

# **WIRRAL COUNCIL**

## **PENSIONS COMMITTEE**

**17 NOVEMBER 2008**

### **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 by the Department for Communities and Local Government (DCLG) in connection with the introduction of the revised LGPS from 1 April 2008.

##### **2. BACKGROUND**

- 2.1 The Pensions Committee last considered progress in implementing the new regulations as part of the reform of the LGPS, on 29 September 2008 (Minute 34 refers).
- 2.2 The only new legislation issued by the DCLG since the LGPS (Amendment) Regulations 2008, on 16 April 2008 was a set of Miscellaneous Amendment Regulations circulated on 17 September 2008, dealing with technical and minor amendments resulting from comments received in earlier consultations. A copy of the DCLG letter is attached for information at Appendix 2.

##### **III Health Regulations**

- 2.3 The Ill Health Monitoring Group established by the DCLG has met on a number of occasions to consider the collection of required data to test the operation of the new ill health regime and to review the required statutory guidance which is now promised by the DCLG by November at the latest. The guidance is expected to contain model ill health certificates.

##### **Government Actuary's Department (GAD) Guidance**

- 2.4 The DCLG has circulated guidance issued by the GAD on dealing with Public Sector Transfer Club Transfer Values and Broadly Comparable Schemes staff transfers. Further guidance is still awaited on non-club transfers in and the actuarial impacts on Pension Sharing on Divorce cases.
- 2.5 Final guidance on dealing with the tax implications for high earners and the HM Revenue & Customs protections available to such scheme members is still awaited. I am taking steps to remind eligible members of the April 2009 deadline to apply for protection available under the Finance Act 2004.

## Employee Contribution Rates

- 2.6 The DCLG has announced details of the changes to employee contribution tiers to take effect from 1 April 2009, which reflect the 5% increase to the Retail Price Index (RPI) during the 12 months to the end of September 2008:

<b>Band</b>	<b>Old range 2008/2009</b>	<b>New Range 2009/2010</b>	<b>Contribution rate</b>
1	£0 - £12,000	<b>£0 - £12,600</b>	5.5%
2	£12,001 to £14,000	<b>£12,601 to £14,700</b>	5.8%
3	£14,001 to £18,000	<b>£14,701 to £18,900</b>	5.9%
4	£18,001 to £30,000	<b>£18,901 to £31,500</b>	6.5%
5	£30,001 to £40,000	<b>£31,501 to £42,000</b>	6.8%
6	£40,001 to £75,000	<b>£42,201 to £78,700</b>	7.2%
7	More than £75,000	<b>More than £78,700</b>	7.5%

## 3. OTHER OUTSTANDING MATTERS

### Pensions Administration Strategy

- 3.1. The expected guidance from DCLG on drawing up a Pensions Administration Strategy Plan to formalise administrative arrangements and service standards between the Pension Fund and participating employers has still not been published.

### Cost Sharing Mechanism

- 3.2. Meetings of the LGPS Policy Review Group are continuing, to discuss various issues including agreement on the introduction of a cost sharing mechanism. Final agreement on such a mechanism and other issues is still awaited.

### 85 Year Rule Protection

- 3.3. The outcome of the consultation on extension of full "85 year Rule" protection to those who would satisfy the requirements by 31 March 2020 rather than 31 March 2016 is still awaited from DCLG. In the meantime tapering protection has been applied in accordance with the Regulations for those members who would not have satisfied the 85 year rule until the period 1 April 2016 to 31 March 2020.

## COUNCILLORS PENSIONS

- 3.4. The new regulations do not deal with arrangements for Councillors pensions and provision remains subject to the 1997 Regulations. The DCLG had confirmed that it expected to publish a response to the wider remuneration issues raised by the report by the Councillors Commission during the summer and to then begin a consultation on proposals for future pensions arrangements for elected members. To date no response has yet been published. The results of the Local Government Employers Organisation (LGE) survey of which councils had decided to offer membership of the LGPS to councillors and take up are still awaited.

#### **4. ADMITTED BODY STATUS REVIEW**

- 4.1. Following the informal consultation exercise undertaken in April 2008 the DCLG published a report on 2 October 2008 setting out its key findings from the consultation.
- 4.2. Final proposals are being formulated by DCLG which will be the subject of a future statutory consultation in advance of changes to the regulations.

#### **5. THE DRAFT LGPS (AMENDMENT) REGULATIONS 2009**

- 5.1. As agreed at the Pensions Committee on 29 September 2008 (Minute 34 refers) MPF has submitted a response to the DCLG on the draft regulations which deal with the pensions implications of local government reorganisation and the aggregation of employments for pension purposes (Appendix 1 attached).

#### **6. FINANCIAL IMPLICATIONS**

- 6.1. 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 and take up of the pension to lump sum commutation option.
- 6.2. At the Policy Review Group Meeting on 14 October 2008 the Government Actuary's Department presented a paper on the potential actuarial assumptions to be adopted within a "dry run" modelling exercise this autumn based on data provided by Pension Funds (including Merseyside). The outcome of this exercise will be reported back to the Policy Review Group in the New Year. The purpose of the exercise is to help produce a National Model Fund to identify any issues relating to the cost-sharing framework.
- 6.3. It will not be until the 31 March 2010 actuarial valuation, after which time the cost sharing mechanism will be implemented, that the long term future costs of the LGPS are likely to become clear.

#### **7. STAFFING IMPLICATIONS**

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

#### **8. EQUAL OPPORTUNITY IMPLICATIONS**

- 8.1. There are none arising from this report.

#### **9. COMMUNITY SAFETY IMPLICATIONS**

- 9.1. There are none arising from this report.

#### **10. HUMAN RIGHTS IMPLICATIONS**

- 10.1. There are none arising from this report.

**11. LOCAL AGENDA 21 IMPLICATIONS**

11.1. There are none arising from this report.

**12. PLANNING IMPLICATIONS**

12.1. There are none arising from this report.

**13. MEMBER SUPPORT IMPLICATIONS**

13.1. There are none arising from this report.

**14. BACKGROUND PAPERS**

14.1. DCLG Pensions Changes Update No.6 dated October 2008.

14.2. LGPS Miscellaneous Regulations 2008 - DCLG - September 2008.

**15. RECOMMENDATION**

15.1 That Members note the report.

IAN COLEMAN  
DIRECTOR OF FINANCE