

	Pension Board 25 March 2020
	Report from the Director of Finance
Abatement of Local Government Pension on re-employment	

Wards Affected:	ALL
Key or Non-Key Decision:	Non-Key
Open or Part/Fully Exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	Open
No. of Appendices:	1. Summary of Abatement Policies across London in 2018 2. Current policy and proposed change
Background Papers:	▪ N/A
Contact Officer(s): (Name, Title, Contact Details)	Minesh Patel, Director of Finance Ravinder Jassar, Head of Finance

1.0 Purpose of the Report

- 1.1 This report provides the Committee with information regarding the reduction or suspension of a Local Government Pension on account of further employment within Local Government after an individual has retired (Abatement).
- 1.2 The report explains the background to the “Abatement” rules and the current statutory provisions for doing so.
- 1.3 Information about the abatement practices of other Local Authorities is set out in Appendix 1 while further explanation of the current policy and proposed change is set out in Appendix 2.

2.0 Recommendation(s)

- 2.1 The Committee is asked to approve the report for consultation with employers for agreement. Any material changes arising from consultation will be reported back to the Committee.

3.0 Detail

Background

- 3.1 Abatement is a technical term regarding the reduction or suspension of a Local Government Pension Scheme (LGPS) pension where a pensioner has entered into further local government employment. If the annual salary in the second local government employment plus the pension in payment exceeded the annual salary at the initial retirement, then the pension would be reduced or potentially suspended for the duration of the subsequent local government employment.
- 3.2 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;
 - To the administrative costs which are likely to be incurred as a result of abatement in the different circumstances in which it may occur; and
 - To the extent to which a policy not to apply abatement could lead to a serious loss of confidence in the public service.
- 3.3 Until 31 March 1998 abatement was mandatory, but from 1 April 1998 to 31 March 2014 abatement was discretionary. With effect from the introduction of the 2014 LGPS career average pension, abatement ceased to be applicable for service after 1 April 2014. Accordingly, a scheme member who only has LGPS membership from 1 April 2014 will not be subject to abatement.
- 3.4 Abatement cannot apply if a pension recipient obtains further local government work as an agency worker, nor if a person is engaged as a contractor or a consultant. A pension payable to the spouse or partner of a former local government employee, cannot be abated if the spouse/partner enters local government employment.
- 3.5 In respect of an LGPS pension recipient, a further employment in the wider public sector such as teaching or in the NHS does not require assessment for abatement.
- 3.6 Under the terms for 'flexible' retirement, a scheme member aged 55 or over may, with the agreement of the employer, reduce working hours or take a pay grade reduction and receive the LGPS pension including salary without abatement.
- 3.7 At present there are 7 Brent Council pension recipients whose pensions are being abated due to re-employment. Pensioners are also being contacted on a regular basis to enquire if they have commenced further local government employment, which places an administrative burden on collecting, collating and implementing abatement. Currently, there are also 17 pension recipients being

assessed regularly in respect of earnings in further local government employment.

- 3.8 A survey of London Boroughs in 2018 has shown that 15 Councils currently do not abate pensions in payments. There are 4 Councils which offer a limited abatement and 18 currently abate pensions in payments.
- 3.9 The abolition of post 1998 abatement will allow for fairer treatment for all pensioners, as pensioners with only post 2014 scheme membership are not subject to abatement.
- 3.10 The change in pensions rationale over the last few years, seen with the introduction of "Pension Freedoms", has allowed active and deferred scheme members to access reduced pensions at a date of their choosing, but the continued use of abatement seems to be working against this shift in policy.
- 3.11 The proposal is that the London Borough of Brent, consults with our employees as per the regulations and if there are no major objections, then we will cease to abate pensions for staff who ceased employment after 1 April 1998 from 1 April 2020.
- 3.12 For those pensioners who are currently abated and their Brent employment ended after 1 April 1998, they will cease to have their pensions abated and will be reinstated to the current values from 1 April 2020.

4.0 Financial Implications

- 4.1 The cost of administering abatements is chargeable to the Pension Fund and places a strain on the Fund and the Council's resources.
- 4.2 By ceasing abatement the cost of administering the scheme will be reduced through less time and resource being spent on checking and monitoring pensioners who may be drawing a pension from the Local Government Scheme, for example the cost of reducing and increasing pensions from payroll and LPP running regular employment checks on Brent pensioners as well as the cost of auditing and handling of complaints from abated pensioners.

5.0 Legal Implications

- 5.1 There are no abatement provisions in the LGPS Regulations 2013. Therefore if an employee leaves on or after the 1st April 2014, draws their pension benefits and are then subsequently re-employed in local government, the Council may not abate their post 1st April 2014 pension.
- 5.2 However, the abatement provisions in Regulations 70 & 71 of the LGPS (Administration) Regulations 2008 continue to have effect in relation to pensions in payment deriving from the pre 1st April 2014 pension schemes regardless of when payment of those pensions commenced, by virtue of Regulation 3(13) of the LGPS (Transitional) Regulations 2014.

- 5.3 Under Regulation 70, the Council, as its administering authority must keep under review its policy concerning abatement. This includes; the extent, if any, to which the amount of retirement pension payable to a member and applicable to the period prior to 1st April 2014, should be reduced (or whether it should be extinguished) where the member has entered a new employment with a scheme employer within the LGPS.
- 5.4 In formulating its existing policy concerning abatement, the Council would have 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; and
 - the extent to which a policy not to apply abatement could lead to a serious loss of confidence in the public service.
- 5.5 When reviewing its existing abatement policy, the Council will need to have regard to the matters set out above. If, as a result of reviewing its policy concerning abatement, the Council decides to amend the abatement policy, it must publish a statement of the amended policy before the expiry of the period of one month beginning with the date of its determination.

6.0 Equality Implications

- 6.1 To be advised by Human Resources.

7.0 Consultation with Ward Members and Stakeholders

- 7.1 Not applicable.

8.0 Human Resources

- 8.1 Not applicable.

Report sign off:

Minesh Patel
Director of Finance