

WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD
25 January 2017

Scheme, Regulatory & Fund Update

Purpose of the Report

1. The purpose of this report is to highlight the legal, regulatory and Fund updates since the last meeting of the Local Pension Board in October 2016.

Background

2. The attached appendix outlined the current and recent scheme and regulatory changes that have occurred since the last meeting. The changes that have previously been reported to this Board are highlighted in grey.
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 above.

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

Unpublished documents relied upon in the production of this report: NONE

APPENDIX 1

Organisation	Subject	Link	Comments
HM Treasury	Pensions scams: consultation	https://www.gov.uk/government/consultations/pension-scams/pensions-scams-consultation	Published 5 December and closing on 13 February 2017, This consultation sets out a package of measures aimed at tackling three different areas of pensions scams, a cold calling ban consulting on clarifying the law so that Funds can block pension transfers based if concerned it's a Scam, and looking at single-member occupation pension schemes only being registered by active companies.
	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	Published on 28 November 2016, and closes on 20 February 2017, this consultation is seeking views 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	https://www.gov.uk/government/consultations/further-consultation-on-limiting-public-sector-exit-payments	Introduction of new regulations for exit payments appear to have been further delayed. It was originally anticipated that the £95k cap would be brought in from October 2016. It's expected to be introduced early next year. In addition, the recovery of exit payments for high earners who are re-employed was expected to be introduced from April 2016, but that was delayed and the final legislation is now expected later this year. 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.
	Actual valuation and Cost cap mechanism	http://www.lgpsboard.org/images/Guidance/pspav.pdf	The review the cost cap mechanism that was implemented as part of the national reforms of Public Sector Pensions.
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/revenue-and-customs-brief-14-2016-vat-deduction-of-vat-on-pension-	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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		fund-management-costs-following-court-of-justice-of-the-european-union-decision	
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
	LGPS Regulations: Best Value & Fair Deal consultation	https://www.gov.uk/government/consultations/local-government-pension-scheme-regulations	This consultation reviews the approach for Best Value and Fair Deal for the transfer of staff. Closed 20 August 2016.
	LGPS investment regulations	http://www.legislation.gov.uk/uksi/2016/946/contents/made	These regulations were laid before parliament on 23rd September and come into force from 1st November 2016. They remove many of the investment restrictions imposed on LGPS funds, introduce a prudential framework for investment decision making, introduce a Power of Direction for the Secretary of State to intervene in the investment function of an Administering Authority if deemed necessary, and require all funds to publish a new Investment Strategy Statement by 1st April 2017.
	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>The ISS replaces the Statement of Investment Principles and DCLG has also published their 'Guidance on Preparing and Maintaining an Investment Strategy Statement' to assist funds. This was issued on the 15th of September. Many aspects of the new ISS are similar to the SIP, although there are a few notable additions:</p> <p>The need for Administering Authorities to take proper advice (in numerous areas, although 'proper advice' does not seem to be clearly defined anywhere)</p> <p>The need to state the Authority's approach to pooling investments, including the use of collective investment vehicles and shared services</p> <p>The submission of an annual report on the progress of asset transfers to the Scheme Advisory Board, and</p>

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			<p>A strengthened section on the exercise of rights (including voting rights) attaching to investments.</p> <p>This latter part of the guidance states that Administering Authorities should become signatories to the Stewardship Code and state how they implement the seven principles and guidance of the Code on a “comply or explain” basis.</p>
	Response to Investment Regulations consultations	https://www.gov.uk/government/consultations/revoking-and-replacing-the-local-government-pension-scheme	Outlines the Government response to the investment regulations consultation.
The Pension Regulator (TPR)	Public Sector pensions website update	http://www.thepensionsregulator.gov.uk/public-service-schemes.aspx	The Regulator has recently made some updates to the 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.
	Publishing Scheme Information	http://www.thepensionsregulator.gov.uk/public-service-schemes/publishing-scheme-information.aspx	TPR emailed around its public sector contacts on Wednesday this week, calling on public service schemes to check information about their pension board is published to avoid failing their governance duties. Under legislation, scheme managers are required to publish and keep up-to-date information about the board's members, its representation, and what matters it is responsible for. They should also publish details such as the board's terms of reference and appointment process. This rule is designed to help members easily identify which individuals are involved in their scheme's governance. The outcome of Wiltshire Pension's Fund review is shown in the appendix.
Government Actuaries Department (GAD)	Section 13 Dry Run Report	http://www.lgpsboard.org/images/Reports/Section13DryRun20160711.pdf	The Government Actuary's Department (GAD) have completed a “dry run” section 13 analysis based on the 2013 local valuations. This analysis assesses whether the four main aims; compliance, consistency, solvency and long term cost effectiveness; have been achieved.
	Section 13 Report appendices showing WPF results	http://www.lgpsboard.org/images/Reports/Section13DryRunAppendices20160711.pdf	
	Managing risks in the public service	https://www.gov.uk/government	GAD has published a document outlining its thoughts on a report

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	pension schemes	/publications/managing-risks-in-public-service-pension-schemes-thoughts-on-measures-and-control-mechanisms	published in June from the National Audit Office on the Government's public sector pension liability. The document sets out some ideas on appraising long-term risks for public sector pension schemes.
Financial Conduct Authority (FCA)	CP16/29: Markets in Financial Instruments Directive II implementation – Consultation Paper III	https://www.fca.org.uk/publications/consultation-papers/cp16-29-mifid-ii-implementation	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: https://www.brunelpensionpartnership.org/en/news/2017/01/bpp-response-to-mifid-ii-consultation
Scheme Advisory Board (SAB)	Academies' review	http://www.lgpsboard.org/index.php/structure-reform/review-of-academies	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. This outcome of this initial work will be considered by the SAB prior to it potentially making recommendations to the Secretary of State.
	Investment fees - Code of Transparency	http://www.lgpsboard.org/index.php/structure-reform/cost-transparency	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. To assist LGPS funds in obtaining the data they require in order to report costs on a transparent basis the Board is working to develop a voluntary Code of Transparency for LGPS asset managers
	Committees – membership & remit	http://www.lgpsboard.org/index.php/sub-comms/membership-remit	The new Committee and sub-Committee have been announced. David Anthony (Head of Pensions) will sit on the Investment, Governance & Engagement committee and is a substitute for the Cost Management & Scheme Design Committee as a practitioner representative.

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CIPFA	LGPS Fund Accounts 2016/17: Example Accounts and Disclosure Checklist	http://www.cipfa.org/policy-and-guidance/publications//lgps-fund-accounts-201617-disclosure-checklist	CIPFA have released the example accounts and disclose checklist for 2016/17 on which this year accounts need to be reported on. A copy of this document is available to Board Members on request.
	Investment pooling guidance	http://www.cipfa.org/policy-and-guidance/publications//investment-pooling-governance-principles-for-lgps-administering-authorities-online	Guidance for Funds to consider when setting up pooling of investments.
	Funding Strategy Statement Guidance	http://www.cipfa.org/policy-and-guidance/publications/p/preparing-and-maintaining-a-funding-strategy-statement-in-the-lgps-2016-edition	This guidance has now been published and it helps authorities to review and update their FSS to take account of this new guidance and associated regulatory changes.
Wiltshire Pension Fund	Update on Insurance Indemnity Issue		