

Non-Executive Report of the:  <b>Pensions Committee</b>  22 September 2020	
<b>Report of</b> Neville Murton, Corporate Director Resources	<b>Classification:</b> Unrestricted
<b>Extension of Voluntary Scheme Pays Discretions Policy</b>	

<b>Originating Officer(s)</b>	Miriam Adams, Interim Pensions & Investment Manager
<b>Wards affected</b>	All wards

## Summary

The Committee agreed to adopt the Voluntary Scheme Pays policy on an interim basis for a period of 6 months. This paper provides the Committee with update on the Annual Allowance position and requests that the Committee adopt the policy on an ongoing basis.

## Recommendations

The Pensions Committee is recommended to:

- Note the contents of this report; and
- Adopt the Voluntary Scheme Pays policy (Appendix A) initially agreed in November 2019 as interim policy for 6 months as the Fund's published discretionary policy statement and subsequently ask officers to include this within the Fund's published discretionary policy statement.

## 1. Background

1.1. The explanation of the how the Annual Allowance (and the tapered allowance) operates, its implications for staff and the Pension Fund was set out in the November report to Committee. The report noted that the key reason for many managers now being affected by this regulation is due to them either receiving a significant pay increase due to job promotion in year or above inflation salary increases and in some cases a combination of both alongside long service.

1.2. The 2018/19 exercise resulted in the review of over 35 cases with some cases taking a lot longer to resolved than others due to the complex nature of interfund transfers involved. The 2019/20 exercise is currently underway. The Fund is currently on target to meet its 6 October deadline by which Annual

Allowance Statement is required to be issued to scheme members who require it.

- 1.3. Following the reported administrative oversight of the Council's Pensions Administrative service reported in November 2019, officers commissioned Hymans Robertson to also review 2017/18 Annual Allowance cases. Over 35 cases were reviewed.
- 1.4. The Committee agreed to adopt the policy on an interim basis for 6 months and asked officers to report back to Committee with an update. The Annual Allowance exercise did bring out the fact not all scheme members requiring the policy were in the top 1% high earners.

## **2. COMMENTS OF THE CHIEF FINANCE OFFICER**

- 2.1. As this report is mainly finance in nature, finance comments are included throughout the report and in the attached paper.
- 2.2. Any costs incurred in relation to this matter, including the review by Hymans Robertson will be chargeable to the Pension Fund and not the Council.

## **3. LEGAL COMMENTS**

- 3.1 The Administering Authority is by law required to provide Fund members affected by the Annual Allowance with a pensions savings statement to enable them to consider any liability they may have to pay the pension annual allowance tax charge. Administering Authorities have the option to agree to pay a member's full tax charge on a voluntary basis. In order to do this, the Authority must consider its policy in relation to voluntary scheme pays elections since such payments will be discretionary rather than mandatory. Appendix A of this report sets out the interim policy for the Committee's consideration.
- 3.2. When considering whether to adopt the proposed Voluntary Scheme Pays Policy on a permanent basis, the Committee must have due regard to the Council's public sector equality duty to eliminate unlawful conduct, advance equality of opportunity and the need to foster good relations between persons who share a protected characteristic and those who do not.

## **4. ONE TOWER HAMLETS CONSIDERATIONS**

- 4.1. Members of the Council's staff could be adversely affected by the circumstances outlined in this report, a timely response and consequent revision to the discretionary policy of the fund, would be acting in the staff's, and the fund's, best interests and would be consistent with being a good

employer.

## **5. BEST VALUE (BV) IMPLICATIONS**

5.1. The Pension Fund accounts demonstrate the financial stewardship of the scheme members and employers' assets.

## **6. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT**

6.1. There is no Sustainable Action for a Greener Environment implication arising from this report.

## **7. RISK MANAGEMENT IMPLICATIONS**

7.1. Insufficient response by the Fund following the discovery of this oversight could have reputational implications for both the Fund and the Council, hence the need to act swiftly. Improvement, and monitoring of this improvement, will take place through the Pensions Board.

## **8. CRIME AND DISORDER REDUCTION IMPLICATIONS**

8.1. There are no crime and disorder reduction implications arising from this report.

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## **Linked Reports, Appendices and Background Documents**

### **Linked Report**

- Annual Allowance report to Pensions Committee – November 2019

### **Appendices**

**Appendix A – Voluntary Scheme Pays Discretions Policy**

### **Local Government Act, 1972 Section 100D (As amended)**

### **List of “Background Papers” used in the preparation of this report**

- Annual Allowance report to Pensions Committee – November 2019

### **Officer contact details for documents:**

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