

**CYNGOR SIR POWYS COUNTY COUNCIL.**

**Pensions and Investment Committee  
27<sup>th</sup> September 2010**

**REPORT BY:** Strategic Director, Finance & Infrastructure

**SUBJECT:** Conversion of Compensatory Added Years to LGPS Membership

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**REPORT FOR:** Decision

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1 **Introduction**

- 1.1 Members may recall my information paper (LGPS Amendments etc) brought to Committee on 25<sup>th</sup> February 2010 which set out the details contained in the Local Government Pension Scheme (Miscellaneous) Regulations 2009 [SI. 2009 No. 3150].
- 1.2 This paper follows up the earlier report in relation to new regulation 12B of the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007.

2. **New Regulation 12B**

- 2.1 New regulation 12B permits employing authorities to resolve, before 31 March 2012, to convert periods of Compensatory Added Years, annual compensation or annuities awarded under Discretionary Compensation Regulations, into LGPS membership.
- 2.2 In practice, passing such a resolution turns the annual compensation paid to recipients of compensatory added years from discretionary compensation payments to bona fide non-discretionary LGPS pensions.

3. **Compensatory Added Years**

- 3.1 Until March 2006 the County Council (and its predecessors) awarded compensatory added years where employees aged over 50 were made redundant. Over the years, these liabilities have been funded in a number of ways but the bulk of them are paid out of the Pension Fund with funding via revenue by an addition to the Council's employer pension contribution rate of 1.2% of total pensionable pay.

The liabilities for these payments are set out in the table below:

<b>Organisation</b>	<b>No. of Recipients</b>	<b>Annual Liability @ 31.03.2010</b>
(old) Powys County Council	240	434,816
Brecknock BC	26	43,202
Montgomeryshire DC	63	123,841
Radnorshire DC	14	36,442
Powys County Council	96	123,532
<b>Totals</b>	<b>439</b>	<b>761,833</b>

#### 4. **The Argument for Conversion**

- 4.1 The impetus for conversion is two-fold. Firstly, there are long term administrative advantages to having these benefits paid from the Fund and there will be no need for separate disclosure of these unfunded benefits under FRS17. Secondly, it removes the possibility of the Council incurring tax charges for making unauthorised payments out of the Pension Fund.
- 4.2 In addition, the Committee should note that conversion is effectively increasing the Fund deficit. However, if the increased deficit is paid over the usual long recovery period there is the possibility that the additional payments to be paid to the Pension Fund will initially be smaller than the current compensation payments made to the pensioners. This clearly increases the risk to the Council but has short term cashflow advantages.
- 4.3 Converting compensatory added years to LGPS membership at this time will enable the actuary to include these liabilities in the valuation calculations.

#### 5. **Recommendation**

- 5.1 It is recommended that Committee adopt the following resolution:

“It is resolved that with effect from 1<sup>st</sup> April 2011, Powys County Council converts all its compensatory added years liabilities to LGPS liabilities, under the powers provided by Regulation 12B of the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (as amended). It is noted that such action will not affect the amounts paid to recipients.”

<b>Recommendation:</b>	<b>Reason for Recommendation:</b>
To resolve that with effect from 1 <sup>st</sup> April 2011, Powys County Council converts all its compensatory added years liabilities to LGPS	As set out in paragraph 4

liabilities, under the powers provided by Regulation 12B of the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (as amended).	
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<b>Person(s) To Action Decision:</b>	Joe Rollin
<b>Date By When Decision To Be Actioned:</b>	31 <sup>st</sup> March 2011

<b>Relevant Policy (ies):</b>	N/A		
<b>Within Policy:</b>	N/A	<b>Within Budget:</b>	N/A

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<b>Relevant Portfolio Member(s):</b>	Councillor Gwilym Vaughan
<b>Relevant Local Member(s):</b>	