



Local Government Newsletter

October 2018

Hello and welcome to the October 2018 edition of the newsletter. I will be stepping into the editor’s hot seat for the first time since joining the team in December 2017. This newsletter has been drafted before the Budget announcement on 29 October so hopefully there are no major bombshells delivered that impact on any of this month’s articles. I hope you enjoy this issue. *Craig*

People News

We are delighted to announce that Loren Wynn and her husband, Martin, welcomed their first child, Sophie Elizabeth, on 28 September. Here’s a snap of Sophie enjoying a little snooze. Both Sophie and Loren are doing really well.



We are also delighted that Michael Ferguson has been appointed as a senior consultant in the DC pensions team within our Employee Benefits Division but are also sorry that this means he’ll be leaving the Public Sector team. He starts his new role on 1 November and we wish him well.

Talking points

Budget on 29 October that could scupper this – watch this space).

Cost management

The [latest update](#) from the Scheme Advisory Board (E&W) (SAB) is that the cost of the LGPS is 19.0% compared to the initial target cost of 19.5%. A small technical group is to look at potential benefit changes to be put to the full board for approval. The Treasury cost cap process will then need to be completed.

Most funds are discussing expected employer contribution levels following the 2019 valuations, and this potential 0.5% pay increase will need to be factored in to those discussions.

Section 13 Report

GAD released [the statutory review of the LGPS in England and Wales](#) (colloquially known as the section 13 report) late in September. We have been considering the report and the recommendations within and we have drafted a joint response (in conjunction with the other actuarial firms) to MHCLG and the SAB outlining our views on the process and the content and recommendations set out in the report. If you haven’t seen a copy of our letter then please get in touch.

CPI Increases by 2.4% up to September 2018

The ONS has [published](#) September 2018 inflation indices confirming the increase in the CPI to September was 2.4%. We expect that this will value for PI in 2019 although this won’t be confirmed until the PI order is laid in February/March. We also expect the Lifetime Allowance will rise to £1,054,800 from 6 April 2019 (although there could be developments in the

Policy consultation on technical amendments to the LGPS

MHCLG have opened an eight week policy [consultation](#) on amendments to benefits. The consultation focusses on 3 key areas:

1. As a result of recent legal changes, the proposal is to equalise most survivor benefits including amending survivor benefits for existing deferred and pensioner members.

2. Proposals to issue the SoS with power to issue statutory guidance on the operation of the regulations with the view of achieving a standardised approach.
3. Making the appropriate changes to the 1995 regulations to provide a deferred member with the right to voluntarily draw their pension from age 55.

The consultation closes at 11:45pm on 29 November 2018. If you would like any help in drafting a response to the consultation then please contact your usual Aon contact

Statistical Releases

On the 17 October, MHCLG issued a [statistical release](#) on the LGPS in England and Wales in relation to 2017/18. The following day, the Home Office released a [bulletin](#) on the Fire and Rescue workforce which included details in relation to the Firefighters' Pension Scheme in England for 2017/18.

Scheme Advisory Board update

The SAB (E&W) met on 10 October. The [agenda](#) covered

- Cost Cap
- Academies/3rd Tier Employers update
- Separation Project
- Code of Transparency – Compliance system
- Responsible Investment guidance
- Investment committee update
- Cost management committee update

You can view the main action points and agreements on the [SAB website](#).

Industry developments

GMP Equalisation

A [landmark judgment](#) was made on 26 October where the High Court has ruled that pension schemes are required to equalise member's benefits for the effect of GMPs.

Mr Justice Morgan ruled that "the trustee (Lloyds Banking Group in this case) is under duty to amend schemes in order to equalise benefits for men and women so as to alter the result which is at present produced in relation to GMPs.

You may be aware that Aon advised Lloyds in this case meaning we have unparalleled insight into the associated issues. At the time of drafting this

newsletter, we're currently digesting the full ruling, including the scope of any carve-out for Public Service schemes, and we will be sending a separate communication in due course.

NHS Pension Scheme

The NHS Pension Scheme has been in the news this month. Firstly, [an investigation](#) by the Health Service Journal found that a quarter of a million staff opted out of the scheme between 2015 and 2017. Secondly, the Government has confirmed it will address issues experienced by members who are liable to a tax charge resulting from the tapering of their annual allowance by introducing a ["scheme pays" facility](#)

Civil Partnership to be extended to heterosexual couples

Following June's Supreme Court judgment, the Government announced that heterosexual couples will be allowed to enter civil partnerships. It is yet to be confirmed what impact this will have on items such as survivor's pensions but if these are affected, this could lead to us amending our marriage assumption. However, we don't expect any change in assumption to be of material significance.

Pensions Tax Relief

The topic of pensions tax relief is never far away from being in the news, but the Chancellor stated that tax relief is ['eye-wateringly expensive'](#) in what some believe is a clear hint that it will be cut in the Budget. We all eagerly anticipate any announcements made on 29 October.

What we've been talking to our clients about

Academies Review

Following 3 meetings in the first half of 2018 the two SAB sub-groups have gone a bit quiet. Recommendations at the most recent full SAB meeting on 10th October were:

- That the Administration working group continues to formulate a universal monthly (payroll) data extract
- That the future of the academies funding working group is the subject of ongoing discussions with MHCLG and DfE.

We understand that the Board agreed that subject to the feedback from DfE it would continue to develop the options previously outlined by the funding working group, however we are currently seeking clarity on the current progress of these discussions.

We also note that the DfE working group (the so-called "Tom Atwood group"), had concluded that moving to a single employer contribution rate for all academies isn't practicable nor feasible, and for the Secretariat to report back following a meeting with MHCLG and DfE, at which it may be decided that the DfE working group be disbanded.

GAD's [report](#) on Academies' LGPS pension arrangements at the 2016 valuations dated 11 September 2018 has also now been released. GAD's report appears to be an extension of the Section 13 analysis of the 2016 valuations, in response to MHCLG and DfE's wish to gather evidence and gain a better understanding of how the financial position for individual academies varies within and across different LGPS Funds.

With conversions continuing, and preparations for the 2019 valuations well underway, any changes to the way academies are funded need to be in place sooner rather than later.

Launching Aon's Responsible Investment Network

We're excited to launch our Responsible Investment Network which is designed to engage a diverse community of investors and encourage greater collaboration in this developing area. Membership of the Network will include:

- Access to regular, interactive events focussed solely on responsible investment
- Research and focus group participation
- Regular updated on responsible investment market innovations and developments

The inaugural meeting will take place on Tuesday **27 November from 6pm-8pm in London** where delegates can expect to hear more about the network, the latest developments in responsible investment and engage with peers on this increasingly important topic.

You can find more information on this as well as the opportunity to register for the inaugural meeting on [our website](#).

Business Planning

We've helped a number of clients with their Business Planning, ranging from drafting an initial business plan to facilitating a 'Business Planning Day' where we host an event that brings all of the Fund's stakeholders (i.e. Officers, Fund actuary, investment consultant) together to discuss and agree a plan. If you would like further information about how we've helped clients in this area then please don't hesitate to get in touch.

High Earner Training

We've also been helping clients in a number of areas relating to the Annual and Lifetime Allowance, including successfully carrying out a Pension Saving Statement (PSS) exercise and providing training and education sessions to Fund staff, as well as demystifying issues directly to members. We hope your PSS exercise went smoothly but please feel free to get in touch if you'd like to hear how our expertise can help you and your members.

TPR Scheme Return

Don't forget that the deadline for most to complete their Scheme Return data is the 6 November.

Recent events

CIPFA Investment Governance Workshops

Catherine Pearce and Mary Lambe attended [CIPFA's Investment Governance Workshop](#) in London on 8 October. The event was aimed at investment, finance and governance officers covered a range of areas relating to the pooling process including presentations on managing the relationship between the administering authority and LGPS pool and options for transition management. More widely, an LGPS regulatory update was provided by LGA with noteworthy mention to forthcoming Fair Deal amendment regulations expected later this calendar year. In addition, CIPFA provided a useful update on revisions to annual report guidance and pension fund accounting. The revisions to the annual report guidance are due for public consultation later this year and incorporate administration KPIs which have been developed in conjunction with Aon.

Public Sector Pension Conference

Dan Kanaris, Chris Darby and Joel Duckham attended the Public Sector Pension Conference hosted by Eversheds Sutherland in London on 28 September. The event covered areas relating to new fair deal, a look back at the implementation of GDPR; a round-up of case law updates and management of liabilities and employer risk – which was a timely reminder for Funds to consider, particularly given increased pressure on budgets following announcements of [expected increases in contribution rates](#) for LGPS employers who also participate in unfunded Public Sector schemes.

Upcoming Events

Pensions Managers' Conference

Catherine Pearce, Dan Kanaris, Sam Ogborne and James Haysom will be attending this year's conference in Torquay on 20-21 November and look forward to seeing many of you there.

CIPFA Annual Pensions Conference

As mentioned in last month's edition, we are delighted to be sponsoring [this event](#) on 22 November 2018, taking place in London at the Aon Centre, 122 Leadenhall Street.

The conference will look at how asset pooling will impact upon the investment governance of Funds and how this affects risk management arrangements (which are covered further in CIPFA's forthcoming new guidance in this area produced by Aon). There will also be a panel discussion with representatives of CIPFA's Pension Panel who will consider the changing role of Administering Authorities and the key challenges they are facing around resources, data management and new pooling arrangements.

Aon will present on the latest investment themes and Scheme Advisory Board Chair Cllr Roger Phillips will talk about the current SAB work programme and current challenges facing the LGPS.

Contemporary Drivers of Mental Health

The 10 October was World Mental Health Day and to mark this, we are holding a flagship mental health event in London on 12 November 12:15pm to 4pm. You can register for this event by visiting [our website](#).

Poor mental health at work is widespread – Did you know that 48% of employees have experienced a mental health problem in their current job and only half have talked to their employer about it? You can [download our paper](#) on the topic and the difficult or taboo topics that drive mental health problems.

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

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 from the Aon Retirement and Investment Blog

- [Weekly Update – 22 October 2018](#)
- [Third Quarter 2018 Market Review and Outlook](#)

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