

# Local Government Newsletter

## May 2019

*Hello and welcome to the latest edition of our Newsletter. This month's topics include an update on the latest LGPS consultation covering local fund valuations and the management of employer risk, new SAB advice note relating to impact of McCloud on the 2019 valuations, reminder of the closing date for the Good Governance survey (31 May), an update from a recent GAD/LGA meeting with the LGPS actuarial firms and an update on the timing of the Equitable Life transfer to Reliance Life (now Utmost Life and Pensions).*



Mary

## People / Aon News



### Baby Kanaris

Many congratulations to Dan on the new addition to his family. Edith (Edie) Sybil Kanaris was born on 7 May. Baby, Mum, Dad and big sister Freya are all doing well.

## Birthday celebrations

Birthday celebrations were in order for Catherine Pearce this month with a trip to the English Riviera to mark a significant "0" birthday. Many congratulations to Catherine and best wishes for the new decade ahead.

## Talking points

### Consultation on Local Valuation Cycle and Management of Employer Risk

Views are being sought by MHCLG on this very important [consultation](#) which could have a significant impact on the way the LGPS operates in England and Wales. It includes proposed changes to:

- Move the valuation cycle for Fund valuations to four yearly from 2024
- Provide options for the transitional period from 2019 to 2024 with a preferred option for a valuation in 2022 – the 2019 valuation would therefore set contributions for April 2020 to March 2023 and the 2022 valuation would set contributions for 2 years to March 2025.

- Give funds power to take interim valuations (in full or in part)
- Add more flexibility to alter employer contribution rates mid valuation
- Add more flexibility with exit payments, such as deferred employer status where employers defer exit payments and provide an ongoing commitment to meet their existing liabilities, in agreement with the fund
- Restrict exit credits where risk sharing has been in place
- Allow Further Education Corporations, Sixth Form College Corporations and Higher Education Corporations in England to decide whether to admit employees into the scheme in the future.

The consultation runs from 8 May to 31 July and Aon will provide our thoughts to clients early next month.

### McCloud judgement – new SAB advice note

On 14 May the Scheme Advisory Board (SAB) published an advice note which covered the implications of McCloud/Cost Cap with respect to the 2019 fund valuations. It sets out the proposed approach to the 2019 valuation and confirms that if there is no outcome on the Cost Cap and McCloud by 31 August that the scheme benefit designed used should be as it is currently set out but in setting employer contribution rates the Administering Authority should, with their Actuary, consider the additional allowance to be made. For more details visit the [SAB website](#).

## Good Governance Project

The Good Governance Project continues and a key part of that is an online survey issued last month. The closing date for responses is 31 May. The online survey was issued to pension fund officers, Section 151 officers, elected members, democratic services officers, local pension board chairs and trade unions, and responses are sought from individuals to get their experiences of the current governance structure in the LGPS. We understand that the findings will form the basis for the final report due to be brought to the SAB in July 2019.

## Civil Partnership, Marriages and Deaths (Registration Etc.) Act 2019

The Civil Partnerships, Marriages and Deaths (Registration Etc.) Act 2019 received royal assent on 26 March 2019. This will extend civil partnerships to heterosexual couples in England and Wales.

It allows for legislation to be created allowing mixed sex civil partnerships and further consultations are expected on proposed legislation before the end of 2019.

## Industry developments

### Update from recent GAD/LGA meeting

Representatives from the four firms of actuaries met with representatives from the Government Actuary's Department (GAD) and LGA on 7 May. At that meeting, final agreement was reached on the format of the GAD section 13 data request form in respect of the 2019 valuations, and we are expecting GAD to release a copy of this shortly to enable us to incorporate this into our valuation process.

The assumptions to be used for the calculation of the SAB standardised basis funding level have also been provided. At this valuation there will not be an early deadline for provision of these figures (the funding level was required by 30 September 2016 at the previous valuation), which should allow funds to focus on important funding decisions during summer/autumn 2019 with results on the standardised basis following later.

In addition, for this valuation there will be a standard "valuation dashboard" as an additional appendix to the valuation reports, and items to be included in this were discussed, but the final format is yet to be finalised. The idea is that this dashboard will provide a consistent and short summary of the valuation

allowing a lay person to more easily compare LGPS fund valuations carried out by different firms of actuaries. The intention is to include figures that give an indication of the proportion of a fund that is not backed by tax-raising employers, and the proportion of a fund using long deficit recovery periods.

There was also a brief discussion of the consultation on the £95k exit cap, which LGA is keen to encourage funds and employers to respond to.

## Equitable Life – Transfer to Reliance Life (now known as Utmost Life and Pensions)

Equitable Life announced in early 2018 that it entered an agreement to transfer its business to Reliance Life Ltd by the end of 2019. Details on this were included in our [February 2019 newsletter](#) with expected timelines. We have been advised that the timeline for the communications has slipped with information on members' capital uplifts now expected at end of July/early August (this was originally going to be late May). In addition, following a re-branding exercise Reliance Life is now known as Utmost Life and Pensions.

The knock-on relating to the rest of the process is as follows:

- Investment choice 'pack' will go out a week to 10 days after that (early/mid Aug)
- Voting deadline will move from end of September to early November.
- Court sanction date (assuming positive outcome) mid-late November.
- Uplift and transfer to Utmost Life 1 Jan 2020.

## Recent Ombudsman Case

The Deputy Pensions Ombudsman has recently given her determination in a complaint by Dr Y (the late member's husband), on behalf of Mrs N's Estate against Derbyshire County Council as Mrs N's employer. The case, which can be read on the [Pension Ombudsman's website](#), is in respect of an ill-health retirement where the member passed away while an active member and the Fund awarded death in service rather than death of a pensioner benefits – which would have been higher. Her widower appealed this on the grounds that the retirement date was set somewhat arbitrarily and had the case been resolved quicker the member

would have died after her retirement date, not before. The complaint was upheld against the Council on the basis that it ought to have set her retirement date on the same date that her ill health retirement had been approved.

## CIPFA Benchmarking Letter

In May CIPFA wrote to administering authorities on the subject of LGPS Administration Benchmarking and Resources. It included reference to the recently updated Annual Report guidance and CIPFA's recent update to their Pensions Administration Benchmarking Service to mirror the requirements of the updated Annual Report guidance.

## Cost Transparency Initiative – Templates and Guidance

The Cost Transparency Initiative (CTI) issued a framework of templates and guidance on 21 May aiming to allow firms to report standardised costs and charges information to pension schemes. The templates will be adopted as part of the SAB's Code of Transparency – see [SAB's website](#) for more details.

## Judicial Review – SPA for women born in 1950s

Following the WASPI campaign the High Court granted permission for a judicial review of "matters arising from the government policy of equalisation of women's pension ages and the impact of those changes on women born in the 1950s". That case is listed to be heard next month – on 5 and 6 June. See [House of Commons Library website](#) for more background information.

## NHS Pension Scheme – Pension Tax

Following recent public focus on the impact of the tapered annual allowance on consultants and doctors who are members of the NHSPS accepting work, it has been mooted in the press that government ministers are considering options around greater flexibility in that scheme, akin to the 50/50 options in the LGPS rather than making changes to the current tapered annual allowance arrangements. Chancellor Phillip Hammond confirmed on 22 May that he has no current plans to remove the taper.

## Responsible Investment Update

We published our quarterly Responsible Investment update earlier this month – see [Aon's website](#) for more details. It includes information on Aon's Global

Responsible Investment Survey – please do take part in the survey which seeks to capture the perspectives of a wide range of institutional investors. The survey can be located [here](#).

## What we've been talking to our clients about

Progressing activity with clients on the 2019 valuation remains top priority on the actuarial agenda. Also, a briefing note on accounting for McCloud and GMP indexation and equalisation as contingent liabilities in employer accounts has been circulated in recent weeks. This follows CIPFA's publication of a [McCloud briefing note](#) on 24 April to assist authorities in determine an appropriate accounting treatment in their 2018/19 accounts.

## Pension Committee Training

Following the local elections earlier this month, we are working with Funds to provide induction training to new pension committee members. Do get in touch with [Karen](#) or any member of the benefit and governance team if you would like to arrange training for your Pension Committee or Board.

## Recent Events

### PLSA Local Authority Conference

Alison Murray and I attended the Conference at the Cotswold Water Park Hotel, Gloucestershire from 13 and 15 May. It was an eventful and enjoyable couple of days with an interesting range of topics being covered from speakers including the Minister Rishi Sunak MP. It was great to catch-up with colleagues from Funds and organisations across the LGPS community especially doing so at the inaugural birdwatching session held at this year's conference.

## Upcoming Events

### CIPFA Summer Workshops

Laura Caudwell and Chris Darby are looking forward to seeing many of you at the forthcoming CIPFA Summer Workshops in London (6 June) and Manchester (12 June) where they will be presenting an update on funding risks as well as an introduction to Cyber Risk.

## Aon success

We are delighted that Aon won both the '20 Years of Excellence in Actuarial Advice' and '20 Years of Excellence of Investment Advice' at the recent 2019 Financial Times (FT) Pension and Investment Provider Awards (PIPs). These special accolades were introduced to mark the 20th anniversary year of the FT PIPs. We were recognised for the significant contribution and impact we've made to the pensions industry over the last two decades.

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