

HIGHLAND AND ISLANDS FIRE BOARD

27 NOVEMBER 2009

Agenda Item	
Report No	

REVIEW OF DISCRETIONARY POLICIES UNDER THE LOCAL GOVERNMENT PENSION SCHEME

Report by the Treasurer

SUMMARY

The purpose of this report is to advise the Board of a change in the Highland Council Pension Fund's policy on Pension Transfers under the discretions contained in the Local Government (Scotland) Pension Scheme 2008.

1. Introduction

- 1.1 The Local Government (Scotland) Pension Scheme Regulations 2008 provide the employers participating with powers, including this Board, to determine certain policies in respect of the Local Government Pension Scheme, to reflect local circumstances.
- 1.2 These Discretionary Policies were first agreed in 1998 and are reviewed every five years; the last full review took place in 2008 with the next full review scheduled for 2013.
- 1.3 Discretionary Policies fall into two distinct categories:
 - i. Employing Authority. Employers participating in the Highland Council Pension Fund are required to formulate and publish specific policies best suited to their own organisational requirements.
 - ii. Administering Authority. These policies apply to all employing authorities participating in the Highland Council Pension Fund.

2. Acceptance of Transfer Value into Fund

- 2.1 The Highland Council is the Administering Authority for the Highland Council Pension Fund. The Administering Authority has the discretion to accept a transfer of pension rights into the Fund.
- 2.2 The Council, as Administering Authority, until recently accepted transfers from:
 - Scottish Local Authority Pension Funds
 - Other occupational pension schemes
 - Personal Pension plans

3. Personal Pension Schemes

- 3.1 The latest guidance and factors issued by the Government Actuaries Department have significantly increased the complexity of the calculation of transfers in to the Local Government Pension Scheme.

- 3.2 The amount of service credit generated from transfers from Personal Pension Schemes is generally not significant. In 2008/9, 46% of the service credit from personal transfers was less than 1 year in the Local Government Pension scheme.
- 3.3 A significant number of quotes for service credits have not been taken to conclusion by scheme members due to the modest amount of service credit available to them, resulting in a great deal of unproductive effort on the part of the Pension section.
- 3.4 Clearly there will always be exceptional circumstance where potential scheme members have significant transfer values. It is proposed that in such exceptional cases consideration would be given to “transfers in” from Personal Pension schemes.
- 3.5 In June 2009 the Highland Council, as Administering Authority, agreed to cease the policy of accepting “transfers in” from Personal Pension schemes to the Local Government Pension Scheme, other than in exceptional circumstances.

4. Time restrictions

- 4.1 The pension regulations stipulate that “transfers in” to the Local Government Pension Scheme of pension rights can be accepted up to 12 months from joining the scheme. Employing Authorities have the discretion to extend this period and until recently the Highland scheme did not impose any time limit on transfers.
- 4.3 The open ended nature of this policy created uncertainty for the administration of the fund, and in June 2009 the Highland Council, as the largest Employing Authority within the Highland Fund, agreed to restrict the period for accepting the initiation of a “transfer in” from Other Occupational Pension Schemes for its employees to 12 months from entry to the Local Government Pension Scheme, i.e. to limit the transfer period to that stipulated in the regulations, other than in exceptional circumstances.
- 4.4 The Board, as another Employing Authority within the Highland Council Pension Fund, is invited to impose a similar restriction in relation to its employees.

RECOMMENDATIONS

The Board, as an Employing Authority, is asked:

- i. to note that the Highland Council Pension Fund will no longer accept “transfers in” from Personal Pension schemes, other than in exceptional circumstances; and
- ii. to agree in relation to its employees to restrict the period for accepting the initiation of a “transfer in” from Other Occupational Pension Schemes to 12 months from entry to the Local Government Pension Scheme, other than in exceptional circumstances.

Signature:

Designation: Treasurer

Date: 2 November 2009

Author: Charlie MacCallum, Payroll and Pension Manager, The Highland Council