MEETING	PENSIONS COMMITTEE
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TITLE	LGPS TRUSTEES CONFERENCE
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1 In June, Counillors John Pughe Roberts and Tudor Owen along with myself attended the 9th annual LGPS Trustees Conference.

2 This report summarises the key issues considered at the conference.

3 As usual the conference was a mixture of interesting speakers raising points which were worth noting and others which were perhaps of less interest. Only 66 delegates were listed as having registered for the event.

4 The first speakers were Councillor Roger Phillips from Herefordshire and Brian Strutton, GMB National Secretary for Public Services on the new LGPS scheme which both the employers and unions were putting forward as the best scheme which could have been established taking into account the constraints under which they were working.

5 In particular, they had deliberated long and hard about the 50:50 option (whereby members can elect to take half of the benefits for half of the cost) but it was considered that this was necessary in order to avoid mass exits from the fund and they considered that individuals would only use it as a temporary arrangement. Quite why that is the case is unclear as those in the lower earning brackets will not be facing any contribution increase (and thus would not be faced with any fresh impetus to leave the fund). It could be asked however whether the 50:50 option could lead others to consider taking the cheaper option as a new option which does not entail not having a pension at all.

6 Terry Crossley from DCLG then outlined his thoughts of future scheme governance which will consist of a Pensions Bill which should receive Royal Assent in the Spring of 2013 and the provisions specific to the LGPS will be encated through secondary legislation with a 2015 start date. On governance it is likely that the bill will cover training, AGMs, consultations and transparency.

7 Tim Lunn of AON Hewitt then gave his personal perspective of what needed to be placed in the governance arrangements. He suggested four things to which fund employers should be entitled –

- They should have a clear funding strategy such that they know why and where they are headed and can adequately equip themselves for known issues in good time;
- They should be aware of risks and costs they are liable for in relation to other employers in the Fund;
- They should not be subjected to unacceptable levels of risk;
- They should be treated to good investment returns.

The first three of these issues relate to tailoring investment strategies to individual employers and this does raise the question of wheter we should start thinking about unitisation.

8 Josh McCallum, Senior Fixed Income economist at UBS then gave his view of where the economic situation and in particular where european economies were going in which he outlined that we were on the cusp of two possible scenarios for Europe -

- One where the risk of eurozone breakup was seen to increase; eurozone periphery was frozen out of sovereign markets ; interbank lending stops; this spills over onto the core through the banks and capital controls are introduced with countries leaving the euro.
- An alternative was the risk of eurozone breakup diminishing; periphery sovereigns borrow more cheaply; confidence returns; investment inreases; global trade picks up.

9 He outlined why Germany should not let the euro collapse and indictaed that the cost of saving the euro could be of the order of EUR 1k – 3k per person in year 1; whereas letting the euro collapse would cost EUR 6k – 8K per person in year 1 and EUR3.5k – 4.5k per year thereafter.

10 He further indicated that China was slowing down which was not helpful for the world economy, and in terms of the UK economy it was inextricably linked with Europe as nearly half of our exporrts were to Eurozone countries (compared to 11% USA and 2% China). We were benefiting from the safe haven status for gilts but equity performance was not so lucky as a result.

11 Eversheds LLP then gave an update on current legal issues which were of interest particularly recent cases relating to the payment of death benefits and to whom they should be paid and related Ombudsman cases.

12 They also highlighted recent cases where employers had gone into liquidation and suggested that Funds should undertake risk assessments on their employers and if any of them went into liquidation that Funds may well be one of the larger creditors and should consider employing their own liquidator.

13 Whilst many of our employers have the taxation funding covenant, many do not, and this is an area to which we should be giving more attention perhaps.

14 Dave Simson from Hymans Robertson then covered the impending Auto enrolment legislation. He indicated that as from 1 October 2012 all elligible employees must be auto enrolled into a qualifying workplace pension scheme.

15 Employers will have to auto enrol and manage opt outs and keep appropriate records. They will also have to re-enrol every three years, with potentially substantial fines for non compliance (£5,000 per day for those with > 250 employees).

16 This coud of course lead to increased costs in employer contributions and additional employer and administration body costs.

17 It will be staged over a number of years from the 1 October depending on the size of the employer's PAYE. The opt out period will be 1 month but employers must not give staff information on how to opt out !

18 We are currently advising employers on what they need to do to implement the new arrangements.

19 Nicola Mark from the Norfolk Pension Fund then highlighted the Framework agreements they had formulated for services such as actuarial and benefit consultancy services which might be of use to authorities rather than having to go through their own tendering process. This might be of some use to us in future should we need to procure such services.

20 The conference concluded with a discussion on the alternatives to investing in equities and bonds. The speakers were all considering the same areas as the Gwynedd Fund but interestingly, the Merseyside Pension Fund were investing through their investment managers in food waste projects in Wales ! They were investing in the GwyriAD project in Gwynedd, which raises the question of whether we could have taken advantage of such an opportunity ourselves. This is perhaps an issue to take up with Hymans Robertson.