

CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 5 th September 2018
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. This covers many of the current ongoing issues and the latest news since the last Committee update in June, in particular:

- A number of LGPS Funds will be selected for visits from TPR for them to assess data quality and seeking improvements in the data available.
- Deadlines are approaching for the communication of Pension Saving Statements in readiness for members to complete their HMRC Self-Assessments.
- A further update on recent mortality studies. Mercer will be performing a demographic analysis of the Clwyd Pension Fund's experience for consideration following on from the funding review in readiness for the 2019 valuation.
- The provisional findings of the Competitions and Markets Authority investigation into investment consultancy and fiduciary management markets.
- Confirmation of the tax treatment of Exit Credits in the Local Government Pension Scheme (Amendment) Regulations 2018.
- Reminders of the benefits of an active risk management framework – Members will be aware that the Clwyd Pension Fund is operating a very active framework via the flightpath strategy.
- The GAD's "Section 13" report is expected to be published in September.

RECOMMENDATIONS

1	It is recommended that all Committee 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 Fund.
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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 Committee 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">• Since the production of Mercer’s publication, it has been confirmed by TPR that only 10 LGPS Funds will be selected for visits for them to assess data quality and seeking improvements in the data available. There will be no pre-publicity or warning on this, so Funds are advised to look out for any communication from the Regulator.• The anticipated flurry of queries as deadlines approach for communication of Pension Saving Statements. This can be complicated for members and given HMRC Self-Assessment deadlines, Mercer are running information sessions throughout Q4 2018.• Some high level comments on recent mortality studies. Mercer will be performing a demographic analysis of the Clwyd Pension Fund’s experience for consideration alongside the actuarial valuation.• The provisional findings of the Competitions and Markets Authority investigation into investment consultancy and fiduciary management markets; including proposing an obligation for competitive tenders when moving to fiduciary management and greater disclosure requirements on firms relating to fees and performance.• Confirmation from HMRC of the tax position for any credits paid (a different approach has been confirmed when compared to private sector occupational DB schemes, where no tax charge would be payable).• The GAD’s “Section 13” report is expected to be published in September. Fund’s that are flagged under the report are currently having dialogue with GAD. The Clwyd Pension Fund is not one of these.

2.00	RESOURCE IMPLICATIONS
2.01	<p>Some of the actions arising out of the issues identified could mean significant changes to operational matters for the Fund. In particular, the review of and update to Fund policies will require some officer and advisor resource to ensure the Fund is well placed going forward. Also the next round of Pension Saving Statements could result in administration resources required to respond to queries arising.</p>

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	None directly as a result of this report.

4.00	RISK MANAGEMENT
4.01	<p>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):</p> <ul style="list-style-type: none"> • Governance risks: G2 & G7. • Funding and Investment risks: F1, F5

5.00	APPENDICES
5.01	Appendix 1 – LGPS Current Issues - August 2018 edition

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

7.00	GLOSSARY OF TERMS
7.01	<p>(a) The Fund – 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) The Committee – 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>

- (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 capital amount that individuals can contribute to their pension each year, while still receiving tax relief. The standard Annual Allowance is £40,000 in any year. For members who taxable earnings are over £110,000 they can fall into the Tapered Annual Allowance which falls between £10,000 and £40,000 depending on their level of earnings.
- (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) **Scheme Pays** – the option for a member to ask the Fund to pay any tax associated with breaching the Annual Allowance. The Mandatory Scheme Pays option applied where a members exceeds the statutory Annual Allowance limit of £40,000. The Voluntary Scheme Pays option applies when a member falls into Tapered Annual Allowance or their tax charge is less then £2,000. Voluntary Scheme Pays can be used at the discretion of the Administering Authority.

(o) **Section 114 Notice** – Refers to Section 114 of the Local Government Finance Act 1988. Once a council issues a notice under section 114 it is prohibited from entering into new agreements that incur expenditure and must strive to set a balanced budget.

(p) **TPR** – The Pensions Regulator - the UK regulator of workplace pension schemes. TPR is focussed on ensuring that employers put their staff into a pension schemes and pay money into it, together with making sure that workplace pension schemes are run properly so that people can save safely for their later years. TPR has a specific remit in the context of Public Service Pension Schemes as defined by the Public Service Pensions Act 2013 (see it's Code of Practice 14).