

CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 20 September 2017
Report Subject	LGPS Current Issues
Report Author	Clwyd Pension Fund Manager

EXECUTIVE SUMMARY

The purpose of this report is to provide an update on the key issues affecting the LGPS as at September 2017 and makes recommendations for Members to review the update document found at Appendix 1 from Mercer covering many of the current ongoing issues, in particular:

- The latest news since the last Committee update in February including the landmark rulings on survivor's pensions, the section 13 data collection exercise, MIFID II and the possible removal of the public sector pay cap.
- Updates from the Scheme Advisory Board on tier 3 employers and the consultation on the Cross Pool Information Forum.
- Concerns from the Pensions Regulator on data security and discussion of their recently released publications which provides a taste of its new approach to regulation.
- Other developments on Regulations and Consultation including the Consultation on Indexation and Equalisation of GMPs and Pension Scams, and general updates on taxation issues, including Auto-Enrolment and Voluntary Scheme Pays.
- The results from a survey carried out by Mercer during the summer.

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: <ul style="list-style-type: none"> • the ruling on survivor pensions

	<ul style="list-style-type: none"> • the possible removal of the public sector pay cap • the MiFID II update on whether to opt-up • the consultation on the Cross Pool Information Forum • the consultation regarding GMPs <p>which may have a significant impact on the CPF and lead to further action in the future.</p>
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REPORT DETAILS

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>Key points to be aware of are:</p> <ul style="list-style-type: none"> • Following the Brewster ruling on survivor pensions by the Supreme Court, funds should be reviewing cases during the relevant period mentioned to ascertain whether any potential claims may arise as a result of the judgement. • The possible removal of the public sector pay cap which will impact on pensionable salaries and ultimately on the liabilities for the Fund (given an allowance for the current cap was made as part of the 2016 valuation). • the need to elect to opt-up to Professional investor status under MiFID II in order to access the full range of investment vehicles and managers • Cost Management - the GAD have been provided with the required section 13 data from the LGPS Funds and we await their findings in anticipation of potential action with effect from 1 April 2019. The calculations may lead to compensatory benefit or member contribution changes from this date. • The SAB has agreed in principle that an elected member led Cross Pool Information Forum be established to share and disseminate information on the pooling of LGPS assets and a consultation has been issued. The closing date is 29 September 2017. • The Pensions Regulator has again urged pension schemes to check their internal controls and the safety of scheme data in the wake of recent global ransomware attacks. If not already done so, Administering Authorities should, in conjunction with their legal advisers, begin reviewing current data protection processes and service provider contracts in order to be prepared for the changes.

2.00	RESOURCE IMPLICATIONS
2.01	<p>Some of the actions arising out of the issues identified will take significant input from Fund officers, including but not limited to responding enquiries regarding pension tax implications. Further consultation responses may</p>

	also be needed on the implementation of the New Fair Deal principles, Freedom and Choice for AVCs, Exit Cap and Recovery Regulations.
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3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	None directly as a result of this report but noting the developments in the highlighted areas.

4.00	RISK MANAGEMENT
4.01	This report addresses some of the risks identified in the Fund's Risk Register. Specifically, this covers the following (either in whole or in part): <ul style="list-style-type: none"> • Governance risks: G2 & G7.
4.02	Some key risks need to be considered. In particular the cost impact GMP consultation, outcomes of the Cost Management process, the findings of the Scheme Advisory Board for Tier 3 employers. Matters arising will need to be dealt with under the overall Governance objectives. This report also is intended to support the Knowledge & Understanding of the PFC and officers thereby reducing risk around decision making as per the Risk Register noted in 4.01.

5.00	APPENDICES
5.01	Appendix 1 – LGPS Current Issues - September 2017 edition

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	Earlier editions of the LGPS Current Issues document, tabled at previous PFC meetings. Contact Officer: Philip Latham, Clwyd Pension Fund Manager Telephone: 01352 702264 E-mail: philip.latham@flintshire.gov.uk

7.00	GLOSSARY OF TERMS
7.01	(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 (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.

- (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
- (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.
- (e) **GAD** - The Government Actuary's Department.
- (f) **LGPS – Local Government Pension Scheme** – the national scheme, which Clwyd Pension Fund is part of
- (g) **DCLG - Department for Communities and Local Government** - Central Government department responsible for the LGPS
- (h) **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.
- (i) **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 any existing shortfalls as set out in the separate Funding Strategy Statement.
- (j) **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.
- (k) **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.
- (l) **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.
- (m) **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.
- (n) **MiFID** - the EU Markets in Financial Instruments Directive (MiFID) introduced in 2007. MiFID II refers to the updates with the aim of

	improving the functioning of financial markets in light of the financial crisis and to strengthen investor protection.
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