

# Sixty second summary

LGPS administration teams will (again) show their resolve and strength



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## Key takeaways

- Despite big challenges, LGPS administration teams have always demonstrated their resilience when under pressure
- Communication needs to be clear and transparent
- Keep McCloud work (at least) ticking over
- Administration planning for these next 12 months is the key to success – focus on resource

## Legislative changes falling like Autumn leaves

### The (un)fab four additional pressures placed on LGPS administration teams

LGPS funds (particularly in England and Wales) may be forgiven for starting each week with trepidation and wondering what will land on their desk next. Dealing with all the challenges facing the Scheme over these last few months could be considered broadly equivalent to a new scheme implementation – but with much less time to react. 2020 is keeping true to its promise of being a year like no other!

For anyone counting, there are currently at least 4 key additional pressures faced by LGPS administration teams:

- McCloud implementation
- £95K cap and exit payment reform (England and Wales only)
- Covid-19 administration backlogs and remote working
- Goodwin rectification

Add in the short timeframe for the expected delivery of the top two bullet points and it results in the most acute pressure ever faced by LGPS funds. But there are always solutions to be found, and that is what we really want to talk about.

### Funds have been here before – and always succeeded!

Any thoughts that this might be the year that LGPS administration teams get to pause and draw breath have long vanished. There is, however, some positive news to be had – LGPS funds have a proven record of coming through every challenge presented to them. In the last 10 years every fund has dealt with austerity, loss of experienced staff members, CARE scheme implementation and a full governance shake-up – LGPS funds have always landed the right way up when their world has been turned upside down. It is with this knowledge that we can say to any observers “the job will get done!”.

## Clear and continued communication

Whether it's to members, employers, pension committees or pension boards, clear communication has been essential these last few months. We have seen great examples of member communications displayed on websites explaining the current issues and advising how these issues may affect the member and the administration team. Keeping communication concise and readable is key to positive outcomes for all 4 work strands.

## Keeping McCloud on track

It is always tempting to move onto the most current pressing demand and drop yesterday's big issues. But we all know that that leads to bigger challenges further down the road. While, 2 months ago, McCloud might have been the only surname on your mind, it may now have been replaced with the term £95k. However, we know many funds have continued their planning for McCloud even during this time and kept the project on track. Ensuring that there is continued momentum on this huge administrative task is key, and we would strongly recommend that funds don't take their eye off this particular ball.

## Resource impact – planning is key

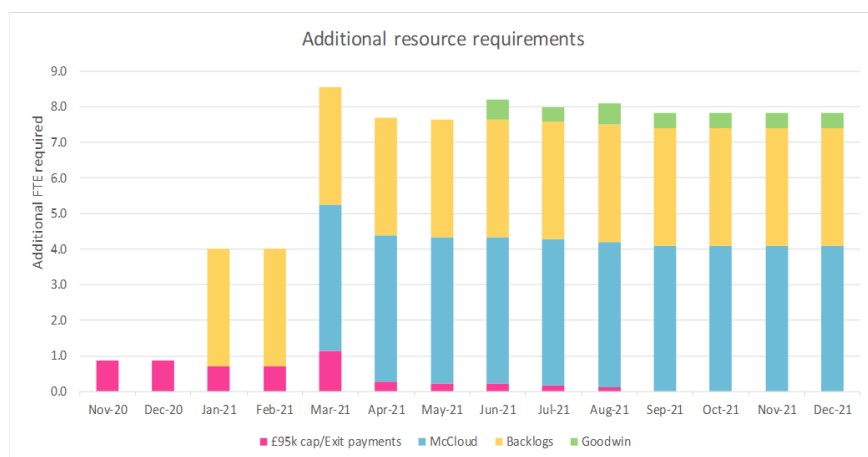
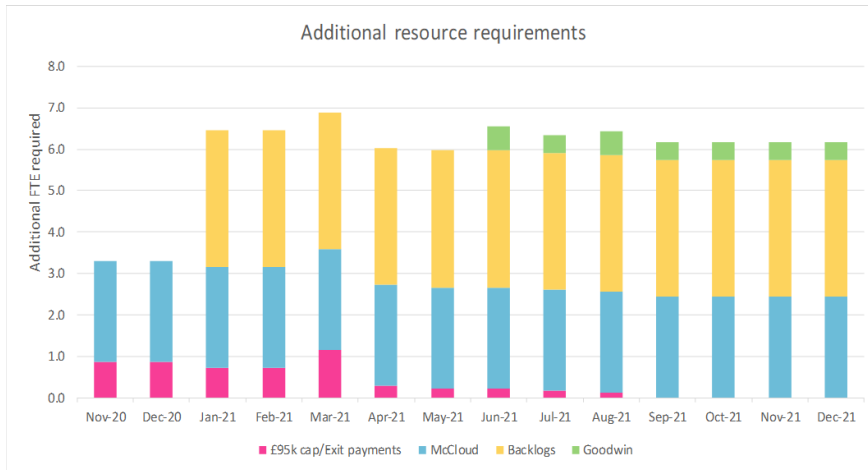
We have had a number of conversations with fund administration teams that have focused on planning for the next 6-12 months and determining the level of resource required and how to most effectively allocate it. For some funds this meant working with our project managers to provide the rigour and discipline that any successful project requires.

To put a realistic plan of what you will deliver in place, requires a detailed understanding of the resource required to deliver that work. We have produced some estimates of the resource which might be required to deliver the following:

- Manage the issues caused by the £95k cap and the change in exit payment regulations
- Clearing a backlog of 3,500 unprocessed deferred leavers
- McCloud – checking data, requesting additional data and updating records, and performing the underpin calculation for a fund with around 75,000 members.
- Planning and identifying eligible records for Goodwin

These estimates are based on a hypothetical fund with 25,000 active members, 20,000 pensioners and 30,000 deferreds. The figures are illustrative, but the general principles will apply to all funds, regardless of size.

Two charts are shown below. The first shows the possible resource requirements for our hypothetical fund assuming it is underway with the data phase of the McCloud project. The second shows the impact if it delays McCloud until March next year.



Delaying the start of the data phase of the McCloud project not only stores up work for further down the line but can increase the amount of time spent completing that work. This is due to the additional effort to liaise with employers, resolve data issues, update records in a condensed timeframe and allow for the impacts of embarking on work without a full plan in place.

## Conclusion

The message is clear that, despite the numerous pressures on your time and resource, you can keep progressing all aspects of the (un) fab four by taking time to consider your resource and make an appropriate plan.

If you would like to discuss further or find out more about how we can support you, please speak to your usual Hymans Robertson consultant.