

Conference highlights

Pension Manager's Conference – 20-21 November 2018 – Torquay

Torquay's most famous "fawlty" hotel has long since been converted into retirement flats; therefore it's fitting that the seaside town is host to the Local Government Pension Managers' Conference. Whilst there was a theme of "don't mention the Brexit", there was much to hear about and discuss. Do get in touch to explore how any of the following topical topics affect your Fund.

Session 1: LGA Update

(Jeff Houston - LGA)

Jeff confirmed that we can expect a blizzard of consultations over the festive season as funds will be asked for their views on a number of pieces of draft legislation:

- Fair Deal: will introduce the idea of deemed employers in the LGPS as a way of avoiding the complexity of admission agreements. The idea is that when staff are transferred as part of an outsourcing arrangement, for LGPS purposes their employer is deemed to be the original letting authority.
- Exit surpluses: there are concerns about the lack of transitional arrangements, lack of specified methodology, and the fact it is driving some employers to consider leaving the Scheme early and reclaim their refund.
- Separation: there is no intention to remove the LGPS from local authority control. This workstream is about making sure that LGPS governance supports officers and elected members to deal with potential conflicts of interest.
- Valuations: the whole Scheme (cost cap) valuation is currently 4 yearly. If we moved the local funding valuations from 3 to 4 yearly that is likely to be too long for some employers. There may need to be an interim valuation mechanism.
- Pensions Tax: should the LGPS have provisions which allow members to limit their tax exposure by making use of certain flexibilities, eg nominating only part of their pay as pensionable?
- Cost Cap: the Treasury cost cap has breached on the downside which means that, under that mechanism, changes would need to be made to improve the benefit package. The Scheme Advisory Board have finalised their own cost cap mechanism and presented their proposals to Treasury. If the proposals are accepted a further consultation will follow. Watch this space!

Session 2: TPR Update

(Rebecca Woodley - The Pensions Regulator)

- Emphasised the message of clearer, quicker, tougher
- TPR will be seeking to drive compliance through supervision and taking a risk based approach to regulating. The highest risk schemes are those that are large, complex, multi-employer.
- The latest TPR survey is out now (closing date 30th November) and contains some new questions and some reworded questions. Make use of the free text box on the survey to feed back your own views.
- There is a range of practice on how scheme managers deal with pension boards for example the number of meetings per year, and some confusion over the responsibilities of the scheme manager and the pension board. NB the scheme manager remains accountable.

Workshop - LGPS Regulations

(Annemarie Allen - Barnett Waddingham)

- The group looked at various pieces of outstanding legislation such as Fair Deal, exit caps and changes stemming from the cost cap.
- There was some discussion about the regulations which currently cause the most trouble and which people would like to see changed (eg Pensionable Pay definitions, Tier 3 ill-health). However some areas can't be changed as they are a consequence of the Public Service Pensions Act 2013 (eg refunds after 5 years, automatic aggregation).
- The group were asked to consider the extent to which statutory guidance should be used to replace certain provisions that are currently in regulation.
- Annemarie will take the group's views to LGA for further discussion.

Workshop - Creating a Pension Administration Strategy

(Emma Mayall – Greater Manchester Pension Fund)

- Is the current drafting (regulation 59, re discretion) sufficient, or could it be changed to provide administrators with more support of better powers? Does it support meeting TPR's requirements?
- Does an Administration Strategy support Funds to achieve what they want? It is often used to set out the administering authority's expectation of employers, rather than defining the relationship between Fund, employers and scheme members. Should it be more akin to a service level agreement, setting out the standards expected of each party?
- What issues do Funds have in implementing their Administration Strategies? Some Funds are reluctant to push their Strategy, given resource restraints. Suggested a working party of practitioners, along with MHCLG, LGA and TPR to revisit the requirement and perhaps produce a standard for all Funds to follow.

Workshop - A Year in the Life of the LGA Pensions Team

(Jayne Wiberg & Lorraine Bennett – LGA)

- The group was given an overview of the LGA team and the many roles they carry out.
- LGA representatives attend regional Pension Officer Groups, Technical Group, meetings with software providers, communications groups, as well as delivering LGPS training around the country.
- LGA also liaise with external groups on behalf of the LGPS, including MHCLG, HMT, DWP, GAD etc.
- The group was then asked what they felt LGA did well and to consider what their top 3 wish list from the LGA would be.

Workshop – Data Management – Case Study

(Virginia Burke & Sarah Millson – ITM / Adam Howell – Cabinet Office)

- Some objectives could be – reduce backlogs / trace members / cost savings via administration efficiency / improve member communications / prepare for 2019 valuation / compliance with TPR requirements.
- Discussed how to get employers engaged – show them the financial impact of poor membership data?
- Standard data issues include inconsistencies with date of leaving / unprocessed member calculations / address changes.
- Adam then described his experience with the Civil Service Scheme and the large number of data inconsistencies, partly due to poor employer engagement. The scheme began a 5 year data improvement plan.
- Some of the actions introduced included strict targets for employers, a clear escalation matrix, and a strong goal in educating their employers.

Workshop – GDPR in the World of Member Tracing

(Jenny Simms, Heather Chambers - Target)

- Important, when using tracing services, for Funds to appreciate their own responsibilities to ensure data being used can be relied upon – unless specifically agreed otherwise, Funds remain responsible for validating the data being relied upon.
- An example given was the data source from Royal Mail redirection service. This can be sold for marketing purposes, so does not meet the GDPR requirements.
- Emphasised the importance of asking the right questions when procuring tracing services (e.g. get the companies to confirm data sources being used and that they are GDPR compliant, rather than listing the data sources you expect them to use).

Session 3: Improving the Customer Journey in Leaps and Bounds

(Mairi Spiby - The Pensions Ombudsman)

- TPO are changing in order to help reduce the number of complaints which go to a formal decision, and to rectify complaints quicker.
- It has unique powers among ombudsmen, in effect the same as a high court judge, meaning that decisions are legally binding.
- TPO's view is that there needs to be evidence that people have suffered genuine distress and inconvenience before a payment is awarded. 2/3rds of the complaints received are not upheld.
- Complaints upheld are usually due to a genuine mistake, or where legislation is ambiguous.
- The TPAS function has now moved to TPO, with all staff now transferred across. This should simplify the customer journey. It now takes 5 months on average to close a case instead of 19 months a few years ago.
- In 2017/18 TPO dealt with 6391 cases up 5% year from the year before.
- There are around 100 complaints a year from the LGPS of which two-thirds are not upheld. Of those that are, the most common complaint is around the ill health early retirement process.

Session 4: Ill Health Early Retirement – A Thorough Examination

(Gary Delderfield & Cat Ellis - Eversheds-Sutherland)

- At the national level only 5% of cases to TPO are ill health, so why so many in the LGPS? The main reasons are that most schemes don't offer the sort of benefits seen in the public sector, the LGPS is complex, ill-health decisions are emotive, and the process is carried out at employer level.
- Employers should be engaged in the process and their involvement should start well before an ill health decision is made. Some recent cases of how the situation can go wrong and end up with TPO.
- In PO14855 the employer failed to properly follow process and record events, in the end it appeared no decision about ill-health retirement was ever made.
- PO13645 was a complex case in which five IRMP decisions had been sought. The employer failed to adequately explain how a decision had been reached.
- In PO15963 TPO judged that the employer had failed to seek further evidence about the efficacy of possible treatments.
- In PO13540 the administering authority failed to provide crucial information during a telephone call. TPO directed that the death benefits be recalculated and the difference paid to the member's wife.

Session 5: Member Engagement

(John Kakatsos - Equiniti)

- Engagement adds real value, in the form of better data and fewer routine queries.
- Communication is not the same as engagement, but it should form part of an engagement strategy.
- Once the strategy is developed it is crucial to consider how you will execute that strategy (including proper resourcing).
- Member feedback is critical and allows you to flex your strategy.
- Take small steps "you can't engage members on everything" - it depends what level they are on
- 3 key messages for communications - self service / keep it simple / help me [the member] understand
- Challenge - does your communication do the above?

Session 6: Looking forward to 2019 and beyond from an actuarial perspective

(Jonathan Perera & Laura Evans - Mercer)

- Data cleansing a priority in time for provision of valuation data;
- Whilst funding levels have improved, falling discount rates likely to push up Primary Contributions, so overall impact in the 2019 valuations will vary by employers;
- Watch out for short term volatility around Brexit/valuation date: likely to need to monitor over 2019 and allow for changes good or bad;
- Funds could consider employer segmentation, de-risking triggers, orphan employers' treatment etc: early engagement with employers will help, and FSS amended accordingly.

Session 7: Administering the LGPS in 2021: The digital transformation of servicing

(Colin Lewis - Aquila Heywood Group)

- Austerity has shaped the LGPS over the last 10 years with wage freezes impacting on the ability of funds to recruit.
- Technology can help to engage employers. Members expect self-processing of benefits, and people compare all online transactions to the ease of using (say) Amazon.
- Self-processing helps to engage members which in turn can lead to better data.
- The Government is yet to publish the details of the pension dashboard but expect the 2019 deadline to slip.
- In the future the LGPS will be making use of technology such as robots, blockchain and artificial intelligence.