

## Lancashire Local Pension Board

Meeting to be held on Tuesday, 15 October 2019

Electoral Division affected: (All Divisions);
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### Regulatory Update

Contact for further information:

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#### Executive Summary

This report sets out an update on various pension related regulatory issues to assist Board members to exercise their functions as a member of the Pension Board effectively.

#### Recommendation

The Board is asked to consider and note the contents of the report.

### Background and Advice

#### 1. Equitable Life Transfer

In 2018 Equitable Life announced that it had agreed to transfer the Society and all of its policies to Utmost Life and Pensions (formerly known as Reliance Life). Although the Lancashire County Pension Fund does not take on new AVC business from Equitable Life for active members (this is currently provided for by the Prudential), there are just under 150 active or deferred members who still hold funds with Equitable Life.

As part of that transfer there are 2 proposals being put forward by Equitable Life. The first step will be to close the with-profits Fund. This means that there will be no further guaranteed investment returns. Equitable Life will then distribute the reserves it holds (to provide these investment guarantees) to with-profits policyholders by way of an enhanced capital distribution. Once the Fund closes and its assets are converted to unit-linked funds, these policies will be transferred to Utmost Life and Pensions.

The proposals are subject to a vote at the end of October. The Fund is currently working with the Scheme Actuary (Mercer) to consider the impact on member options and the relative value of the uplift before voting. At the recent national LGPS technical group meeting it should be noted that of the representatives from administering authorities that were present, none were seeking the views of their scheme members. Rather they were simply informing their scheme members of the changes.

## **2. Consultation regarding the Local valuation cycle and the management of employer risk**

Details of this consultation were included in the regulatory update presented to the previous Board meeting. The consultation closed on 31 July 2019 and a copy of the Fund's response is set out at **Appendix 'A'**.

In total the Ministry for Housing, Communities and Local Government received around 280 responses and it was expected that a response would be published later this year.

However, in recent communications the Ministry for Housing, Communities and Local Government confirmed that it is likely to retain a 3 year valuation for now and would review the situation further in 2021, the outcome of which is highly dependent on data quality. The issue of exit credits which was also part of the same consultation, may now be addressed in a separate statutory instrument.

## **3. Good Governance project**

The Scheme Advisory Board published their Good Governance Report on 31 July 2019. The report can be found at the following link:[www.lgpsboard.org/images/PDF/GGreport.pdf](http://www.lgpsboard.org/images/PDF/GGreport.pdf)

Hymans Robertson, who were originally commissioned to produce the report, will now assist the Scheme Advisory Board in taking forward the next stage of the project.

Effectively two working groups will be established to, firstly, define what is meant by good governance outcomes and provide the accompanying guidance, and secondly to focus on options for the independent assessment of outcomes and the mechanisms to improve the delivery of those outcomes.

Both groups will comprise of a variety of stakeholders to ensure that a wide range of views and options are considered. The aim is for an options report to be ready for consideration by the Scheme Advisory Board in November 2019. Any proposals agreed will then be subject to a full stakeholder consultation before being put to the Ministry for Housing, Communities and Local Government.

## **4. Exit Payment reform**

The consultation on limiting exit payments for public sector workers closed on 3 July 2019. HM Treasury received approximately 600 responses, and it is likely they will publish their response later this year, however it is unlikely that the Treasury will introduce the cap before 1 April 2020.

## **5. LGPS community document**

In August the Local Government Association published a new document called 'the LGPS Community'.

The purpose of the document is to explain the relationship between the different bodies that make up the Local Government Pension Scheme community and provides clarity in explaining how various roles (including local pension board members) fit in to the wider LGPS community.

The document is available to view at the following link:

<http://www.lgpsregs.org/resources/guidesetc.php>

## **6. Cost Cap and McCloud update**

On 15 July, the Chief Secretary to the Treasury announced in a written statement that that remedies relating to the McCloud judgement will need to be made in relation to all public service pension schemes. The full statement can be found on [the parliament website](#).

A reminder of the background to the case can be found on the [Q&A](#) page on the Scheme Advisory Board's website.

## **7. Written Ministerial statement – Walker v Innospec Supreme Court Judgment**

On 4 July 2019, a ministerial statement provided a response to the Supreme Court judgment in Walker v Innospec and others.

The judgment was issued on 12 July 2017 with the Supreme Court deciding that Mr Walker's husband, on the death of Mr Walker, is entitled to the same benefits as the survivor of an opposite sex spouse. For public service pension schemes this means that civil partners and survivors of same sex marriages are entitled to receive benefits equal to those received by widows of male members. This change has already been introduced by the Local Government Pension Scheme (Miscellaneous Amendment) Regulations 2018 [SI 2018/1366].

The Government has concluded that aside from the changes brought about by the Supreme Court judgment, it will not make any further retrospective changes to the existing provisions in public service pension schemes to equalise survivor benefits. They have taken the view that any differences in survivor benefits will work their way out over time.

As such in the Local Government Pension Scheme in some cases, the widower of a female scheme member is entitled to a lower survivor pension than the widow of a male scheme member. The judgement above means that this position will not change.

## **8. The Pension Regulator - combination of codes of practice**

The Pensions Regulator has announced changes to existing codes of practice. The content of the 15 current codes of practice will be combined to form a single

shorter code. The changes will reflect the Occupational Pension Schemes (Governance) (Amendment) Regulations 2018 [SI2018/1103]. Codes most affected by these regulations will be addressed first, and this includes Code of Practice 14 which applies to public sector schemes such as the Local Government Pension Scheme. Schemes will need to demonstrate that they have an effective governance system within 12 months of the date the updated codes are published.

A formal consultation is due to be launched later in the year.

## **9. Fair Deal – Strengthening pension protection - Consultation**

As reported previously it was expected that the Fair Deal regulations and associated guidance would be issued towards the end of 2019. The Ministry for Housing, Communities and Local Government have confirmed that they had not quite finished the policy work and will provide a further update on 10 December 2019 in regard to implementation timescales.

### **Consultations**

N/A

### **Implications:**

This item has the following implications, as indicated:

### **Risk management**

No significant risks have been identified

### **Local Government (Access to Information) Act 1985**

#### **List of Background Papers**

Paper	Date	Contact/Tel
Consultation response	01/07/2019	Colin Smith 01772 534826

Reason for inclusion in Part II, if appropriate

N/A