

Cost Management and Contributions Sub-Committee

Actions and Agreements 3rd July 2014

Item

1. Introductions and apologies

Present

Brian Strutton – GMB

Bryan Freake - Unite

Glyn Jenkins - UNISON (*substituting for Jon Richards*)

Paul Dale – CIPFA

Paul Finbow – ALAT (*substituting for Paul Kent*)

Geoff Reader – Practitioners

Richard Appleby - Practitioners

Bob Holloway – DCLG

Mike Scanlon – GAD

Richard Paul - UCEA (*substituting for Emelda Conroy*)

Peter Summers – Hymans Robertson

Mark Norquay – Barnett Waddingham (*substituting for Alison Hamilton*)

John Livesey – Mercer

Chris Archer – Aon Hewitt (*substituting for Alison Murray*)

Jeff Houston - LGA

Con Hargrave - LGA

Apologies: Cllr Ann McLachlan - LGA, Emelda Conroy - UCEA, Jon Richards - UNISON, Paul Kent - ALAT, Nick Buckland - ALAT, Alison Hamilton - Barnett Waddingham, Alison Murray - Aon Hewitt

2. **Actions and Agreements from 29th April 2014**

Agreed - All actions agreed as undertaken.

3. **2013 valuations papers published by Shadow Advisory Board**

Agreed – Detailed and Summary 2013 valuations papers have now been signed off by Board and were published on the Board website last month. In addition, the 2010 and 2013 valuations reports are now available on the LGPS Board website for the majority of funds. A minority of funds asked for their valuation reports to be kept confidential. No comments on the valuation papers have been received since their publication.

4. **GAD update**

a) LGPS model fund

Agreed - Discussions are being held internally in Government on the assumptions to be used in the LGPS model fund. The model fund will be

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used to calculate the target employer cost for the HM Treasury Employer Cost Cap (ECC) process. The target rate agreed will enter in to the cost management regulations and GAD are aiming for a September finalisation of this figure.

b) 2013 valuations

Agreed - GAD will carry out high level checks on 2013 valuations data submitted to GAD by the fund actuaries and its findings will be put in to the public domain.

Agreed - Further work may be needed to ensure that a figure is calculable which would give 'the cost of providing benefits'. It was agreed that the aggregate of funds' common contribution rates do not currently do this in a way which would allow employers to make reliable comparisons to their own individual circumstances.

5. Update on assumptions for dry run of cost management process

Agreed - Aon Hewitt figures reviewed in the sub-committee demonstrate LGPS members commute a higher amount of pension in to lump sum than the commutation assumption of 15% of pension (equal to about 42% of HMRC limit) HM Treasury will adopt in their ECC process.

Agreed - Scheme Advisory Board Future Service Cost (FSC) process should continue using the assumption that members commute 65% of the maximum allowable amount of their pension in to lump sum.

Agreed - Individual fund calculations of valuations on standard GAD assumptions could be undertaken by either GAD or fund actuaries. However, if undertaken by fund actuaries, mandating this under regulations may be needed to ensure all funds do instruct their actuaries to carry out these calculations.

6. Update on cost management regulations

An update was received from DCLG on the forthcoming consultation on draft cost management regulations.

The consultation is expected to commence in the coming weeks and the consultation period will be around 10-12 weeks in length.

7. AOB

No further items raised.

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8. **Dates of next meetings**

Thursday 4th September, 10.30am
The Terrace Lounge, Local Government House (Smith Square, London,
SW1P 3HZ)