Gloucestershire
COUNTY COUNCIL

REPORT TITLE: Policy Review

Meeting:	Pension Committee
Date:	29 February 2024
Item Type:	For Decision
Purpose of Report:	In accordance with the ongoing review and update of the Fund's Governance arrangements, this report provides the opportunity for the Pensions Committee to consider and approve proposed updates to the following specific policies:- • Cash Management Strategy • Administering Authority Discretions Policy
Recommendations or Actions Sought:	That the Committee approves the following policies: - • Cash Management Strategy • Administering Authority Discretions Policy
Background Documents:	
Appendices:	Appendix 1 – Cash Management Strategy 2024-25 Appendix 2 – Administering Authority Discretions Policy
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Introduction
The Fund recognises the importance of having robust governance arrangements in place to facilitate informed decision making, supported by appropriate advice, policies and strategies.

It is therefore essential that the Fund's strategies and policies are regularly reviewed and updated to ensure that the Fund continues to comply with regulatory requirements and industry best practices. In accordance with the ongoing review and update of the Fund's Governance arrangements, this report provides the opportunity for the Pensions Committee to consider and approve proposed updates to the following specific policies:-

Cash Management Strategy
The Fund maintains a balance of cash arising from the receipt of employer and employee contributions, income received back from the Fund's investments, and capital distributions from the Fund's private market commitments. This cash balance is used to pay member benefits, private market capital calls, and other outgoings.

Regulations state that the administering authority must formulate an investment strategy to govern how the Pension Fund invests money that is not needed immediately to make payments from the Fund.

The main purpose of this strategy is to provide a framework that ensures that the Pension Fund has an effective process in managing its cash balances and that these are maintained at the appropriate levels to meet future financial obligations and commitments both for the payment of pension benefits and external investments. The cash management strategy for 2023/24 was approved by the Pensions Committee in June 2023. This policy has again been reviewed, but no amendments to the policy are deemed appropriate at the current time, however, annual consideration and approval of Committee of this policy is required.

The 2024/25 Strategy is detailed within appendix 1 of this report.

Administering Authority Discretions Policy
In most cases, the LGPS Regulations stipulate how the pension scheme should be administered, including all major features of the Scheme, however in some areas of the Regulations, the Regulations specifically gives the Administering Authority discretion over certain decisions. Best practice dictates that the Fund's approach to these discretions should be set out in a policy, to enable transparency to the Fund's decision-making process.

Officers propose making one change to the current policy in relation to 'small pension pots'. These are pensions whereby the member has only built-up benefits which have a total value of less than £10,000 (i.e. if they lived for 20 years from the date of receiving the pension, this would equate to a maximum pension of £500 per year). The rules defining a small pension pot are defined by HMRC and are quite specific.

Previously the Fund's policy stated we will only allow members to take these benefits as an annual pension while the proposal is to allow members, as an alternative, to take the benefits as a single, one-off lump sum instead (leaving the Fund with no further liability). The Fund's intention is to present this alternative approach to members as an option, so they choose to either take a single lump sum or the annual pension. The amended item can be found within item 52, page 11 of Appendix 2 accordingly.

As some points of context, the methodology for working out the conversion is determined by the Government's Actuary Department (GAD), rather than locally, under the premise that the benefits payments will be cost neutral to the Fund (however whether an individual member 'gains' or not over their lifetime depends on how long they live for). The Fund wishes to make this change to existing pensioners (i.e. commuting their remaining pension) and to offer the option to new pensioners. For existing pensioners, the default option (i.e. if there is no response) will be to continue paying the monthly pension.

As well as giving member's more flexibility, the advantage to the Fund of making this change is that it can avoid various aspects of administration which are the same regardless of the size of the pension (for example sending out payslips/P60s, applying annual increases, death benefits administration etc).

Officers estimate that there are about existing 330 pensioners who would meet criteria to be contacted now, with an average annual pension of £160 per year (and 85 pensions of under £5 per month).