

WIRRAL COUNCIL

PENSIONS COMMITTEE

18 JUNE 2009

REPORT OF THE DIRECTOR OF FINANCE

LGPS REFORM UPDATE

1. EXECUTIVE SUMMARY

- 1.1. This report informs Members of progress with the production of regulations and other guidance by the Department for Communities and Local Government (DCLG) following the introduction of the revised LGPS on 1 April 2008.
- 1.2. Members are requested to approve the draft response to DCLG on Governance attached at appendix 2.

2. BACKGROUND

- 2.1. The Pensions Committee last considered progress on implementing the new regulations as part of the reform of the LGPS, on 6 April 2009 (Minute 89 refers).

2.2. Ill Health Retirement Regulations

- 2.2.1. As previously reported the Ill Health Monitoring Group set up by the DCLG has now requested further data on the experience of the new ill health regulations in practice from employers and administering authorities. The DCLG has circulated letters dated 6 May and 21 May 2009 to LGPS Pension Managers setting out new data requirements and a timetable for completion and submission of data to the Government Actuary's Department (GAD) as shown in the table below:

Rollout of report software to Pension Funds	31 May 2009
Reports to be run and sent to GAD	12 June 2009
Analysis to be completed by GAD	August 2009

- 2.2.2. DCLG has also asked individual employers to provide details of the total number of ill health capability dismissals from 1 October 2008 to 31 March 2009 inclusive and for Pension Funds to collate this data and submit it to DCLG by 30 June 2009.

2.3. Amendment of Accounts and Audit Regulations 2003

- 2.3.1. The DCLG has issued a letter dated 30 March 2009 in connection with a consultation on proposed changes to the above regulations. The proposed changes contain a requirement to provide information on pension entitlement and compensation awards which may result in additional work for MPF.

2.3.2 A response to this consultation paper was agreed by the Leader of the Council under delegation.

2.4. Government Actuary's Department (GAD) Guidance

2.4.1 On 24 April 2009 DCLG issued further guidance dealing with the use of accumulated AVCs to provide additional pension under the Scheme and actuarial factors for incoming Cash Equivalent and Club Transfers from 1 October 2008.

2.5. Stakeholders Participation and Involvement in the Governance of the LGPS

2.5.1 The DCLG circulated a letter dated 13 May 2009 (Appendix 1 attached) following its preliminary analysis of Governance Compliance Statements submitted by Administering Authorities.

2.5.2. In overall terms compliance against the nine best practice principles set out in the Statutory Guidance in November 2008 was high. Nationally the number of pension fund authorities with no scheme member representation in their formal governance arrangements has fallen from 11 to just 3 funds, meaning that some 96% of Scheme authorities now have some level of scheme member representation.

2.5.3. The latest Governance Compliance Statement submitted by the Merseyside Pension Fund to the DCLG was approved by Committee on 6 April 2009 (Minute 90 refers) and confirms that MPF fully complies with all of the best practice standards set out by the DCLG.

2.6 The DCLG has invited comments on how best to further improve Scheme Governance in the interests of all stakeholders and a draft response is attached (at appendix 2) for Members approval. The closing date for comments on the proposals is 30 September 2009.

3. OTHER OUTSTANDING MATTERS

3.1. Pensions Administration Strategy Plan

3.1.1 Work is currently underway on drawing up a draft Pensions Administration Strategy Plan to formalise administrative arrangements and service standards between the Pension Fund and participating employers. It is planned that MPF will consult with stakeholders on developing a Strategy Plan during the current year.

3.2. Cost Sharing Mechanism - The LGPS (Amendment) Regulations 2009

- 3.2.1. The LGPS (Amendment) Regulations 2009 were laid before Parliament on 23 April 2009 and have effect from 1 April 2009.
- 3.2.2. They introduce a new regulation 36A into the Administration Regulations which requires each Pension Fund to supply actuarial data to enable the Secretary of State to create a national model fund in connection with future cost sharing.
- 3.2.3. Data covering the period 1 April 2007 to 31 March 2009 will be required to be supplied to the Government Actuary's Department (GAD) by 30 June 2009 and annually thereafter. In its letter dated 23 April 2009 the DCLG confirmed that it was working with GAD refining the data specification and that "this would be formally sent out in the next few days". MPF contacted all employers to remind them of the need to submit year end information promptly.
- 3.2.4. As the promised data specification had not been issued by 22 May 2009 MPF contacted DCLG to ask when it would be issued. DCLG replied that it was awaiting feedback/comments from one of the three computer software providers on the data specification prepared by the GAD before producing the final version which would be issued as soon as possible.
- 3.2.5. Meetings of the LGPS Policy Review Group are still continuing, to discuss various issues including agreement on the assumptions to be used and details of how the cost sharing mechanism will operate.

3.3. 85 Year Rule Protection

- 3.3.1 The final decision on the possible extension of full "85 year Rule" protection to those members who would satisfy the requirements by 31 March 2020 rather than 31 March 2016 is still awaited from DCLG.

3.4. Councillors Pensions

- 3.4.1 The 2008 Scheme regulations do not include councillors' pensions and provision remains subject to the 1997 Regulations.
- 3.4.2. It was expected that the Government would implement recommendations from the Councillors Commission report on councillors remuneration but it has been reported recently that the Government has decided not to proceed with a draft Community Empowerment Bill at this time.
- 3.4.3. The Pay and Pensions division of the DCLG has confirmed that it intends to carry out consultation later this year on proposals for future pension arrangements for elected members but no nothing further has been announced.

4. ADMITTED BODY STATUS REVIEW

- 4.1. Final proposals are still to be formulated by DCLG which will be the subject of statutory consultation in advance of changes to the regulations.

5. FINANCIAL IMPLICATIONS

- 5.1 There are none directly arising from this report.
- 5.2 A number of the outstanding issues referred to in this report may well have implications on future funding, including future ill health costs, the final costs of “85 Year Rule” protection depending on whether full protection is extended to 2020 and actual yields from employee contributions.

6. STAFFING IMPLICATIONS

- 6.1. There are none directly arising from this report.

7. EQUAL OPPORTUNITY IMPLICATIONS

- 7.1. There are none arising from this report.

8. COMMUNITY SAFETY IMPLICATIONS

- 8.1. There are none arising from this report.

9. HUMAN RIGHTS IMPLICATIONS

- 9.1. There are none arising from this report.

10. LOCAL AGENDA 21 IMPLICATIONS

- 10.1. There are none arising from this report.

11. PLANNING IMPLICATIONS

- 11.1. There are none arising from this report.

12. MEMBER SUPPORT IMPLICATIONS

- 12.1. There are none arising from this report.

13. BACKGROUND PAPERS

- 13.1. DCLG letters dated 30 March, 23 April, 6 and 21 May 2009.

14. RECOMMENDATION

14.1 That Members approve the draft response to DCLG on Scheme Governance.

IAN COLEMAN
DIRECTOR OF FINANCE

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