

WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND LOCAL PENSION BOARD
15 March 2018

Scheme, Fund, Regulatory & Fund Update

Purpose of the Report

1. The purpose of this report is to highlight the latest legal, regulatory and Fund updates.

Background

2. The attached appendix outlined the current and recent scheme and regulatory changes. The purpose is to keep the Board abreast at a high level of the latest changes and developments involving the Local Government Pension Scheme.
3. The Head of Pensions Administration and Relations will provide a verbal update on these changes at this meeting for discussion with the Board.

Considerations for the Board

4. To note the discussions in relation to the latest scheme and regulatory updates as listed in the table in the appendix.

Environmental Impact of the Proposal

5. There is no known environmental impact of this proposal.

Safeguarding Considerations/Public Health Implications/Equalities Impact

6. There are no known implications at this time.

Financial Considerations & Risk Assessment

7. There is no financial consideration resulting from this proposal.

Proposals

8. The Board is asked to note the changes highlighted within this report.

MICHAEL HUDSON
Treasurer to the Pension Fund

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Unpublished documents relied upon in the production of this report: NONE

APPENDIX 1

Organisation	Subject	Link	Comments	Risk
HM Treasury	Pensions scams: consultation response	https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/638844/Pension_Scams_consultation_response.pdf	(No change) On 21 August 2017, the Government published its response to its consultation on pension scams issued in December 2016. As part of this response it has confirmed it intends to bring forward legislation banning cold calling in relation to pensions (to include texts and email), when Parliamentary time allows, to consider making it harder for fraudsters to open dubious pension schemes and to limit the statutory right to transfer to some occupational pension schemes.	
	Indexation and equalisation of GMP in public service pension schemes	https://www.gov.uk/government/consultations/indexation-and-equalisation-of-gmp-in-public-service-pension-schemes	Following the Government's consultation on how to address the implications of State Pension reforms for Guaranteed Minimum Pensions (GMP) of public servants below State Pension age, on 22 January 2018 the Government decided to extend the temporary arrangements which initially came into force for the period 2016 to 2018. The temporary arrangements effectively mean that for pensioners who reach state pension age between 6 April 2016 and 5 April 2021, any GMP element of the member's pensions receive the same pension increase amounts as the non-GMP element of a member's pension. The Government has extended the temporary arrangement as it has still not decided what to do in the long-term in this area.	
	Reforms to public sector exit payments: response to the consultation	https://www.gov.uk/government/consultations/further-consultation-on-limiting-public-sector-exit-payments	This Bill has been delayed and is now expected to have its second reading debate on 11 May 2018. It was presented to Parliament on Tuesday 5 September 2017 and there was no debate. It is a Private Member's Bill, which are often not printed until close to the second reading debate. The text is not yet available.	

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	Pension Increase / Revaluation for 2018	https://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/d7g7/mm23	It has been confirmed that the CPI increase in the year to 30 September 2017 was 3% and this rate has now been confirmed as the 2018 rate of pension increase / CARE revaluation. This is above the CPI assumption made at the 2016 valuation for all LGPS funds.	II
HM Revenues & Customs	Revenue and Customs Brief 14 (2016): VAT, Deduction of VAT on pension fund management costs following Court of Justice of the European Union decision in PPG	https://www.gov.uk/government/publications/revenue-and-customs-brief-14-2016-vat-deduction-of-vat-on-pension-fund-management-costs-following-court-of-justice-of-the-european-union-decision	Changes to the reclamation of VAT on fund management costs may affect LGPS funds once pooling is in place. These changes were originally due with effect from 1st January 2017 but have now been pushed back to at least 1st January 2018. Project Brunel will be keeping an eye on how it is evolving and take appropriate advice.	
DCLG	Local government pension scheme statistics	https://www.gov.uk/government/collections/local-government-pension-scheme	This collection brings together all statistics on the local government pension scheme in England and Wales. Data for 2016/17 was published on 25 October 2017.	
	LGPS Regulations: Best Value & Fair Deal consultation	https://www.gov.uk/government/consultations/local-government-pension-scheme-regulations	DCLG has not yet published the long promised further consultation bringing into effect the revised Fair Deal principles for Best Value Authorities. It is understood officials remained hopeful that it will be published before Christmas 2017, subject to Ministerial approval, but no further update has still been published.	
	Guidance on Preparing and Maintaining an Investment Strategy Statement' (ISS)	https://www.gov.uk/government/publications/local-government-pension-scheme-guidance-on-preparing-and-maintaining-an-investment-strategy-statement	<p>Following the High Court ruling on 23rd June that elements of the Governments Statutory Guidance on preparing and maintaining an Investment Strategy Statement was unlawful the Government subsequently published updated guidance removing the offending clauses - that funds should not pursue policies that are contrary to UK foreign policy or UK defence policy.</p> <p>The Government has been given leave to appeal the High Court decision, so further updates will be given once the outcome of any appeal is known.</p>	

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The Department of Work and Pensions (DWP)	Auto-enrolment changes	https://www.gov.uk/government/publications/automatic-enrolment-review-2017-maintaining-the-momentum	On the 18 December 2017, DWP published report on <i>Automatic-enrolment review 2017: maintaining the momentum</i> . The report reviews the level of success of auto-enrolment to date and confirms the intention to: lower minimum age criteria from 22 years to 18 years, apply pension contributions from the first pound of earnings but maintain an earnings trigger of £10,000. The changes are not planned until the mid-2020s and are unlikely to have a significant effect on the LGPS and the Fund.	
	Pension dashboard project	https://pensionsdashboardproject.uk/industry/about-the-pensions-dashboard-project/	During the 2016 Budget, the government made the commitment that Pension Dashboards would be created by the pensions industry, enabling everyone to view details of all their pensions together (all private, public and state pensions). DWP has now taken over from HM Treasury in leading this project and the intention is to 'go live' during 2019.	
The Pension Regulator (TPR)	Public Sector pensions website update	http://www.thepensionsregulator.gov.uk/public-service-schemes.aspx	The Regulator dedicated public sector web pages provides a wealth of information regarding its Code of Practice 14 and public service toolkit. The toolkit which provides a foundation to effective scheme governance and administration has been updated and additional guides and checklist have been published.	
	Record Keeping Guide	http://www.thepensionsregulator.gov.uk/docs/record-keeping-quick-guide.pdf	A quick guide designed to understand why record keeping is important and steps needed to take to ensure records are complete and accurate.	
	Self-Assessment Tool for Public Service Pension Schemes	http://www.thepensionsregulator.gov.uk/docs/PS-assessment-tool.xls	The TPR toolkit for Funds to complete to check their own compliance with the Code of Practice is available for Committee and Pension Board members to use.	

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Information Commissioners Office	General Data Protection Regulations (GDPR)	https://ico.org.uk/for-organisations/data-protection-reform/overview-of-the-gdpr/	<p>Comes into effect in May 2018 and replaces the Data Protection Act 1998. Introduces new obligations on data controllers. The Fund is both a data controller and a data processor and needs to ensure that it has appropriate processes in place in order to comply with the changes being introduced.</p> <p>Wiltshire Pension Fund is working closely with a group of LGPS Funds in developing project plans, template notifications and policies, together with all other necessary solutions required in order to successfully comply with GDPR by May 2018. We are also feeding the work undertaken with this group into Wiltshire Council's GDPR project team.</p>	
Government Actuaries Department (GAD)	Section 13 of the Public Services Act 2013 requires GAD to review the funding valuations and employer contribution rates across the LGPS	https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/651721/GAD_E-news_issue_29_Oct_2017.pdf	In their recent newsletter GAD has confirmed the final report, using the 2016 valuation results, is expected to be published in the summer of 2018.	
Financial Conduct Authority (FCA)	CP16/29: Markets in Financial Instruments Directive II (MIFID2)	https://www.fca.org.uk/publications/consultation-papers/cp16-29-mifid-ii-implementation http://www.lgpsboard.org/index.php/schemedata/mifidii	<p>In early July, the FCA published their final policy statement on the implementation of the EU's Markets in Financial Instruments Directive II (MIFID2) from January 2018.</p> <p>On coming into force, MIFID2 re-designates local authorities as 'retail' investors from their current status as 'professional' investors.</p> <p>Guidance is being produced for LGPS funds and managers with regard to communications post Jan 2018 under MiFID II. Jeff Huston will be providing an update on progress at the LGC Investment Conference in early March 2018.</p>	

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Scheme Advisory Board (SAB)	Academies' review	http://www.lgpsboard.org/index.php/structure-reform/review-of-academies	<p>SAB commission PwC to produce a report on "Options for Academies in the LGPS" commissioned and the report was published in May 2017. The report identified and highlighted problems/issues experienced by stakeholders. No recommendations were made in the report, although the potential benefits of new approaches to the management of academies within the LGPS were highlighted. The proposals were wide ranging from minor alterations to academies being grouped together in a single LGPS Fund.</p> <p>On 17 July 2017, SAB issued a consultation on LGPS academy objectives which then closed on 29 September 2017.</p> <p>Following the consultation, the SAB, on 16 November 2017, has created two work streams to take the project forward which are based on a). Administration/overall service and b). Funding.</p>	
	Investment fees - Code of Transparency	http://www.lgpsboard.org/index.php/structure-reform/cost-transparency	<p>The move toward investment fee transparency and consistency is seen by the Board as an important factor in the LGPS being perceived as a value led and innovative scheme. Transparency is also a target for the revised CIPFA accounting standard issued for inclusion in the statutory annual report and accounts and included in the government's criteria for pooling investments.</p> <p>To assist LGPS funds in obtaining the data they require in order to report costs on a transparent basis SAB has published its Code of Transparency in May 2017. The Code is voluntary and asset managers who sign up will demonstrate their commitment to transparent reporting of costs. SAB will procure a third party to monitor compliance of those who sign up.</p>	

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	Tier 3 employers	http://www.lgpsboard.org/index.php/board-publications/invitation-to-bid	<p>Covers those Fund employers with no tax raising powers or guarantee (excludes academies). SAB is keen to identify the issues and risks related to these employers' participation in the LGPS and to see if any improvements/changes can be made. There are currently two concurrent phases of work involved – collating data and identification of issues. SAB will then assess the risks to Funds and consider next steps.</p> <p>Aon Hewitt have been commissioned to produce a report on this area. They are currently gathering feedback from Funds (we have contributed to this).</p>	
CIPFA	No updates have been issued by CIPFA since the last Pension Board meeting			
Wiltshire Pension Fund	Pension Administration Software review		<p>The Fund is currently going through an informal review of its Pension Administration Software to help establish how best to use technology to meet its longer-term goals, as outlined in the business plan. We have made allowance for increased use of technology within the 2018/2019 budget.</p>	