

<b>Essex Pension Fund Strategy Board</b>	<b>PSB/20/15</b>
<b>date: 16 September 2015</b>	

**HM Treasury consultation on a proposed exit payment cap**

Report by the Director for Essex Pension Fund

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**1. Purpose of the Report**

- 1.1 To share with the board the Fund's response to the consultation issued by HM Treasury on a proposed exit payment cap.

**2. Recommendations**

- 2.1 That the response be noted.

### **3. Background**

- 3.1 On 31 July 2015 the HM Treasury issued a consultation on a proposed £95,000 cap on payments to exiting public sector employees. The four week consultation period closed on 27 August 2015.
- 3.2 The key concern with the proposal centres on financial strain payments made by employers to LGPS Funds.

### **4. Financial Strain**

- 4.1 When an employer agrees to a retiring employee receiving early payment of their LGPS benefits, a financial strain (sometimes known as “actuarial strain”) is payable to the pension Fund. This most often occurs if an employee is made redundant or leaves on efficiency grounds and is age 55 or over, the LGPS regulations provide the member with immediate payment of their benefits.

### **5. Response to consultation**

- 5.1 Financial strain is paid by the employer to the LGPS Fund. These are not payments to existing employees yet their inclusion within the cap’s definition raises issues for both Pension Funds, and employers facing future restructuring exercises.
- 5.2 In the absence of a PSB meeting during the consultation period, the key theme of the response was discussed and agreed with both Cllr Bass, Chairman of the Board and Margaret Lee s151 officer for both Essex County Council and the Essex Pension Fund.
- 5.3 The Fund’s response is attached at Annex A to this report.

### **6. Link to Essex Pension Fund Objectives**

- 6.1 Maintaining awareness of current issues with regard to LGPS reform will assist the Board in achieving the following Fund objectives:
  - Ensure the Pension Fund is managed and its services delivered by people who have the appropriate knowledge and expertise
  - Act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust and well based
  - To ensure the Fund is properly managed

**7. Risk Implications**

Failure to maintain an awareness of current issues with regard to LGPS reform and respond to consultations would mean that the Fund's views are not taken into account when changes are proposed.

**8. Communication Implications**

Further communication may be necessary once Government responds to the consultation.

**9. Finance and Resources Implications**

Further analysis may be necessary once Government responds to the consultation.

**10. Background Papers**

None