

Current Issues

1 **SAB publishes Good Governance Report**

SAB published the Good Governance Report on 31 July 2019. The project team are working on a detailed plan to implement the report's recommendations which will be presented to the SAB when they meet in November 2019.

2. **TPR Scheme Return – Conditional data**

On 4 July 2019 Bob Holloway, secretary of the SAB, emailed pension managers and software suppliers with a draft conditional data report to be scored in the Pension Regulator's (tPR) annual scheme return. This was prepared in agreement with representatives from tPR, SAB, software suppliers, fund actuaries and pension practitioners. The group will continue to work on developing the table, adding guidance notes for administering authorities and software suppliers.

The SAB will provide an update when they have more information from tPR about when the scheme return will be issued.

3. **National LGPS Technical Group recommendations to the SAB**

As reported previously, the National LGPS Technical Group made recommendations to the SAB to:

- amend the forfeiture rules to include convictions which relate to an employment, and the conviction takes place after leaving that employment
- remove the requirement to pay a refund of contributions within five years and
- align the rules covering concurrent membership.

The SAB have agreed to proceed with these changes and are in the process of making recommendations to MHCLG.

4. **New Minister for Local Government appointed**

On 31 July 2019 it was announced that Luke Hall MP has been appointed Parliamentary Under Secretary of State, Minister for Local Government and Homelessness.

5. **McCloud judgment – leave to appeal denied**

On 27 June 2019 the Supreme Court denied the Government's request for an appeal in the McCloud and Sargeant case.

The case concerns the transitional protections provided to older members of the judges and fire-fighter pension schemes when the schemes were reformed in 2015, as part of the public sector pension scheme changes. On 20 December 2018 the Court of Appeal found that these protections were unlawful on the grounds of age discrimination and could not be justified.

The Supreme Court ruling of 27 June 2019 means that the Court of Appeal's decision will be upheld and the case will be returned to an employment tribunal for a detailed decision.

5. Pensions dashboards

The DWP consultation closed on 28 January 2019. The government published its response to the consultation on 4 April 2019.

Key details of the government's plans on the introduction of pension dashboards include:

- Legislation to compel pension providers to make consumers' data available on the dashboard
- Staged on-boarding of schemes with the majority of schemes participating within 3 to 4 years
- The inclusion of state pension data
- A commitment to multiple dashboards, with a non-commercial dashboard being overseen by the Money and Pensions Service (previously the Single Financial Guidance Body)

The Money and Pensions Advice Service (MAPS) will lead the delivery of the initial phase of the pensions dashboards and will bring together a delivery group made up of stakeholders from across the industry, consumer groups, regulators and government. The delivery group will be accountable to the MAPS board, and MAPS are in turn accountable to the Department for Work and Pensions (DWP). 8

On 3 June 2019, the Pensions Policy Institute (PPI) announced that its Director, Chris Curry, is to take on the role as Principal of the pensions dashboard industry delivery group with MAPS, starting on 8 July 20

6. Fair Deal consultation

The Government's consultation on Fair Deal provisions in the LGPS closed on 4 April. Proposals include the introduction of a definition of 'Fair Deal employers' and 'protected transferees' who will retain the right to participate in the LGPS for as long as they are wholly or mainly employed on the outsourced service. Outsourcing employers would also be permitted to be a 'deemed employer' instead of contractors being required to have an admission agreement. As expected, the broadly comparable route will no longer be available. The consultation also includes proposals for the automatic transfer of LGPS assets and liabilities following a merger or takeover involving scheme employers

7 Consultation on restricting exit payments

The consultation on restricting exit payments in the public sector closed on 3 July 2019.

LGA's response to the consultation considers the draft regulations, guidance and Directions in two sections:

Section 1: looks at concerns about the implementation of the policy including potential legal issues, excessive bureaucracy, increased costs, the range of individuals who may be affected by the cap and the possible frustration of effective negotiations related to workforce reform and other sensitive exits.

Section 2: considers the technical issues that need to be addressed before the policy could be implemented, with a particular focus on the LGPS.

Introducing a cap on exit payments will have significant implications for employers as well as for administering authorities.

8. Consultation: Local valuation cycle and the management of employer risk

On 8 May 2019 MHCLG issued a 12 week policy consultation called 'LGPS: Changes to the local valuation cycle and the management of employer risk'.

The consultation closed on 31 July 2019 and covers the following areas:

- amendments to the local fund valuations from the current 3 year (triennial) to a 4-year (quadrennial) cycle
- a number of measures aimed at mitigating the risks of moving from a triennial to a quadrennial cycle
- proposals for flexibility on exit payments
- proposals for further policy changes to exit credits
- proposals for changes to the employers required to offer local government pension scheme membership

Regarding the change to exit credit payments, given that the consultation proposes backdating the change, LGA are of the view that it would be legitimate to delay payment of an exit credit (where a side agreement was in place) pending the consultation outcome.

9. Scheme Advisory Board (SAB) 2018 annual report

The 2018 annual report has recently been published by the Scheme Advisory Board.

The aim of the annual report is to provide a single source of information about the status of the LGPS for its members, employers, and other stakeholders. It aggregates information supplied in the 89 fund annual reports, as at 31 March 2018.

Key highlights:

- The total membership of the LGPS grew by 197,000 (3.4%) to 5.8m members in 2018 from 5.6m in 2017.
- The total assets of the LGPS increased to £275bn (a change of 5%). These assets were invested in pooled investment vehicles (54%), public equities (29%), bonds (7%), direct property (3%), as well as other asset classes (7%)
- The local authority return on investment over 2017/2018 was 4.4%. This was reflective of the market conditions during the year and set against the UK Return of 0.2%
- The Scheme maintained a positive cash-flow position overall. Scheme income was higher than total scheme outgoings by £500m; this is including investment income
- Over 1.7m pensioners were paid over the year.

The full report can be viewed on the Scheme Advisory Board website.