

FLINTSHIRE COUNTY COUNCIL

REPORT TO: FLINTSHIRE COUNTY COUNCIL

DATE: TUESDAY, 25 SEPTEMBER 2012

REPORT BY: HEAD OF FINANCE (TREASURER AND ADMINISTRATOR TO THE FUND)

SUBJECT: CLWYD PENSION FUND UPDATE

1.00 PURPOSE OF REPORT

1.01 To update Members on issues relating to the Clwyd Pension Fund ("the Fund").

2.00 BACKGROUND

- 2.01 As set out in previous reports to Council, the Clwyd Pension Fund is a defined benefit final salary scheme under which the benefits are specified in the governing legislation (the Local Government Pension Scheme Regulations). The required levels of employee contributions are also specified in the Regulations. Employer contributions are determined in accordance with the Regulations which require that an actuarial valuation is completed every 3 years.
- 2.02 The Fund is administered by Flintshire County Council on a "lead authority" basis. Flintshire County Council is a member of the Fund along with Wrexham County Borough Council, Denbighshire County Council and a range of other scheduled and admitted bodies.
- 2.03 Pension Fund matters are a Council rather than Executive function. Authority to manage the Clwyd Pension Fund is delegated to the Head of Finance who is Treasurer and Administrator to the Fund. The Clwyd Pension Fund Panel, made up of elected Members from Flintshire, Wrexham and Denbighshire, is an advisory body on pension fund issues. The Panel also has a Staff/Union Observer nominated by Trade Unions and is advised by an Independent Adviser/Consultant.
- 2.04 The Pension Fund Panel holds quarterly meetings, the minutes of which are available from the Contact Officer. The Council is updated twice a year and the previous update was to Special County Council on 21st February 2012. This report covers the items discussed at the 31st May 2012 Panel (an 'Officer Panel' due to the local elections) and 9th August 2012 which was the first meeting of the 'new' Panel.

The Panel members and substitutes following the local government elections in May are:-

Panel Member	Position/ Authority	Substitute
Cllr Alan Diskin	Chair	Cllr Ron Hampson
Cllr Hadyn Bateman	Vice Chair	Cllr Brian Dunn
Cllr Ted Evans	Flintshire CC	Cllr Brian Dunn
Cllr Huw Llewelyn Jones	Denbighshire CC	Cllr Julian Thompson - Hill
Cllr Steve Wilson	Wrexham CBC	Cllr Dana Davies

3.00 UPDATE

LGPS 2012

- 3.01 Following a review of public sector pension provision led by Lord Hutton, the Government, employers and unions have been involved in on-going negotiations on potential changes to Local Government Pension Scheme. The Local Government Association (LGA) released details of the 'new scheme' for consultation with the scheme membership and employers.
- 3.02 The Council participated in the consultation from both the point of view of an employer and an administering authority. Nationally both the membership and employers have been generally supportive of the 'new scheme' hence statutory consultation is expected this autumn with a commencement date for the 'new scheme' of 1st April 2014. The Clwyd Pension Fund Panel received a report on the 'new scheme' which included, the main proposals, the Fund's role in communication with its membership and the Council's reply to the consultation. This report is available in the background papers but the main proposals are shown in the table below.

CARE Scheme	Career Average Re-valued Earnings (CARE) Scheme
Accrual rate 1/49 th	The accrual rate is increased from the present final salary 1/60 th scheme
Pensionable pay used	Pay will now include non-contractual overtime and additional hours for part time staff
Contribution rates for part timers	Contribution rate will be based on actual pay rather than full time equivalent pay.
Vesting Period of 2 years	Vesting period is increased from 3 months to 2 years before a benefit is awarded.
Normal Pension Age (NPA)	Equal to the individual member's State Pension Age (minimum 65) which is now increasing in stages up to 68 from 2044
Contribution Flexibility (50/50)	Members can pay half rate contributions for half the pension accrual rate and retain full rate on all other benefits
Ill Health Benefits	Unchanged although applicable enhancements will be to the new Normal Pension Age (NPA)

- 3.03 There remains an outstanding work stream of LGPS 2014 which is considering cost management and governance, which is expected to report before the commencement of the statutory consultation.

AUTO-ENROLMENT

- 3.04 The last government introduced the Pensions Act 2008 to make it compulsory for employers to automatic enrol their employees into a pension scheme unless they opt out. The Department of Work and Pensions (DWP) has, since the 2008 Act, introduced a number of consultation documents on pensions reform together with the associated regulations introducing auto-enrolment with the latest being issued in April this year. The government has also introduced the National Employment Savings Trust (NEST) which is a default scheme available to those employers who are not able to offer a suitable pension scheme.
- 3.05 Employers will be required to comply with auto-enrolment which is being introduced in stages from October 2012 (starting with the largest employers) until April 2017 for the smaller employers. Every employer in the UK will be allocated a date known as the employer's 'staging date'. An employer's 'staging date' is based on the number of people in the employer's PAYE scheme on 1 April 2012. The largest employers in the Clwyd Pension Fund are the three unitary authorities and their staging dates will be 1st April 2013. Other bodies will be phased during 2013/14 and the smaller community councils/admitted bodies staging date will be April 2017.
- 3.06 Although, the LGA have emphasised that it is the employer's responsibility to have systems and processes in place to comply with the requirements of the Pensions Act 2008 and the related regulations, the Fund will continue to facilitate meetings and advice to employers on auto-enrolment. There are a number of software solutions available aimed at streamlining the interface of data between employer and the administering authority which will be considered.

WELSH PENSION FUND COLLABORATION

- 3.07 As previously reported, The Society of Welsh Treasurers (Pensions Sub-Group) has commissioned work to look at collaboration opportunities across the eight Funds in Wales. A Project Initiation Document (PID) for an All Wales Pensions Collaboration Project has been agreed. The project will produce an Outline Business Case (OBC) for the optimal number of LGPS funds in Wales and the most appropriate organisational structure. This will also include proposals for external collaboration, including joint procurement opportunities and other efficiency measures. The project features in the COMPACT on collaboration in Wales following the Simpson Review. Pension Officers from across the 8 Welsh Pension Funds are contributing to the Outline Business Case.

The Clwyd Fund is represented by the Head of Finance on the Project Board, and the Clwyd Pension Fund Manager is a member of the Project Team. Two other senior pension officers from the Council are contributing to the project through specific workstreams.

- 3.08 It was planned that an Outline Business Case report would be completed by October 2012, however due to the importance of some further advice being sought from an Actuary and legal advisor the extension of this timeline is currently being considered by the Project Board. The Clwyd Pension Fund Panel receives an update at each quarterly meeting. The report of the 9th August 2012, which is available in the background papers, included a project update and a plan for consultation on the findings of the report.

FINANCIAL UPDATE

- 3.09 As required by LGPS Investment Regulations, investments are monitored quarterly and performance reported in detail to each Clwyd Pension Fund Panel. The report of the 9th August 2012 highlighted a market value as at 30th June 2012 of £1.06bn (£1.04bn, as at 31st December 2011) and a funding level of 61% (59% as at December 2011). The Clwyd Pension Fund Panel received presentations from the four largest fund managers and investment performance statistics from all the fund managers. There are no changes planned to fund managers as a result of performance.
- 3.10 As a result of a number of future changes to the scheme and the continuing weak economic and market environment the Fund has asked the actuary to undertake a Funding Review. This will assist both the Fund with its strategic management ahead of the 2013 Actuarial Valuation and employers with their medium term financial planning. The results will be presented to all employers at the Annual Joint Consultative Meeting (AJCM) on 14th November 2012. The outcome of the 2013 Valuation will be implemented from April 2014.

OTHER INFORMATION

- 3.11 A number of other items have been reported to the Clwyd Pension Fund Panel for information or agreement:
- The Statement of Investment Principles 2012 (no substantial changes from the previous year). This will be published as per Regulation in the Fund's Annual Report in November 2012.
 - The appointment of Aberdeen Asset Management to a £7m Frontier Equity Markets mandate via an EU Procurement process.
 - The success of the Fund in two categories at the IPE Real Estate awards, Best Medium (Sized) Real Estate Investor and Best Portfolio Construction.
 - The draft statement of accounts.

- Implementation of a new pension administration software system.
- Details of the on-going communication service for employers and members.

MEDIUM TERM PLAN

3.12 In addition to the items already highlighted in this update the Medium Term Plan includes the following main items which the Pension Fund Panel and Council (via this six monthly report), will receive updates:

- Training for Members and officers in line with CIPFA Knowledge and Skills Code of Practice.
- The development of an Administration Strategy including service standards with members and employers.
- A review of the role and responsibilities of officers and consultants.
- A previously reported, implementing a 'flight-path' methodology to the funding strategy.
- An appointment to a global Agriculture mandate.

4.00 RECOMMENDATIONS

4.01 Members are asked to note the report.

5.00 FINANCIAL IMPLICATIONS

5.01 None directly as a result of this report.

6.00 ANTI POVERTY IMPACT

6.01 None directly as a result of this report.

7.00 ENVIRONMENTAL IMPACT

7.01 None directly as a result of this report.

8.00 EQUALITIES IMPACT

8.01 None directly as a result of this report.

9.00 PERSONNEL IMPLICATIONS

9.01 None directly as a result of this report.

10.00 CONSULTATION REQUIRED

10.00 None directly as a result of this report.

11.00 CONSULTATION UNDERTAKEN

11.00 None.

12.00 APPENDICES

12.01 None.

LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985 **BACKGROUND DOCUMENTS**

Clwyd Pension Fund Panel Report 9th August 2012 – LGPS 2014

Clwyd Pension Fund Panel Report 9th August 2012 – Collaborative Working In Wales

Clwyd Pension Fund Panel Report 9th August 2012 – Medium Term Plan

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