

Bath & North East Somerset Council

MEETING	Avon Pension Fund Committee	
MEETING	6 December 2019	Agenda Item Number
		09
TITLE:	Update on Legislation	
WARD:	All	
AN OPEN PUBLIC ITEM		
List of attachments to this report: Appendix 1 – Current matters affecting LGPS administration November 2019		

1 THE ISSUES

- 1.1 The purpose of this report is to update the Committee on the latest position concerning the Local Government Pension Scheme [LGPS] and any proposed regulatory matters that could affect scheme administration. An updated list is included in Appendix 1.

2 RECOMMENDATION

The Committee is asked to;

- 2.1 Note the current position regarding the developments that could affect the administration of the fund

3 THE REPORT

The below items have been selected from Appendix 1 as we believe them to be key items of interest for committee members:-

3.1 McCloud and Sargeant Court Case

- (1) This case concerns the transitional protections provided to older members of the judges and firefighter pension schemes following their reform in 2015 as part of the public sector pension scheme changes.
- (2) In December 2018, the Court of Appeal found the transitional protections to be unlawful on the grounds of age discrimination
- (3) In June 2019, the Supreme Court denied the Government's request for an appeal and as such the case has been returned to an Employment Tribunal for remedy.

- (4) In July 2019, the Chief Secretary to the Treasury announced in a written statement that 'the government believed that the difference in treatment will need to be remedied across all public sector schemes, including the LGPS'.

3.2 LGPS SAB Cost Management Process

- (1) The Public Service Pensions Act 2013 set out that public sector schemes were to be monitored to ensure that they are affordable and sustainable. Unlike the unfunded schemes LGPS also has a built in check driven by the Scheme Advisory Board
- (2) In September 2018 HM Treasury announced that as a result of scheme valuations all public service pension schemes, including the LGPS had breached the 2% cost cap floor which would lead to member benefits improvements. However, the SAB has its own cost management which allowed any changes to benefits to be taken into account before the HM Treasury process begins.
- (3) A proposed package of changes was put forward to SAB for approval with the intention that all scheme changes would be effective from 1 April 2019 and will apply until at least March 2023.
- (4) However, in January, the Government announced a pause in the cost cap process due to uncertainty caused by the McCloud and Sargeant court ruling on elements of the 2014/15 scheme reforms and subsequently the SAB confirmed that they would also be pausing their own cost management process until the effects of the outcome of this case is clear.
- (5) Therefore, scheme changes were not put in place for 1 April 2019 and the LGPS SAB Cost Management Process continues to be paused until the effects of the outcome of the McCloud and Sargeant Judgement is clear.
- (6) In October 2019, GAD issued a formal request for valuation data as at 31 March 2019 as part of the cost management process.

3.3 Equitable Life

- (1) 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.
- (2) 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.
- (3) Equitable Life has recently written to all administering authorities affected by the Proposal asking them to vote to approve the 'Scheme' and 'Change the Articles' to make Utmost Life and Pensions the sole Member of Equitable. The deadline is 30 October 2019.
- (4) 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 the proposals, APF voted in favour of both 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.
- (5) 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.

- (6) 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.
- (7) 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.

4 FINANCIAL IMPLICATIONS

- 4.1 The administrative and management costs incurred by Avon Pension Fund are recovered from the employing bodies through the employer's contribution rates.
- 4.2 Any other specific financial implications will be reported as appropriate.

5 RISK MANAGEMENT

- 5.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance.

6 CLIMATE CHANGE

- 6.1 The Fund is implementing a digital strategy across all its operations and communications with stakeholders to reduce its internal carbon footprint. The Fund acknowledges the financial risk to its assets from climate change and is in the process of addressing this through its strategic asset allocation to Low Carbon Equities and renewable energy opportunities. The strategy is monitored and reviewed by the Committee.

7 OTHER OPTIONS CONSIDERED

- 7.1 None

8 CONSULTATION

- 8.1 This report is primarily for information and therefore consultation is not necessary.

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Background papers	<i>LGA Bulletins SAB Meeting Minutes</i>
Please contact the report author if you need to access this report in an alternative format	