

# LGPS update

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# Update will cover

- New Regulations
    - Investment, Fair Deal, Freedom and Choice
  - Ending of Contracting out
    - GMPs and the ‘interim solution’
  - Pensions Tax
    - New LTA and changes to AA
  - Scheme costs
    - Deficits, valuation and cost management
  - Exit payments
    - Recovery, Cap and further consultation
  - Investments
    - Pooling and Cost transparency
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# New regulations

- **Investment** – Out before recess, ISS not needed until April 2017, non financial factors, power of intervention
  - **Fair Deal** – Admitted body status for protected employees, HE, FE and PCCs excluded, full cost must be stated in tender, exit payment required if shortfall at end, secondary and follow on moves covered
  - **Freedom and Choice** – Take AVCs as one or more lump sums or purchase additional pension or annuity, or transfer to another arrangement
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## Ending of contracting out.....



- GMP reconciliation and equalisation
  - Concentrate on reconciling missing records
  - Equalisation could be just as big a headache
- Indexation on GMPs –
  - Interim solution - full cost from April 2016 to Dec 2018
  - Potential £1b cost if long term solution the same

# Pensions Tax



- New LTA £1m
  - Individual protection
- Reduced Annual Allowance
  - Tapered for high earners
- LISA
  - The start of an alternative to pensions?

# Scheme costs

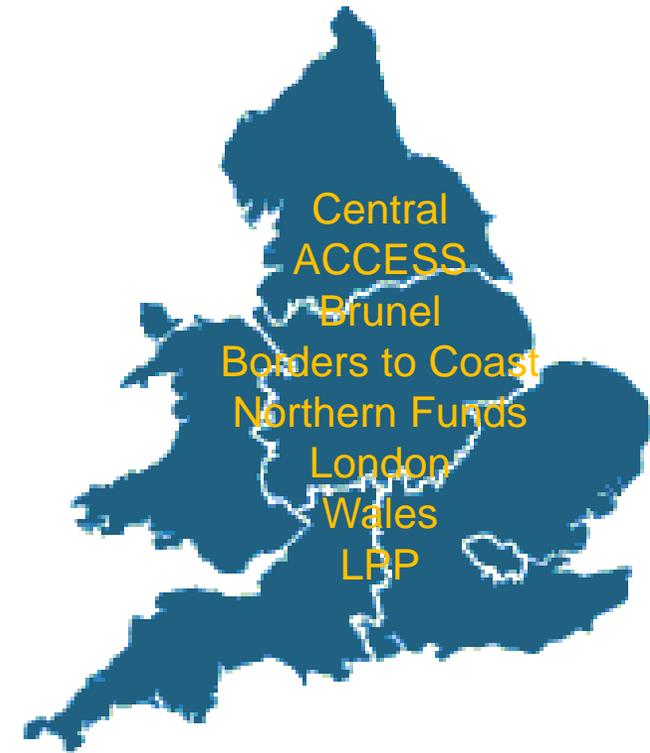
- Deficits
  - ‘Solvency trumps stability’ but where will the money come from?
- Valuations
  - Bit of good news on longevity and returns but no recovery in interest rates and gilt returns so liabilities continue to outpace assets
- Cost management
  - Early signs that SAB limits may be breached

# Exits

- Recovery
  - Out before recess? Covers those over £80k who return within 12 months, includes pension strain cost
- Cap
  - 1<sup>st</sup> October? Total of £95k within 28 days, includes pension strain, care needed on flexible retirements, possible waiver
- Consultation
  - Removal of power to pay pension strain? Limit to use max pay of £80k, possible increase in MRA

# Investments

- Asset pooling
  - 7 or 8 pools, presentations June, proposals July, consideration over summer, target April 18, transition to follow over several years
- Cost transparency
  - CIPFA standard for funds, SAB transparency code for asset managers based on Dutch template



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