

## **WILTSHIRE COUNCIL**

WILTSHIRE LOCAL PENSION BOARD  
13 July 2017

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### **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 and Committee abreast at a high level of the latest changes and developments involving the Local Government Pension Scheme.
3. The Head of Pensions 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

Report Author: David Anthony, Head of Pensions

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Unpublished documents relied upon in the production of this report: NONE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   | <a href="https://www.gov.uk/government/consultations/pension-scams/pensions-scams-consultation">https://www.gov.uk/government/consultations/pension-scams/pensions-scams-consultation</a>   | It had been expected the Government would come forward with proposals in the Queens Speech to address its concern over pension scams, but nothing was forthcoming, following the consultation undertaken late 2016/early 2017 on the issue.   |      |
|                       | Indexation and equalisation of GMP in public service pension schemes   | <a href="https://www.gov.uk/government/consultations/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</a>   | Although closed on 20 February 2017 we are awaiting further comment from Government on how to address the implications of State Pension reforms for Guaranteed Minimum Pensions (GMP) of public servants below State Pension age.   |      |
|                       | Reforms to public sector exit payments: response to the consultation   | <a href="https://www.gov.uk/government/consultations/further-consultation-on-limiting-public-sector-exit-payments">https://www.gov.uk/government/consultations/further-consultation-on-limiting-public-sector-exit-payments</a>   | Introduction of new regulations for the reform of public sector exit payment provisions appear to have been further delayed. It was originally anticipated that the £95k cap would be brought in from October 2016, but we now are unclear when formal changes required to be made to the LGPS will be brought forward for consultation. Similarly, the recovery of exit payments for high earners who are re-employed was expected to be introduced from April 2016, but this too has been delayed and we are unclear when it will eventually be introduced. The Government has also responded to the consultation on reforming exit payments across the public sector. This confirms that reforms will go ahead, including limits on employer funded early access to pension benefits (e.g. redundancy and business efficiency retirements in the LGPS). DCLG will now consider how the LGPS regulations need to be amended to deliver the policy intention, but again we are unclear when any proposals will be put out to consultation. |      |
| 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 | <a href="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/revenue-and-customs-brief-14-2016-vat-deduction-of-vat-on-pension-fund-management-costs-following-court-of-justice-of-the-european-union-decision">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/revenue-and-customs-brief-14-2016-vat-deduction-of-vat-on-pension-fund-management-costs-following-court-of-justice-of-the-european-union-decision</a> | 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 1st January 2018. Project Brunel will be keeping an eye on how it is evolving and take appropriate advice. Consultation closed 31 December 2017   |      |

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|                             |   |   |  |      |
| DCLG                        | Local government pension scheme statistics                                    | <a href="https://www.gov.uk/government/collections/local-government-pension-scheme">https://www.gov.uk/government/collections/local-government-pension-scheme</a>   | This collection brings together all statistics on the local government pension scheme in England and Wales   |      |
|                             | LGPS Regulations: Best Value & Fair Deal consultation                         | <a href="https://www.gov.uk/government/consultations/local-government-pension-scheme-regulations">https://www.gov.uk/government/consultations/local-government-pension-scheme-regulations</a>   | We are still awaiting a further consultation on how the changes to Fair Deal introduced in 2013 will be applied across the employers in the LGPS (excluding academies for whom the new Fair Deal applied with immediate effect).   |      |
|                             | Guidance on Preparing and Maintaining an Investment Strategy Statement' (ISS) | <a href="https://www.gov.uk/government/publications/local-government-pension-scheme-guidance-on-preparing-and-maintaining-an-investment-strategy-statement">https://www.gov.uk/government/publications/local-government-pension-scheme-guidance-on-preparing-and-maintaining-an-investment-strategy-statement</a> | <p>On 23rd June, the High Court published its judgment in a judicial review case concerning the statutory guidance DCLG issued to accompany the LGPS (Management and Investment of Funds) Regulations 2016.</p> <p>The High Court ruled that the section of the statutory Guidance on preparing and maintaining an Investment Strategy Statement stating that funds should not pursue policies that are contrary to UK foreign policy or UK defence policy was unlawful. The High Court found that the Secretary of State had exceeded his regulation making powers by using the guidance to protect government foreign policy and UK defence policy, which, in the judge's view, were not policies for "pension purposes". The Secretary of State was held to have acted for an unauthorised purpose and therefore unlawfully.</p> <p>We understand DCLG are considering whether to appeal against this aspect of the judgment.</p> |      |
| The Pension Regulator (TPR) | Public Sector pensions website update   | <a href="http://www.thepensionsregulator.gov.uk/public-service-schemes.aspx">http://www.thepensionsregulator.gov.uk/public-service-schemes.aspx</a>   | 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.   |      |
|                             | Annual survey of public sector schemes  | <a href="http://www.thepensionsregulator.gov.uk/docs/public-service-research-2017.pdf">http://www.thepensionsregulator.gov.uk/docs/public-service-research-2017.pdf</a>   | To help the Regulator focus its efforts it issued a survey to all public service pension schemes in autumn 2016, to assess how they were being run. This built on a previous survey in summer 2015.  |      |

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|   |   |   | <p>The findings from this survey were published in May 2017.</p> <p>The top risks identified across all public sector schemes were governance, internal controls, record keeping and member communications. Wiltshire Pension Fund will be considering the findings of this latest survey and bringing forward recommendations for any changes required in the coming weeks and months.</p>   |      |
|   | Record Keeping Guide                                    | <a href="http://www.thepensionsregulator.gov.uk/docs/record-keeping-quick-guide.pdf">http://www.thepensionsregulator.gov.uk/docs/record-keeping-quick-guide.pdf</a>               | A quick guide designed to understand what record keeping is important and steps needed to take to ensure records are complete and accurate.   |      |
|   | Self Assessment Tool for Public Service Pension Schemes | <a href="http://www.thepensionsregulator.gov.uk/docs/PS-assessment-tool.xls">http://www.thepensionsregulator.gov.uk/docs/PS-assessment-tool.xls</a>                               | 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.  |      |
| <b>Information Commissioners Office</b> | General Data Protection Regulations (GDPR)              | <a href="https://ico.org.uk/for-organisations/data-protection-reform/overview-of-the-gdpr/">https://ico.org.uk/for-organisations/data-protection-reform/overview-of-the-gdpr/</a> | <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>We will need to ensure we have controls in place to ensure security of member data, ensure anyone will access to scheme and member information is suitably vetted and trained, and have measures in place to avoid security breaches and loss of data.</p> <p>Significant fines can be levied where any failure occurs.</p> <p>Significant amount of work required to ensure compliance. Currently working closely with the Wiltshire Council project team and other LGPS administering authorities to ensure we are compliant with any new requirements.</p> |      |

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| Government Actuaries Department (GAD) | No updates have been issued by GAD since the last Pension Board meeting                        |  |  |      |
| Financial Conduct Authority (FCA)     | CP16/29: Markets in Financial Instruments Directive II implementation – Consultation Paper III | <a href="https://www.fca.org.uk/publications/consultation-papers/cp16-29-mifid-ii-implementation">https://www.fca.org.uk/publications/consultation-papers/cp16-29-mifid-ii-implementation</a>  | This consultation closed on 4 January 2017, and looked at the Markets in Financial Instruments Directive II (MiFID II) which takes effect on 3 January 2018. The main concern for the LGPS is all investors would be treated as “retail” investors as opposed to “professional” clients. This would have significant implications for the investments available to LGPS Funds and significantly impede the implication of investment pooling. A response was drafted by the Brunel Pension Partnership on behalf of the 10 Founder Funds and can be viewed at the following link:<br><a href="https://www.brunelpensionpartnership.org/en/news/2017/01/bpp-response-to-mifid-ii-consultation">https://www.brunelpensionpartnership.org/en/news/2017/01/bpp-response-to-mifid-ii-consultation</a>                               |      |
| Scheme Advisory Board (SAB)           | Academies’ review  | <a href="http://www.lgpsboard.org/index.php/structure-reform/review-of-academies">http://www.lgpsboard.org/index.php/structure-reform/review-of-academies</a><br><a href="http://www.lgpsboard.org/index.php/structure-reform/review-of-academies">http://www.lgpsboard.org/index.php/structure-reform/review-of-academies</a> | SAB in support of its work plan for 2016/17, invited proposals from interested parties to assist it in developing options with regard to the plan to convert all schools to academies and what this would mean for LGPS pension funds and their host authorities.<br><br>The resulting PwC report “Options for Academies in the LGPS” commissioned by the Board is 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.<br><br>SAB has said that it will continue to gather relevant evidence before developing specific proposals and recommendations for submission to Ministers for their consideration |      |
|                                       | Investment fees - Code of Transparency   | <a href="http://www.lgpsboard.org/index.php/structure-reform/cost-transparency">http://www.lgpsboard.org/index.php/structure-reform/cost-transparency</a>  | 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   |      |

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|                        |   |   | <p>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> |      |
|                        | Annual report   | <a href="http://www.lgpsboard.org/index.php/schemedata/scheme-annual-report">http://www.lgpsboard.org/index.php/schemedata/scheme-annual-report</a>           | Issued in May 2017, setting out a single source of information about the status of the LGPS for its members, employers, and other stakeholders.   |      |
|                        | LPB Survey  | <a href="http://www.lgpsboard.org/survey.php">http://www.lgpsboard.org/survey.php</a>   | This was launched in May, with a closing date of the end of July 2017. The aim is to assess the effectiveness and compliance of local pension boards. SAB expect it to be completed by Chairs of pension and investment committees, chairs of local pensions boards and officers or other stakeholders. The findings will be reported to SAB in October 2017, although it is unclear whether recommendations will then be made to Ministers.  |      |
|                        | Tier 3 employers  | <a href="http://www.lgpsboard.org/index.php/board-publications/invitation-to-bid">http://www.lgpsboard.org/index.php/board-publications/invitation-to-bid</a> | Covers those Fund employers with no tax raising powers or guarantee. SAB is keen to identify the risk to LGPS Funds of default by such employers. 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   |      |
| CIPFA                  | No updates have been issued by CIPFA since the last Pension Board meeting |   |   |      |
| Wiltshire Pension Fund | Update on Insurance Indemnity Issue                                       |   | Still awaiting further guidance from Scheme Advisory Board. Quotes have been obtained to provide cover if required.   |      |
|                        | Ill Health Liability Insurance  |   | The Fund is currently in the process of introducing ill health liability insurance via Legal & General, which   |      |

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|              |         |      | will be available for each scheme employer to take up if they wish. |      |