

## London Borough of Hammersmith & Fulham

**Report to:** Pensions sub-committee

**Date:** 23<sup>rd</sup> June 2020

**Subject:** H&F Pension Abatement – proposed abolishment

**Report of:** Mary Lamont, Head of People & Talent

**Responsible Director:** Rhian Davies, Director of Resources

### Summary

This report recommends to the Pensions Sub-Committee that from 1 July 2020 the council should cease operating the abatement of pension benefits for certain H&F pensioners who are re-employed by an employer that operates the Local Government Pension Scheme (LGPS). If agreed, this will bring H&F into line with most other London local authorities and will eliminate all current discrepancies in the treatment of pensioners who may be re-employed following their retirement.

Additionally, considering the recent COVID-19 pandemic, although the Government suspension of abatement in the NHS pension scheme did not extend to re-employed members of the LGPS, the Government's policy is that pensioners who return to roles as key workers should not be financially penalised for helping tackle coronavirus (COVID-19). On 19 March the England & Wales Scheme Advisory Board (SAB) sent [a letter to the chairs of pension committees](#) to that effect and suggesting that administering authorities should adjust and publish their revised abatement policies as a matter of urgency.

### Recommendations

That the Council immediately cease the abatement of pension benefits for eligible H&F pensioners who are re-employed by an employer that operates the LGPS.

**Wards Affected:** None

### H&F Priorities

Our Priorities	Summary of how this report aligns to the H&F Priorities
Creating a compassionate council	An important feature of the pensions policy is the monitoring and adopting of approaches that protect the interests of our employees.
Taking pride in H&F	If agreed, this will bring H&F into line with most other London local authorities and will eliminate all current discrepancies in the treatment of pensioners who may be re-employed following their retirement.

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**Background Papers Used in Preparing This Report**

None

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**THE CURRENT DISCRETIONARY ABATEMENT POLICY**

1. In its role as the administering authority for the LGPS, the London Borough of Hammersmith & Fulham is legally required to operate a discretionary policy covering those areas of the LGPS where it has local discretion within the regulations. One of the areas of local discretion for the administering authority concerns abatement.
2. Abatement is a technical term regarding the reduction or suspension of an LGPS pension where that pensioner re-enters the employment of another organisation that operates the LGPS. It comes into effect when the re-employed pensioner's annual pensionable salary in their new employment plus their H&F pension exceeds the value of their annual pensionable salary when they left H&F. Where this happens, the H&F pension is reduced by the excess amount for the duration of the pensioner's re-employment. The abatement is applied irrespective of whether the re-employed pensioner joins the LGPS with their new employer.
3. Until 31 March 1998 abatement was mandatory in the LGPS. From 1 April 1998 until 31 March 2014 it was discretionary.
4. With the introduction of the new LGPS career average (CARE) scheme on 1 April 2014 it was no longer permitted under the regulations to abate a pension where the scheme member only has CARE contributions. Consequently, a scheme member who only has membership of the LGPS from 1 April 2014 cannot have their pension abated.
5. The 2008 LGPS regulations also did not permit the abatement of a pension for a scheme member aged 55 or over who, with the agreement of their employer, takes flexible retirement and continues to draw a salary from the Council alongside their LGPS pension, provided they reduce their working hours or reduce their grade below the level they were enjoying prior to the flexible retirement.

6. Abatement cannot be applied to scheme members who re-enter employment as a teacher or who work for an employer that does not operate the LGPS.
7. Currently at H&F there are four pensioners whose pension is abated. The responsibility falls on the re-employed pensioner to inform Surrey Pensions Team of any re-employment to which abatement may be applied. Surrey Pensions also uses cross-checking of results from the annual National Fraud Initiative (NFI) to identify any cases where abatement may potentially apply.

## **RATIONALE FOR CEASING ABATEMENT**

8. Most re-employed pensioners that qualify for abatement keep their pensionable earnings with their new employer below the level that would require their H&F pension to be abated. Alternatively, others may re-enter local government as an employee of an agency, in which case the abatement cannot be applied because the Council is not the employer. Neither of these situations can be deemed advantageous for any local authority that seeks to recruit workers with previous local government experience.
9. Changes to the LGPS regulations described above have clearly reduced the number of re-employed pensioners to whom abatement may be applied, to the extent that it unfairly discriminates against certain types of pensioners seeking re-employment, especially those who have not flexibly-retired. This has been widely recognised by most other local authorities who have now discontinued the practice of applying abatement in all cases. In London only five authorities are known to continue some form of abatement, of which only one (Lewisham) has the same wide-ranging policy as H&F.
10. For these reasons the immediate cessation of the H&F abatement policy will bring the council into line with most other London local authorities and will eliminate all current discrepancies in the treatment of pensioners who may be re-employed following their retirement. It will also mean that any pensions currently in payment will no longer be abated from 1 July 2020, although there will be no refund of abated pension contributions prior to this date.
11. Abolishing abatement would require a simple change in the H&F Discretionary Policy so that section 6.4 of the policy would read as follows:

### “Administering Authority policy

From 1 July 2020 the administering authority will not abate any pension payments under Regulations 70 and 71 of the Local Government Pension Scheme (Administration) Regulations 2008 where a pensioner is re-employed by an employer who contributes to the LGPS, whether or not the pensioner chooses to recommence contributions to the LGPS. Pension benefits abated prior to 1 July 2020 will not be refunded to the scheme member because the administering authority’s policy was to abate pensions prior to this date.”

## **FINANCIAL IMPLICATIONS**

12. There are no financial implications for H&F's general fund because it does not affect the staff costs of any re-employed pensioner.
13. There is a cost to the H&F pension fund in that the small number of abated pensions in payment will no longer be abated from 1/7/2020 if the proposal is approved. For the four known people whose pension is abated, the estimated increased pension costs are under £50,000 a year. The longer-term impact depends on the number of LBHF pensioners with pre-2014 service who are re-employed, however the impact is expected to be insignificant compared to the total liabilities of the fund.