

Essex Pension Fund Board	EPB/29/11
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Administering Authority Policy on dealing with Requests for Early Payment of Deferred Pensions

Report by the Pensions Services Manager

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1. Purpose of Report

- 1.1 To submit a draft policy, on dealing with requests to the Administering Authority for early payment of deferred pensions, for approval.

2. Recommendations

- 2.1 the draft policy attached at Annex D be approved
- 2.2 the implementation of that policy be exercised by the Executive Director for Finance under her current delegated powers.

3. Background

- 3.1 Since deferred pensions were first introduced by the 1974 regulations, members having attained a certain age (now 55 but see Annex A for full details of the various transitional arrangements still in place) have been able to request early payment of their pension:
 - 3.1.1 On compassionate grounds for leavers before 1 April 1998 where their former employer approves payment. The pension is paid without reduction and a financial strain payment is due from the former employer.
 - 3.1.2. On member election before the age of 60 for leavers after 31 March 1998. The election is not valid without their former employer's consent. The pension is reduced unless the member is protected under transitional rules in which case a financial strain payment would be due from the former employer. The former employer can waive any reduction on compassionate grounds but this would require them to make a financial strain payment.

- 3.2 In each case the former employer is required to make a decision in line with their own discretionary policy. However, where the former employer no longer exists and either there is no successor body or the Pension Fund has received a capital payment to meet all future liabilities, the decision falls on the Administering Authority and any financial strain has to be met by the Fund. The Administering Authority should therefore have a policy in place for such matters. The County Council as Administering Authority has not previously had such a policy although the County Council, as a Fund Employer, has. A copy of this is attached at Annex B as background information.

4. Administering Authority Policy Considerations

4.1 Under the policy:

- 4.1.1 Each request/election, whether under 3.1.1 or 3.1.2 above, should be considered on its own merits
- 4.1.2 A request under 1 cannot be rejected on the grounds of cost as this would not represent a determination under the regulations. The Civil Service guidance (see 4.1.4 below) should be adopted when considering whether approval should be given.
- 4.1.3 A request under 3.1.2 should take account of the individual circumstances behind the election and not be rejected purely on the grounds of cost. To ensure a consistent approach to all requests, the Civil Service guidance should also be adopted when considering whether approval should be given.
- 4.1.4 There is no regulatory definition of what constitutes meeting compassionate grounds for leavers before 1 April 1998 but it is understood that local government employers have generally used Civil Service guidance (copy attached at Annex C) to consider these requests. The overriding principle is that a period of temporary financial hardship does not warrant approval for early payment of a deferred pension. Circumstances which might lead to approval include a situation where the applicant is unable to work because they have to provide full-time care for their children or other close dependant relatives.
- 4.1.5 Protected deferred members under the age of 55 should be advised of the tax implications and given the opportunity to withdraw their request/election before approval is considered.
- 4.1.6 A draft policy has been prepared which takes the above matters into consideration and this is attached at Annex D.

5. Link to Essex Pension Fund Objectives

- 5.1 Having this policy will assist the Fund to achieve its objective of providing a high quality “gold standard” service for members.

6. Risk Implications

- 6.1 Failure to have a policy to process these requests is likely to lead to complaints against the Fund which would have to be dealt with under the Internal Disputes Resolution Procedure. It should be noted that complaints could still be possible where a member disputes a decision made under the policy.

7. Communication Implications

- 7.1 There are no communication implications.

8. Finance and Resource Implications

- 8.1 This will not result in any significant finance or resource implications due to the small number of cases requiring a decision under the policy.

9. Background papers

- Local Government Pension Scheme (Benefits, Membership & Contributions) Regulations 2007
- Local Government Pension Scheme Regulations 1997
- Local Government Pension Scheme Regulations 1995
- Local Government Superannuation Scheme Regulations 1974