List of current developments affecting or expected to affect Scheme Administration - Nov 2019

SCHEME ADVISORY BOARD [SAB]	
****New Item** Pensions Tax**	The Board was advised that HM Treasury is willing to hear representations from public service pension schemes concerned about the impact annual and lifetime allowances are having on the effectiveness of their workforces and service delivery. Particular reference was made to the situation in the health sector where it is claimed that waiting list targets are not being met because NHS staff are refusing to work overtime and additional shifts for fear of taking earnings and pension benefits over tax thresholds. It was suggested that some of these claims were being exaggerated. There was also a concern whether any remedy forthcoming from government may apply retrospectively to put right decisions taken in the past to avoid tax thresholds. The Board noted that the Secretariat will continue to attend the working group established by a number of public service pension schemes to lobby HM Treasury.
Local Pension Boards	**Latest Updates:-** **SAB Meeting 5 November 2019:-** The Local Pension Board survey is currently being prepared by an external provider and online publication is expected before Christmas. The survey will run for two months. **SAB Meeting 8 July 2019:-** The Board agreed that members should be given until the end of July to comment on the draft survey prepared by the Investment, Governance and Engagement committee. The Secretariat will then prepare the survey for publication in August with a deadline of completion by the end of November. This will allow provisional findings to be reported to the Board when it next meets on the 4th November. The Secretariat was also tasked to open discussions with stakeholders on the best way of distributing the survey to ensure a good response. **Previous Updates:-** **SAB Meeting 8 Apr 2019:-** Board members were advised that a working draft of the new local pension board survey was near to completion. It was agreed that delegated authority should be given to the Chair of the Investment committee to agree the final draft and publication arrangements to ensure that the survey was undertaken outside of the main Summer holiday break. **SAB Meeting 16 Jan 2019:-** Following concerns raised at the Investment committee about the effectiveness of some local pension boards, the Board agreed that the Secretariat should prepare a draft survey to build on the one undertaken in 2017. The draft will be considered by the Board when it next meets in April and, subject to their agreement, will be undertaken in the early Summer.

LGPS SAB Cost Management Process / McCloud Judgment	**Latest Updates:-** **SAB Meeting 5 November 2019:-** The Board Secretary updated members on the McCloud legal case. He explained that the Employment Tribunal has started to meet on the Judges and Firefighters' schemes but that government had yet to comment on how remedies will be applied to the other public service pension schemes. Discussions with GAD on potential costs will continue. Any resolution this financial year is unlikely. The Board agreed the committee's recommendation that a small working group should be established to work with MHCLG, GAD and other scheme stakeholders to develop proposals and costing for the scheme's remedy arrangement **On 17 October 2019** GAD issued a formal request for valuation data as at 31 March 2019 as part of the cost management process. APF data was submitted to GAD before the deadline of 18 November 2019. **On 2 October 2019** the LGA contacted administering authorities with a request for data from MHCLG and HM Treasury. They have requested the information to help with policy planning in relation to McCloud and wider pension tax issues affecting the public sector. APF supplied the necessary data before the deadline of 8 November 2019. **On 15 July 2019** the Chief Secretary to the Treasury announced in a written statement that 'the government believes that the difference in treatment will need to be remedied across all those schemes. This includes schemes for the NHS, civil service, local government, teachers, police, armed forces, judiciary and fire and rescue workers. **At the SAB Meeting 8 July 2019** the Board was advised that a meeting between MHCLG, external auditors and GAD would take place shortly to discuss the implications of the Supreme Court's decision to refuse the government's application to appeal the McCloud judgement and, in particular, the impact this is having for signing off local authority accounts. Although there is now certainly that the McCloud judgement stands and that the case will now go back to the Employment Tribunal for remedy, there was clear support for the Board to issue a message to scheme stakeholders clarifying the uncertainties that remain. The Board agreed that the Secretariat should prepare a draft statement for consideration and approval of the Chair. **On 27 June 2019** the Supreme Court denied the Government's request for an appeal in the McCloud and Sargeant case. The case concerns the transitional protections provided to older members of the judges and firefighter pension schemes when the schemes were reformed in 2015, as part of the public sector pension scheme changes. On 20 December 2018 the Court of Appeal found that these protections were unlawful on the grounds of age discrimination and could not be justified. The Supreme Court ruling of 27 June 2019 means that the Court of Appeal's decision will be upheld and the case will be returned to an employment tribunal for a detailed decision. The cost management page of the English and Welsh SAB website, link here, contains background information on the case, including a Q&A which has been updated to

	take into account the Supreme Court ruling. **On 14 May 2019** central guidance was issued from the SAB on how the McCloud/Cost Management should be taken account in the 2019 valuation, this can be found here. Also CIPFA provided a separate note on accounting for McCloud/Cost Management which can be found here. **Previous Update:-** **On 8 April 2019**, at the SAB meeting, the Board was advised that the Civil Service Pension Scheme's Advisory Board had recently written to their Minister setting out their agreed package to recover the cap breach of 5.4% and asking that the process, despite being paused, should be allowed to proceed as far as is possible. Board members were further advised that similar actions were being taken by the advisory boards of the other public service pension schemes and that it was open to them to agree to do likewise for the LGPS. The Board agreed that a letter in these terms should be drafted by the Secretariat for members to consider and approve. The letter will invite the Minister to open discussions with the Board about any alternative cost management package and seek his agreement that the Board must be part of any future discussions surrounding the remedy package should the McCloud judgement stand. Around 70 responses were received to the previous question posed to Administering Authorities, with regards to the 2019 valuation (see previous update), with the significant majority expressing a preference to receive central guidance, following which board published an advice note covering the implications of McCloud/Cost Cap in relation to the 2019 fund valuations on 14 May 2019. **On 16 Jan 2019** at the SAB Meeting the Board was advised that since it had last met, there had been ongoing discussions with MHCLG and other interested parties regarding the package of scheme improvements formulated by the technical group commissioned by the Board and subsequently agreed by the Board itself to bring the scheme's costs of 19.0% back to the target cost of 19.5%. It was confirmed that a Q&A document to assist administering authorities in explaining the cost cap arrangement and its implications to scheme employers and others would be produced. Board members expressed concern that in the absence of any agreement by government on the Board's agreed package that the deadline of 1st April 2019 for regulatory changes to be introduced was becoming increasingly challenging. **On 30 Jan 2019** the Government announced a pause in the cost cap process due to uncertainty caused by a court ruling on elements of the 2014/15 scheme reforms. The Written Ministerial Statement setting out the reason for the pause can be found here, together with a summary of and the full Court of Appeal ruling in the case of The Lord Chancellor and Secretary of State for Justice and another v McCloud and Mostyn and others [2018] and Sargeant v London Fire and Emergency Planning Authority and others [2018]. Also listed is a letter from MHCLG confirming that the WMS applies equally to the LGPS as to the unfunded public service schemes.

	On 7th February the SAB received confirmation that the cost cap pause and the uncertainty caused by the McCloud case announced in the Written Ministerial Statement applies equally to the LGPS as to the unfunded public service pension schemes. Given that confirmation the SAB considered it had no option but to pause its own cost management process pending the outcome of McCloud. As a result there are currently no changes to benefits planned in respect of the cost cap. This situation will be reviewed once McCloud is resolved which is not expected for some months. **On 14th February** the SAB published a Q&A on the McCloud case and it's potential impact on cost cap for administering authorities, the link can be found here. **Previous Update:-** SAB members were provided with a summary of the statement made by the Chief Secretary to the Treasury on the 6th September regarding the scheme valuations for the public service pension schemes, including the LGPS. **Unfunded schemes,** A reduction in the discount rate that will significantly increase employer contributions. the 2% cost cap floor breached leading to member benefits improvements. **Funded Scheme LGPS** Cost cap floor breeched but discount rate does not directly impact employer rates. LGPS, employer rates are set by local fund valuations (next in 2019) but the cost cap mechanism does potentially impact as will lead to improved member benefits. SAB has its own cost management which will allow any agreed changes to benefits to be taken into account before the HM Treasury process begins. As advised by the SAB's actuarial adviser, the total cost of the scheme (employer and employee) under the SAB's process is 19% against a target total scheme cost of 19.5%. SAB agreed to delegate to the Chair and a representative from both the employers and employees' sides, assisted by a small technical group, responsibility for agreeing a package of benefit changes to return the scheme to its total target cost of 19.5% while also looking at employee contributions at the lower end. The resultant package will be put to the full SAB for agreement as soon as possible to ensure that scheme changes are on the statute book by April 2019. SAB was also advised that discussions are underway to move local fund valuations to a quadrennial timeframe to ensure consistency with future scheme valuations. This will not, however, have any bearing on the 2019 valuation which will proceed as normal.

Improving member data to meet the Pensions Regulator requirements	**Latest Update:-** On 4 July 2019 Bob Holloway, secretary of the SAB, emailed pension managers and software suppliers with a draft conditional data report to be scored in the Pension Regulator's (tPR) annual scheme return. This was prepared in agreement with representatives from tPR, SAB, software suppliers, fund actuaries and pension practitioners. The group will continue to work on developing the table, adding guidance notes for administering authorities and software suppliers. The LGA have confirmed that TPR intend to issue the 2019 public service pension scheme return to scheme managers in the last week of September 2019. In the meantime, APF have begun the development of reports to test our data in line with the draft recommendations. **Previous Update:-** Project will aim to assist administering authorities in meeting the Pension Regulators requirements for monitoring and improving data. This project would include the identification of scheme specific conditional data and the production of guidance for authorities and employers. SAB are to release guidance as to what constitutes "conditional information" in time for authorities to complete TPR return. Authorities have been advised to complete information as last year and any guidance will now be operative from 2019
Good Governance in the LGPS (Previously Identifying the potential benefits of further increasing the level of separation between the host authority and scheme manager role.)	**Latest Update:-** **At the SAB Meeting in November** the Board were advised that two working groups had been established to develop proposals for new standards of governance and administration and how these can be measured and assessed independently. As a result, a draft Phase II report was made available in time for it to be considered by the Board. The Board considered the draft Phase II report into the findings of both working groups and agreed that it should be published with comments invited from scheme stakeholders, see link to report which was published 15 Nov 2019 here. The Board also considered and approved the recommendation that the Secretariat should proceed with Phase III of the project including working up a set of key performance indicators and drafting instructions for revised statutory guidance on governance compliance statements. Proposals will be considered by the Board when it next meets on the 3rd February 2020. **On 8 August 2019** The Scheme Advisory Board invited the Hymans Robertson project team to assist the Secretariat in taking forward the next stage of the good governance project. Two working groups will be established, one to focus on defining good governance outcomes and the guidance needed to clearly set them out and the other to focus on options

for the independent assessment of outcomes and mechanisms to improve the delivery of those outcomes. Both groups will comprise a wide range of scheme stakeholders to ensure a full range of views and options are considered.

At the SAB Meeting in July the project team at Hymans Robertson presented the final draft report to the Board and the final report was subsequently published on 31 July 2019, see link here. The Board agreed that the Secretariat should, in conjunction with the project team and scheme stakeholders, work to develop a detailed plan to present to the Board in November to implement the report's findings and conclusions. Scheme stakeholders will be given the opportunity to comment on the Board's recommended implementation plan before any formal approach is made to MHCLG Ministers for changes to the scheme's regulations or guidance.

Previous Update from SAB Meeting 8 Apr 2019:-
The project team at Hymans Robertson updated the Board on progress to date and next steps. Members were advised that Hymans had approached 15 individuals across the scheme to identify relevant issues concerning administration and governance of the scheme as a means to ensure that future stages of the project, including an online questionnaire, are focussed on relevant and topical issues. The UNISON representative expressed concern that none of the options listed in the paper allowed for wholly new bodies, within the local government legal framework, to be recommended. The Board agreed that Option 4 in the paper should be re-drafted to accommodate for this outcome. Otherwise the Board agreed that Hymans can proceed.

On 17 April 2019 Hymans Robertson launched the Good Governance Project Survey to capture as many views as possible from those working within the LGPS with a closing date for submissions of 31 May. The findings will form the basis for a report that will be submitted to the SAB in July. APF officers have completed the survey.

Previous Update from SAB Meeting 16 Jan 2019:-
The Board was advised that on the 29th November that the project had been awarded to Hymans Robertson.
However, concerns were subsequently raised about how Hymans Robertson would manage the potential conflict of interest given their position as clients to a number of LGPS administering authorities and the potential for recommendations to lead to paid work advising on TUPE transfers. At the Board's request, Hymans Robertson prepared a statement explaining how they would manage any conflict of interest given their position as clients to a number of LGPS administering authorities and the potential for recommendations to lead to paid work advising on TUPE transfers, which was subsequently accepted by the Chair and Vice Chair on the Board's behalf.
The Board also agreed that the project should be re-named from the previous 'Separation Project' as this name had given rise to unfounded fears that options around removing the scheme from Local Authority control were being considered. It was agreed that "Good Governance in the LGPS" better reflected the aims and ambitions of the project to enhance the

	delivery of the function within local authority structures. This work will begin immediately and Hymans Robertson will be in touch with administering authorities with details of the project, including information on how to complete a questionnaire and further engagement plans. **Previous Update:-** The separation project was put on hold while pooling was in its initial stages however a request has been made to reinstate the project. The objective would be identify both the issues deriving from the current scheme administrative arrangements and the potential benefits of further increasing the level of separation between host authority and the scheme manager role. **<u>Discussed and agreed at SAB meeting 10 Oct 2018</u>** • 3 bids received to undertake the project • SAB members invited to comment on the bids • SAB Chair and Vice-Chair given delegated authority to make final decision
Review of Academies	**Latest Update from SAB Meeting 16 Jan 2019:-** The Board was advised that the work of the academies administration working group had been put on hold due to competing priorities, in particular, work on the Board's cost cap arrangement. Work on this project will now be resumed as a matter of urgency. **Previous Update:-** Ministers agreed that DFE, MHCLG, 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. Two working groups have been set up Administration and Funding **Administration** This group has focussed on 4 key areas :- More consistency in pensions administration More effective communication Improved training at local, regional and national level, and Clarifying the duties and responsibilities of stakeholders **Funding** The funding working group is exploring proposals to standardise conversion methodologies, move to single future service

	rates within each LGPS fund and to better enable MATS to consolidate their schools in one LGPS fund. An option to achieve these objectives from the group was to be discussed at the meeting of the DFE academy working group on 20th June. GAD issued its report: Academies LGPS pension arrangements on 14 Sept 2018 which can be found here. On average academies currently pay 2% of payroll less in contributions than local authorities (LAs) - 21% versus 23%, respectively - despite being 11% worse funded on average (73% versus 84%, respectively). No recommendations but suggest that DfE and MHCLG consider what changes to academy pension arrangements within the LGPS might be appropriate in order to meet policy objectives. It should be noted that, if changes to the current arrangements are not made, we would expect material volatility in academy contribution rates (against local authority rates and other academies) to persist. **Discussed/agreed at SAB meeting 10 Oct 2018** • The Board agreed that the administration working groups work on agreeing a standard monthly data extract should continue to completion • Further work will also be undertaken on training and improving communication within the academy sector • The future programme of the funding working group is to be the subject of discussion with DfE and MHCLG A link to full information on the review of academies is available on the SAB website here.
Tier 3 Employers	**Latest Update from SAB Meeting 16 Jan 2019:-** The Board was advised that the work of the third tier employers' project working group had been put on hold due to competing priorities, in particular, work on the Board's cost cap arrangement. Work on this project will now be resumed as a matter of urgency. **Previous Update:-** 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. There are currently two concurrent phases of work involved – Collating data and identification of issues.

	SAB tier 3 employer project carried out by Aon Hewitt– extension of surveys deadline to 31 January 2018 APF have completed survey SAB will then assess the risks to Funds and consider next steps. **Discussed / agreed at SAB meeting 10 Oct 2018** • Aon's report was published on the 24th September • A working group from the Board will evaluation the various options included in the report and report back to the Board A link to full information on Tier 3 Employers is available on the SAB website here.
MINISTRY FOR HOUSING COMMUNITIES & LOCAL GOVERNMENT [MHCLG]	
****New Item ** SF3 Data Published**	**On 16 October 2019** MHCLG published LGPS funds for England and Wales: 2018 to 2019 (SF3) statistics, see link here. Highlights include: • Total LGPS expenditure in 2018-19 was £12.7 billion. Removing the effect of mergers and large transfers in 2017-18 there was a like-for-like increase of £0.7 billion or 5.7% on 2017-18. • Total LGPS income in 2018-19 was £15.1 billion. Removing the effect of mergers and large transfers in 2017-18 and 2018-19, there was a like-for-like decrease of £2.3 billion or 13.2% on 2017-18. This is mainly due to an increase in employers' contributions in 2017-18. • Employers' contributions to LGPS in 2018-19 amounted to £7.1 billion, down 24.7% on 2017-18, and employees' contributions to the scheme were £2.2 billion. The decrease in employers' contributions is largely due to some large upfront pension contribution payments made in 2017-18 following the triennial valuation. • The market value of the LGPS funds at the end of March 2019 was £287.2 billion, an increase of £16.3 billion or 6.0%. • The LGPS encompassed 5.9 million people at the end of March 2019. Of this number, 2.0 million are employees who are still contributing to the scheme, 1.7 million are pensioners and 2.2 million are former employees who are entitled to a pension at some time in the future. • There were 83,508 retirements from the LGPS in 2018-19, an increase of 7,554 or 9.9% compared with 2017-18.

****New Item** Simplification Project**	MHCLG have identified a need to make the Scheme regulations more adaptable, flexible and easy to administer, whilst maintaining a degree of consistency of approach across administering authorities. This project is called the 'Simplification project'. The Simplification project is supported by a working group made up of representatives from trade unions, actuarial services, MHCLG, SAB, LGA and where necessary scheme employers, payroll software providers, administering authorities and software providers. The terms of reference were agreed at the first meeting held on 8 May 2019. Also at that meeting the group considered a couple of administrative areas that may be improved / simplified. Should these considerations proceed further, a wider consultation will occur. These were: (a) application of assumed pensionable pay, and (b) employee and employer contributions during the 1st 30 days of an authorised absence)
MHCLG Consultation on LGPS Local Valuation Cycle and the Management of Employer Risk	**Latest Update:-** **On 12 July 2019** APF submitted their response to this consultation, a copy of which is attached to this Item as Appendix 2. The LGA also submitted a response which can be found here. MHCLG received around 280 responses and expect to publish their response in the autumn of 2019. **An update from the Scheme Advisory Board following their meeting in July is as follows:-** On the proposal to move local fund valuations in the scheme to a four yearly valuation cycle in line with valuations undertaken by unfunded public service pension schemes and all scheme valuations. The next round of scheme valuations will be undertaken in 2020 and 2024 which means that there would be a potential 5 years between the current 2019 LGPS local valuations and the first of the four year period valuations. The Board agreed that five years without local valuations would not be the best way forward and that despite the administrative complexities of the alternative of an interim full set of valuations after 3 years, that is, in 2022 followed by another set in 2024, this was marginally the better of the two options. The Board also agreed that the response should record some concern about allowing administering authorities too much flexibility in exercising the proposed facility to hold an interim valuation. The Board took the view that the regulations and guidance must be clear that the circumstances in which the interim valuation power is to be used must be fully set out in an authority's Funding Strategy Statement. On exit payments, the Board was advised that the proposals included a new concept of "deferred employer" that would allow employers to continue to be recognised as such despite having no active members and having exited the scheme. The Board agreed the draft response on exit payments and noted that supplementary guidance would help to provide a robust framework to govern the exercise of the proposed power.

	On exit credits, the Board was advised that the draft response included representations to close an unintended loophole whereby administering authorities were liable to pay exit credits at the end of a contract even though steps had been taken by the employer to remove any risk from the contractor. The draft response agreed by the Board proposes that the amending regulations should include a provision requiring fund actuaries to take any side agreement into consideration when assessing exit credit payments. On the proposal in the consultation to change the status of HE/FE bodies from scheduled to designated bodies, although a view was expressed that the proposed response was too negative regarding the potential impact on the scheme; the substantive view taken was that that this part of the consultation should be deferred until the outcome of the Third Tier Employer's project is concluded and that such a delay was necessary to properly assess the impact of the proposed changes on scheme membership and cash flow positions. The Board agreed that the Board Secretary should re-draft the relevant section of the consultation response to reflect the different views expressed by Board members. **Previous Update:-** **On 8 May 2019** MHCLG launched a 12 week consultation on policy proposals to amend the rules of the Local Government Pension Scheme 2013 in England and Wales, see link here. It covers the following areas: 1. Amendments to the local fund valuations from the current three year (triennial) to a four-year (quadrennial) cycle 2. A number of measures aimed at mitigating the risks of moving from triennial to quadrennial cycles 3. Proposals for flexibility on exit payments 4. Proposals for further policy changes to exit credits 5. Proposals for policy changes to employers required to offer LGPS membership APF are current in the process of drafting a response to this consultation.
MHCLG Consultation on Late Retirement Factors	**Latest Update:-** A number of responses to this consultation raised concern with the proposed 1 May 2019 implementation date, therefore this was changed to 1 September 2019. The final GAD guidance was issued on the 28 June 2019, ahead of the implementation date, and our software provider are currently working to get the changes into the system. We are expecting the system to be able to calculate these with effect from 11th October and are manually amending any affected cases in the meantime. **Previous Update:-** **On 28 March 2019** MHCLG conducted a short consultation on proposed changes to the late retirement increase factors and guidance with a closing date of 17 April 2019. The consultation document, draft guidance and examples can be found here. The proposals include a change in methodology as well as a change in factors which is intended to remove

	the 'cliff edge' that was the result of the last factor change in January 2017 for some members. APF submitted a response to this consultation on 11 April 2019 a copy of which is attached to Item 9 as Appendix 4.
MHCLG Consultation on Fair Deal	**Latest Update:-** The Board was advised that discussions are continuing with MHCLG, in particular, on what the default position should be if negotiations between employer and contractor fail to reach agreement. The Board agreed that the "deemed employer" option should be the default position given that it would give employers, contractors and scheme members complete clarity about the position should no agreement be reached on whether the "deemed employer" or "admitted body" should apply. The Board agreed the draft response. **Previous Update:-** APF submitted their response to this consultation on 2 April 2019 a copy of which is attached to Item 9 as Appendix 3. At their meeting on 8 March the LGPS Technical group agreed on their response which can be found as an appendix to their March 2019 minutes here. The LGPC also submitted a response which can be found here. MHCLG have since reported the following on the response to Fair Deal consultation:- - Total responses received was 79, 35 from LG funds & 9 from scheme employers (+ 7 from outsourced contractors) Disappointing return from scheme employers of which there are now circa 15,000. MHCLG are in the process of analysing all responses & will work with SAB on provision of Guidance. It is hoped that guidance will be published by end of 2019 even if this is ahead of the required change in regulations. **Previous Update:-** On 10 January 2019 MHCLG launched a policy consultation and draft regulations on 'Fair Deal – strengthening pension protection' in the LGPS. The consultation contains proposals to strengthen the pension protections that apply when an employee of a LGPS employer is compulsorily transferred to the employment of a service provider. The proposed amendments to the LGPS Regulations 2013 would, in most cases, give transferred staff a continued right to membership of the LGPS. These changes are intended to bring the LGPS in line with the government's October 2013 Fair Deal guidance that applies in relation to transfers from central government. The consultation closes on 4 April 2019.

	The LGPC will be responding to the consultation in due course. In addition, the national LGPS Technical Group have created a sub-group to review the impact of the consultation and to make recommendations for response. The sub-group will be working closely with the LGA and MHCLG. Avon Pension Fund will be responding to the consultation and circulating details of the consultation to employers for them to respond also.
HM TREASURY [HMT]	
Indexation and equalisation of GMP in public service pension schemes	**Update September 2019:-** The GMP Equalisation Working Group, launched by the Pensions Administration Standards Association (PASA), has published guidance outlining methods that schemes could use to equalise for the sex-based inequalities of GMPs. The guidance, which follows a "call to action" launched by the PASA in July, also suggests how schemes should deal with common issues that may arise when implementing an equalisation project. See link here. **Previous Update:-** The DWP have published guidance on how the GMP conversion legislation might be used to achieve equalisation, see link here. Whilst this guidance does not apply to public sector pension schemes, MHCLG and HM Treasury may decide on future changes that would affect the LGPS and this guidance provides information on the possible routes that could be taken. HMRC announced that it is forming a working group with industry representatives to consider pension tax issues relating to GMP equalisation. **Previous Update:-** On 4 December, HMT issued an updated direction (dated 3 December 2018) under Section 59A of the Social Security Pensions Act 1975 which replaced the direction issued on 6 April 2016 and is backdated to that same date. The direction continues existing indexation provisions and, as a result of HMT's 2017 consultation on GMP indexation and equalisation, extends the arrangements to some additional groups of pensioners and provides for the payment of increases to survivors whose SPa is after 5 April 2021. **Previous Update:-** APF responded to consultation in Feb 2017 On 22 January 2018, HMT published its response to the consultation. The government has been implementing an "interim solution" between 6 April 2016 and 5 December 2018. The consultation directs that this solution will be extended for a further two years and four months. This will cover those members of public service schemes with a GMP who reach state Pension Age on or after 6 December 2018 and before 6 April 2021. During this period, the government will investigate the possibility of an alternative long-term methodology, known as "conversion"".

	Government Actuary has issued an addendum to the guidance for Transfer and Divorce calculations HMRC to set up working group in 2019
Public Sector Exit Payments Cap	**Latest Update:-** HMT still intend to bring forward regulations on the 95k Cap but there has been no confirmation when this will be. April 2020 is a possibility if the government publishes its response to the earlier consultation in the New Year. **On 28 June 2019** APF submitted their response to this consultation, a copy of which is attached to this item as Appendix 3, along with Annex 1 which contains analysis APF carried out on the profile of members that would have been affected by the cap based on cases processed over the last 3 years. A response was also submitted by the SAB, which can be found here, and by the LGA, which can be found here. HMT received approximately 600 responses, and it is likely they will publish their response in the autumn of 2019. We understand that HMT are to introduce the cap no sooner than 1 April 2020. **Previous Update:-** On 10 April 2019 HM Treasury launched a consultation called 'Restricting exit payments in the public sector: consultation on implementation of the regulations', see link here. This is a 12-week consultation closing on 3 July 2019 and APF are currently drafting a response. The LGPC have produced a briefing note which ties together the contents of the consultation documents. The briefing note and the consultation documents can be found here. The key points in the latest consultation are as follows:- • No change from the earlier proposal that the maximum exit payment will be £95,000. • The cap will apply to a wide range of public sector employers, including employees of councils in England and Wales, fire authorities, police forces, academies and maintained schools. • The £95,000 cap will include the value of any early retirement strain payments, and it is envisaged that the ability to take an unreduced early retirement pension will therefore be severely restricted in some cases. • Certain employers in the LGPS e.g. Universities and Colleges appear not to be covered which will means members would be treated differently within the LGPS depending on their employer on exit. • As previously indicated, there will be provisions for the cap to be waived in some circumstances. However, the tone of the consultation makes clear that any waiver is expected to be the exception rather than the norm.

	There will be some details to be ironed out in relation to the LGPS in England and Wales. We expect the MHCLG will run a separate consultation, and which will cover amongst other things the agreement and implementation of a common costing methodology and factors for strain payments. HMT welcomes responses to the consultation from employers, employees and their representatives, HR, payroll and pension experts, and anyone else who might be impacted by the proposals. Introducing a cap on exit payments will have significant implications for employers as well as for administering authorities. APF have communicated details of the consultation to fund employers to ensure that they also have an opportunity to respond. It is expected that MHCLG will run a separate consultation in relation to the LGPS in England and Wales, which will cover amongst other things the agreement and implementation of a common costing methodology. **Previous Update:-** The Bill was initially expected to have its second reading debate on Friday 25 Jan 2019, however, it now shows that the date for the second reading is to be announced. A link to the latest updates on this bill can be found here. **Previous Update:-** Further clarification on the claw back for re-employment in first year and setting the exit cap at £95k are still awaited Work is going on behind the scenes and subject to Parliamentary time these could be issued by the end of the year The third more broader proposals in the third consultation no immediate development on these has been reported, see link to consultation here. A Private Member's Bill the Public Sector Exit Payments (Limitations) Bill 2017 was introduced in Sept 2017 and its further rescheduled second reading is set for 26 OCT 2018; to date no details have been made available. Link to the Enterprise Act can be found here.

THE PENSION REGULATOR (TPR)	
****New Item** 2019 Governance and Administration Survey**	**On 5 November 2019** APF published their response to the annual TPR Governance & Administration Survey, see link here.
****New Item** TPR Publishes Regulatory Intervention Report**	**On 25 October 2019** TPR published a regulatory intervention report outlining how it worked with the London Borough of Barnet Pension Fund's scheme manager to improve the fund's governance and administration standards, see link here.
****New Item** TPR Initiative to Improve Data Quality**	**On 2 October 2019** the Pensions Regulator announced a crackdown on poor record keeping, see link here. TPR is in the process of contacting 400 schemes that it believes have not reviewed their data in the past three years. TPR will ask those schemes to conduct a data review within six months. We understand that some LGPS administering authorities are included in that group and that TPR planned to contact those affected by 25 October. TPR will contact a further 1,200 schemes to remind them to carry out data reviews of common and scheme-specific data every year.
****New Item** TPR Governance and Administration Risks in PSPS Report**	On 19 September 2019 TPR published its report into the governance and administration risks in public service pensions, see link here. The report follows on from their engagement with 10 UK local government funds, between October 2018 and July 2019, to understand scheme managers' approaches to a number of key risks. The report summarises the key findings against the Regulator's Code of Practice 14 both in terms of exceeding and falling short of required standards and will be discussed in detail at the next SAB meeting on 6th November 2019.
****New Item** TPR Codes of Practice**	The Pensions Regulator (TPR) has announced changes to existing codes of practice. The content of the 15 current codes of practice will be combined to form a single shorter code. The changes will reflect the Occupational Pension Schemes (Governance) (Amendment) Regulations 2018. Codes most affected by these regulations will be addressed first, and this includes Code of Practice 14 (public sector schemes). Schemes will need to demonstrate that they have an effective governance system within 12 months of the date the updated codes are published.
****New Item** TPR Annual Report**	TPR published its Annual Report and Accounts in July 2019, link here. The Report includes details of the organisation's activities, finances and developments in the 2018/19 year and an assessment of their achievement of key aims set out in the corporate plan.

****New Item**** **TPR Corporate Plan**	TPR has published its corporate plan for 2019-22 a link to which is here. The plan outlines the Regulator's six priorities for the next three years, which include extending its regulatory reach with a wider range of proactive and targeted regulatory interventions, and enabling workplace pension schemes to deliver their benefits through significant change such as Brexit. The plan also states that TPR is receiving an extra £7.6m in levy funding from the DWP for this tax year, including £400k that will be used to support policy work relating to the pensions dashboard.
2018 Governance and Administration Survey	**Latest Update:-** **On 24 July 2019** the full research report, which details all the 2018 survey results, was published together with commentary intended to draw out the key points and areas of concern identified. A link to both of these can be found here under the 'Public Service Pension Schemes' section. Main points to note: • there have been improvements in Schemes' performance in four of the six key processes • the report highlights the importance of receiving accurate and timely data, and identifies employer performance as a common reason for missing or inaccurate data • the percentage of LGPS members who were sent an annual benefit statement before the statutory deadline was lower than the average across the sector • the top three barriers to improvements in administration and governance were identified as complexity, lack of resources and legislative change. Within the LGPS, staff retention and lack of knowledge was cited as a top three risk by 28% of funds • six LGPS funds reported that that they had fewer board members at the time they completed the survey than is required by regulation 107(2) of the LGPS Regulations 2013, but this was mainly due to vacant positions • LGPS administration was more likely to be delivered in-house, and administering authorities review their administration providers less frequently than the average across the public sector. **Previous Updates:-** The results of last year's survey will be published in May 2019. TPR issued the survey link to scheme managers and scheme contacts on 5 November and encouraged all administering authorities to complete the survey by the closing date of 30 November. APF completed the survey before the deadline.

ITEMS FROM OTHER SOURCES

****New Item** Equitable Life**	Equitable Life announced that they had entered into an agreement to transfer the Society and all its policies to Utmost Life and Pensions (formerly known as Reliance Life), with the transfer taking place during the latter part of 2019. As part of the transfer deal, the Equitable Life With-Profits Fund will close and will be disinvested, initially into a deposit fund, but then into unit linked funds. Details of the Proposal can be found on Equitable Life's website. Equitable Life has recently written to all administering authorities affected by the Proposal. Administering authorities as 'Scheme Policy Holders' and 'Eligible Members' are being asked to vote to: • approve the 'Scheme' • 'Change the Articles' to make Utmost Life and Pensions the sole Member of Equitable. The 'Scheme': • increases with-profits investments with an immediate one-off 'Uplift' • removes any investment guarantees, and • converts with-profits policies to unit-linked investments. Administering authorities are also able to object to the transfer of Equitable Life's business to Utmost Life and Pensions (which does not require a vote but does need the approval of the High Court). The deadline for the receipt of postal and online votes is 10am on 30 October 2019. Following a report carried out by Mercer analysing the merit of the Equitable closure proposal for our members which concluded that in their opinion it would be appropriate to vote in favour of Equitable's proposals, APF voted in favour of the approval of the scheme and in favour of the change to the articles to make Utmost Life and Pensions the sole Member of Equitable Life. Equitable Life have reported on their website that the proposals on the Scheme and the Change to the Articles were both passed by an overwhelming majority. The next steps are: • The Equitable will now ask the High Court to approve the Scheme and the Transfer at the Second Court Hearing starting on 22 November 2019. • If the High Court gives that approval, then they expect the Proposal to be implemented with effect from 1 January 2020. The Uplift will be applied to any with-profits policies as soon as practicable after 1 January.

****New Item** The Queen's Speech**	The Queen's Speech, delivered on **14 October 2019,** confirmed that a new Pension Schemes Bill will be introduced, see link here. According to the Pensions Schemes Bill and background briefing notes, the Bill will: • strengthen TPR's powers • provide a framework to support pensions dashboards and • introduce regulations covering the right to a pension transfer.
****New Item** Recommendation for Reforms to the Taxation System**	**On 10 October 2019** the Office of Tax Simplification published a report that includes recommendations to help tackle complex tax issues that affect UK tax payers. Their recommendations relating to pension taxation are to: • Review the annual and lifetime allowances and how they deliver policy objectives, taking account of the 'distortions' they sometimes produce. • Review the operation of the Money Purchase annual allowance and consider whether it is set at the correct level. • Improve the information about tax provided to a person when they first start to receive the State Pension.
****New Item** Public Sector Bodies (Website and Mobile Applications) (No 2) Accessibility Regulations 2018**	**On 23 September 2018,** The Public Sector Bodies (Website and Mobile Applications) (No 2) Accessibility Regulations 2018 came into force. The regulations state that public sector websites and mobile apps must meet the international WCAG 2.1 AA accessibility standard. A new public sector website set up on or after 23 September 2018 must meet the accessibility standards by 23 September 2019. An accessibility statement must be published by the same date. Existing websites that were published before 23 September 2018 must comply with the regulations by 23 September 2020. However, if new features are introduced to an existing website or if substantial changes are made, these new areas will need to be fully accessible from 23 September 2019. Mobile apps must meet the accessibility requirements by 23 June 2021. Further information about the accessibility requirements is available on the gov.uk website.
****New Item** September 2019 rate of CPI**	**On 16 October 2019** the Office for National Statistics announced that the Consumer Prices Index (CPI) rate of inflation for September 2019 was 1.7%. Government policy in recent years has been to base both pensions increase and revaluation of LGPS pension accounts on the rate of CPI for September of the previous year. We await confirmation from the Government that the revaluation of pension accounts and the pensions increase to apply to deferred LGPS pensions and LGPS pensions in payment in April 2019 will be 1.7%.

****New Item** Consultation on Changes in RPI Methodology**	Chancellor of the Exchequer Sajid Javid has announced that the Government intends to consult on whether to align the RPI with the housing cost-based version of the CPI, known as CPIH. The consultation on the proposed changes will open in January 2020, and will ask whether the change should be made before 2030. A change in RPI would affect the revaluation (while the member is active, deferred or the pension is in payment) of extra pension bought under an ARC contract that started between 1 April 2008 and 31 March 2012.
****New Item** TPO Corporate Plan**	**On 2 Oct 2019** The Pensions Ombudsman published its Corporate Plan for 2019-2022, see link here. The plan sets out TPO's strategic aims for the next three years and key priorities for 2019-20.
****New Item** RAF Survivors Pension Landmark Ruling**	In a landmark ruling, on 17 July 2019 the Court of Appeal awarded a survivor pension in the RAF pension scheme to Ms Langford following the death of her partner in 2011. Ms Langford had cohabited with the scheme member for 15 years, but was married to someone else at the time of her partner's death. The decision could have far-reaching consequences for other cohabiting couples in the public sector where a surviving partner is married to a third party. We await the government's response to this decision.
****New Item** TPO Annual Report**	The Pensions Ombudsman (TPO) published its Annual Report and Accounts on 18 July 2019, see link here. The Report contains information about TPO's performance in the 2018/19 year and summaries of completed investigations.
****New Item** PASA Guidance**	**On 8 July 2019** the Pensions Administration Standards Agency (PASA) launched DB Transfer Guidance. The guidance seeks to create the right balance between member protection and the statutory right to transfer and has three keys aims: • improve member experience through faster, safer transfers • improve efficiency for administrators • improve communications and transparency in the processing of transfers. Compliance with the guidance is voluntary, but it is anticipated that the Pensions Ombudsman will reference it when reviewing complaint cases as a source of what 'good practice' looks like. APF are currently in the process of reviewing their processes in line with the guidance. **On 6 June 2019** PASA announced the publication of its cyber security guidance for pension schemes, link here. The guidance provides practical support for trustees in formulating a robust and effective review of how they safeguard their scheme from cyber security issues. It covers five main sections - Risk Assessment, Governance, Risk Management, Controls and Incident Management.

****New Item** PSIG Code on Combatting Pension Scams**	On the 10 June 2019 the Pension Scams Industry Group (PSIG) published version 2.1 of Combating Pension Scams – A Code of Good Practice, link here. The updated code reflects recent regulatory and legislative changes, as well as the evolving nature of pension scams. A summary of the key changes to the Code is provided on page 6 of the document, these include: • the cold calling ban • TPR & FCA ScamSmart campaign and TPR Threat Assessment update • Money and Pensions Service (MAPS) reference • the rise of claims management firms • TPO determinations update and implications • revised Action Fraud reporting guidance • additional case studies • learnings from PSIG's Scams Survey Pilot 2018. APF are currently in the process of reviewing the updated code to ensure internal procedures are in line.
Discretionary Policies ➢ **Action**	**Latest Update:-** APF are currently in the process of reviewing their discretionary policies and will present a paper to Committee at it's March meeting for approval. APF are in the process of purchasing a tool from JLT to assist employers when developing their discretionary policies and will carry out an exercise, when the tool is available, to support employers in reviewing and updating their discretions to incorporate the amendments below. **Previous Update:-** The Secretariat has published revised versions of the Discretionary policy list and guide (versions 1.7 and 1.9 respectively). Clean and tracked changes versions, can be found in the guides and sample document pages of www.lgpsregs.org. **Action for administering authorities and scheme employers** The documents have very minor changes though will require an amendment to both scheme employers' and administering authorities' mandatory discretionary policies: • whether to grant the application for early payment of deferred benefits (in respect of a member who left active membership before 1 April 1998) on compassionate grounds - application may now be granted by the administering

	authority where the former employer no longer exists. • where a member who opted out of the scheme continues to be employed by a Scheme employer, the member is only entitled to receive their benefits at NRD if their employer consents to them doing so (in respect of a member who opted out of the scheme after 31 March 1998 and before 1 April 2008).
Requirement to Pay Refund Under 2013 Regulations	**Latest Update:-** As reported previously, the National Technical Group made a recommendation to the SAB to remove the requirement to pay a refund of contributions within five years under the 2013 regulations. The SAB have agreed to proceed with this change and are in the process of making recommendations to MHCLG. **Previous Updates:-** **On 12 March 2019** the National Technical Group made a recommendation to SAB to change the regulations to reflect the position prior to 1 April 2014 (i.e. to remove the prescription that requires an administering authority to pay a refund on the expiry of a period of five years beginning with the date the person's active membership ceased if no request is made before then – regulation 18(5) of the LGPS Regulations 2013 [SI 2013/2356]). In making this recommendation the group acknowledged that interest would be added up to the date of payment, as opposed to on the expiry of 5 years. **From National Technical Group Meeting – Dec 2018** Under the 2014 scheme a refund must be paid on the expiry of 5 years from the date of leaving or, if earlier, at age 75. If payment cannot be made before within this timeframe then this is classified as a breach and as such would need to be reported to pensions committee, Local Pension Board and included on the breaches register. Additionally, the payment could not be treated as a Short Service Refund Lump Sum payment under section 166 and paragraph 5 of the Finance Act 2004 if the member: a) Had previously had a BCE in the Scheme, and/or, b) Holds deferred benefits in the Scheme, and/or, c) Has reached age 75 If any of the above circumstances have occurred, the payment would be an unauthorised payment, as such would need to be reported on the event report and the payment would be subject to both member tax charges and admin authority tax charges. Under all previous regulations there is no time limit by when the refund must be paid and the Technical Group are

	considering whether the current regulations can be amended to match. In the meantime, Technical Group have made a group policy recommendation on how to approach such cases and this is set out in the minutes available here.
DWP: Pension's Dashboard	**Latest Update:-** The Money and Pensions Advice Service (MAPS) will lead the delivery of the initial phase of the pensions dashboards and will bring together a delivery group made up of stakeholders from across the industry, consumer groups, regulators and government. The delivery group will be accountable to the MAPS board, and MAPS are in turn accountable to the Department for Work and Pensions (DWP). Chris Curry was appointed as Principal of the Pensions Dashboard Industry Delivery Group and Angela Pober as its implementation Director. Chris Curry published his first blog on 25 July which is available in the MAPS website. **Previous Updates:-** The LGPCs response to this consultation can be found here. On **4 April 2019** the government published its response to the consultation, which can be found here. Key details of the government's plans include: • Legislation to compel pension providers to make consumers' data available on the dashboard • Staged onboarding of schemes with the majority of schemes participating within 3 to 4 years • The inclusion of state pension data • A commitment to multiple dashboards, with a non-commercial dashboard being overseen by the Money and Pensions Service (MAPS). The DWP advises the pensions industry to get ready, in the next three to four years, to submit data. The hope is that the dashboards project will move into a test phase beginning in 2019. Meanwhile, the DWP will need to find a legislative vehicle by which to compel recalcitrant pension schemes to feed data into the dashboards system. Compulsion will require primary legislation. Pensions Minister Guy Opperman has indicated his Department's intention to include a Pensions Bill in the next Queen's Speech. The results of the feasibility study to explore the options for the delivery of online pensions dashboards were released in the form of a government consultation on 3 December 2018. The consultation was seeking views on how the government can best facilitate an industry-led delivery of pensions dashboards. The consultation closed on 28 January 2019. The consultation proposals included:

	- a non-commercial dashboard be hosted by the Single Financial Guidance Body (SFGB) together with multiple commercial dashboards hosted by different organisations, in order to improve consumer choice and enable them to use the dashboard that most suits their needs. - the establishment of a delivery group convened and stewarded by the SFGB, which would work towards the successful implementation of the technology that will allow pensions dashboards to operate. - a single 'Pension Finder Service' (PFS) will act as a search engine to find pension schemes linked to an individual. - state pension data will ultimately be part of the service. - with the consent of the individual, pension schemes will be required in legislation to provide an individual's data via pensions dashboards. - public service pension schemes be given longer lead-in times to prepare their data prior to on boarding. It is expected that the pensions industry will start to supply data to a dashboard, on a voluntary basis, from 2019. The majority of schemes will be on-boarded within 3 to 4 years from the first dashboards being available to the public. **Previous Update:-** **Pensions dashboard – results of feasibility study delayed** In bulletin 167, it was reported that DWP were conducting a feasibility study to explore the options for delivering the dashboard and that this was due to be published at the end of March 2018. The findings of this feasibility study have still to be published. Given it is now less than a year until the dashboard was originally due to launch (in April 2019), this would appear to make these timescales increasingly difficult to achieve. There have been some mixed opinions raised as to whether this is still achievable but the Department has recently confirm that it remains a key objective

Key:- Any text highlighted in Grey was previously reported with latest updates indicated where applicable.
Newly reported items are labelled **New Item**
Where action is required, this is indicated in first column where appropriate