

# Local Government Newsletter

## December 2018



*Hello and welcome to this festive and final edition of the newsletter for 2018. The year appears to have passed by in a blink of an eye and 2019 certainly won't be slowing down as we prepare for the Valuation and there's the small matter of whether a deal will be agreed with the EU ahead of 29 March. I hope you enjoy this edition and before you ask, no – I didn't take the picture of Santa and his reindeer!*

*Craig*

## Season's Greetings from Aon's Public Sector Team



## People News

There isn't much in the way of people news this month, but we wanted to simply reflect back on what has been a very busy and challenging year, and let you know that it has been a pleasure working with you all over the past 12 months. The level of commitment and enthusiasm we see, both within the LGPS Funds we deal with and within our own team, reassures us that, despite the many different and varied pressures coming up in 2019 and beyond, we are in the best possible place to overcome any challenges that arise along the way.

And on that uplifting note, we want to wish each and every one of you a wonderful Christmas and New Year, we hope you enjoy your well-earned breaks and we look forward to working with you all next year.

## Talking points

### Amendment Regulations

MHCLG has published its [response](#) to the consultation on technical amendments to benefits that ran between 4 October and 29 November 2018. Subsequently, the [LGPS \(E&W\) \(Miscellaneous Amendments\) Regulations 2018](#) were laid on 18 December and will come into force from 10 January 2019 although there are some backdated provisions.

The regulations will empower the SoS to issue statutory guidance for 'the administration and management of the Scheme', however, the SoS must consult with relevant parties before preparing and issuing any guidance.

The required amendments have now been made to the 1995 Regulations meaning that members who stopped paying into the scheme prior to 1 April 1998 are entitled to voluntarily draw their benefits from their 55<sup>th</sup> birthday. This has been backdated to 17 April 2018 (the date that the previous amendment regulations were made that originally made this change) and Funds will need to communicate this change to affected deferred members (if you haven't already done so) and revisit any cases where payment from 55 has been refused for affected members since 17 April 2018.

Finally, amendments have been made in respect of survivors of registered civil partnerships and same sex marriages to replicate the benefits that would be provided to widows. Funds will need to revisit any deaths since 5 December 2005 (in respect of civil partners) and 13 March 2014 (in respect of same sex marriages) and recalculate partner pensions where there have been underpayments, or, payment of a survivor pension where it was previously refused. We anticipate guidance on how to address these cases will be issued shortly, with particular focus on how to deal with cases where children's pensions have been paid at a higher rate than a partner's pension was originally in payment.

### TPR 'working closely' with Interserve

It emerged this month that TPR are '[working closely](#)' with Interserve and its pension scheme trustees. This comes after news that the group were seeking a rescue plan having reported debts of over £500m. On 10 December, the group's share price dropped as low as 6 pence.

A TPR spokesperson said "We are working closely with both the trustee and sponsoring employers to ensure the best outcome for pension scheme members."

Potential comparisons have been drawn with Carillion following their collapse earlier this year with the UK's largest union, [Unite](#), calling for ministers to outline their contingency plans in the event that Interserve is unable to restructure its finances.

We have been in discussions with all Funds that we advise that have Interserve as an admitted body to provide advice and support as required. This is a very timely reminder of the importance of ensuring bonds and other security arrangements are up-to-date.

### Fair Deal and Cost Control consultations

Robert Ellis from MHCLG attended the Technical Group meeting on 11 December and he informed the group that the Fair Deal consultation is expected to be released the week commencing 17 December with the Cost Control consultation to follow in early January.

### NHS scheme consultation

The Department of Health and Social Care [published](#) a consultation this month outlining proposals to amend the NHS pension scheme regulations. The proposals include a new employer contribution rate of 20.6% from 1 April 2019 and providing civil partners and same sex spouses with the same survivor pension rights as widows. The consultation closes on 28 January.

### No deal Brexit – Possible implications for overseas pensioners

As part of the Government's planning for a potential 'no deal' exit on 29 March 2019, [draft EU Exit Regulations](#) have been published. Furthermore, HMT has updated [guidance](#) on the impacts for financial services which highlights the possibility that if the UK loses authorisation in the EU (because the EU decides the UK's regulatory regimes no longer meets the EU's standard) then payments may not be able to be made to bank accounts held in EU states, causing potential issues for those pensioners who reside and their bank account is based in an EU country.

## Industry developments

### House of Commons approves cold-calling ban

The House of Commons [approved](#) the long-awaited regulations for a pensions cold-calling ban this month. The ban is now a law under the Electronic Communications (Amendments) (No.2) Regulations 2018 and is expected to become effective at the start of 2019. This news is welcomed by the industry and will help protect members from being scammed out of their pension savings.

### Dashboard consultation

The DWP has [published](#) a consultation on pensions dashboards, following further [encouragement](#) from the Work and Pensions Select Committee. This proposes that multiple industry dashboards should exist alongside a non-commercial dashboard hosted by the new Single Financial Guidance Body (SFGB). The SFGB will also oversee and appoint an independent Chair to a new industry delivery group. The industry would start to supply data on a voluntary basis, enabling the SFGB-facilitated dashboard to be 'introduced from' 2019, with legislation compelling schemes to provide data following when parliamentary time allows. The consultation runs until 28 January.

Mary Lambe attended a workshop event in London on 10 December that was aimed at Public Sector Pension Schemes (PSPS). While development is still in the infancy stage and items such as costs and what information will be available are still to be answered, the government's intentions were made clear that they want all PSPSs to be involved with this initiative.

### Judicial review of female SPA changes

A [judicial review](#) has been granted to investigate the raising of the SPA from 60 for females. No date has been set for the next stage of the legal challenge, but we can expect to hear more on this in 2019.

### Anthony Arter reappointed as Pensions Ombudsman

It has been [announced](#) that Anthony Arter will continue as Pensions Ombudsman until 31 July 2021. Mr Arter originally took up the role in May 2015.

### TPR appoints new Chief Executive

TPR has [announced](#) that Charles Counsell will replace Lesley Titcomb as Chief Executive from April 2019. He is current Chief Executive of the Money Advice Service and previously held the role of Executive Director of Automatic Enrolment at TPR.

### Dutch man told he cannot legally reduce his age

In last month's edition we included an article on the case of Emile Ratelband, who hit the headlines as details emerged of his legal challenge to reduce his age from 69 to 49 to avoid what he called discrimination.

His case was [heard](#) earlier this month but unfortunately for Mr Ratelband, he was unsuccessful in his challenge. In its judgment, the court said that "rights and obligations are also attached to age... for example, the right to vote, the right to marry, the opportunity to drink alcohol and to drive a car". The court went on to say that granting the request would cause "all kinds of legal problems".

If Mr Ratelband continues to feel discriminated against, the ruling stated that there are other ways to resolve that under law.

## What we've been talking to our clients about

### Launching Aon's Responsible Investment Network

As mentioned in previous newsletters, we're excited with the launch of our Responsible Investment Network which is designed to engage a diverse community of investors and encourage greater collaboration in this developing area.

The inaugural meeting took place on Tuesday **27 November in London** where delegates heard more about the network, the latest developments in responsible investment and engaged with peers on this increasingly important topic.

We're delighted that over 130 members have signed up to the network which includes some representatives from the LGPS community. It's not too late to join the party and we've recently sent personal invitations to join. You can find more information on this topic [our website](#).

## Refund Exercises

From April 2019, Funds will have to issue refunds to members who left after 1 April 2014 as the requisite 5 years will have passed by. We've been helping Funds with their strategy for processing these cases and locating members.

## Backlog Exercises

We've been helping Funds in a number of ways with their backlogs including proposed strategies for addressing cases. We're also utilising our significant experience of working within Funds to undertake calculations, follow up communications and payments in respect of deferred, transfer and aggregation backlogs.

## GMP Equalisation in the Public Sector

We've been in discussion with several Funds about GMP equalisation following the High Court ruling. Funds have been particularly keen to hear our thoughts on why HMT don't think it is a problem in the Public Sector and in response we've developed a short briefing note on this very topic and we're happy to share this with Funds.

## Equitable Life AVC Communications

In June's edition we included an article about Equitable Life's plan to transfer their plans to Reliance Life in 2019 with the aim of increasing the current 35% capital distribution to between 60% and 70% for with-profits policies. It appears that Equitable Life are not writing to individuals to make them aware of these potential changes and we have therefore been helping Funds who have Equitable Life as their AVC provider in developing communications so that members can factor this potential change into their retirement planning.

## TPR review

We've seen a resurgence in requests for help in independently reviewing a Fund's practices / processes against the requirements set out in TPR's Code of Practice 14. Our original tool set out all the key TPR requirements covering all sections of the Code and summarised each of the key elements (about 90 in total) within each section. Once populated, the model then produces a PDF report and a dashboard summarising where the Fund is compliant and where further work is required, which can form the basis of any report to the Pensions Committee and the Pension Board.

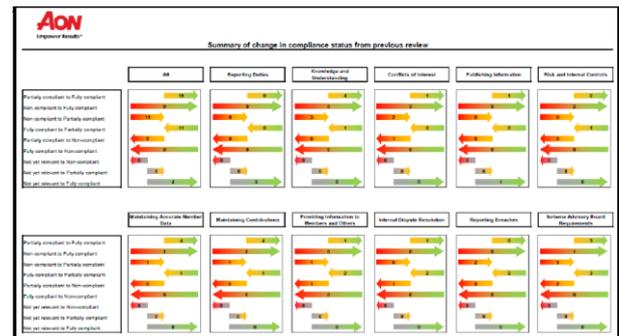
We're excited to announce that we've devised an add-on feature to the model that enables

comparisons to be made against previous reviews to show how the Fund has progressed over time. The screenshots below give a flavour of the output:

### Summary Dashboard

A dashboard showing the summary of the results of the latest compliance checklist is shown below:

No.	Completed	Compliant
<b>Reporting Duties</b>		
A1	Fully completed	Fully compliant
A2	Fully completed	Non-compliant
A3	Not yet relevant	Not yet relevant
A4	Fully completed	Fully compliant
<b>Knowledge and Understanding</b>		
B1	Fully completed	Fully compliant
B2	Fully completed	Fully compliant
B3	Fully completed	Fully compliant
B4	Fully completed	Fully compliant
B5	Fully completed	Fully compliant
B6	Fully completed	Fully compliant
B7	Fully completed	Fully compliant
B8	Fully completed	Partially compliant
B9	Fully completed	Fully compliant
B10	In progress	Partially compliant
B11	Fully completed	Fully compliant
B12	In progress	Partially compliant
<b>Conflicts of Interest</b>		
C1	Fully completed	Fully compliant
C2	Fully completed	Fully compliant
C3	Fully completed	Fully compliant
C4	Fully completed	Fully compliant
C5	Fully completed	Fully compliant
C6	Fully completed	Fully compliant
C7	Fully completed	Fully compliant
C8	Fully completed	Fully compliant
<b>Risk and Internal Controls</b>		
E1	Fully completed	Fully compliant
E2	Fully completed	Fully compliant
E3	Fully completed	Fully compliant
E4	Fully completed	Fully compliant
E5	Fully completed	Fully compliant
E6	Fully completed	Fully compliant
E7	Fully completed	Partially compliant
E8	Fully completed	Fully compliant
<b>Maintaining Accurate Member Data</b>		
F1	In progress	Partially compliant
F2	Fully completed	Partially compliant
F3	Fully completed	Partially compliant
F4	Fully completed	Fully compliant
F5	Fully completed	Fully compliant
F6	Fully completed	Fully compliant
F7	Fully completed	Fully compliant
F8	Fully completed	Fully compliant
F9	Fully completed	Partially compliant
F10	Fully completed	Fully compliant
F11	Fully completed	Fully compliant
<b>Maintaining Contributions</b>		
G1	Fully completed	Partially compliant
G2	Fully completed	Partially compliant
G3	Fully completed	Partially compliant
G4	Fully completed	Non-compliant
G5	Fully completed	Partially compliant



Please don't hesitate to get in touch if you'd like to know more information on any of the above or if you want to know how our expertise can help you.

## Upcoming Events

### LGA Annual Governance Conference

We are delighted to be sponsoring [this event](#) in Bristol on 17-18 January. Alison Murray will be speaking at the conference and Catherine Pearce, Laura Caudwell and Mary Lambe will also be attending.

### CIPFA Actuarial Summit

Jonathan Teasdale will be speaking at [this event](#) in London on 31 January. Becky Durran and Chris Darby will also be attending.

## Aon's 2019 Pension Conference Series – evolution, solutions, performance

As mentioned in previous editions, our Pension Conference Series is a free event and is designed for trustee, HR and Finance professionals who are responsible for making decisions about their scheme. The conference is held on a number of dates in different locations of the country. Visit [our website](#) to register.

Date	Location
5 February 2019	Manchester
26 February 2019	London
5 March 2019	Bristol
12 March 2019	Birmingham
19 March 2019	Leeds
26 March 2019	Edinburgh
2 April 2019	London

## Blog spot

The latest articles and podcasts from the Aon Retirement and Investment Blog

- [Weekly Update – 17 December](#)
- [Third Quarter 2018 Responsible Investment Update](#)
- [December Podcast – Retirement Market Update](#)
- [Aon Investment Monthly](#)

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## About Aon

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