

Regulatory and Political update

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What we'll cover

- **Regulations**
 - Investment, Fair deal, Freedom and Choice and other amendments
- **Scheme costs**
 - Deficits, valuation and cost management
- **Investments**
 - Asset pooling and cost transparency
- **Exit Payments**
 - Recovery, cap and further consultation
- **And finally**
 - Ending of contracting out, MiFID II

Regulations

- **Investment** – In force 1st Nov, EDM?, prudent person, 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 – pass through needed?
- **Freedom and Choice** – Take AVCs as one or more lump sums or purchase additional pension or annuity, or transfer to another arrangement



Scheme costs

- **Cost management 2016**
 - Two processes in play HMT and SAB, both effect future service costs only – investment returns not included
 - Known knowns – 50/50, club, revaluation
 - Known unknowns – data?
- **Deficits**
 - “Solvency trumps stability” Marcus Jones MP –May 2016
 - Academies – circa £3b to £12b depending on rate of conversions – options?
 - Non tax payer backed (inc HE/FE) – how big a risk? – catch 22



Investments

- **Asset pooling**
 - 8 pools submissions in July
 - Meetings with minister underway
 - 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, worked up with IA
 - Consultation responses being considered aiming for launch later this year



Exit Payments

- **Recovery** - covers those who earn £80k or over and return to the public sector within 12 months. Includes pension strain costs.
- **Cap** - exit payments capped at £95k for exits within 28 days, includes pension strain cost. Possible waiver.
- **Further consultation** - a max salary of £80k in calculation? 15 months max, increase to minimum pension age? removal of power to pay pension strain? – answers by 26th December!



And finally.....

- Ending of contracting out

- Indexation of GMPs – PSPS to bear full cost for members attaining SPA between April 16 – Dec 18
- Public consultation on longer term solution – potential £1bn cost if long term solution the same
- Post 97 revaluation?
- Recovery of overpayments?

- MifID II

- FCA consultation out now
- Local authorities will be retail investors from January 2018
- Can be opted up to professional status by (each) asset manager
- Some pools may provide a work around via large investor status



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