

CLWYD PENSION FUND COMMITTEE

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| Date of Meeting | 24 May 2016 |
| Report Subject | LGPS Current Issues |
| Report Author | Pension Administration Manager |

EXECUTIVE SUMMARY

The purpose of the report is to provide an update on the key issues affecting the LGPS as at May 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 update following the 2016 Budget in March
- The 2016 actuarial valuation process is now underway with initial strategy meetings taking place
- Code of practice update on incentive exercises, and the valuation presenting an opportune time to explore this
- An update on the LGPS Scheme Advisory Board and sub committees

RECOMMENDATIONS

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| 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 that the actuarial valuation is well underway with a formal update in a separate report. |

REPORT DETAILS

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| 1.00 | LGPS Current Issues |
| 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>Relating to the actuarial valuation, a number of initial strategy meetings have taken place already. Full details are contained in a separate report, but other related points to be aware of are:</p> <ul style="list-style-type: none">• Code of practice update on incentive exercises• New regulations relating to the Pension Flexibilities• State pension reforms |

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

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

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| 4.00 | RISK MANAGEMENT |
| 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 & Understanding of the PFC and officers thereby reducing risk around decision making.</p> |

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| 5.00 | APPENDICES |
| 5.01 | Appendix 1 – LGPS Current Issues - May 2016 edition |

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| 6.00 | LIST OF ACCESSIBLE BACKGROUND DOCUMENTS |
| 6.01 | <p>Earlier editions of the LGPS Current Issues document, tabled at previous PFC meetings.</p> <p>Contact Officer: Helen Burnham, Pension Administration Manager Telephone: 01352 702872 E-mail: helen.burnham@flintshire.gov.uk</p> |

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| 7.00 | GLOSSARY OF TERMS |
| 7.01 | <p>(a) CPF – Clwyd Pension Fund – 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) Administering authority or scheme manager – 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) PFC – Clwyd Pension Fund Committee - the Flintshire County Council committee responsible for the majority of decisions relating to the management of the Clwyd Pension Fund</p> <p>(d) LPB or PB – Local Pension Board or Pension Board – 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) LGPS – Local Government Pension Scheme – the national scheme, which Clwyd Pension Fund is part of</p> <p>(f) DCLG - Department for Communities and Local Government - Central Government department responsible for the LGPS</p> <p>(g) LGA - The Local Government Association - a politically-led, cross-party organisation that works on behalf of councils to ensure local government has a strong, credible voice with national government. Performs various Secretariat and support roles for the LGPS.</p> <p>(h) Actuarial Valuation - 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</p> |

any existing shortfalls as set out in the separate Funding Strategy Statement.

- (i) **GMP – Guaranteed Minimum Pension** – 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.
- (j) **CARE – Career Average Revalued Earnings** – 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 1/49th 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.
- (k) **Annual Allowance** – the annual allowance is a limit on the amount that individuals can contribute to their pension each year, while still receiving tax relief.
- (l) **Fair Deal** - guidance issued by the Government which applies to compulsory transfers of employment out of the public sector. Updated guidance was issued in October 2013, referred to as “New Fair Deal”, which amends some of the previous guidance.