

# Digest

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A digest of issues considered at the meeting on **13 November 2008**

## **Strategy & Finance Policy Review Group**

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### **1. Public Sector Pensions and the Local Government**

At the October Strategy & Finance PRG members expressed interest in the Local Government Pension Scheme and it was agreed that this should feature on the November agenda.

The Chairman introduced the three speakers: Cllr Ian Greenwood, Chairman of the West Yorkshire Pension Fund (and a member of the PRG); Neil Carberry, Head of Pensions and Employment at the CBI; and Mike Taylor, Chief Executive of the London Pensions Fund Authority, and chair of the Officer Advisory Group, which advises the Local Government Pensions Committee. John Ransford, Deputy Chief Executive of the LGA, was also on hand to cover any complex issues arising. The speakers would be followed by a question and answer session.

**Ian Greenwood** began by looking at the funding levels and factors affecting the valuation outcomes before explaining the deficit between the years 2004 and 2007. He then went through the cash flow projections and said there would be a surplus of £200m p.a. in 20 years time so there was not a problem with the pension fund in the foreseeable future, but there would be an issue if you relied on contributions alone. Having a funding scheme overcame that risk, but there was still a need to look at the way of calculating liabilities against assets (valuations).

**Neil Carberry** posed some questions for thought about the scheme going forward: Can we afford to pay when we need to pay? And who should carry the investment risk? He then went onto say that longevity had been massively underestimated in the 80' and 90's and added : Could we afford to take a guess now? The move from a Defined Benefit Scheme (DBS) to a Defined Contribution Scheme (DCS) had been rushed and although the Local Government Pension Scheme (LGPS) was a good start it needed to be kept under review. The challenge was to keep looking at the valuations and not to get pulled into the DB versus DC argument.

**Mike Taylor** spoke about sustainability, longevity and the impact of the economy on the LGPS. He explained that 20%-30% of income throughout a persons working life needed to be saved to maintain their standard of living throughout retirement. The cost of the LGPS was £5 billion per annum, or £3,000 per active member. The life expectancy of a person now increased 2.5 years per decade and with the state retirement age rising to 68 the LGPS would need to consider these factors. A hard line on cost sharing or raising the

pension age could be taken and there should be a debate on this in the very near future. The downturn in FTSE, particularly since June, had had a big impact on pensions but there was no need to sell assets to pay pensions at this particular time.

In the question and answer session a number of comments were made by members including:

- Agreed that the situation needed to be kept under review, and longevity, which was the main issue, should be assessed with some refinement necessary. Longevity was also an issue with Social Care;
- without a scheme the cost to local government would be huge and unworkable;
- DB and DC could run alongside each other if this would be suitable for the employer and employee;
- a discussion was needed with employees through the union;
- employer contribution figures may include an amount that had been set aside as an HR tool for moving people on etc;
- pension remained an attraction for recruiting into local government;
- the real issue was whether or not the scheme was sustainable. Were we over providing and if so to what degree?
- need to look at career averaging to take into account career breaks and those who were promoted rapidly;

John Ransford was then asked to comment. He said that this was a big issue and the test was to provide good services and to do that there needed to be investment in staff. The reward was more than just pay and pensions would continue to be an important factor. Cost sharing between the employer and employee was under review and there was a need to look at investment funds and the number of different pension schemes within local government.

## **2. Chairman's Update**

The PRG noted the contents of the chairman's report.

## **3. Update from Board Chairs**

The PRG received update reports from the Chairs of the Children & Young People, Community Well-being, Culture, Tourism and Sport, Environment, Improvement, Regeneration and Transport, and Safer Communities Boards on the current issues in the remits of these Boards. The Group also received an update from the Chair of the Human Resources Panel. In addition to the written reports the following was raised:

### Community Wellbeing Board

Care and support remained on the agenda and views could be submitted to the Department of Health or through the Chairman of the Board who would be closely involved in the redrafting of the new guidance.

### Culture, Tourism and Sport Board

The Government had been made aware of the LGA's views on the unused funds but the money would be going to swimming advisors at the Amateur Swimming Association. The

LGA would also be looking to form a policy on the different types of pools and there use e.g. lane and leisure swimming.

Regeneration and Transport Board

In response to clarifying the regeneration framework it was explained that they didn't want to stop work in relation to MAA's due to the difference in the boundaries.

Safer Communities Board

Still lobbying government on the Policing Green Paper and members were encouraged to continue sending postcards to the Home Secretary.

**Date of next meeting:** Thursday 15 January 2009 at 2pm