

## CLWYD PENSION FUND COMMITTEE

<b>Date of Meeting</b>	Tuesday, 22 March 2016
<b>Report Subject</b>	LGPS Current Issues
<b>Report Author</b>	Chief Executive

### EXECUTIVE SUMMARY

The purpose of the report is to provide an update on the key issues affecting the LGPS as at February 2016 and makes recommendations for Members to review the following:

- The large number of current issues ongoing for the Fund as per Appendix 1
- The Chancellor delivers his Budget on 16<sup>th</sup> March 2016 and a verbal update will be provided at the meeting
- The implementation of the new State Pension will have implications for costs for employers through increased National Insurance and indexation of GMP pensions for certain members
- The GMP reconciliation exercise will require significant resource and cost to implement for the CPF

### RECOMMENDATIONS

1	It is recommended that all PFC members note this report and make themselves aware of the various current issues affecting the LGPS, some of which are significant to the operation of the CPF.
2	In particular, members are asked to note the recent developments with regard to the additional costs arising for the LGPS relating to the responsibility for paying pension increases on GMP benefits for members reaching State Pension Age between 6 April 2016 and 5 December 2018.
3	Members are also asked to note that a GMP reconciliation exercise has already begun in relation to the CPF.

## **REPORT DETAILS**

<b>1.00</b>	<b>LGPS Current Issues</b>
1.01	<p>The purpose of this report is to provide a general update to PFC Members on various current issues affecting the LGPS.</p> <p>Appendix 1 sets out a brief update on a number of significant specific issues, and also wider issues affecting the whole of the pensions industry.</p>
1.02	<p>At the time of preparing this report, the implications of the Chancellor's budget which he will deliver on 16 March 2016 are not yet known. A verbal update on any pension related issues will therefore be given to members at the PFC meeting.</p>
1.03	<p>One of the main areas covered in the report is with regard to State Pension reforms given there are number forthcoming changes ahead (and associated deadlines), including:</p> <ul style="list-style-type: none"><li>• The introduction of a flat-rate state pension,</li><li>• GMP reconciliation exercises</li><li>• The abolition of contracting-out and increase National Insurance Contributions</li><li>• LGPS will be required to fully inflation proof GMP benefits for members who reach State Pension Age between 6 April 2016 and 5 December 2018</li><li>• A review of the State Pension Age</li></ul>

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	<p>Some of the actions arising out of the issues identified will take significant input from Fund officers.</p>

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	<p>None directly as a result of this report but noting the consultation on exit payments for public sector workers.</p>

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	<p>Some key risks need to be considered. In particular the cost impact of the new State Pension reforms and the resource requirements to deal with the matters arising. This report also is also intended to support the Knowledge &amp; Understanding of the PFC and officers thereby reducing risk around decision making.</p>

<b>5.00</b>	<b>APPENDICES</b>
5.01	Appendix 1 – LGPS Current Issues

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	<p>LGPS Current Issues document, tabled at 23 September 2015 PFC meeting.</p> <p><b>Contact Officer:</b> Philip Latham, Clwyd Pension Fund Manager  <b>Telephone:</b> 01352 702264  <b>E-mail:</b> philip.latham@flintshire.gov.uk</p>

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	<p>(a) <b>CPF – Clwyd Pension Fund</b> – The Pension Fund managed by Flintshire County Council for local authority employees in the region and employees of other employers with links to local government in the region</p> <p>(b) <b>Administering authority or scheme manager</b> – Flintshire County Council is the administering authority and scheme manager for the Clwyd Pension Fund, which means it is responsible for the management and stewardship of the Fund.</p> <p>(c) <b>PFC – Clwyd Pension Fund Committee</b> - the Flintshire County Council committee responsible for the majority of decisions relating to the management of the Clwyd Pension Fund</p> <p>(d) <b>LPB or PB – Local Pension Board or Pension Board</b> – each LGPS Fund has an LPB. Their purpose is to assist the administering authority in ensuring compliance with the scheme regulations, TPR requirements and efficient and effective governance and administration of the Fund.</p> <p>(e) <b>LGPS – Local Government Pension Scheme</b> – the national scheme, which Clwyd Pension Fund is part of</p> <p>(f) <b>Actuarial Valuation</b> - The formal valuation assessment of the Fund detailing the solvency position and determine the contribution rates payable by the employers to fund the cost of benefits and make good any existing shortfalls as set out in the separate Funding Strategy Statement.</p> <p>(g) <b>GMP – Guaranteed Minimum Pension</b> – This is the minimum level of pension which occupational pension schemes in the UK have to provide for those employees who were contracted out of the State Earnings-Related Pension Scheme (SERPS) between 6 April 1978 and 5 April 1997.</p>

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|  | <p>(h) <b>CARE – Career Average Revalued Earnings</b> – With effect from 1 April 2014, benefits accrued by members in the LGPS take the form of CARE benefits. Every year members will accrue a pension benefit equivalent to 1/49<sup>th</sup> of their pensionable pay in that year. Each annual pension accrued receives inflationary increases (in line with the annual change in the Consumer Prices Index) over the period to retirement.</p> <p>(i) <b>Annual Allowance</b> – the annual allowance is a limit on the amount that individuals can contribute to their pension each year, while still receiving tax relief.</p> |
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