). It is prepared and maintained by the City of Edinburgh Council, the Administering Authority for the Fund. This statement was agreed by the Pensions Committee on 13 March 2013.

Lothian Pension Fund’s policy where discretion is applicable is shown in the table below. Where further discretion is required, officers’ over-riding priority will be to act in the best the interests of the Fund by taking into account advice (where applicable) and rulings on similar cases from the Pensions Ombudsman.

	Local Government Pension Scheme Administering Authority Discretions/Decisions	Current Policy
1	Whether to agree an admission agreement with a community body.	Funding Strategy Statement
2	Agree terms of admission agreement.	
3	Whether to agree to an admission agreement with a NHS employing authority.	
4	Whether to terminate a transferee admission agreement in the event of insolvency, winding up or liquidation of the body, breach of its obligations under the admission agreement, withdrawal of approval by HMRC to participate in the scheme and failure to pay over sums due to the Fund within a reasonable period of being requested to do so.	
5	Agree method for paying augmented membership or additional pension with employer	
6	Whether to set up a separate admission agreement fund.	
7	Decide on Funding Strategy for inclusion in funding strategy statement.	
8	Whether to obtain revision of employer’s contribution rate on termination of an admission agreement where underfunding not met by insurer, bond or indemnity.	
9	Whether to obtain revision of employer’s contribution rate with a view to ensure no underfunding by time admission agreement terminates.	
10	Whether any strain on Fund costs be paid up front by employing authorities following redundancy, early retirement, flexible	

March 2013

Lothian Pension Fund Pensions Discretion Policy

Appendix 1

	retirement, or the waiver (in whole or in part) of any actuarial reduction on flexible retirement.	
11	Where an employer has by resolution either increased the membership of an active member or awarded additional pension, whether or not to extend the one month period within which a lump sum payment by the employer has to be made.	No extension will be granted.
12	<p>Governance statement must state whether the administering authority delegates their function in relation to maintaining a pension fund to a committee, a sub committee or an officer of the administering 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 statement must also state the extent to which a delegation, or the absence of a delegation, complies with guidance from Scottish Ministers and the extent it does not comply, state the reasons for non-compliance.</p>	Annual Governance Compliance Statement
13	Decide frequency of payments to be made over to the Fund by employers and whether to make an administration charge.	Pensions Administration Strategy.
14	Decide form and frequency of information to accompany payments to the Fund.	
15	Recover additional costs arising from employing authority's level of performance.	
16	Whether to charge interest on contributions or payments by employers overdue by more than 1 month.	
17	Whether the Fund should appeal against employer decision (or lack of decision).	
18	Specify information to be supplied by employers to enable administration. Authority to discharge its functions.	
19	Whether to have a written pensions administration strategy and if so the matters it should include.	

Lothian Pension Fund Pensions Discretion Policy

Appendix 1

20	Automatically aggregate terminated concurrent employments with active concurrent employment if no option is received from the scheme member within one month of being notified of the option to aggregate.	Lothian Pension Fund will automatically aggregate terminated concurrent employments with active concurrent employments if no option is received from the scheme member within one month of being notified of the option.
21	Whether to extend the normal 12 month period following the end of relevant reserve forces leave for "cancelling notice" to be submitted requesting that service should not be treated as relevant reserve forces service.	Lothian Pension Fund will extend the period for submission.
22	Whether to obtain a satisfactory medical certificate before agreeing to an Additional Regular Contribution (ARC).	Members will be required to produce medical evidence in support of an application to purchase additional pension. Where that evidence incurs costs these will be met by the member.
23	Whether to charge a member for provision of estimate of additional pension that would be provided by the scheme in return for transfer of in-house AVC funds.	Member is entitled to one free estimate within a 12 month period. If a further estimate is to be provided within a 12 month period then a charge will be made.
24	Whether to extend the 3 month election period that allows a member on leaving employment (by reasons of redundancy) to capitalise their added years contract.	Lothian Pension Fund will not extend the election time period of three months for capitalisation except where a member was not made aware of this right.
25	Outstanding contributions can be recovered as a simple debt or by deduction from benefits.	Outstanding employee contributions may be deducted from benefits.
26	Make an election on behalf of deceased member with a certificate of protection of pension benefits.	Lothian Pension Fund will determine the pay figure and make an election on behalf of a deceased person.
27	Allow extension of period within which a scheme member must submit election for benefits or alter the date from which they elect to have pension paid.	Members may make an election for payment of benefits up to three months before their intended retirement date.
28	Can pay death grant due to personal representatives or anyone appearing to be beneficially entitled to the estate without the need for confirmation, grant of probate/letters of administration. Decide to whom a death grant is paid.	As required Lothian Pension Fund will use its absolute discretion in accordance with the regulations and in the first instance consider the member's expression of wish form. Where no valid nomination exists, payment may be made to an obvious beneficiary i.e. spouse, children, dependant, relative, executors or any other person who makes a valid claim. In cases where a number of potential beneficiaries exist, dependency and intestate law will be considered as a guide to determining claims.
29	Approve medical advisors used by employers (for ill-health retirement)	Lothian Pension Fund approves and maintains a list of medical advisors.

Lothian Pension Fund Pensions Discretion Policy

Appendix 1

30	Whether to extend six month period to lodge a stage 1 Internal Dispute Resolution Procedure appeal.	The “appointed person”, as nominated by Lothian Pension Fund in accordance with Scheme Regulation 54 (3)(b), under its Internal Dispute Resolution Procedure, may extend the time limit depending on the merits of the case.
31	Date to which benefits shown on annual benefit statements are calculated.	Benefit statements will show benefits calculated as at 31 March for active members. Deferred and pension credit members will show benefits calculated to the most recent pension increase date.
32	Decide policy on abatement of pensions following re-employment.	Lothian Pension Fund will not abate pensions of pensioner members on re-employment (This excludes the abatement of Compensation Pensions where no such discretion exists).
33	Agree to bulk transfer payment	Scheme Regulations stipulate that this is determined by the Fund’s Actuary. Extract is as follows: “Calculation of amount of transfer payment under regulation 76 77. —(1) The amount of the transfer payment to be paid under regulation 76 is the amount determined by an actuary appointed by the members’ appropriate administering authority...”
34	Allow transfer of pension rights into the Fund	Transfer in of previous pension rights is restricted to Public Sector Transfer Club. Applications must be made within twelve months of joining the pension scheme.
35	Decide whether deferred beneficiary meets permanent ill-health criteria	Lothian Pension Fund will pay early payment of deferred on health grounds subject to ill-health medical certification.
36	Where a deferred member’s former employing authority has ceased to be a Scheme employer, whether to grant application for early payment of benefits on or after age 50/55 and before age 60	Lothian Pension Fund will not grant early payment of benefits on or after age 50/55 and before age 60 unless there are exceptional extenuating circumstances.
37	Decide evidence required to determine financial dependence of nominated co-habitee on scheme member or financial interdependence of nominated co-habitee and scheme member	Lothian Pension Fund will require the following documentary evidence from at least two years prior to the date of death: <ol style="list-style-type: none"> 1. Proof that the scheme member and nominated co-habitee were free to marry each other 2. Proof of co-habitation 3. Proof of financial interdependency 4. A declaration from the nominated co-habitee that neither they nor the scheme member had been living with someone else as if they were husband and wife or civil partners.

Lothian Pension Fund Pensions Discretion Policy

Appendix 1

38	Decide to treat a 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 17 until age 23.	At the time of a member's death, a child over age 17 who is in full-time education having not having had a break of over one year will be treated as an eligible child.
39	Decide to treat child as being in continuous education or training despite a break.	A break of one year will be disregarded so long as there is a clear intention to return to education or training following the break.
40	Decide to suspend child's pension during a break in education or training.	Lothian Pension Fund will suspend a child's pension during a break in education or training.
41	Decide to treat a child who is disabled within the meaning of the Equality Act 2010 as being an eligible child.	Lothian Pension Fund will rely on medical certification. Where that evidence incurs costs these will be met by the child's guardian.
42	Decide whether to commute a small pension.	Lothian Pension Fund will commute small pensions in accordance with the provisions of the Finance Act 2004.
43	Decide whether to commute pension on grounds of serious ill-health.	Subject to the member's wishes and medical certification that life expectancy is less than one year, Lothian Pension Fund will commute pension on grounds of serious ill-health.
44	Decide, in the absence of an election from the member, which benefit is to be paid where the member would be entitled under 2 or more regulations in respect of the same period of membership	Lothian Pension Fund will award the benefit that produces the best benefit for the scheme member.
45	Decide valuation day for pension sharing order	The valuation day for pension sharing orders shall be the date of divorce. The implementation date for the pension sharing order will be the last day of the four month implementation period from the date of decree.
46	How to discharge Pension Credit liability	Lothian Pension Fund will discharge pension credit liabilities by conferring appropriate rights under the Scheme on the ex-spouse or ex-civil partner. The ex-spouse or ex-civil partner may request a transfer of pension rights to another qualifying arrangement.
47	Decide charges to be levied in Pension Sharing cases	Charges are set in line with the National Association of Pension Funds and are increased in line with the cost of living each year.
48	Agree to pay annual compensation on behalf of employer and recharge payments to employer	The City of Edinburgh Council pays compensation on behalf of employers and recharges payments to the employer. (As at March 2013, this approach is being reviewed).
49	Extend the time limit for repayment of a previous refund (16/5/74	Lothian Pension Fund will extend the time limit indefinitely.

Lothian Pension Fund Pensions Discretion Policy

Appendix 1

	to 05/04/1978)	
50	Intervals at which instalments of annual compensation are payable (may agree different to LGPS pension date)	The City of Edinburgh Council pays annual compensation in line with the LGPS pension date i.e. in arrears on the 15 th of each month. (As at March 2013, this approach is being reviewed).
Other Discretions (not covered under the provisions of the LGPS)		
51	Scheme members who have a deferred Scottish local government benefit and rejoins the LGPS, doesn't aggregate benefits and leaves again within two years.	To avoid making unauthorised payments, Lothian Pension Fund will not subsequently pay a short service refund lump sum to the member on leaving.
52	For upheld complaints, consider any financial awards in line with Lothian Pension Fund's Policy relating to compensation for distress or inconvenience.	When considering financial awards, consideration will be given to the levels of compensation awarded by the Pensions Ombudsman for similar cases.

Communications Policy

March 2013

COMMUNICATIONS POLICY

Lothian Pension Fund provides a pension administration and investment service for local government employer and associated bodies and their employees within Edinburgh and Lothian.

All Local Government Pension Funds in England and Wales are required by the Local Government Pension Scheme (Administration) Regulations 2008 to prepare and publish a policy statement setting out their communication strategy. Whilst not a requirement in Scotland, the Fund has prepared this policy to assist with the delivery of the service. The policy summarises how the Fund communicate with its employers, scheme members and other stakeholders. It was approved by the Pensions Committee in March 2013.

Their statement must, in particular, set out their policy on:

- the provision of information and publicity about the Scheme to members, representatives of members and employing authorities
- the format, frequency and method of distributing such information or publicity and
- the promotion of the Scheme to prospective members and their employers.

Communications objectives

The overall objectives of the communications policy are to ensure that:

- pension regulations and policies are communicated in a clear and informative way
- clear information is provided to allow members to take decisions relating to their pension
- the most appropriate way of communicating with stakeholders is used
- the differing needs of our stakeholders are taken into account
- the scheme is recognised as an important part of employers' remuneration package for employees
- the communications are evaluated and feedback used to ensure their effectiveness
- our business partners provide clear communications, for example our Additional Voluntary Contributions providers.

Key audiences

Our audiences include:

- Scheme employers
- Scheme members
- Prospective scheme members
- Pensions Committee of the City of Edinburgh Council
- Lothian Pension Funds' Consultative Panel
- Scottish Public Pensions Agency, the regulator for the Local Government Pension Scheme in Scotland
- Audit Scotland, the auditor for the Fund
- Trade Unions

Governance/Consultation

In addition to audience specific communications show in the next section, the Fund prepares a number of communications to outline its policies, procedures and performance and to meet its statutory duties. These include an annual report and accounts, policies and customer care charter which are available on the Fund's website www.lpf.org.uk.

The Lothian Pension Funds' Consultative Panel, made up of representatives of members and employers is integral to the Fund's governance.

Communications tools

The section below shows how the Fund communicates with each audience.

Scheme members

Current members – those currently paying into the scheme

By post

- welcome pack including scheme guide
- statutory confirmation of membership
- annual newsletter including Annual Report summary
- paper copy of annual benefits statement on request
- notification of changes to the Scheme – via newsletter or bespoke communication
- on request provision of communications in alternative formats including translation, Braille, large print documents or audio

In person/phone

- single helpline telephone number
- roadshow and clinic events – on request of employer
- induction and retirement events – on request of employer

Online/email/website

- single helpline email address
- website providing general and member information
- online web access for members' personal information
- annual benefits statement
- customer care charter including service standards and timescales
- e-newsletter updates for members
- leaflets, policies and forms available via website
- online calculators for example additional voluntary contributions, pension estimates and contribution rate calculator

Retired Members – those receiving a pension from the Fund

By post

- retirement pack sent at retirement
- Penfriend newsletter twice a year including Annual Report summary
- Club Together newsletter and mailings
- payslip twice a year and when significant changes in payment
- on request provision of communications in alternative formats including translation, Braille, large print documents or audio

Retired Members continued

Website/online/phone

- leaflets and forms available for download
- website with general information and retired member sections
- online web access for members' personal information
- single helpline telephone number and email address

Deferred Members - left but still hold pension rights in the Fund

By post

- annual newsletter including Annual Report summary
- paper copy of annual benefits statement by request
- on request provision of communications in alternative formats including translation, Braille, large print documents or audio

Website/online/phone

- customer care charter including service standards and timescales
- online annual benefits statement
- website providing fund and member information, leaflets and forms
- online web access for members personal information
- single helpline telephone number and email address

Scheme employers

- annual fund seminar
- annual finance seminar
- e-newsletter (typically monthly) with updates on legislative and policy issues
- Pension Administration Strategy including service standards and performance measurement against these standards
- special e-newsletters for smaller employers and on special issues
- technical and procedure training on demand
- twice yearly user groups
- employer manual including checklists
- consultation on changes to the Scheme
- roadshows for employees on request
- website providing general fund information as well as section specifically for employers
- leaflets and forms available for download via website
- single helpline telephone number and email address
- annual meetings with larger employers
- professional support and guidance from dedicated staff
- updates on scheme regulation changes

Prospective members

Prospective members receive a short guide to the Fund provided by employers on joining. The Fund also attends induction events held by employers when invited to participate.

Evaluation and Improvement

Evaluation and feedback are essential tools in improving the services provided by the Fund. All our surveys include questions on communications including our joining material, forms, booklets and our website. We also monitor complaints and take corrective action to improve communications as appropriate.

Media

The Fund issues media releases and makes comments on non-political pension fund related matters to both general and pensions and investment specific media. The primary purpose is to ensure accurate reporting of the Fund policies and financial position. This also helps to develop the Fund's profile.

FREEDOM OF INFORMATION

The Fund follows the Freedom of Information policy of the administering authority, the City of Edinburgh Council. It can be accessed at www.edinburgh.gov.uk

Making a Freedom of Information or Data Protection request

Requests can be made direct to the Fund or through the City of Edinburgh Council in a number of ways including through the Fund or Council's website, email or in writing.

The Fund's website www.lpf.org.uk includes the Publications Schedule. This schedule contains the types of information usually requested from the Pension Fund arranged by types of information as a guide to information published or can be requested.

DATA PROTECTION

The City of Edinburgh Council acts as administering authority for Lothian Pension Fund and is registered under the Data Protection Act 1998. The Council's Data Protection policy also applies to the Fund and it can be accessed at www.edinburgh.gov.uk

This allows members to check that their details held are accurate. The Fund may, if it chooses, pass certain details to a third party, if the third party is carrying out an administrative function of the Fund, Members who wish to apply to access their data on Data Protection Act grounds should contact the Council's Data Protection Officer via e-mail at dataprotection@edinburgh.gov.uk

The Fund has a duty to protect the public funds it administers, and to this end may use information for the prevention and detection of fraud. It may also share this information with other bodies administering public funds solely for these purposes.