

LGPS CURRENT ISSUES

NEWS IN BRIEF

HOT TOPICS

- **LOCAL GOVERNMENT PENSION SCHEME (AMENDMENT) REGULATIONS 2018** - Our previous Newsalert summarised the new LGPS Regulations that came into force on 14 May 2018, (noting that some of the Regulations have effect from 1 April 2014). Following on from this, it is now important for Funds to review their policies to ensure that they allow sufficiently for the introduction of exit credits. In particular, do you have a clear termination policy in place? Have you considered how the new Regulations may affect it?

It may also be appropriate to communicate the changes to employers (particularly those that let contracts) to alert them to the changes and highlight the importance of reviewing any commercial agreements in light of the new Regulations. It is not clear currently how any exit credit will be treated for tax purposes (i.e. will they be treated as a public service scheme payment and be exempt from tax or will they be subject to an authorised surplus payment charge of 35%) and we will update you once we know more. The Local Government Association Bulletin sets out a summary of all of the Regulation changes in more detail [here](#).

- **LGPS AVC CLUB** - At recent LGPS conferences, it has been acknowledged that members are falling well short of the 2/3rds pension target and Funds, understandably, want to help members make best use of the opportunities the LGPS provides. The tax-efficient AVC facility is an area where Administering Authorities (and employers) can focus efforts in promoting the options to meet the future needs of employees.

LGPS Administering Authorities should be reviewing their AVC arrangements (or at least the investment performance) on a regular basis. Given that most LGPS Funds' AVC arrangements make use of one or more of a common group of AVC providers, any reviews undertaken by Funds are likely to have material similarities.

Mercer's specialist AVC team is therefore pleased to invite you to join our new "LGPS AVC CLUB", an independent monitoring and governance service. The club is open to all LGPS funds who wish to reduce the cost and governance burden associated with these arrangements. Participation in this new club will avoid the unnecessary duplication of costs of undertaking AVC reviews and will therefore entitle member Funds to a

IN THIS ISSUE

- News in Brief
- Other Developments on Regulations and Consultation
- Dates to Remember
- Meet the Team
- Contacts



material discount for our AVC monitoring reports due to these greater efficiencies. For more information about joining the club, please contact david.r.barker@mercero.com (0207 178 3392) or your usual Mercer consultant.

- Mercer recently presented to the London Pension Officers Group about the importance of good quality data (particularly with actuarial valuations just around the corner) and how Funds can benefit from **BULK TRIVIAL COMMUTATION EXERCISES**, leading to:
 - reduced risk and an effective way of managing liabilities (particularly for employers planning to exit the fund)
 - reduced administration costs

Given that typically up to a quarter of the pensioner membership can qualify for trivial commutation, we expect that these exercises will become fairly common place in future.

- We would like to **WELCOME ALL NEW PENSION FUND COMMITTEE MEMBERS** following the recent local elections. At this time it is key for Funds to keep in mind the training requirements for members who will be joining their Committees (not forgetting Local Pensions Board members too). Keeping on top of training is vital, particularly with the 2019 actuarial valuations next year. Mercer will again be supporting CIPFA and the LGA with their respective "Introduction to LGPS" and "Fundamentals" training programmes in the autumn. Bespoke training sessions will also enhance knowledge of Fund characteristics - for further information on the training that we offer and how we can help, please contact your usual Mercer consultant.

- **NOT SO FAST: WHAT DOES A SLOW DOWN IN LIFE EXPECTANCY MEAN FOR SCHEME LIABILITIES?** - Improvements in life expectancy are slowing in the UK. Depending on the actuarial assumptions adopted, this has the potential to reduce pension scheme liabilities by billions of pounds. The latest analysis of national death data from the Actuarial Profession's Continuous Mortality Investigation (CMI) shows that people are still living longer than previously, but recent improvements in life expectancy have been slower than expected.

Rates of improvement in longevity have been slowing since 2010, suggesting a trend that may be driven by medium or long-term influences rather than a short-term "blip" in experience. Compared to the assumptions adopted for the 2016 valuations, the latest CMI data could see liabilities fall by c2%. The impact on liabilities may yet be greater in the future too. Mercer's analysis of the latest national death data for 2018 so far shows higher rates of mortality than in 2017, suggesting the slowdown in life expectancy improvements may be continuing.

This will be considered again later in the year at a Fund level when we perform our demographic analysis ahead of the 2019 valuations.

- **THE EQUITABLE LIFE BOARD** is in the final stages of evaluating the options for the future of the Society and is expected to communicate further at their AGM on 31 May 2018 in London. We are advised that this will not be subject to a vote at the AGM (the Resolution would need to be listed in the Notice regarding the AGM, which has already been issued to Members of the Society). For group pension schemes, a "Member" broadly means the trustee(s) or an authorised representative thereof. However, the Society does wish their Members to engage with them regarding these options.



Equitable Life has been evaluating all the following possible strategies, and combinations thereof:

- Sale of the Society (no approaches from other companies yet),
- Reopening to new business / buying closed books (unlikely),
- Liquidation (material potential tax issues, as Equitable Life is solvent),
- Continuing in “run off” (despite the risk to the Capital Distribution, indeed guarantees, within a low interest rates environment, as well as the likely increase in operational costs per policy as the Society gradually shrinks),
- Increasing the Capital Distribution to encourage With Profits Fund transfers (thereby reducing future capital intensive guarantees, potentially making the sale of the remaining Society more feasible).

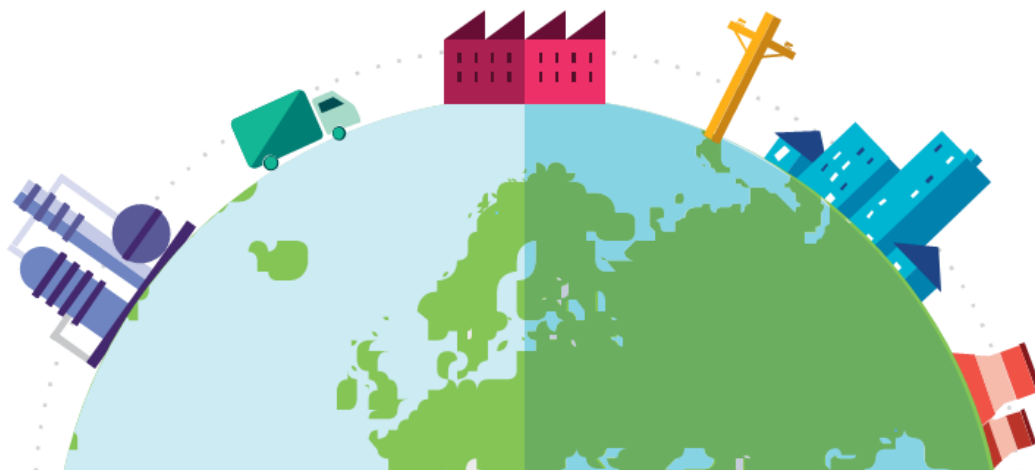
Further information can be found on their [website](#).

- **POOLING** – Now that we have passed April 2018, LGPS funds must now begin transitioning their assets into their new investment pools. Representatives from the eight asset pools reported their progress in establishing their organisational structures and governance arrangements to an open session containing the Chairs of LGPS pension committees and local pension boards on 27th March 2018.

A Cross Pool Open Forum will soon be established which will contain three representatives from each of the eight pools and three trade union representatives.

- **GDPR** comes into force on 25 May 2018 replacing the Data Protection Directive. It includes new standards for protecting personal data and applies to all EU member states. As we have previously noted, the Secretariat commissioned Squire Patton Boggs to produce template privacy statements for administering authorities to use and a memorandum of understanding document for participating employers (published on 1 April 2018). In addition, the Secretariat has published an ‘actions for administering authorities’ document, a Q&A for members and example documents from the West Midlands Pension Fund in order to assist Funds with the process.

The Information Commissioner’s Office’s [website](#) also contains a host of information that can assist Funds including a data protection self-assessment toolkit.





OTHER DEVELOPMENTS ON REGULATIONS AND CONSULTATION

GOVERNMENT ACTUARY'S DEPARTMENT

The Government Actuary's Department is offering a number of regional workshops to discuss **DATA QUALITY** and the **SECTION 13 PROCESS** aimed at pension managers and administrative authorities. The dates are as follows:

- London - 4 June 2018
- Cardiff - 7 June 2018
- Wolverhampton - 11 June 2018
- Manchester - 18 June 2018 (hosted by Mercer – hurry, this one will be a sell out!!)
- Durham - 25 June 2018

SCHEME ADVISORY BOARD UPDATES

TIER 3 EMPLOYERS – Having gathered the results of the surveys, Aon confirmed at the Scheme Advisory Board meeting in February that they are ready to analyse this and the interview data. A draft report from Aon is expected at the 27 June 2018 meeting for consideration by the Board. Further details on the project can be found [here](#).



DATES TO REMEMBER

DATE	ISSUE	THE LATEST
14 May 2018	Exit credits	Effective date for the introduction of exit credits for employers leaving the LGPS.
25 May 2018	Data protection	Date by which EU member states must comply with the new General Data Protection Regulation.
13 January 2019	IORP II	Date by which member states must adopt the new EU directive covering occupational pensions
March 2019	Brexit	It is expected that the UK will formally leave the EU by the end of this month.
2018	Tier 3 Employers	Outcome of the Tier 3 employers review
2018	Academies	Outcome of the academies review
2019	Pensions Dashboard	These are expected to go live some time in 2019

MEET SOME OF THE TEAM - THINGS YOU MAYBE DIDN'T KNOW



Name: Maria Cass

Role: Actuarial Consultant

Joined Mercer: April 1992

Place of Birth: Liverpool

Favourite Film: 13 Going on 30 and the Bourne Trilogy

Summer Holiday Destination: Disney and Universal in Orlando, Florida or a caravan in Prestatyn, North Wales

Did you watch the Royal Wedding: I saw parts of it but it was a sunny day (see next question)...

Have you been enjoying the British Summer: Yes, I like to spend as much time as possible outdoors when the weather is good

Top tip for cooling down in this weather: Work in the Mercer Liverpool office – it's freezing!



Name: Paul Clare

Role: Actuarial Consultant

Joined Mercer: 2010

Place of Birth: Ormskirk

Favourite Film: Forrest Gump

Summer Holiday Destination: Kiev for a day in May and then Porto/Douro Valley, Portugal

Did you watch the Royal Wedding: No, I was too busy sunbathing!

Have you been enjoying the British Summer: Of course. The grass needs cutting too often though...

Top tip for cooling down in this weather: Do they still sell Fab lolly ices?



Name: Nick Page

Role: Investment Consultant

Joined Mercer: April 2015

Place of Birth: Birkenhead, Wirral

Favourite Film: Jurassic Park

Summer Holiday Destination: Last year we went to Miami and Ibiza. This year we'll be under new born baby house arrest.

Did you watch the Royal Wedding: There was a wedding on?! Nobody mentioned it

Have you been enjoying the British Summer: Apart from the office being a sauna, it's been great to get as much golf in as possible ahead of the new arrival.

Top tip for cooling down in this weather: Find the optimal position to best mooch off of Mark Wilson's desk fan.

CONTACTS



Paul Middleman
paul.middleman@mercer.com
0151 242 7402



Leanne Johnston
leanne.johnston@mercer.com
0161 837 6649



Ian Kirk
ian.x.kirk@mercer.com
0151 242 7141



Nigel Thomas
nigel.thomas@mercer.com
0151 242 7309



John Livesey
john.livesey@mercer.com
0151 242 7324



Clive Lewis
clive.lewis@mercer.com
0151 242 7297



Charlotte Dalton
charlotte.dalton@mercer.com
0161 837 6660



Jonathan Perera
Jonathan.perera@mercer.com
0151 242 7434

This edition of LGPS: Current Issues is for information purposes only.
The articles do not constitute advice specific to your Fund and you are responsible for obtaining such advice.
Mercer does not accept any liability or responsibility for any action taken as a result of solely reading these articles.
For more information about other training or advice about how any article in this issue relates to your Fund, please contact your usual Mercer consultant.
Mercer retains all copyright and other intellectual property rights in this publication.

Visit us at www.uk.mercer.com

Copyright 2018 Mercer Limited. All rights reserved