



# Local Government Newsletter

November 2018



***Hello and welcome to the latest edition of the newsletter. This month we've seen 'Black Friday' and 'Cyber Monday' come and go which means the countdown to Christmas is on. Not everyone embraces the festive spirit though with £16 million reportedly being lost to Christmas shopping fraudsters last year in the UK, so be vigilant if you're like me and have plenty of gifts to buy! Continuing with the fraud theme, this edition includes information on how Cybercrime is demanding a greater focus in the pensions industry and what you need to be thinking about to mitigate these risks.***

*Craig*

## People News

We are delighted to announce that Tom Fijalkowski recently joined us from our Benefits Administration Team in a Business Support role providing technical support to the Public Sector Team. Tom has over 10 years' experience in the pensions industry, and has worked with a number of large pension schemes in the private sector including the PPF during schemes' assessment period, before progressing to analyst roles within pension calculation and client services implementation departments. His hobbies include football and travelling.



## Talking points

### Cyber Security

A new risk that has recently made it onto Funds' risk registers is Cybercrime. While Cybercrime isn't new, there is a greater focus due to the new General Data Protection Legislation and a greater focus from [the Pensions Regulator](#). MPs have also hit out at [lack of urgency in government planning](#) to cyber threats this month.

The most substantial and obvious defences against cyber risk tend to be technology based – organisations need security built into all aspects of their systems. But even with strong technological defences in place, many cyber threats now come from human error or social engineering, with someone inadvertently allowing the cybercriminals to bypass those defences. Funds need to be ready to deal with all kinds of cyber issue.

Some of you may already have seen our "cyber security checklist", which identifies the key things you should consider when evaluating your Fund against the threat of cyber-attacks. In addition,

Funds should be carrying out the following activities, if they haven't already done so:

- Comprehensive training on Cyber risks and the management of those risks for Pension Boards, Committees and Officers
- Understand the key costs associated with a cyber-attack such as the costs of remedial actions. For this could involve modelling cyber loss scenarios, and stress testing.
- Testing applications, networks and endpoint risk, including asking questions of third party providers, and ensuring the risks are recorded in the Fund's risk register
- Improve the Fund's risk reduction measures, e.g. make improvements to overall security architecture and design, or better detection procedures so that issues can be identified and managed more quickly
- Put in place a Cyber Security Policy, to assist the administering authority with

establishing and agreeing a set of protocols to minimise the risk that they are the source of a cyber-attack.

- Create an Incident response plan. These are a key tool for reacting quickly to incidents, and TPR sees this as essential when tackling cyber risk.
- Consider putting in place insurance against cyber risks (e.g. for pension board members).

We can provide support to Funds in all the above areas, and more, so please get in touch with your usual contact if you would like more information. Our “war games” style training workshops are particularly popular!

## Transfer Values

The Budget Announcement on 29 October was fairly low key in respect of Public Sector Pensions but HMT confirmed that the SCAPE discount rate was reducing from 2.8%+CPI to 2.4%+CPI. HMT continues to believe that the primary objectives of the SCAPE rate are consistent with the objectives for the CETV discount rates which has prompted [revisions to the factors](#) in calculating Non-Club Transfer Values and a CETVs for members in the LGPS.

This has meant that the majority of transfer and divorce calculations have been stockpiled since 29 October. However, MHCLG issued revised factors on 19 November and we understand that software providers are in the process of updating their systems for Funds to recommence these cases.

## Preparing the Annual Report – guidance for LGPS Funds 2018 edition

CIPFA have updated their [guidance](#) for Funds in preparing their Annual Report. The previous guidance was published in 2014 so this has been updated to reflect changes due to National Asset Pools, new investment legislation, new governance and benefits legislation, and changes to year end reporting deadlines as well as continuing interest in funding levels and investment management costs.

It's recognised that in England and Wales MHCLG has adopted this as statutory guidance and that therefore all affected stakeholders have an opportunity to comment on the proposals set out. CIPFA confirm that comments are welcome in email form or as attached documents and responses should be emailed to [gareth.davies@cipfa.org](mailto:gareth.davies@cipfa.org) by close of play on Friday 7 December.

## Industry developments

### GMP Equalisation

We mentioned in our last edition that the High Court ruled that Schemes have a duty “to equalise benefits for men and women in relation to GMPs” in its judgment in the Lloyds Bank GMP inequalities case on 26 October. While the impacts of the case are currently a little clearer for Private Sector schemes, Public Sector schemes are awaiting direction from HM Treasury before understanding the implications and action required.

We also mentioned in October that Aon were a key witness in the case and we have used that unapparelled access to develop an in-depth guide that explains the basic principles of GMPs, a summary of the case and a project plan outline. Given the current uncertainties surrounding Public Sector schemes, this has been developed primarily with our Private Sector clients in mind, but the key information will also be useful for the Public Sector. You can access this guide by entering your details on our [website](#).

The Association of Consulting Actuaries has also written to HMRC highlighting several issues regarding any back payments that may be payable due to GMP inequality. You can view that letter on their [website](#).

### Dutch man trying to legally reduce his age

You may be familiar with the case of Emile Ratelband, if not his name. He hit the [headlines](#) earlier this month as details emerged of his legal challenge to reduce his age from 69 to 49 as he ‘identifies as 20 years younger’.

His case has gone to court in Arnhem, a city in the east Netherlands and a ruling is expected in early December. Should Mr Ratelband be successful, this will have substantial repercussions to the pensions industry. We all eagerly anticipate the judgment.

### Parental Bereavement (Leave and Pay) Act 2018

This [legislation](#) received Royal Assent in September 2018 and it gives everyone, from the first day of their employment, the statutory right to 2 weeks leave following the loss of a child under 18 or where there has been a stillbirth from 24 weeks of pregnancy onwards. If the employee meets certain eligibility criteria, the leave will be paid leave.

There are some items that require clarifying but it is proposed that this legislation will be effective from April 2020. Once enacted, this will create another form of leave that Public Sector Pension Schemes will need to facilitate. It may also be possible that employers will be required to create policies on this topic such as whether they will only pay statutory or enhanced bereavement pay.

It seems logical that members receiving pay will not see an amendment to their pension benefits. It's less clear for those members who don't receive pay as it could be deemed as a service break with the right to pay back contributions, or, it may be treated the same way as unpaid sick/unpaid ordinary maternity leave where there is no break. This is certainly a case we'll keep a close eye on.

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

### Launching Aon's Responsible Investment Network

As mentioned in the last newsletter, 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.

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](#).

### Practitioner's Training

We've helped a number of clients by carrying out practitioner training for new and existing staff ranging on topics such as a potted history of the LGPS, transfers, aggregation, deaths and retirements.

## TPR Governance and Administration Survey

TPR issued their survey early in November with a deadline for completion of 30 November. We understand that TPR may still accept responses after this deadline, so you may be able to submit your response even if you miss the original deadline.

### Data Improvement Plans

TPR has placed a lot of focus on data quality and has highlighted the expectation that all public service schemes should have a data improvement plan in place. Data quality has generally been a key concern for Funds, particularly since the introduction of the CARE scheme and due to the multiple employers in Funds and with many scheme members having multiple employments. We therefore believe that a data improvement plan is an integral part of proper management of the Fund, to ensure the accurate and timely calculation and payment of benefits.

We have been working with Funds in recent months to independently review Data Improvement Plans to ensure it meets the Regulator's expectations and to highlight any potential areas which may be missing. We have developed a checklist of key areas that we would expect to be considered in developing a data improvement plan, going beyond the common and scheme-specific checks that are currently receiving a lot of attention.

### Data Validation Exercises

We are currently carrying out a number of data validation exercises using data as at 31 March 2018 and working on analysis of the demographic experience (including mortality) for Funds in preparation for the 2019 valuations.

### Administration Strategies

We've also been helping some clients with their Administration Strategies. Our role in this area has ranged from drafting an initial strategy, reviewing an existing strategy and helping make it a 'living document'.

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.

## Recent events

### PLSA Local Authority Conference

Laura Caudwell attended the PLSA Local Authority event in London on 6 November. The sessions covered a range of topics from infrastructure investment to fair deal and cost management, to a very interesting albeit quite sombre session on whether income inequality actually exists in the UK and what the drivers were for the Brexit referendum result. It is hoped that new “LGPS style” Fair Deal regulatory changes may be made in April/May of 2019, as the government may be less busy with other pressing matters by then!

### Pensions Managers’ Conference

Catherine Pearce, Dan Kanaris, Sam Ogborne and James Haysom attended this year’s conference in Torquay on 20-21 November, and they all had a great time catching up with many of you. Highlights from the sessions included an update from LGA about all the draft regulations and consultations heading our way, and sessions discussing the best ways to engage members and using new technology to improve the member experience, as well as updates from tPR, the Pensions Ombudsman and a legal update from Eversheds. There were several breakout workshops which offered participants the opportunity to discuss which regulations they would like to see amended, the value of a Pensions Administration Strategy, and to find out more about what the LGPC does on Funds’ behalf. If you would like to discuss anything you heard at the Conference, please contact Catherine, Dan or Sam, or your usual Aon contact.

### CIPFA Annual Pensions Conference

We were delighted to sponsor [this event](#) which took place on 22 November 2018 at The Leadenhall Building in London with approximately 100 attendees. Alison Murray spoke at the event and launched the revised Risk Management Guidance that we have been updating in collaboration with CIPFA. One of the key areas of focus was on employer risk and potential ways of mitigating this. We will be discussing this with our clients in advance of the 2019 valuation. Karen McWilliam, Chris Archer, Scott Campbell, Joel Duckham and Mary Lambe also attended and enjoyed catching up with many of you.

There were a range of topics discussed including Investment Cost Transparency, Asset Management, Macroeconomic Issues for Funds and a Good Governance Panel Discussion which Karen was part of followed by a drinks reception. Please contact your usual Aon contact if you would like to discuss anything from the event.

## Upcoming Events

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

As mentioned in our last edition, 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 – 26 November](#)
- [Third Quarter 2018 Responsible Investment Update](#)

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## About Aon

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