

WIRRAL COUNCIL

PENSIONS COMMITTEE

22 SEPTEMBER 2009

REPORT OF THE DIRECTOR OF FINANCE

LGPS REFORM UPDATE

1. EXECUTIVE SUMMARY

1.1. This report informs Members of developments and outstanding issues following the introduction of the revised LGPS on 1 April 2008 by the Department for Communities and Local Government (DCLG).

2. RECENT DEVELOPMENTS

2.1 The Pensions Committee last considered progress in implementing the new regulations as part of the reform of the LGPS, on 18 June 2009 (Minute 10 refers).

2.2. Ill Health Retirement Regulations

2.2.1 The further data on the experience of the new ill health regulations in practice requested by the Ill Health Monitoring Group from employers and Administering Authorities was provided by the 30 June 2009 deadline.

2.2.2. The analysis of the results by the Government Actuary's Department was scheduled to be completed by August and their findings are awaited.

2.2.3. Supplementary guidance for Independent Registered Medical Practitioners clarifying their role in dealing with the new ill health retirements provisions was circulated by DCLG on 3 August 2009.

2.2.4 The table below confirms details of the relatively small number of ill health retirements dealt with by MPF annually since 2004/2005:

Financial Year April to March	Number of Ill Health Retirements in MPF
2004-05	217
2005-06	241
2006-07	222
2007-08	177
2008-09	137
2009-10	44 (To 31/7)

2.2.5. The figure for 2008-2009 (the first year of the new scheme) shows a continuation in the general trend of reductions in the number of ill health retirement cases.

2.2.6. For comparison the following table shows the number of ill health retirements between 2000/2001 and 2003/2004:

Financial year April to March	Number of Ill Health Retirements in MPF
2000-01	423
2001-02	390
2002-03	263
2003-04	205

2.3. **Affordability and Sustainability Consultation**

2.3.1 A letter was circulated by DCLG on 25 June 2009 dealing with proposed short term measures designed to avoid unnecessarily large increases in employer contribution rates due to the global economic and financial situation at the forthcoming 31 March 2010 actuarial valuation. The letter which also gives details of possible further changes to employee contribution bands and rates is the subject of a separate report to this Committee.

2.3.2. The DCLG letter also referred to a further separate consultation to take place on the possible need for a more fundamental review of the future benefits package and financing of the LGPS. This document is still awaited.

2.4. **Amendment of Accounts and Audit Regulations 2003**

2.4.1 The DCLG issued a further letter dated 12 June 2009 in connection with the consultation on proposed changes to the above regulations. The proposed changes contain a requirement to provide information on pension entitlement and compensation awards which if agreed may result in additional work for MPF. Copies of the responses submitted to the DCLG by MPF and by the Local Government Employers' Organisation are attached for information at Appendix 1.

2.5. **Pension Fund Annual Report & Accounts Guidance**

2.5.1 An advisory note and a draft copy of the Pension Fund Annual Reports statutory guidance (Appendix 2) was circulated by DCLG on 23 July 2009. Although the statutory deadline for publication of the Fund Annual Report is 1 December and the fact that the content and production of the 2008-09 report is at an advanced stage, efforts are being made to comply as far as is possible with the published draft guidance. The DCLG has confirmed that it will do whatever is necessary to ensure that a final version of the statutory guidance is issued for formal consultation within the next few weeks.

3. OTHER OUTSTANDING MATTERS

3.1. Pensions Administration Strategy Plan

- 3.1.1 A draft Pensions Administration Strategy Plan to formalise administrative arrangements and service standards between the Pension Fund and participating employers has been circulated to scheme employers and trade unions.
- 3.1.2. The closing date for responses to the document is 30 September 2009 and after taking account of representations received, it is planned to bring a report to the 17 November 2009 meeting of the Committee seeking approval of the Strategy.

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

- 3.2.1. MPF provided the actuarial data by the 30 June 2009 deadline to enable the creation of a National Model Fund in connection with future cost sharing.
- 3.2.2. The Local Government Pensions Committee (LGPC) has written to the DCLG with a number of observations on the methodology and assumptions being proposed for the National Model Fund. The key points of the letter are:
- a. transparency is required, with a need for the Government Actuary to fully explain the methodology and assumptions being proposed so that members of the policy Review Group can assess their reasonableness;
 - b. without transparency it is difficult to endorse, in any way, the proposed assumptions;
 - c. a suggested discount rate of 3.5% appears to be too high;
 - d. there is a lack of consistency in the mechanism used to calculate the cost envelope for the LGPS 2008 scheme and the proposed mechanism for the Dummy Model Fund and the National Model Fund
- 3.2.3. 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 new 2008 Scheme regulations still do not include Councillors' pensions and provision remains subject to the 1997 Regulations.

3.4.2. Although the Pay and Pensions division of the DCLG confirmed that it intends to carry out consultation later this year on proposals for future pension arrangements for Elected Members nothing further has been announced to date.

4. ADMITTED BODY STATUS REVIEW

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

4.2. Draft statutory guidance was circulated by DCLG on 21 July 2009 and MPF has responded to welcome the additional guidance and to raise questions on a number of technical points.

5. FINANCIAL IMPLICATIONS

5.1 There are none directly arising from this report.

5.2 A number of the issues referred to in this report may well have implications on future funding, including cost sharing, the final costs of "85 Year Rule" protection depending on whether full protection is extended to 2020 and changes to 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 12 and 25 June, 21 and 23 July and 3 August 2009.

14. **RECOMMENDATION**

14.1 That Members note the report.

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DIRECTOR OF FINANCE

FNCE/241/09