

CLWYD PENSION FUND COMMITTEE

Date of Meeting	27 September 2016
Report Subject	LGPS Current Issues
Report Author	Pensions Administration Manager

EXECUTIVE SUMMARY

The purpose of the report is to provide an update on the key issues affecting the LGPS as at September 2016 and makes recommendations for Members to review the update document as per Appendix 1 from Mercer covering many of the current ongoing issues, in particular:

- The 2016 actuarial valuation process is now underway with many whole fund and individual employer results now being communicated (see separate Pension Fund Committee Report).
- The GAD's "Dry Run" Section 13 valuations - also see separate comments in accompanying Report.
- Comments on the EU Referendum outcome from a "pensions perspective".
- An update on the Education Sector, eg area-based reviews and intervention strategy, in addition to a review of Insolvency arrangements.
- An update on New Fair Deal, and the Pensions and Lifetime Savings Association guidance for navigating entry to the Public Sector.
- HMRC online registration facility for individuals to access and register for the various Protections available.

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.
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2	In particular, members are asked to note that the actuarial valuation is well underway with a formal update in a separate report.
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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>Relating to the actuarial valuation, a number of meetings have taken place and preliminary results have been reported. Full details are contained in a separate report, but other related points to be aware of are:</p> <ul style="list-style-type: none"> • A pensions perspective update on “Brexit”. • An update on the Education Sector employers • HMRC online registration facilities for individuals potentially affected • An update to TPR’s DC guidance - Funds should be aware of this given linkage to Public Sector code and the AVC arrangements in place. • The recent consultation on off-payroll working in the Public Sector. More of a focus for employers, but the Fund Administrators may be asked about this.

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

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	None directly as a result of this report but noting the developments in the Education sector, HMRC online service, and off-payroll working in the Public Sector.

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.
4.02	Some key risks need to be considered. In particular the cost impact of the actuarial valuation and Brexit (see separate report) and also developments

	<p>in the education sector. Matters arising will need to be dealt with under the overall Governance objectives.</p> <p>This report also is also 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.</p>
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5.00	APPENDICES
5.01	Appendix 1 – LGPS Current Issues - September 2016 edition

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>

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>

- (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.
- (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 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.