

Update of Matters circulating that are likely to affect Scheme Administration

JULY 2017

Organisation	Subject	Link	Comments
HM Treasury	Indexation and equalisation of GMP in public service pension schemes	https://www.gov.uk/government/consultations/indexation-and-equalisation-of-gmp-in-public-service-pension-schemes	Published on 28 November 2016, and a response sent from APF; this consultation gave three options for increasing Guaranteed Minimum Pensions (GMP) within the public sector for those reaching State Pension age from 6 December 2018. Whilst a preferred option was given, the response also gave support to a fourth option suggested by the Fund Actuary which proposed that central government should adopt some of the cost instead of passing this to the pension schemes involved. A response is not scheduled until next year.
No further progress due to Election	Reforms to public sector exit payments: response to the consultation No further progress and introduction will be put back as a result of General Election	https://www.gov.uk/government/consultations/further-consultation-on-limiting-public-sector-exit-payments http://www.legislation.gov.uk/uksi/2017/70/pdfs/ukxi_20170070_en.pdf	Introduction of new regulations for exit payments appear to have been further delayed. <ol style="list-style-type: none"> 1. recovery of exit payments for high earners who are re-employed actual regulations expected any time 2. the £95k cap for exit. Employment Enterprise Regulations have commencement regulations effective from 1 February 2017 short consultation possible awaiting further information 3. Third tranche on exit payments Government responded to the consultation on reforming exit payments across the public sector. Departments asked to submit details of their proposals, including limits on employer funded early access to pension benefits (e.g. redundancy and business efficiency retirements in the LGPS).
	Actual valuation and Cost cap mechanism	http://www.lgpsboard.org/images/Guidance/pspav.pdf	The review the cost cap mechanism that was implemented as part of the national reforms of Public Sector Pensions.
DCLG No further progress due to election	LGPS Regulations: Best Value & Fair Deal consultation and operational scheme amendments	https://www.gov.uk/government/consultations/local-government-pension-scheme-regulations	This consultation reviews the approach for Best Value and Fair Deal for the transfer of staff. Closed 20 August 2016. Response has led to DCLG deciding to split these away from the amendment regulations as rethink required. Nothing expected before June 2017

			The other amendments will be processed earlier but the Freedom and Choice section will probably require a short consultation and will therefore also be split into a separate amendment
	Guidance on Preparing and Maintaining an Investment Strategy Statement' (ISS)	https://www.gov.uk/government/publications/local-government-pension-scheme-guidance-on-preparing-and-maintaining-an-investment-strategy-statement	<p>The ISS replaces the Statement of Investment Principles and DCLG has also published their 'Guidance on Preparing and Maintaining an Investment Strategy Statement' to assist funds. This was issued on the 15th of September. Many aspects of the new ISS are similar to the SIP, although there are a few notable additions:</p> <p>The need for Administering Authorities to take proper advice (in numerous areas, although 'proper advice' does not seem to be clearly defined anywhere)</p> <p>The need to state the Authority's approach to pooling investments, including the use of collective investment vehicles and shared services The submission of an annual report on the progress of asset transfers to the Scheme Advisory Board, and A strengthened section on the exercise of rights (including voting rights) attaching to investments.</p> <p>This latter part of the guidance states that Administering Authorities should become signatories to the Stewardship Code and state how they implement the seven principles and guidance of the Code on a "comply or explain" basis.</p>
	Response to Investment Regulations consultations	https://www.gov.uk/government/consultations/revoking-and-replacing-the-local-government-pension-scheme	Outlines the Government response to the investment regulations consultation.
The Pension Regulator (TPR)	Publishing Scheme Information	http://www.thepensionsregulator.gov.uk/public-service-schemes/publishing-scheme-information.aspx	TPR emailed around its public sector contacts, calling on public service schemes to check information about their pension board is published to avoid failing their governance duties. Under legislation, scheme managers are required to publish and keep up-to-date information about the board's members, its representation, and what matters it is responsible for. They should also publish details such as the board's

			terms of reference and appointment process. This rule is designed to help members easily identify which individuals are involved in their scheme's governance.
	Annual survey of public sector schemes	http://www.thepensionsregulator.gov.uk/docs/public-service-research-summary-2017.pdf	<p>To help the Regulator focus its efforts it issued a survey to all public service pension schemes in the autumn of 2016, to assess how they were being run. This built on a previous survey in the summer of 2015.</p> <p>The findings from this survey were published in May 2017.</p> <p>The top risks identified across all public sector schemes were governance, internal controls, record keeping and member contributions.</p>
Government Actuaries Department (GAD)	<p>Section 13 Dry Run Report</p> <p>Section 13 Report appendices showing APF results</p>	<p>http://www.lgpsboard.org/images/Reports/Section13DryRun20160711.pdf</p> <p>http://www.lgpsboard.org/images/Reports/Section13DryRunAppendices20160711.pdf</p>	The Government Actuary's Department (GAD) have completed a "dry run" section 13 analysis based on the 2013 local valuations. This analysis assesses whether the four main aims; compliance, consistency, solvency and long term cost effectiveness; have been achieved.
Financial Conduct Authority (FCA)	CP16/29: Markets in Financial Instruments Directive II implementation – Consultation Paper III	https://www.fca.org.uk/publication/consultation-papers/cp16-29-mifid-ii-implementation	<p>This consultation closed on 4 January 2017, and looked at the Markets in Financial Instruments Directive II (MiFID II) which takes effect on 3 January 2018. The main concern for the LGPS is all investors would be treated as "retail" investors as opposed to "professional" clients. This would have significant implications for the investments available to LGPS Funds and significantly impede the implication of investment pooling. A response was drafted by the Brunel Pension Partnership on behalf of the 10 Founder Funds and can be viewed at the following link:</p> <p>https://www.brunelpensionpartnership.org/en/news/2017/01/bpp-response-to-mifid-ii-consultation</p>
Scheme Advisory Board(SAB)	Academies' review	<p>http://www.lgpsboard.org/index.php/structure-reform/review-of-academies</p> <p>Above link has been updated to</p>	<p>Ministers agreed that DfE, DCLG, GAD and the Board should continue to work closely together to pursue solutions, engaging key stakeholders including pension funds, actuarial firms and academy trusts as appropriate.</p> <p>The next stage will be to gather relevant evidence and develop specific</p>

	Academies and the LGPS	<p>report these developments</p> <p>http://lgpslibrary.org/assets/othergov/201704Academies.pdf</p>	<p>proposals for change that the Board will consider before submitting its recommendations to Ministers for their consideration.</p> <p>A series of information pages on the Local Government Pension Scheme (LGPS) as it affects academies in England. Was released by DCLG and DFE. In April, 2017</p>
	Investment fees - Code of Transparency	http://www.lgpsboard.org/index.php/structure-reform/cost-transparency	<p>The move toward investment fee transparency and consistency is seen by the Board as an important factor in the LGPS being perceived as a value led and innovative scheme. Transparency is also a target for the revised CIPFA accounting standard issued for inclusion in the statutory annual report and accounts and included in the government's criteria for pooling investments.</p> <p>To assist LGPS funds in obtaining the data they require in order to report costs on a transparent basis the Board is working to develop a voluntary Code of Transparency for LGPS asset managers</p>
Update	Committees – membership & remit	http://www.lgpsboard.org/index.php/sub-comms/membership-remit	Scheme Advisory Board agreed for Working Party to carry out review on ill health retirements in accordance with the initial proposals put forward.
New	Annual report	http://www.lgpsboard.org/index.php/schemedata/scheme-annual-report	Issued in May 2017, setting out a single source of information about the status of the LGPS for its members, employers, and other stakeholders.
New	LPB Survey	http://www.lgpsboard.org/survey.php	<p>This was launched in May, with a closing date of the end of July 2017. The aim is to assess the effectiveness and compliance of local pension boards. SAB expect it to be completed by Chairs of pension and investment committees, chairs of local pensions boards and officers or other stakeholders.</p> <p>The findings will be reported to SAB in October 2017, although it is unclear whether recommendations will then be made to Ministers.</p>

	Tier 3 employers	http://www.lgpsboard.org/index.php/board-publications/invitation-to-bid	<p>Covers those Fund employers with no tax raising powers or guarantee. SAB is keen to identify the risk to LGPS Funds of default by such employers.</p> <p>There are currently two concurrent phases of work involved – collating data and identification of issues.</p> <p>SAB will then assess the risks to Funds and consider next steps</p>
	Lack of Progress on Amendment regulations		<p>APF have proposed that SWAPOG write to the Chair of Scheme Advisory Board to see if some pressure could be put on DCLG to get some of the amendment regulations issued as quickly as possible. The key area is aggregation of service on members changing employers where cases are being stockpiled for a year. The problem was identified within the first year of the 2014 scheme commencing but administering authorities are still awaiting the change over two years further on. Also for future such occurrences find out whether, where any amendments are simply to correct anomalies in the regulations is, there any way we can revert back to the previous practice of DCLG issuing a circular giving authority to act pending the regulations being issued.</p>
CIPFA	Investment pooling guidance	http://www.cipfa.org/policy-and-guidance/publications/i/investment-pooling-governance-principles-for-lgps-administering-authorities-online	Guidance for Funds to consider when setting up pooling of investments.
	Funding Strategy Statement Guidance	http://www.cipfa.org/policy-and-guidance/publications/p/preparing-and-maintaining-a-funding-strategy-statement-in-the-lgps-2016-edition	This guidance has now been published and it helps authorities to review and update their FSS to take account of this new guidance and associated regulatory changes.
Information Commissioners Office	General Data Protection Regulations (GDPR)	https://ico.org.uk/for-organisations/data-protection-reform/overview-of-the-gdpr/	Comes into effect in May 2018 and replaces the Data Protection Act 1998. Introduces new obligations on data controllers. The Fund is both a data controller and a data processor and needs to ensure that it has appropriate processes in place in order to comply with the changes being introduced.

			<p>We will need to ensure we have controls in place to ensure security of member data, ensure anyone will access to scheme and member information is suitably vetted and trained, and have measures in place to avoid security breaches and loss of data. Significant fines can be levied where any failure occurs. Significant amount of work required to ensure compliance. Need to set up project with the Bath and North East Somerset Information Compliance Team. . Liaise with other LGPS administering authorities to ensure we are compliant with any new requirements</p>
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