

Conference highlights

South West Councils' Pension Manager Conference (15-16 November 2022)



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The annual LGPS Pension Managers' Conference took place in Torquay this week. The conference, run by South West Councils, covered a range of topics including the Pensions Dashboard, impact to the LGPS of the cost of living crisis, the future of LGPS administration teams, cyber risk and the 2022 valuations.

Day 1 - Chairman's welcome

Pat Luscombe

- The chairman welcomed everyone to the conference, noting the recent theme of continuous change and challenges for administration teams.
- He commented on the excellent work done across administration teams in the LGPS to rise to meet these challenges.

LGA update

Lorraine Bennett, LGA

- Lorraine's session covered the various changes in government departments which have slowed progress in many areas. We are still expecting and waiting for government progress including Goodwin, exit pay, levelling up, pooling and GMP.
- McCloud remedy response to consultation is expected in November but will not include draft regulations, which will be in a further consultation early next year.
- There has been discussion about whether the annual allowance revaluation of CARE pensions should be moved to 6 April every year, bringing it into line with the date at which the opening value for annual allowance calculations is increased. This would involve a considerable amount of work.
- Good governance consultation expected early 2023 and will include something on workforce planning.
- We are still awaiting the changes necessary to deal with Goodwin. The SAB chair has written to the minister to request an update.

'Non pensions' pension challenges

Emma Mayall and Georgia Ryan, Greater Manchester Pension Fund

- Emma spoke about the steps GMPF have taken over the last 5 years to lay the foundations for change, such investing in technology, hybrid working and revisiting the team structure and jobs to equip staff for the future.
- Georgia discussed the three specific areas from GMPF's perspective: Cyber security, third party contract management and supporting fund governance. GMPF has fund-specific policies and strategies aligned to TPR expectations. The fund worked with specialists to complete a cyber audit, create a cyber incident response plan, and used the National Cyber Security Centre resources, including Exercise in a Box.
- There was reminder that the policies and procedures have to be implemented and that responsibility for this lies with all parties at the fund. This includes providers to the fund and there is a need to make sure that when change happens the potential cyber and data impacts are considered to ensure any risks are identified and managed.

Workshops

Recruitment and retention

Yunus Gajra, West Yorkshire Pension Fund; Jonathan Clewes, Nottingham Pension Fund

- Yunus and Jonathan provided an overview of findings from the recent LGA survey on recruitment and retention. This exercise highlighted the challenges faced by most if not all funds. With an average of five open vacancies across funds there is a feeling of everyone being in the same boat.
- Several issues were identified as contributing to the difficulties in recruiting and retaining staff. It is felt that pay scales are not competitive and private sector pay increases or career opportunities may be more attractive to potential employees. The option to work from home is giving employees a wider pool of employers to choose from. The complex high-volume work involved is not recognised by job evaluation and higher KPIs are putting pressure on staff. It was also noted that pension qualifications don't always meet the training needs of the LGPS.
- Following this a number of potential solutions were discussed, including but not limited to; a national rebrand of LGPS roles and careers, producing a framework for skills and knowledge, establishing national standardised job profiles, providing an LGPS qualification, better utilising the apprenticeship levy, introducing a graduate scheme, and involving the pensions board in discussions with host authority HR about pay.
- It was also felt that more joined up working with the LGA and SAB to reduce complexity of the Scheme would be beneficial.

Meeting your Pensions Dashboard duties

Angela Bell, The Pension Regulator

- The Pensions Dashboard: Angela Bell from TPR confirmed the timeline for LGPS funds to be ready to connect and respond to matching requests is 30 September 2024. In advance of this funds should review the guidance and resources available and, in particular, speak with their administration or software providers. Links were provided for further information
- There is a checklist available on the Regulator's website which funds were encouraged to use to help track their progress.
- The Regulator commented that frozen refunds would not be in scope for the dashboard.

- Where data is requested from funds via the dashboard, there is likely to be a 10 day turnaround time for public sector schemes.
- The Regulator will view failure to return information as a similar level of breach as returning incorrect information.
- The Regulator's focus will be on wilful non-compliance, and the response to these cases will be robust.

McCloud data issues

Rachel Abbey, LGA; Virginia Burke, Aon

- A brief update was provided on current progress nationally. This was followed by group discussions about what progress has been made, the proposed assumptions where data is missing, and what would be helpful
- The feeling generally was that most employers are providing the required data, but there are certain employers within funds who either cannot or are not providing the required data, and so assumptions may well be required for these.
- In terms of those assumptions, it was acknowledged that the method of estimating reckonable service based on the ratio of CARE pay to full time pay is not perfect. However, it is the best that can be done, and should be to the benefit of the member where there is uncertainty
- In terms of what else can be done to support funds, guidance on communications would be appreciated, as would some example scenarios where the underpin bites, to highlight particular cases to be aware of.

High inflation, cost of living crisis and the LGPS

Melanie Durrant and Jeff Houston, Barnett Waddingham

- Melanie and Jeff hosted an interesting, if somewhat sobering, workshop about the impact of inflation on our day-to-day living and the knock-on effect this could have on the LGPS.
- Jeff began by providing an overview of the recent history of inflation and then set a fun quiz that highlighted none of us really know what anything costs. He then talked us through the causes of the inflationary situation we find ourselves in and sent us off to talk about the impact on cashflows, employers and members.
- It's not a pretty picture with the 10.1% pension increase having a compounded effect on cashflows, the potential for increased member opt-outs, more employers leaving or downsizing, a reduction in contributions and an increased likelihood of the McCloud underpin biting. This may be somewhat offset by delayed retirements, employee contribution bands and less commutation but this is still somewhat of an unknown.
- What can funds do? Consider employer contributions on an individual basis, engage with members and employers – make sure they know the benefits of the scheme and what they will be giving up, promote 50/50 section, ensure you understand cashflows and investments held.

LGPS Actuarial update

Michelle Doman, Mercer Ltd

- This session provided a summary of valuation results, and highlighted that there is a general reduction in funds' deficits overall, with many contribution rates remaining broadly stable.
- Market conditions have changed since the valuation date, particularly the increase in inflation, and volatility in gilt markets.

- Michelle warned that there might be an increase in employers who want to exit the LGPS. This is due to current conditions which make it favourable for certain employers to leave the Scheme.
- It is not all bad news! The current market turbulence presents potential investment opportunities and these should be discussed with investment advisors.
- Funds should continue to monitor funding developments – from now until 2025 valuation. Where monitoring indicates changes to a funding plan are required, you do have powers (if written into FSS) to make changes between valuations.

LGPS Pensions Admin – shifting the focus from cost to value

John Simmonds, CEM Benchmarking UK Ltd

- John provided a summary of analysis carried out on large UK funds comparative to global funds, particularly North American funds. This focussed on the admin expenditure, and what that means for service delivery to members.
- Fundamentally it would appear that the UK is underinvested in admin. The median spend per member in North American funds sits at £46 per member compared to a median spend of £22 per member in UK schemes. The outlay on regular IT is also three times less in UK schemes than North American.
- Transaction volumes are a key driver of admin costs, with 70% of costs tied up in head count.
- Service delivery is not purely about cost but delivering a commensurate service. John commented that our addiction to SLAs in this country is not helping service delivery as we're missing the voice of the member.
- The Canadian model is deemed to stand apart from all others with clear blue water between management bodies and those authorities they represent.

Cyber security and the LGPS

Nick Stones, Pinsent Masons LLP

- Under the Pensions Act, scheme managers are responsible for operating internal controls, which measure and reduce cyber risk.
- Within the new code of practice there is the requirement to maintain a cyber response plan.
- Nick used a case study to highlight the importance of understanding who needs to be involved, and of having clear timescales which must be met. An example was given of cyber insurance policies only paying out if reported promptly and following certain procedure – there is a need to be aware of these factors.
- He highlighted the need to develop an incident response plan, and to walk through scenarios to ensure responsibilities are understood.

Day 2 – Chairman's welcome

Pat Luscombe

- Pat welcomed everyone for day 2 and paid a short tribute to Tim Hazelwood.

The Future of LGPS administration teams

Ian Colvin, Hymans Robertson

- Ian's session considered some of the wider forces impacting LGPS administration teams and what that might mean for those responsible for delivering LGPS admin.

- Artificial Intelligence – AI tools will be able to learn from large data sets and spot patterns and trends, deal directly with scheme members and refine our administrative process. The point was emphasised that human input will be a continued necessity.
- Workforce planning was considered and the importance of setting objectives and analysing the skills gaps funds think exist.
- The session concluded with some thoughts about how these changes will impact administration teams of the future, including the need for diversity in teams, adapting to new roles and training and support to develop the skills required for these changing roles.

Legal update

Daragh McGinty, Osborne Clarke

- Daragh spoke about the IDR process, noting the key points to ensure compliance with requirements such as appointing an adjudicator within 6 months of complaint for stage 1, and that a written decision should be made within 2 months for a stage 2 complaint.
- Tips for minimising scope for further complaints – plain English communications, not over-promising and keeping member updated with progress. Noted that compensation for distress can still be awarded if case not handled correctly.
- Emphasised the need for employers to fully understand the requirements on them, including how to manage the medical assessment process.
- Case studies looked at, and highlighted that funds have absolute discretion for death grants.

Automation and technology for the LGPS – panel session

Des Hogan, Equiniti; Richard James, Civica; David Rich, Heywood Pension Technologies

The software providers took part in a Q&A session. Some of the main points which came across were:

- Giving tools to employers to encourage self-service will save admin teams time in the long run.
- All providers agreed there was a move towards paperless communications, but noting that there is still mistrust and suspicion from some members of online portals for example. Other examples were given such as videos to explain annual benefit statements and more engaging communications to encourage engagement with members.
- In term of improving bulk processes, the providers spoke about increasing the use of automated checks, and automating the generation of queries.
- In terms of the challenges, the end goal is to reach the point where the member is the administrator. There was broad agreement that data quality is the main obstacle which must be overcome

Chair's closing remarks

- Pat indicated that the conference had been a huge success, and thanked the attendees for their participation.