

HAMPSHIRE COUNTY COUNCIL**Information Report**

Panel:	Pension Fund
Date:	20 December 2013
Title:	Dependant's benefits
Reference:	5483
Report From:	Nick Weaver – Head of Pensions Services

Contact name: Nick Weaver

Tel: 01962 847584

Email: nick.weaver@hants.gov.uk

1. Summary

1.1. The purpose of this paper is to

- outline the benefits payable to dependants under LGPS regulations
- provide a plan for improving scheme member awareness of dependant benefits.

2. Background

2.1. At 31 March 2013, the Fund was paying dependant pensions to 4,678 members. Of these, 319 were paid to eligible children.

2.2. Pensions Services have received a number of queries as to the calculation of dependant's benefits, ranging from informal enquiries from existing scheme members, through to a complaint from a dependant, which is currently being considered through the Internal Dispute Resolution Procedure.

2.3. The payment of dependant's benefits always comes at a distressing time for the individual, and if the amount of pension paid is not in line with expectations then clearly this can easily cause further distress.

2.4. The LGPS regulations are time bound, as scheme changes usually apply from the date of introduction and are rarely backdated for existing members. This adds a layer of complexity which can cause confusion, as well as significant differences in benefits due to different scheme members.

2.5. In order to communicate with scheme members, attempts are often made to simplify the regulations such that they can be more easily understood. However, in the context of dependant's benefits, it is this simplification which has actually resulted in the queries and a complaint currently being considered.

2.6. The general perception of members is that a spouse will receive three month's pension paid at the same rate that the member was receiving, and then a pension for life paid at half the amount.

2.7. However, the entitlement for spouses' pensions depends on:

- the date the member stopped paying contributions
- whether or not the member took immediate payment of their pension after leaving employment
- the scheme member's marital status at the date of leaving.

It is further complicated by whether the spouse is the same sex, a civil partner or is a nominated co-habiting partner.

2.8. When individual benefits are calculated and put into payment, the amounts payable can be less than the general perception which can cause distress.

2.9. The remainder of this report sets out the entitlements to dependant's benefits in more detail, and considers ways in which Pensions Services can improve awareness of entitlements for scheme members.

3. Entitlements

3.1. Dependant benefits are payable to widows, widowers, civil partners and nominated co-habiting partners, as well as eligible children.

3.2. The benefits payable to spouses depend on the date the scheme member stopped paying contributions and became either a deferred or pensioner member. Some of the key dates at which the regulations changed, affecting the amount payable, are:

- 1 April 1972 – short term pension for widow's introduced
- 6 April 1978 - pension for widow's who married after the member left
- 6 April 1988 – introduction of widower's pensions
- 5 Dec 2005 – introduction of pensions for civil partners
(effectively backdated to 6 April 1988)
- 1 April 2008 – removal of short term spouse's pensions and introduction of pensions for nominated co-habiting partners

3.3. Spouses of members who left before 31 March 2008 are only eligible for a short term pension if the member started receiving their pension immediately after leaving employment (rather than becoming a deferred member).

3.4. If a member married after leaving employment (known as a post retirement marriage), their widow is only entitled to a pension based on their service after 1 April 1978 (or 1 April 1988 for a widower). This can mean that the spouse of a post retirement marriage receives significantly less than if they had married before the member left employment.

3.5. The amount paid also depends on the way in which inflationary increases are applied, which can be affected by the state pension. This can result in the spouse receiving less than half the amount paid to the scheme member. This

affects those who were members of the scheme before 6 April 1997 and who left after 1 July 1990.

- 3.6. Pensions for nominated co-habiting partners were introduced on 1 April 2008. Anyone who left before then cannot nominate a partner to receive a pension. Pensions for spouses in same sex marriages will be introduced in the 2014 LGPS, but currently are not payable.
- 3.7. Pensions are also payable to eligible children. The definition of eligible is broadly those under 18, or under 23 and in full time education, or who are disabled. The amount of a child's pension is determined by the number of eligible children, as well as whether there is a spouse's pension payable.

4. Communication

- 4.1. Scheme members are provided with information relating to dependant benefits with their retirement letter. While the quality of the information produced by Pensions Services has improved over time, a review of pensioner records shows that before 1 January 1995, a member's retirement information would be based on their marital status at the time of leaving. This meant that a widow's pension was shown for members who were married at retirement, and no information was shown for those who were not. Clearly by the time of their death, a member's marital status may have changed.
- 4.2. Since 1 January 1995, explanatory notes have been enclosed with all retirement letters, providing greater information about dependant benefits. However, from the queries received by Pensions, it is clear that not many members understand the regulations relating to dependant benefits.
- 4.3. A pensioner newsletter is sent to all pensioners and dependants in March each year. This contains information about payment dates for the coming year, as well as updates and reminders which are relevant to pensioners. The Pensions website also contains information about dependant's benefits and has recently been improved to provide greater detail.
- 4.4. Following a query raised with the Pensioner Representative in September, it is planned to include an article on dependant benefits in the March 2014 newsletter. This article needs to be clear and simple whilst retaining the right level of detail to ensure that the information is not over simplified. Care needs to be taken that the article does not cause undue concern, or generate an overwhelming level of queries.
- 4.5. Information on the website will also be expanded to cover dependant's benefits in more detail. Similarly, the explanatory notes provided to scheme members on retirement will be reviewed to ensure they fully cover the impact of any changes to personal circumstances after retirement.

5. Conclusions

- 5.1. LGPS regulations are complex and many members only hold a high level understanding of their implications for them as individuals. This has led to some members planning on the basis of incorrect assumptions about the level of benefits which will be paid to their dependants. This can lead to

complaints when the correct benefits are confirmed to the member or paid to the dependant.

5.2. The following actions will be taken with the aim of improving the understanding of dependant's benefits:

- an article will be written for the March 2014 pensioner newsletter detailing the benefits payable to dependants
- the Pensions Services webpages will be reviewed to ensure that the information provided is clear and easy for members to find and understand
- explanatory notes provided to scheme members on retirement will be reviewed to ensure they fully cover the impact of any changes to personal circumstances after retirement.

6. Recommendations

6.1. It is recommended that:

- the Panel note the plan for improving member awareness of dependant benefits under the LGPS regulations.

CORPORATE OR LEGAL INFORMATION:

Links to the Corporate Strategy

Hampshire safer and more secure for all:	yes/no
Corporate Improvement plan link number (if appropriate):	
Maximising well-being:	yes/no
Corporate Improvement plan link number (if appropriate):	
Enhancing our quality of place:	yes/no
Corporate Improvement plan link number (if appropriate):	

Section 100 D - Local Government Act 1972 - background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

DocumentLocation

None

IMPACT ASSESSMENTS:

1. Equalities Impact Assessment:

1.1. Equality objectives are not considered to be adversely affected by the proposals in this report.

2. Impact on Crime and Disorder:

2.1. The proposals in this report are not considered to have any direct impact on the prevention of crime.

3. Climate Change:

a) How does what is being proposed impact on our carbon footprint / energy consumption?

No specific impact

b) How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?

No specific impact