

## PENSION FUND COMMITTEE – 19 MARCH 2010

### COMPENSATION PAYMENTS

Report by Assistant Chief Executive & Chief Finance Officer

1. At the December 2009 meeting, this Committee delegated responsibility for the determination of compensation payments in cases of complaint under the Internal Disputes Resolution Procedure to the Assistant Head of Shared Services. The Committee asked the Assistant Head of Shared Services to provide information back to the Committee on each case of compensation agreed. This report sets out the details of the one case determined since the last Committee meeting.
2. In January 2010, the Assistant Head of Shared Services determined an IDRP complaint brought by Mr H. The nature of the complaint was that Pension Services had applied a 40% tax charge on Mr H's retirement grant, reducing the payment received by Mr H by £2,360.29. Mr H felt that he had suffered the tax charge as a result of any clear guidance from the County Council, his employer before his retirement.
3. The Assistant Head of Shared Services determined that the tax charge was properly made, as the payment of Mr H's retirement grant was made after his 75<sup>th</sup> birthday. This made the payment an unauthorised payment under the tax regulations, and therefore subject to the tax charge, payable by the recipient of the grant. However the Assistant Head of Shared Services agreed with Mr H. that the situation was not one for which he could reasonably be held accountable, as the County Council had not provided any clear advice to employees around the requirements to start payment of their pension before their 75<sup>th</sup> birthday, and nor had the Council put in place any monitoring arrangements to identify employees approaching their 75<sup>th</sup> birthday to ensure the process for withdrawal from the scheme, and the payment of the pension could be completed before the 75<sup>th</sup> birthday. The Assistant Head of Shared Services further determined that the advice to all employers from Pension Services should have been more explicit in setting out the tax implications for individuals in respect of pensions not brought into payment before a member's 75<sup>th</sup> birthday.
4. The Assistant Head of Shared Services therefore awarded Mr H. compensation of £2,360.29, equal to his tax bill, to restore his financial position to that which would have been the case if the payment had been made on a timely basis. The payment of the compensation was split 50:50 between the Council as employer, and Pension Services.

5. Pension Services have re-issued advice to employers including more explicit information on the tax implications of late payment of pensions, and both Pension Services and the County Council have introduced new practices to prevent future re-occurrences of this issue. It should be noted though that these new checks have identified a small number of potentially similar cases (c6), and future IDRPs complaints and compensation payments may follow.

## **RECOMMENDATION**

6. **The Committee is RECOMMENDED to note the report.**

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Assistant Chief Executive & Chief Finance Officer

Background papers: Nil

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