Report To:	**Pension Fund Management Panel/Advisory Panel**
Date:	18 November 2016
Reporting Officers:	Sandra Stewart, Executive Director – Governance, Resources and Pensions Euan Miller, Assistant Executive Director – Pensions (Funding and Business Development)
Subject:	**PENSIONS UPDATE**
Report Summary:	The report provides a summary of items of note in respect of both the LGPS and the wider pensions environment since the last meeting of the Panel.
Recommendations:	That the Panel note the report.
Financial Implications: **(Authorised by the Section 151 Officer)**	There are no material implications for GMPF.
Legal Implications: **(Authorised by the Solicitor to the Fund)**	Any amendments to the Scheme's regulations will be implemented by GMPF.
Risk Management:	The changes to Fair Deal, if enacted as proposed, will compel firms who take on outsourcing contracts to be members of the Scheme. Current admission agreements allow agreements to be terminated by the administering authority, in the event of an employer failing to comply with their duties under the agreement. This ultimate sanction will be removed, which may need recourse to the Pensions Regulator, in the event of an employer not fulfilling their duties.
Access to Information:	**NON-CONFIDENTIAL** **This report does not contain information which warrants its consideration in the absence of the Press or members of the public.**
Background Papers:	The background papers relating to this report can be inspected by contacting Euan Miller, Assistant Executive Director – Funding and Business Development Telephone: 0161 301 7141 e-mail: euan.miller@tameside.gov.uk

1. INDEPENDENT REVIEW OF STATE PENSION AGE

1.1 An independent review of State Pensionable Age has begun with an interim report by John Cridland CBE and an invitation to comment.

1.2 The review of State Pensionable Age was announced in March, and is in line with a statutory requirement for the Government to reappraise the position every six years. The scope of the review is limited to those reaching State Pensionable Age after April 2028, by which time existing legislation will have increased State Pensionable Age to age 67.

1.3 The report looks at whether a universal State Pensionable Age rising in line with life expectancy increases is appropriate and, if not, how State Pensionable Age could be better structured. It considers the effects that increases in State Pensionable Age would have on particularly vulnerable groups within society and asks whether these groups could be protected by allowing early access to the State pension or by enhancing working-age benefits.

1.4 Responses should be submitted by 31 December 2016. John Cridland will report to Secretary of State for Work and Pensions by May 2017. Any changes to State Pensionable Age would likely have implications for the Normal Pension Age in the LGPS.

2. SECONDARY ANNUITY MARKET PLANS SCRAPPED

2.1 Her Majesty's Treasury, and Revenue and Customs, have announced that the Government is not going ahead with plans to create a secondary market for annuities (which was due for launch in April 2017). It has concluded that '*creating the conditions to allow a vibrant and competitive market to emerge, with multiple buyers and sellers of annuities, could not be balanced with sufficient consumer protections'*.

2.2 Whilst the creation of a secondary annuity market would have had no direct on the LGPS, it may have led to some potentially interesting investment opportunities for long-term providers of capital such as open defined benefit pension schemes.

3. MORE CLARITY ON PUBLIC SECTOR EXIT PAYMENT REFORMS

3.1 At the start of the year the Government issued a consultation on possible reforms to early exit payments across the public sector. It has recently responded to the consultation to confirm the Government's commitment to restrict public sector exit costs, establish guidelines for a common framework and set a timeline for reform up to the end of June 2017.

3.2 Consistent with the government's view that it remains appropriate for the detail of exit arrangements to be negotiated at workforce level, departments responsible for the workforces will take forward the detailed design and analysis of proposals for exit payment reform, within the overall framework and principles for reform.

3.3 The government expects departments to put forward proposals for reform within three months of the publication of the government response (September 2016). Departments should then consult on proposals as appropriate and should follow the normal process of discussions and negotiations with Trade Unions and other workforce representatives in order to seek agreement to their reform proposals. The government expects this discussion process to be concluded, agreement reached and the necessary changes made to compensation schemes and other arrangements within nine months.

4. LIFETIME ISA - DRAFT LEGISLATION

4.1 The *Savings (Government Contributions) Bill 2016*, which would allow for the introduction of new '*lifetime individual savings accounts*' (LISAs) from April 2017, was presented to Parliament on 6 September 2016.

4.2 As announced in the 2016 Budget, it is intended that anyone aged between 18 and 40 years old will be able to open a LISA, to which they can invest up to £4,000 a year, and receive a 25 per cent government bonus, until they reach the age of 50. They will be able to withdraw their savings without losing the Government bonus, so long as they are put towards the purchase of a first home worth up to £450,000; or they can be used at any time from the age of 60 onwards for retirement purposes.

4.3 The Bill provides the basic legislative framework for lifetime ISAs. However, many of the details, including known features such as the government bonus and the implications of withdrawals, will be set out in regulations to be made by the Treasury at a later date.

4.4 Concern has been expressed, particularly within the pensions industry, that LISAs could be an attempt to introduce reforms to pensions taxation 'via the backdoor'. It remains to be seen what the take-up of LISAs is and whether there is any change to the maximum permitted investment amounts in LISAs in future (and further reductions to the Annual Allowance and Lifetime Allowance applying to pension schemes).

5. GREATER MANCHESTER PENSION FUND RECOGNISED AS LEADING THE WAY ON INFRASTRUCTURE

5.1 Earlier this year, an e-petition was set up on the Government website in response to the consultation on new investment regulations for the LGPS in England and Wales, which was underway at the time. The e-petition set out concerns about:

- the proposed Government intervention power in scheme investments,
- the requirement for an improved capacity for investment in infrastructure, and
- ensuring that investments be made in the interests of scheme members.

As the e-petition succeeded in getting over 100,000 signatures, the Government granted a debate on the subject and this debate was held on 24 October 2016. The Hansard transcript of the debate is available here.

5.2 On 25 October, MPs from the Labour Party submitted an Early Day Motion praying that the LGPS (Management and Investment of Funds) Regulations 2016 [SI 2016/946] be annulled. It is understood that the Early Day Motion has been submitted because of similar concerns to those that gave rise to the e-petition (as detailed above). Historically, it is very rare that an EDM to annul a statutory instrument is successful, but it is possible that the date the regulations come into force (currently planned for 1 November 2016) may be delayed slightly.

5.3 The transcript of the debate, which occurred between 4.30 and 5.48 on 24/10/16 covered various issues inclusing Trade Union representation on pools / interests of members, ethical investment, contravening EU law, undemocratic process which should be debated in Parliament two extracts below give some "local" references - highlighted in yellow below:

Jack Dromey 5.09pm

I have been personally involved not just in the negotiations. I have, for example, addressed two conferences for the scheme at national level on the issues of collaboration to ensure ethical investment, which is absolutely a legitimate concern, and infrastructure investment. The then national chair of the local government pension scheme, Kieran Quinn, said, “Why are we investing in light transport in Taiwan when we should be investing more in developing infrastructure here in Britain?” Of course, that is absolutely right.

The hon. Member for Ross, Skye and Lochaber (Ian Blackford) referred to housing. I remember opening a housing development with the leader of Manchester City Council, where local government pension scheme investment was key to building hundreds of affordable homes. The objectives of having an ethical approach and greater investment in infrastructure are absolutely legitimate—so, too, is the move towards pooling. We have got to get it right, but in my time we used to argue for pooling and greater collaboration to make more effective investments.

What is fundamentally wrong about the proposal is that the Government are elbowing to one side the world of local government and telling millions of pensioners how their pensions might best be delivered.

Marcus Jones (Under SoS) ≈ 5.40pm

I assure hon. Members that there is an opportunity for trade union representation on pools. That is a matter for the individual pools themselves and depends on their governance arrangements, but the individual local authority members that support each scheme will have the right to be part of setting up those pooling governance arrangements, and it will therefore be their decision on whether union representatives are on the pools.

There have been extremely good examples of investment in local housing in England, as well as in Scotland, which the hon. Member for Ross, Skye and Lochaber mentioned. There is a good example in Greater Manchester, where funds have been used from the Greater Manchester pension scheme. As I said, a relatively small amount of funding has gone into that type of investment hitherto, and we want to encourage pension funds and pools to increase such investment.

6. RECOMMENDATION

5.1 That the Panel note the report.