



# Local Government Newsletter

## December 2019

*Hello and welcome to the final edition of our newsletter for this year and indeed the decade. This time 10 years ago we had a relatively new 1/60<sup>th</sup> pension scheme, the Hutton review of public service pensions had not yet begun, initiatives like auto-enrolment and freedom and choice were yet to be conceived, and the annual allowance was £245,000! It has certainly been a decade of change and the forecast is for more of the same, with the McCloud remedy, Scheme Advisory Board's Good Governance review recommendations, TPR's single modular code, and responsible investment all on the horizon for 2020 and beyond.*



*Despite the tasks faced, the commitment we see from the LGPS funds we work with gives us plenty of reassurance that we will all rise to meet these challenges over the coming years, and we look forward to working with you in the 2020s. On that note, we would like to wish you all a well-earned and enjoyable break from work and a happy new year!*

Ben

## People / Aon news

### New office in Bristol

After 27 years at Marsh Street, earlier this month Aon's Bristol office (where many of us in the public-sector team are based) moved to a new location at 1 Redcliff Street. The office was built in 1964 and has recently been extensively refurbished and extended. The new office provides more comfortable meeting spaces and is only a short walk from Temple Meads train station. Our new postal address is 1 Redcliff Street, Bristol, BS1 6NP. All our direct dial phone numbers are unchanged.

As you can see from the photos, it is a fantastic new space and we look forward to welcoming you to it in the new year.



## Looking ahead to 2020

Largely due to the dissolution of parliament ahead of the recent general election, there has not been a great deal of official news or announcements in recent weeks. Therefore, with the end of the calendar year approaching, this provides an opportunity to look ahead to some of the administration and governance challenges that we will face in 2020.

### McCloud remedy

Although implementing a remedy to the McCloud judgment may go beyond the 2020-21 financial year, the next few months should see plenty of progress being made. As stated in the Scheme Advisory Board (SAB) [update](#) published in November, it is understood that the LGPS will be dealt with separately to other public service schemes and that the remedy is likely to involve an extension of some form of underpin. Technical discussions are expected between MHCLG and the SAB in the new year and a consultation on proposed changes is expected to follow which will hopefully include draft regulations. The SAB did note that they don't expect to see any remedy implemented before the end of the 2020-21 financial year.

In the meantime, it is important for administering authorities to make employers aware of the possibility that data such as part-time hours, service breaks, and pre-2014 definition pensionable pay will need to be provided and to ensure that systems and procedures are in place to collect this data. There is no direct message from Government or the SAB that administering authorities should start this work yet given the uncertainty around the remedies, but it is important to start the planning. We have been working with authorities to make plans both around the resources and actions that may be required to apply the remedy retrospectively, as well as getting the house in order by clearing any backlogs or other outstanding work as early as possible. It may also be helpful to do an initial analysis of the number of members that may be in scope, based on what we know at this time.

Please speak to your usual Aon consultant about how we can help you with the McCloud remedy preparation or helping clear some of your other current projects. We are already carrying out several projects with administering authorities utilising the expertise we have in our benefits administration team.

## Good governance report

As reported in last month's newsletter, [phase II of the good governance report](#) was published by the SAB in November. The report outlined areas that administering authorities will need to work on to comply with the new governance requirements, assuming the recommendations are taken forward by the SAB.

Authorities should already be considering how they will tackle tasks such as drafting conflict of interest policies, developing the knowledge and understanding of key individuals within the fund, documenting delivery and measuring performance of the LGPS function, and ultimately preparing for a biennial independent governance review.

### TPR's Single Modular Code

Early next year, the Pensions Regulator (TPR) will begin the process of merging its 15 codes of practice into a single code.

We understand that TPR are expecting to consult on a new single modular code in the new year as well as planning to undertake some user testing of this new online modular version. With Code of Practice No 14 being incorporated into the new single code, we are focused on understanding how funds will assess their compliance with this new code (including any new requirements this may place on Scheme Managers or Local Pension Boards) and how compliance will need to be demonstrated. We are considering this alongside the expected requirement from the Good Governance review for Funds to undertake biennial independent governance reviews.

## Talking points

### LGPS Scotland Section 13 report published by GAD

On 16 December, the Government Actuary's Department (GAD) published its [review](#) of the actuarial valuations of LGPS Scotland funds as at 31 March 2017, in accordance with section 13 of the Public Service Pensions Act 2013. The report is based on data from the actuarial valuations and other information provided by funds and their actuaries.

GAD concluded that the scheme is in a strong financial position and found that the overall funding level improved from 94% in 2014 to 102% in 2017. In addition, GAD found no issues relating to compliance with relevant regulations, solvency

of the funds, or the long-term cost efficiency of funds, with the only suggestions being in relation to consistency of disclosures and calculation methodology, to enable better cross comparison of funds.

### [Pension schemes newsletter 115 published by HMRC](#)

On 26 November, HMRC published [pension schemes newsletter 115](#), which contains information on lifetime allowance protections and the 2019-20 event report, and a request for scheme administrators to remind members who are subject to an annual allowance tax charge to declare this on their self-assessment tax return, even if the scheme is paying the tax charge for them. The newsletter also contains some useful links to a self-assessment help sheet, a guide to paying and declaring an annual allowance charge, and an annual allowance tax charge calculator.

### [Industry developments](#)

#### [PLSA calls on new Government to prioritise pensions](#)

Following the result of the general election, the PLSA published a [press release](#) on 13 December which calls for the new Conservative government to follow through on its pensions manifesto pledges and ensure that more people achieve a better income in retirement. Some of the measures the PLSA call for include widening the scope of auto-enrolment to include more people on low income or who have multiple jobs and ensuring a non-commercial pensions dashboard is set up.

#### [DHSC publishes statement on tax charges in the NHS Pension Scheme](#)

On 7 December, the Department of Health and Social Care (DHSC) published a [statement](#) from Matt Hancock, the Secretary of State for Health and Social Care. The statement confirmed his agreement for NHS England to make payments to certain clinicians who are subject to an annual allowance tax charge for 2019-20. The NHS Pension Scheme will pay those tax charges under the Scheme Pays arrangements and members will receive additional payments in the future to compensate for the reduction to their pension.

### [Royal London and Eversheds jointly publish discussion paper on facilitating financial advice](#)

In early December Royal London and Eversheds published a [discussion paper](#) covering what trustees need to think about when considering whether to provide financial advice to members. While this is aimed at private sector trustees with a bulk transfer exercise going on, many of the areas and risks discussed apply equally to the public sector.

We know that many members ask administering authorities for advice particularly around pension tax, so we are pleased to let you know that Aon is working on a potential pensions advice solution for members affected by pension tax issues and we hope to be able to let you know more shortly. In the meantime, please get in touch with your usual Aon consultant if you are interested in this or have any questions.

### [What we've been talking to our clients about](#)

The 2019 actuarial valuations are now at an advanced stage with a large proportion of the individual employer results having been completed. As we move into 2020, focus will be on finalising all the employer contribution rates and agreeing any changes to provisional figures with administering authorities, with the deadline for signing the 2019 valuation report and Rates and Adjustments Certificate being 31 March 2020.

Outside of the valuations we have been in discussions with our clients in relation to making an appropriate allowance for McCloud in new employer calculations and exit valuations. Your usual client contact will be discussing this with you but if you have any questions on this then please do get in touch with them.

## Recent events

### National LGPS Technical Group

Catherine Pearce was part of the Technical Group meeting held at Aon's Leadenhall office in London on 10 December 2019. Topics covered included the procurement of an LGPS knowledge system, CIPFA annual report guidance, the conversion of AVCs to additional pension and the content of annual benefit statements. The minutes of the meeting are available [here](#).

## Upcoming events

### LGA Governance Conference

On 23 and 24 January 2020, Alison Murray, Scott Campbell and Mary Lambe will be attending the LGA Governance Conference in York, including participating in a panel on the first day which will provide an opportunity to discuss the cost cap process introduced as part of scheme reform and the impact of McCloud.

### Aon Pension Conferences 2020

As pointed out in last month's newsletter, registrations are now open for the [2020 Aon Pension Conferences](#). These are aimed at trustees of pension schemes and pensions, HR and finance professionals who make decisions about schemes.

Attendance is free and offers delegates the opportunity to hear experts' views and ideas on how to manage defined benefit and defined contribution pension schemes. The conferences also provide a platform to learn from and network with peers.

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