

Cost Management, Benefit Design and Administration Committee

Agenda Item 2 – Paper A

ACTIONS AND AGREEMENTS

MEETING HELD ON 28th FEBRUARY 2017 – 1.00pm

AT LAYDEN HOUSE, 76-86 TURNMILL STREET, LONDON

PRESENT

Fiona Farmer	Chair
Kevin Gerard	Technical Group (sub)
Sean Collins	Treasurers
Neil Sellstrom	CIPFA
David Anthony	Practitioners (sub)
Alan South	Practitioners (sub)
Glyn Jenkins	Members (UNISON)
George Georgiou	Members (GMB) (delegate)
Melanie Stephenson	Actuaries: Barnett-Waddingham
John Livesey	Actuaries: Mercer
Alison Murray	Actuaries: Aon Hewitt
Barry McKay	Actuaries: Hymans Robertson
Robert Holloway	LGA - Board Secretariat
Liam Robson	LGA - Board Secretariat
Ian Boonin	GAD
Teresa Clay	DCLG

APOLOGIES

Mike Hopwood	Technical Group
Geoff Reader	Practitioners
Emma Mayall	Practitioners
Bryan Freake	Members (Unite)

1. Welcome, introductions and apologies

The Chair welcomed all in attendance to the second meeting of the Committee.

2. Matters arising

The Committee noted that the minutes for the previous meeting would be circulated via email.

Matters not included on the agenda included an update on a 50/50 survey and meeting between the secretariat and DCLG regarding SF3 data.

3. Scheme Advisory Board Cost Management Process

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The Committee received a presentation from GAD on their initial finding from an analysis of the scheme's demographic experience (2013-2016). In due course SAB will need to take advice on how the actuarial assumptions they need to set for Board's cost management element of the 2016 valuation might then be informed from that analysis. The GAD analysis covered the following demographic elements:

- Normal retirement pensioner mortality
- Voluntary withdrawal from the scheme
- Ill health retirement
- Age retirement
- Death in service
- Tax free cash commutation
- Promotional pay
- Percentage partnered and age difference between partners

The general message was that there were no significant/material deviations from the assumptions adopted in 2013, and that work would continue to refine and finalise the analysis.

AGREED – that work on the analysis will be finalised in time for SAB to take advice and discuss and agree the assumptions to be adopted at the next SAB meeting in June.

In addition to the meeting papers, a letter from the Local Government Minister to the Chair, dated 17th February 2017, was circulated. This letter was in response to a letter from the Chair to the Minister, 22nd November 2016, proposing two of the cost pressures on the scheme, the public sector transfer club and the cost associated with revaluation, are removed from the regulations.

AGREED – the committee agreed that further evidence should be gathered to support the case before responding to the Ministers' letter, and that cost pressures should be further discussed at the next Ministerial/SAB Chair meeting.

4. Exit payments

The Committee was provided with a summary paper setting out points raised with Treasury. A sub group was formed, in order to come to a consensus, however, there are still certain issues that need to be resolved and although discussions will continue to reach an agreed position, the likelihood is that individual representations will need to

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be made by the various groups during the DCLG consultation expected in March.

5. Removal of Third Tier for ill health

The committee noted the paper, and that the secretariat had met with Treasury officials in January. Treasury confirmed that there are no plans to bring forward any sector-wide policy on ill-health retirement.

AGREED – the committee agreed that the ill health paper should be re-visited and reported back to the Board with options for changes.

6. Options for a central Independent Registered medical Practitioner (IRMP)

The committee noted the report setting out evidence of the issue of differing medical practitioners across the scheme.

AGREED – the committee agreed that a recommendation should be made to the Board that further work is undertaken to examine the full impact of centralising the certification process, either separately or as part of a wider review of the scheme's ill health retirement provisions.

7. Contribution Yields and Banding

Bob Holloway circulated a letter dated 10 February that had been sent by GAD to DCLG confirming that the expected yield from employees' contributions remained at the target proportion level required by scheme regulations of 6.5%. Despite the absence of any formal notification of this to SAB, the committee agreed that no change to the tariff was required.

Bob Holloway also proposed that discussions with DCLG should commence to explore the scope for making amendments to the tariff and the bandings outside of amendments to the regulations which, at the best of times, can take in excess of six months. The committee agreed.

Ian Boonin (GAD) confirmed that work on modelling a set of tariff bandings, that dovetailed more consistently with the current income taxation structure was ongoing, and would be available for discussion at the next meeting.

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Agreed – that a recommendation should be made to the Board that no change in the employees’ contribution tariff needs to be made given that the target proportion continues to be met. The Board should also be asked to approve discussions with DCLG on finding a better and quicker way of introducing changes to the tariff and its bandings.

8. AOB

Late retirement factors

The recent change to late retirement factors was raised. The impact of the change is significant for those members working past their normal retirement age.

The committee agreed that a recommendation should be made to SAB for DCLG to examine the scope for enabling additional pension earned after an active member’s normal retirement age to be banked on a regular basis rather than based on factors in force on the day of retirement.

AGREED - that the proposal to open discussions with DCLG on the operation of late retirement factors should be raised at the next meeting Board meeting and the outcome reported back at the next committee meeting in April.

Update on recent Court cases

A number of pension challenges had recently been working their way through employment tribunals and the courts, including a case by High Court judges on the reduction of their pensions and the Fire Brigades’ Union on age discrimination.

In addition, the ruling on Brewster versus NILGOSC regarding co-habiting partners’ pensions could potentially involve the re-visiting of death in service cases (between 2009 and 2014?).

The committee noted these cases, however any action taken would depend upon how the impact of the ruling(s) played out.

9. Date of next meeting

AGREED - that the next meeting of the Committee should be held at the end of April. Potential dates and times to be circulated via email after the meeting.

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