

CORPORATE RESOURCES OVERVIEW AND SCRUTINY COMMITTEE

Date of Meeting	Thursday, 13 th February 2020
Report Subject	Pensions - The relationship between the County Council as an employer and the Clwyd Pension Fund
Cabinet Member	Cabinet Member for Finance
Report Author	Chief Executive and Corporate Finance Manager
Type of Report	Operational

EXECUTIVE SUMMARY

The purpose of the report is to provide an explanation of the relationship between the Clwyd Pension Fund and Flintshire County Council as an employer within the Fund, the types of financial contributions we make as an employer, and the outcomes of the triennial actuarial valuation of the Fund and the impacts on the Council.

RECOMMENDATIONS

1	Members are asked only to note the report.
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REPORT DETAILS

1.00	EXPLAINING THE RELATIONSHIP OF THE COUNCIL AND CLWYD PENSION FUND
1.01	Flintshire County Council is the Administering Authority responsible for maintaining and managing the Clwyd Pension Fund on behalf of its stakeholders - the scheme members and employers participating in the Fund. These responsibilities are primarily set out in Local Government Pension Scheme (LGPS) Regulations.
1.02	Flexibility is provided for each Administering Authority to determine their own governance arrangements. However the LGPS Regulations require each Administering Authority to prepare, publish and maintain a governance policy.
1.03	<p>The Council recognises the significance of its role as Administering Authority to the Clwyd Pension Fund on behalf of its stakeholders which include:</p> <ul style="list-style-type: none">▪ around 46,900 current and former members of the Fund, and their dependants▪ around 47 employers within the Flintshire, Denbighshire and Wrexham Council areas▪ the local taxpayers within those areas.
1.04	In May 2014, the Fund's governance arrangements were reviewed and the Council established a formal Pension Fund Committee, supported by a Pensions Advisory Panel. The Corporate Finance Manager is the Section 151 Officer and has a statutory responsibility for the proper financial affairs of Flintshire County Council which include Clwyd Pension Fund matters. In addition, the Council has delegated specific responsibilities to the Chief Executive.
1.05	The Pension Fund Committee's principal aim is to carry out the functions of Flintshire County Council as the Scheme Manager and Administering Authority for the Clwyd Pension Fund in accordance with LGPS legislation.
1.06	<p>Actuarial Valuation Process</p> <p>Pension Funds are required to be subjected to a triennial (three year) actuarial valuation which determines the funding level of the fund and sets the boundaries within which contributions of employing bodies in the Fund are to be paid over the coming three years.</p>
1.07	The LGPS Regulations provide the statutory framework under which the Administering Authority is required to prepare and publish a Funding Strategy Statement (FSS) alongside each actuarial valuation. The Fund Actuary must have regard to the FSS as part of the actuarial valuation process.

1.08	The proposed final Funding Strategy Statement in relation to the 2019 valuation is attached as Appendix 1 and is expected to be ratified by the Clwyd Pension Fund Committee on 11 February. The Actuary will then produce the final valuation report and implement the new contribution requirements from 1 April 2020.																
1.09	The Actuary will provide further details on the actuarial valuation process at the meeting.																
1.10	<p>TYPES OF EMPLOYER PENSION CONTRIBUTIONS</p> <p>The contributions comprise of two parts:</p> <ul style="list-style-type: none"> • Past service deficit (Contribution to eliminate historic deficit position) • Future service (Contribution to meet future pension benefits of scheme members) 																
1.11	Contribution rates for employees are paid on basic pay for employees who are members of the LGPS. Contribution rates for 2019/20 are 15.5% of pay for future service liabilities and 12.1% of pay for the contribution to the pension deficit – an additional cost to the council of 27.6% combined for all employee members of the scheme.																
1.12	<p>The historic pension deficit contribution is paid annually in advance (each April) to obtain a discount and then recouped from portfolio establishment budgets each month – an amount of £9.985m was paid in April for the 2019/20 financial year.</p> <p>Future year contributions total approximately £12m on a payroll bill of approximately £80m.</p>																
1.13	At the time of the 2016 Valuation the Flintshire part of the Fund was only 75% funded with assets of £483m and liabilities of £641m and an additional amount of £1.3m was built into the 2017/18 budget. The funding position has improved in the 2019 Valuation to 89.5% for the Council through a conscious strategy of investment. The Clwyd Pension Fund Manager will provide further background and insight into the improved performance at the meeting.																
1.14	<p>Impact of the Actuarial Valuation on the Council Budget</p> <p>The final employer contribution rates which have been agreed with the Actuary are set out below:</p> <table border="1" data-bbox="395 1760 1318 1951"> <thead> <tr> <th></th> <th>Current</th> <th>New</th> <th>Change</th> </tr> </thead> <tbody> <tr> <td>Future Service</td> <td>15.5%</td> <td>17.6%</td> <td>2.1%</td> </tr> <tr> <td>Deficit Contribution</td> <td>12.1%</td> <td>6.0%</td> <td>(6.1%)</td> </tr> <tr> <td>Total</td> <td>27.6%</td> <td>23.6%</td> <td>(4.0%)</td> </tr> </tbody> </table>		Current	New	Change	Future Service	15.5%	17.6%	2.1%	Deficit Contribution	12.1%	6.0%	(6.1%)	Total	27.6%	23.6%	(4.0%)
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1.15	<p>The improved performance of the fund has meant that the rates for the repayment of the deficit are able to drop from 12.1% to 6% with the amount to be paid in advance reducing to £4.881m from £9.985m. The agreed recovery period is 14 years.</p> <p>However, for future contributions the rate will need to increase by 2.1% (from 15.5% to 17.6%)</p> <p>Overall this means that the net contribution rates will reduce by 4% with the impact on the 2020/21 budget being a reduction of £1.959m for non-school based staff and £0.687m for school based staff - an overall reduction in costs of £2.646m.</p>
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2.00	RESOURCE IMPLICATIONS
2.01	As set out in the report

3.00	IMPACT ASSESSMENT AND RISK MANAGEMENT
3.01	As set out in the report

4.00	CONSULTATIONS REQUIRED/CARRIED OUT
4.01	Employing bodies are consulted on the outcome of the Actuarial Valuation

5.00	APPENDICES
5.01	Appendix 1 – Funding Strategy Statement

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	None

7.00	CONTACT OFFICER DETAILS
7.01	<p>Contact Officer: Gary Ferguson – Corporate Finance Manager Telephone: 01352 702271 E-mail: gary.ferguson@flintshire.gov.uk</p>

8.00

GLOSSARY OF TERMS

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

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.

Clwyd Pension Fund Committee - the Flintshire County Council committee responsible for the majority of decisions relating to the management of the Clwyd Pension Fund

LGPS – Local Government Pension Scheme – the national scheme, which Clwyd Pension Fund is part of

FSS – Funding Strategy Statement – the main document that outlines how we will manage employers contributions to the Fund

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.

Actuary - A professional advisor, specialising in financial risk, who is appointed by pension Funds to provide advice on financial related matters. In the LGPS, one of the Actuary’s primary responsibilities is the setting of contribution rates payable by all participating employers as part of the actuarial valuation exercise.