

Scheme, legal, regulatory and Fund update

| Organisation | Subject | Link | Status | Comments | Risk Ref |
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| HM Treasury | Reforms to public sector exit payments. | https://services.parliament.uk/bills/2017-19/publicsectorexitpaymentslimitation.html | No change since the last meeting | <p>A 'final' consultation on this topic closed on 3 July 2019. The main proposal is that all employer costs (pension and non-pension) are capped at £95k when an employee leaves on grounds such as a compromise agreement or redundancy. For redundancy, the statutory redundancy payments must be paid so other benefits would need to be adjusted to ensure the £95k is not breached (although some exceptions apply).</p> <p>The consultation is not clear on how this would work in Schemes such as the LGPS. It is likely that LGPS Regulations would need to be changed such that an employee who leaves aged 55 over on redundancy grounds would face some reductions to their pension. For non-redundancy cases, existing employer discretions may become limited.</p> <p>Furthermore, the likely implementation date is also not clear.</p> | PEN021 |
| MHCLG | Fair Deal Consultation | https://www.gov.uk/government/consultations/local-government-pension-scheme-fair-deal-strengthening-pension-protection | No change since the last meeting | Officers have responded to the consultation but have yet to hear anything further from MHCLG. The next step is likely to be either another consultation or the introduction of legislation. | PEN040 |
| | <i>Changes to the Local Valuation Cycle and the Management of Employer risk</i> Consultation | https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/800321/LGPS_valuation_cycle_reform_consultation.pdf | Updated | <p>This consultation covers the following areas:</p> <ol style="list-style-type: none"> 1). Amendments to the local fund valuations from the current three-year (triennial) to a four-year (quadrennial) cycle. 2). A number of measures aimed at mitigating the risks of moving from triennial to quadrennial cycles. 3). Proposals for flexibility on exit payments. 4). Proposals for further policy changes to exit credits 5). Proposals for policy changes to employers required to offer LGPS Membership. <p>Section 5 proposes giving greater flexibility for further education corporations, sixth form college corporations and higher education corporations concerning membership of the LGPS and is the most surprising part of this proposal; current employees would be protected but future employees could be ineligible.</p> | PEN044 |

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| | | | | <p>The consultation closed on 31 July 2019 and officers responded accordingly.</p> <p>The Government has now responded to section 4 of this consultation and has passed amendments to the LGPS Regulations which applied from 20 March 2020 but with retrospective effect to 14 May 2018. As such, officers have amended the Fund's cessation policy which was approved by Committee on 26 March 2020 subject to consultation with employers. The consultation period with employers closed with no comments of note (just clarification questions) and hence the new cessation policy is now in place.</p> | |
| The Department of Work and Pensions (DWP) | Pension dashboard project | https://pensionsdashboardproject.uk/industry/about-the-pensions-dashboard-project/ | No change since the last meeting | Discussions are still going on at a national level. Recent discussion suggests an implementation timeframe of mid 2020s | PEN038 |
| Financial Reporting Council | Proposed revision to the UK Stewardship Code | https://www.frc.org.uk/investors/uk-stewardship-code | No change since the last meeting | <p>The Financial Reporting Council (FRC) published the revised Stewardship Code on 24th October 2019 which sets substantially higher expectations for investor stewardship policy and practice.</p> <p>Officers will now review Fund compliance to the new code and begin drafting a new Statement of Compliance for review by the FRC, but 31 March 2021.</p> | None |

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| Scheme Advisory Board (SAB) | Academies' review | http://www.lgpsboard.org/index.php/structure-reform/review-of-academies | No change since the last meeting | <p>SAB commissioned PwC to produce a report on "Options for Academies in the LGPS" 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>SAB's work is still on-going and Bob Holloway from the LGA previously stated that a wide range of options in both work streams are still be considered. For example, changing the administration arrangements or putting academies into their own Fund etc. However, a consultation will be released on any changes proposed before they are put into force.</p> | None |
| | Cost cap mechanism & McCloud case | Summary by Osborne Clarke (our external legal advisers) | Minor update | <p>The latest position on McCloud from the SAB and ministers can be found below. Progress is still at an earlier stage and timeframes and shape of the final remedy are both unclear:</p> <p>SAB Q&A Treasury statement</p> <p>Barnett Waddingham recently produced this briefing note which is the most comprehensive and most useful analysis officers have seen so far (despite the uncertainty): McCloud briefing note</p> | PEN042 |
| | Tier 3 employers review | http://www.lgpsboard.org/index.php/board-publications/invitation-to-bid | No change since the last meeting | <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>In 2019, Aon Hewitt produced a detailed report which is available on the SAB website which outlines its finding on the identification of issues but the report doesn't make any specific recommendations. SAB is yet to advise what actions it will take following receipt of the report.</p> | None |

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| | Good Governance Project (formerly known as the Separation Project) | http://www.lgpsboard.org/images/PDF/BoardFeb18/PaperBItem50218.pdf | Updated | <p>Hymans-Robertson, on behalf of the SAB, has released its report on phase II which outlines a number of specific recommendations.</p> <p>Hymans Robertson and SAB are now moving towards Phase III of the project. In preparation of this, a series of roundtable discussions took place where there is an opportunity to give feedback to the Phase II proposals.</p> | None |
| | Guidance Project | http://www.lgpsboard.org/images/PDF/BoardFeb18/PaperBItem50218.pdf | No change since the last meeting | <p>The Guidance project will identify regulations which may be better placed within statutory guidance and to both propose the necessary amendments and assist HMCLG with the drafting of guidance.</p> <p>This project is at an early stage and no further information is available at this time.</p> | PEN039 |
| | Data Project | http://www.lgpsboard.org/images/PDF/BoardFeb18/PaperBItem50218.pdf | No change since the last meeting | <p>The SAB describes this project as: The Data project will aim to assist administering authorities in meeting the Pension Regulators requirements for monitoring and improving data and include the identification of scheme specific conditional data and the production of guidance for authorities and employers.</p> <p>No further information is currently available from the SAB. However, the SAB did consult on a common set of data points for the part of the project relating to scheme specific conditional data over the last couple of months before deciding to postpone implementation until 2019, in time for the 2019 tPR Scheme Return.</p> | None |
| Wiltshire Pension Fund | Miscellaneous Updates | None | Updated | <p>a). COVID-19 update: Despite a number of early adjustments being made, it is largely business as usual from an operational point of view as Fund officers are able to all work from home without major issues. However, in terms of impacts and risks faced by the Fund:</p> <p>i). <u>Funding level</u> – We have been receiving weekly funding level updates from the actuary due to the volatility in markets seen in March. The whole-fund funding level dropped as low as 86% (from 99% shortly before) although it has been more stable since then and has partially recovered to around 90%.</p> <p>ii). <u>Employer risk</u>: There is a risk of employers failing to pay contributions or provide data as a result of the situation. The</p> | See COVID-19 |

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| | | | | <p>Fund contacted employers and some employers said they may have some issues but on the whole the picture seemed fine.</p> <p>There has been no increase in late payments so far and the Fund already has guarantees in place for most higher risk employers. Data returns are not obviously affected so far. Officers are keeping both areas under review.</p> <p>iii). <u>Service provider risk</u>: We also contacted all major service providers and all confirmed they were able to remain operational largely as normal; officers have also not seen any change in service availability which has shown good resistance to this issue.</p> <p>b). <u>Terms of reference</u>: The proposed Terms of Reference for the Local Pension Board and Wiltshire Pension Fund Committee were amended and re-submitted to the Constitutional Focus Group in early January for a second time. However, due to a number of miscellaneous changes being requested, a further draft has been completed and will be returned to the Focus Group for a third time. The ToR will then progress to the Standards Committee and Full Council for approval later in 2020.</p> <p>For context, the Local Pension Board ToR have only had relatively minor changes while the Committee ToR have been updated to bring them up to a similar level of detail to the LPB.</p> <p>c). <u>i-connect</u>: The Fund now has around 45 employers out of approximately 190 onboarded on to i-Connect. This now includes Wiltshire Council (our largest employer) and this covers over 30% of the membership.</p> <p>As a result of the significant impact of i-Connect, we are now making some adjustments to part of the admin team structure to fit our resourcing to our processes.</p> | |

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| | | | | <p>d). Pensioner payroll reconciliation: With additional resource now available again, officers have focused again on this area but unfortunately a number of software issues have made this more difficult. Including needing to access an office-based compute to retrieve some of the historical data needed.</p> <p>e). End to end process reviews: Officers have now gone live with revised starters, leaver, end of year and aggregation processes which should all help with efficiency and controls although all processes need further enhancements to all. The main project manager has now returned to work which should mean increased capacity and resource to be able to continue going through these reviews. The focus in future will be on refunds, retirements and transfers.</p> | |