

Wolverhampton City Council

OPEN INFORMATION ITEM

Committee / Panel	<u>PENSIONS COMMITTEE</u>	Date	<u>26 JUNE 2013</u>
Originating Service Group(s)	<u>WEST MIDLANDS PENSION FUND</u>		
Contact Officer(s)/ Telephone Number(s)	<u>GEIK DREVER</u> <u>2020</u>		
Title/Subject Matter	<u>LGPS 2014: UPDATE ON PROGRESS</u>		

1. RECOMMENDATION

- 1.1 Members are requested to note the activity and progress to date in respect of the new 2014 LGPS scheme.

2. LGPS 2014: Journey to date on the implementation of the new scheme

2.1 The Consultation on the draft LGPS Regulations 2013 and the draft (Transitional Provisions and Savings) Regulations 2013 were issued in March and have both recently come to a close on 5th and 24th May respectively.

2.2 Draft LGPS Regulations 2013

- The release of the second draft of the regulations represents the next key stage in the development of the new scheme regulations. At this stage, the focus remained on the core elements of the new scheme relating to membership, contributions and benefits.
- These draft regulations are still not complete and there are a number of policy issues which are yet to be agreed and have been omitted from the regulations. These outstanding issues contain a number of key areas required for administration of the scheme, including, Aggregation, Assumed Pensionable Pay (APP) and Revaluation.
- The Fund has raised concerns in terms of these outstanding issues and have stated it is important that the issues relating to pay are not over complicated in order to ensure the information can be efficiently and easily calculated by employers and that scheme members can understand the pay that is being used in the calculation of their pension benefit.

2.3 Draft LGPS (Transitional Provisions and Savings) Regulations 2013, Annex C

- This was the first draft of these regulations and the consultation period for these regulations was 8 weeks ending on 24 May 2013.
- In general the draft provisions cover the transfer of members and accrued benefits from the old scheme to the new scheme, however concerns have been raised over the cost implications of the protected final pensionable pay and the complexity of administering the rule of 85 protections.
- Clarification is required on the intention of the statutory underpin as it only appears to apply to active members who were 55 or over on the 1 April 2012 and who retire from the new Scheme on or after age 65. This appears to exclude those members who retire before age 65. There is also no mention of the underpin having to be adjusted for a member who is in the 50:50 scheme. Difficulties may arise to prove a member has not had a disqualifying break and the regulations should state who has the responsibility for proving this.

3. The Public Service Pensions Bill

3.1 The Public Service Pensions Bill was enacted in April 2013, and sets the framework for all public service pension schemes. The introduction of the Public Service Pensions Act 2013 brings with it changes to the framework for scheme governance.

A major change in scheme governance is the introduction of a Scheme Advisory Board for the LGPS which will have responsibility for providing advice

to the Responsible Authority (DCLG) and Local Pension Boards. Ministers have agreed to the establishment of a Shadow Scheme Advisory Board as well as five sub-committees for the LGPS to inform and test the process of operation prior to the Board's statutory formation in 2014.

- 3.2 The Shadow Board will have seats for up to four elected members to represent the views of fund administering authorities. Nominations have therefore been invited for elected members who are serving members of pension committees (or equivalent), have strong all round knowledge of the scheme and significant investment expertise gained in an LGPS environment.
- 3.3 On behalf of the West Midlands Pension Fund, Councillor Peter Bilson has been nominated for a seat on the Shadow Board. At the time of writing, successful nominees have not yet been announced, although the first official meeting is anticipated to take place before the end of June 2013.

4. Next steps

- 4.1 A further version of the draft LGPS Regulations 2013 is expected for consultation this month and will include the first draft of the section on Administration together with a discussion paper on governance requirements for the new scheme.