

PENSIONS COMMITTEE – 14 FEBRUARY 2006

LOCAL GOVERNMENT PENSION SCHEME INTERNAL DISPUTE RESOLUTION PROCEDURE

SUMMARY

This report considers proposals for a revised procedure to resolve disputes under the Local Government Pension Scheme Internal Disputes Resolution Procedure.

RECOMMENDATIONS that

- (1) the revised internal dispute resolution procedure is agreed
- (2) the Director of Finance and Business Services be authorised to negotiate and enter into any necessary agreements with both the LPFA and Mercers for the provision by them of the services described in this report
- (3) delegated powers be given to a panel of two officers being the Assistant Director (Legal Services) and Assistant Director (Audit, Technical and Exchequer) with either individually empowered to make Stage 2 decisions, taking independent advice where necessary
- (4) the Director of Finance and Business Services appoint, on an ad hoc basis, a further member of the panel who is likewise authorised to deal with Stage 2 appeals should both permanent panel members be unavailable to consider a case.

1. Introduction

Disputes on pensions issues can arise for a number of reasons. For example:-

- entitlement to entry into the pension scheme is disputed
- the calculation of pensionable pay as the basis of contributions is disputed, or
- the calculation of benefits on retirement is disputed.

The Local Government Pension Scheme (Amendment) Regulations 2004 introduced changes to the way in which the Internal Disputes Resolution Procedure (IDRP) should operate. This report proposes new procedures for Bexley consistent with this legislation.

2. Current Procedure and Changes Required

The current disputes procedure, which has been operating from 1997, is a two stage process. Disputes raised by members of the Scheme are considered by one of two nominated individuals employed by the Council's actuary, Mercers

(the “appointed persons”). Where their ruling fails to resolve the dispute, a second stage appeal may be made to the Office of the Deputy Prime Minister (ODPM).

The new regulations remove the ODPM from the disputes procedure, but retain the two stages, as follows:-

- The stage 1 appeal is to be determined by a “person specified” by the employing body that took the decision in dispute
- Where the appellant is dissatisfied with this decision a stage 2 appeal is to be determined by the Council (as administering body).

3. Proposed Revised Procedures

As the Council is both a Scheme employer and administering authority revised procedures are required for both Stage 1 and 2 disputes to ensure there is no conflict of interest. It is proposed that:-

1. The LPFA be appointed to act as “specified person/body” for Stage 1 decisions for the Council. They currently provide the Council’s day to day pensions administration and are fully aware of the details of the relevant legislation. They also undertake this task for a number of other employers.
2. Authority to make Stage 2 decisions be delegated to one of a panel of two officers. The panel of two would provide resilience, as it would be improper for an officer to make a decision in a case where they had previous involvement or a personal interest. It would also assist in bringing transparency to the process. It is suggested that the panel of two officers consists of the Assistant Director (Legal Services) and Assistant Director (Audit, Technical and Exchequer). Furthermore it is proposed that either officer should be able to call upon further advice, but not a decision, from the Council’s actuary, and in exceptional circumstances from specialist Counsel.

4. Summary of Financial Implications

The number of IDRPs cases to date has been very small as disagreements wherever possible are resolved without recourse to the formal IDRPs process. There have been five cases since 1997 all of which were completed without recourse to the second stage process. Given the number of cases over the last eight years it is not envisaged that either LPFA or the panel would be inundated with cases to rule upon.

The LPFA, Mercers and Counsel would charge for their time spent on an hourly basis, and these costs would be met from the Pension Fund.

5. Summary of Other Implications

In undertaking the roles in both stages 1 and 2 of this procedure proper and full regard will need to be had to the rules of the Scheme.

Local Government Act 1972 – section 100d

List of background documents

Local Government Pensions Committee – Circular 156

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