Local Government Newsletter

April 2018

Welcome to the April 2018 edition of the newsletter.

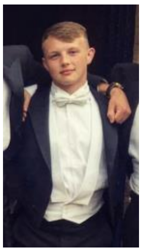
Sam has passed on the Editor's duties to me for this month and I hope you find it useful and interesting.

Michael

People News

Last month Sam mentioned we had two new team members, Marek Barnes and Pete Miles. This month Marek and Pete have taken some time to introduce themselves

I'm Marek and I'm originally from Birmingham. I graduated from the University of Bristol last summer where I studied Civil Engineering. My hobbies include football, skiing and running



Hi everyone! My name is Pete, I am 21 years old, and I am from Bristol. I have just joined Aon as an Actuarial Graduate trainee in the Bristol office. Prior to joining Aon, I studied Maths at Oxford University and worked as an Investment Helpdesk Consultant at Hargreaves Lansdown. Outside of work, I compete for Great Britain in the Olympic sport of Judo. I have won a bronze medal in the World U18 Championships, 8 gold medals at the British Championships, and also represented Team GB at the Youth Olympic Games in 2014.

Talking points

2% local government pay offer now expected to go ahead

In January this year, Unison's national pay committee had narrowly voted to reject the offer, which would mean pay rises for more than 1 million council workers. The pay offer covers the period April 2018 to March 2020.

But now, following "further consultation", the union has accepted the offer. GMB members voted last month by 94% to accept the rise. Unite has rejected it, but Unison has the biggest membership of local authority workers.

Overall, we expect this to have a positive effect on the liabilities of funds we advise as this is lower than the increase allowed for in the 2016 valuations. However, as there are higher increases for those at the bottom of the pay scale, the effect will vary across funds and employers. Any funds assuming very low or no pay increases in the short-term may see an increase in their liabilities.

Teachers' Pension Scheme to provide same-sex survivor benefits

The Department for Education has announced that it plans to equalise survivor benefits for same-sex couples in the Teachers' Pension Scheme. The changes are being made following last year's Supreme Court ruling in Walker v Innospec which stated that same-sex couples that are married or in a civil partnership should be entitled to the same pension benefits as heterosexual couples. According to a statement on the Teachers' Pension Scheme website: "The benefits that this will provide to same-sex survivors will be dependent upon when the deceased member was employed, their pensionable earnings and the length of their service."

How long will it be before the LGPS follows suit?

SAB guidance on LGPS scheme specific data

We understand that software providers and others are starting to advise funds on measuring scheme specific data in response to tPR's requirement for schemes to provide details of their data score in this year's annual returns.

However, this may be premature given the SAB in England and Wales plans to issues national guidance, and lead to inconsistencies across the LGPS which the national guidance is intended to avoid. We are working with a number of administering authorities to help them meet tPR's requirements but are very supportive of consistency and hence the central guidance which SAB proposes.

We understand that the central guidance will cover both what should be measured as scheme specific data and how it should be measured (i.e. what the measures are). The intention is for the guidance to be available in mid-June before funds have to submit their returns by September.

We understand an email about this guidance has been sent by the SAB to pension managers in the last week.

LGPS (Amendment) Regulations 2018

It has taken almost two years but we at long last have some amendment regulations and a response to the consultation on the 2016 draft regulations. Unfortunately, the amendment regulations don't address most of the current 'hot topics' and, are mainly technical amendments to ensure the regulations deliver the policy intention.

The amendment regulations DON'T cover: Fair Deal; Freedom & Choice for AVC funds; the exit payment cap/exit payment recovery; and there are no changes to the aggregation rules.

The new regulations come into force from 14th May 2018, but a number of provisions (largely those correcting wording to ensure the regulations deliver as intended) are backdated to 1st April 2014.

The most significant change from an actuarial perspective is to Regulation 64 which covers exiting employers. The amendments to this regulation, which are effective from 14th May 2018, now allow for the payment of a surplus (an "exit credit") to an exiting employer. There doesn't appear to be any discretion for administering authorities nor any carve-out for any existing admissions where the parties may have entered into contractual arrangements which aren't compatible with an automatic refund of any surplus. Thus not only are there implications of this change in relation to an administering authority's Funding Strategy Statement and any employer policy documents, but we would strongly advise administering authorities to ensure their employers are aware of these imminent changes. We would be delighted to assist with any communication with employers.

The other amendment affecting employers is the regulation that allows admission agreements to be backdated (this amendment takes effect from 14th May 2018). This isn't new as such but intended as a "reminder" to administering authorities that backdating is permissible, although experience tells us that there remain a number of complications and issues to consider when permitting backdating of admissions, not least how members' benefits and contributions are addressed in relation to the period of the backdating. We continue to see admissions ending before the paperwork for admission has been completed which leads to all sorts of headaches for administering authorities. We hope that the clarification in the Regulations doesn't lead to more employers assuming that there is no rush to finalise the paperwork before any staff are transferred.

A welcome change for scheme members is the right for those who left the scheme under earlier regulations to draw their benefits from age 55 without requiring their former employer's consent. The amendment takes effect from 14th May 2018 so that will be the earliest date that a benefit payable in this circumstance can be paid from.

There is a change to the calculation of assumed pensionable pay – the regulations now allow that where APP is lower than the pay the member would receive if they were at work, the employer can substitute a higher figure.

Those are the main changes but there are a host of other amendments to clarify regulations and confirm the policy intention. You can find the full regulations here.

Administering authorities will now need to consider the impact of these regulations on their policies, and how to communicate the changes to their employers and scheme members. Aon is already actively advising our funds and would be happy to help any administering authorities requiring assistance.

LGPS Pay and Organisational Survey

How administering authorities resource their administration and other scheme management functions and the pay/benefits of staff engaged in pension fund roles is of increasing interest to funds and other stakeholders. Colleagues from Aon's Public Sector Team and specialist Talent, Reward and Performance Practice are working in collaboration with West Yorkshire, Merseyside and London Borough of Lambeth Pension Funds to capture and collate data on the organisational and pay structures of LGPS funds. The survey was issued by Aon to all administering authorities on the 20th to 24th April (from Alison Murray or Karen McWilliam) so if you have not received it but your organisation is interested in participating, please do get in touch. All those completing and returning the survey will receive a summary of the results and we would be delighted to discuss provision of further detail if that would be of interest. The Scheme Advisory Board and Cipfa have also kindly agreed to help publicise the survey and summary results of the survey will be shared with the Scheme Advisory Board as it may be helpful for ongoing projects such as the separation project and understanding the impact of resources on delivery of services.

The deadline for returning the completed survey is 11 May.

Pension Committee and Board Member Training

Places are filling up for our training sessions on the **5th and 30th of July in our Leadenhall Office in London**.

If you would like to book places now the cost is £300 plus VAT per person per day.

Please contact Michael Ferguson (copying in Christine Swain) to book places for your new members and officers.

Industry developments

TPR Publishes Cyber Security Principles for Pension Schemes

The Pensions Regulator issued its Cyber Security Principles for Pension Schemes and you can find the full document here.

The regulator makes it clear that, pension schemes hold large amounts of personal data and assets which can make them a target for fraudsters and criminals. As trustees and scheme managers, administering authorities need to take steps to protect members and assets accordingly, which includes protecting them against the 'cyber risk'. This is an issue which all trustees and scheme managers, regardless of the size or structure of their scheme should be alert to.

If you would like to attend our Cyber Risk breakfast seminar on the 8th of May then please click here to register.

HMRC Calculator Error

HMRC was slammed by former pensions minister Steve Webb, for hosting a pensions tax calculator that gave users the wrong information regarding how much they could put into their pensions.

The calculator has now been taken down, but if anyone has used this tool it may be worth revisiting your calculations.

The error concerned calculations of the tapered annual allowance affecting those earning £110,000 or more.

New 21st Century Trustee Material Released

The Pension Regulator has released the latest in a series of communications aimed at improving standards of governance amongst trustees. Although aimed at the Private Sector there is some information that you may also find useful and it can be found here.

What we've been talking to our clients about

Actuarial hot topics include the accounting exercise and preparation for the 2019 valuation.

In relation to the former, discussions have focused on the expected additional interest from auditors in the data used by the actuaries in calculating the figures underlying the disclosures. The recent article on the error in the accounting disclosures produced by Hymans last year due to Hertfordshire County Council supplying incorrect fund return data has further focused minds.

In relation to the latter, we are continuing to advise administering authorities on refining their funding strategy for employers to take account of employer risk/covenant as well as carrying out interim valuations for employers where there may have been material data changes since the 2016 valuation.

As a result of GMP reconciliation and other data cleansing exercises we have been helping several clients develop an under/overpayments policy setting out how these will be dealt with. If you are interested in this please contact Laura Caudwell.

We have also been carrying out some training for administration teams, covering a basic introduction to the scheme and transfers. We also have some training planned covering annual and lifetime allowance. If you are interested in training for your staff please contact Catherine Pearce.

Recent events

LGA: Meeting GDPR and TPR's data requirements conference - London - 29 March 2018

Laura Caudwell and Nicky Russell attended this event. The Regulator discussed the results of the most recent administration and governance survey and there was a lot of discussion about the new requirements for testing common and scheme-specific data items for the 2018 scheme return. Speakers from various administering authorities gave really useful insights on how they are reviewing their data and processing systems ready for GDPR, and how the new TPR data measurement requirements are different to the record keeping quality testing work they were already doing.

Upcoming Events

PLSA Local Authority Conference – Cotswolds 21st – 25th May

The annual PLSA conference is taking place from the 21st to the 23rd of May. Alison Murray and Laura Caudwell will be in attendance.

Aon Webinar – Data Quality in the LGPS – 28th June 2018

In our next webinar we will be joined by representatives from the Pensions Regulator and the Local Government Pension Scheme Advisory Board (SAB) to discuss the new data quality measurement requirements in the annual scheme return, and how this measurement should lead to improvements in the quality of record keeping.

This webinar will be on 28th June 2018, timed for just after the new SAB guidance on consistent measurement of scheme-specific (conditional) data is issued, but allowing time to follow the guidance in data testing before the 2018 scheme returns are due in September.

All our webinars are free to attend, and this one will be aimed at individuals involved in the administration of Local Government Pension Scheme (LGPS) Funds, as well as those responsible for the administration and governance.

We will send invitations to all our LGPS contacts shortly, and will provide more details and a link to register in the next monthly newsletter.

Blog spot

The latest articles from the Aon Hewitt Retirement and Investment Blog

- Weekly-Update-03 April
- Weekly Update-09 April
- Weekly-Update 23 April 2018

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