

## **WILTSHIRE COUNCIL**

WILTSHIRE PENSION FUND COMMITTEE  
23 November 2017

---

### **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 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 Committee.

#### **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

---

Unpublished documents relied upon in the production of this report: NONE

## APPENDIX 1

Organisation	Subject	Link	Comments	Risk
HM Treasury	Pensions scams: consultation response	<a href="https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/638844/Pension_Scams_consultation_response.pdf">https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/638844/Pension_Scams_consultation_response.pdf</a>	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.	
	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 still 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. It is unclear when such clarification will be forthcoming.	
	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>	This Bill is expected to have its second reading debate on Friday 1 December 2017. 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.	
	Pension Increase / Revaluation for 2018	<a href="https://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/d7g7/mm23">https://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/d7g7/mm23</a>	It has been confirmed that the CPI increase in the year to 30 September 2017 was 3%. It is assumed it will be confirmed as the 2018 rate of pension increase / revaluation in due course. This is above the CPI assumption made at the 2016 valuation for all LGPS funds.	
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">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</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 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	<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. Data for 2016/17 was published on 25 October.	

Organisation	Subject	Link	Comments	Risk
	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>	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 remain hopeful that it will be published before Christmas, subject to Ministerial approval.	
	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>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>	
<b>The Pension Regulator (TPR)</b>	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>	<p>Now that we have successfully completed the despatch of the 2017 annual benefit statements the Fund is able to turn its attention to the findings of the Regulator's 2016 annual survey results and any actions we require to implement relating to governance, internal controls, record keeping and member communication.</p> <p>We will be 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 why record keeping is important and steps needed to take to ensure records are complete and accurate.	

Organisation	Subject	Link	Comments	Risk
	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.	
Information Commissioners Office	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>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	<a href="https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/651721/GAD_E-news_issue_29_Oct_2017.pdf">https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/651721/GAD_E-news_issue_29_Oct_2017.pdf</a>	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)	<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>  <a href="http://www.lgpsboard.org/index.php/schemedata/mifidii">http://www.lgpsboard.org/index.php/schemedata/mifidii</a>	<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>Upon coming into force, MIFID2 will re-designate local authorities as 'retail' investors from their current status as 'professional' investors. The policy statement confirmed significant revisions to the criteria via which a local authority pension fund will be able to opt up to professional status and follows detailed discussions undertaken by the SABEW with the FCA.</p> <p>Further information on the implications of MIFID2 on LGPS administering authorities can be found on the</p>	

Organisation	Subject	Link	Comments	Risk
			Scheme Advisory Website. Wiltshire Pension Fund is in the process of reviewing this guidance and the steps required to opt up to professional status and a paper on this agenda will request the Committee agree to request an opt up to “professional” investor status with its investment managers and advisers.	
<b>Scheme Advisory Board (SAB)</b>	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>	<p>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.</p> <p>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.</p> <p>SAB has said that it will continue to gather relevant evidence before developing specific proposals and recommendations for submission to Ministers for their consideration</p> <p>Wiltshire Pension Fund is currently reviewing the way it deals with academies in the Fund, to ensure there is a consistent approach taken and clear lines of communication with the academies themselves.</p>	
	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>	<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</p>	

Organisation	Subject	Link	Comments	Risk
			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.	
	LPB Survey	<a href="http://www.lgpsboard.org/index.php/board-publications/board-surveys">http://www.lgpsboard.org/index.php/board-publications/board-surveys</a>	This was launched in May, with a closing date of the end of July 2017, although this was extended to 29 September due to a lack of responses received. The aim was to assess the effectiveness and compliance of local pension boards. Wiltshire Pension Fund responded to the survey, the findings of which will be reported to SAB in October 2017, although it is still 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.	
<b>CIPFA</b>	No updates have been issued by CIPFA since the last Pension Board meeting			
Wiltshire Pension Fund	Update on Insurance Indemnity Issue		Further guidance isn't expected from Scheme Advisory Board. Therefore, following review the Local Pension Board have agreed to obtain a minimum level of cover.	
	Ill Health Liability Insurance		<p>The Fund launched ill health liability for most scheme employers with effect from 1 August 2017 (Wiltshire and Swindon Councils together with a small number of other larger employers are not included). The insurance is financed via the employer contribution rate and provides cover for each employer covered by the policy against the significant strain costs that can result from either a tier 1 ill health retirement.</p> <p>All new employers joining the Fund will automatically be covered by the insurance.</p>	

Organisation	Subject	Link	Comments	Risk
General News	Plan to reduce auto-enrolled age to 16	<a href="https://www.professionalpensions.com/professional-pensions/news/3018329/auto-enrolment-may-be-extended-to-16-year-olds">https://www.professionalpensions.com/professional-pensions/news/3018329/auto-enrolment-may-be-extended-to-16-year-olds</a>	It has been reported that the Government is planning to remove the lower age limit for automatic enrolment, as part of its review of automatic enrolment. Workers as young as 16 years old may therefore need to be enrolled into pension schemes in the future. The current limit is 22 years old.	