

HERTFORDSHIRE COUNTY COUNCIL

**CABINET
MONDAY 23 APRIL 2001 AT 10.00 AM**

**EXECUTIVE COMMITTEE
MONDAY 23 APRIL 2001 AT 2.15 PM**

Agenda Item No:

7

LOCAL GOVERNMENT PENSION COMMITTEE QUESTIONNAIRE

Report of the Finance Director

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1. Purpose of the Report

To seek members' views on proposals by the Local Government Pension Committee (LGPC) to extend eligibility for death benefits

2. Summary

Under the current Regulations, on the death of a scheme member, dependants' pensions other than the lump sum death grant are payable only to the member's spouse or dependent children.

The LGPC is seeking employers' views on extending eligibility for dependants' pensions to be paid to the following on the death of a non-married employee:-

- a) a partner who is either dependent due to disability or who is financial interdependent at the date of the member's death;
- b) a parent or sibling who is either dependent due to disability or who is financially dependent upon the member at the date of the member's death.

The actuarial firm Watson Wyatt Partners has evaluated the cost of these proposals.

Based on these costings the LGPC have calculated an additional cost of 0.24% of pensionable payroll, of which 0.11% is permanent and 0.13% required over

the lifetime of current active members. For HCC this equates to approximately £300k per annum.

Actuarial advice is that this would not result in an increase in employer contribution rates due to changes in social trends resulting in lower levels of widow(er)s' pension (see Annex C, paras 10 and 11). This would mean, however, that potential savings would not be available to assist with improving the Council's current pension fund deficit.

However, the LGPS will need to be reviewed at some stage in response to the European Employment Framework coming into effect in December 2003 which prohibits direct or indirect discrimination against workers on the grounds of sexual orientation.

The LGPC have requested responses to the questionnaire by 30 April 2001. In view of this deadline the views of the appropriate Select Committee Spokesmen have been invited.

3. Conclusion

The Cabinet is invited to propose to the Executive Committee a response to be sent to the LGPC by 30 April 2001.

1. Background

- 1.1 Under current Local Government Pension Scheme (LGPS) Regulations only a legally-married spouse and dependent children are eligible for ongoing pensions on the death of a scheme member, although members can nominate anyone they chose to receive the lump sum death grant which is payable if death occurs either in service or within 5 years of retirement.
- 1.2 Changes in social trends, coupled with Equal Opportunities and Human Rights Legislation, led the Employers' Organisation to review potential changes to the LGPS to broaden the eligibility criteria.
- 1.3 Both national Employment Tribunal case law and European legislation is developing to provide equal rights for dependants and partners regardless of gender or marital status. The European Employment Framework Directive, which comes into effect in December 2003, will prohibit direct or indirect discrimination against workers on the grounds of sexual orientation. The LGPS will need to be reviewed at some stage in the light of these requirements.

2. LGPC Proposals

- 2.1 The LGPC of the Employers' Organisation commissioned a report from Watson Wyatt on the potential cost of extending these benefits to other groups of dependants for non-married members. This report is attached at Annex B.
- 2.2 The proposed changes are to allow non-married employees in the LGPS to nominate the following to receive pension benefits on the death of the member:
 - a) a partner who is either dependent due to disability or who is financially interdependent at the date of the member's death;
 - b) a parent or sibling who is either dependent due to disability or who is financially dependent upon the member at the date of the member's death.
- 2.3 On receipt of Watson's report, the LGPC set up a working party to prepare detailed recommendations on how changes could be implemented. Their report, which is attached at Annex C, also sets out the conditions which would apply when assessing eligibility under amended rules.
- 2.4 The LGPC have concluded, based on Watson's report, that the changes could be introduced without a consequential increase in the employers' contribution rate, but making these changes would mean that potential future savings from reducing levels of widow(er)s' pensions will not be realised.
- 2.5 Members views are sought on how the County Council should respond to the LGPC questionnaire attached at Annex A.

3. **Financial Implications**

The LGPC have stated that implementation of the proposed changes should not result in an increase in the employers' contribution, although it is unlikely that the timing of anticipated savings would coincide exactly with the additional liabilities arising from the changes.

In addition, potential savings from anticipated lower levels of widow(er)s; pensions of 0.24% of pensionable payroll per annum (£300k) would no longer be available to contribute to the existing pension fund deficit.