

CYNGOR SIR POWYS COUNTY COUNCIL

Pensions and Investment Committee 11th July 2016

REPORT BY: Strategic Director of Resources

SUBJECT: Budget 2016

REPORT FOR: Information

1 Introduction

- 1.1 The Chancellor of the Exchequer delivered the 2016 Budget on 16th March. The Government had previously indicated that the Budget was to have included an announcement on the outcome of its consultation on pensions tax relief, but it has published only a summary of the responses that it received. There are no further changes to the lifetime or annual allowances other than the previously announced changes such as the reduction in the lifetime allowance to £1M from 6th April 2016. The measures affecting pension schemes are summarised below.

2 Public Sector Pensions

- 2.1 The Government has reviewed the discount rate used to set employer contributions paid for unfunded public service pension schemes (such as Teachers and NHS). The most significant impact of this change is that employers will pay higher contributions to unfunded schemes with effect from April 2019.
- 2.2 The impact of this review on the LGPS is less clear. There is a potential issue in relation to the cost management process. On the face of it, this would appear to affect the assessed costs of the public service pension schemes, feeding through into the cost management process, increasing the assessed cost of the LGPS. At this time, further clarification from both HM Treasury and the Government Actuary's Department is needed and the matter is being investigated further by the LGA.

3 British Wealth Funds

- 3.1 In relation to investment, the Budget Report states that "The government has received ambitious proposals from Local Government Pension Scheme administering authorities to establish a small number of British Wealth Funds across the country by combining their assets into much larger investment pools. These pools will deliver annual savings of at least £200-300 million, and we will work with

administering authorities to establish a new Local Government Pension Scheme infrastructure investment platform, in line with their proposals, to boost infrastructure investment.”

- 3.2 At time of writing, further clarification on this matter is awaited from DCLG on how it may be taken forward.

4 Academy Conversions

- 4.1 Whilst not a pensions issue, is likely to impact on the operation of the LGPS in England. An initial operational impact is simply the potential creation of approximately 15,500 additional employers participating in the LGPS in England, which will have resource implications for administration of the Funds concerned.
- 4.2 In addition, to the extent that academy conversions move active (contributing) LGPS member liabilities from the local education authority to the academy he host council’s own liability profile will progressively mature. This could have a range of implications for funding and investment strategy dependent on the degree of impact on each council and the current strategies in place.

5. NI Contributions on Exit Payments

- 5.1 Employer national insurance contributions will be payable on exit payments over £30,000 from April 2018. It is expected that this will include redundancy and lump sum severance compensation payments.

6 Recommendations

- 6.1 Committee is asked to note the contents of this report.

Recommendation:		Reason for Recommendation:	
To note the contents of the report.		As per report	
Person(s) To Action Decision:			
Date By When Decision To Be Actioned:			
Relevant Policy (ies):	N/A		
Within Policy:	N/A	Within Budget:	N/A
Contact Officer Name:	Tel:	Fax:	Email:
Joe Rollin	01597 827641	01597 826290	joe.rollin@powys.gov.uk

Relevant Portfolio Member(s):	Councillor Wynne Jones
Relevant Local Member(s):	