

# Conference highlights

## LGPS Pension Managers' Conference – 19-20 November 2019, Torquay

“Don't wanna miss a thing”<sup>1</sup> from the 2019 Pension Managers' Conference? Read on for our summary of the key issues covered at each session. Please get in touch if there is anything from the conference which you would like to discuss further. Please note that views expressed here are those of the speakers and not Hymans Robertson.

### Session 1: LGPS Advisory Board Update (Cllr Roger Phillips - Chair of the LGPS Advisory Board)

After the Chair's introduction, Councillor Phillips opened the conference with his thoughts on the main challenges facing the LGPS:

- By focusing on good governance, good data and robust investment strategies we can maintain the integrity of the LGPS. Given the scrutiny that exists it is important that we are able to demonstrate that the LGPS is well run. Projects like the Good Governance Review provide the evidence for this.
- The complexity of the LGPS and the volume of work means we need sufficient resources to administer it well.
- It remains to be seen what views any future government will have about the LGPS but a very positive relationship exists between the SAB and the MHCLG.
- LGPS investors face a complex balance between the need to recognise ESG issues and their fiduciary duties. There will be a SAB workshop in January to explore these ideas.

### Session 2: LGA Update (Jeff Houston - Head of Pensions, LGA)

Jeff updated the conference with the latest developments affecting the LGPS, particularly the McCloud case:

- Due to the election purdah we can expect no legislation, guidance or consultation on any subject from government.
- The move to 4-yearly valuations may or may not be happening. If the data submitted to GAD for the next scheme valuation is good quality then one of the drivers for changing the LGPS valuation cycle falls away.
- It is still MHCLG's intention to move ahead with the £95k exit cap, but Fair Deal has been “de-prioritised”.
- Jeff outlined the NHS's (complex) proposal for members to control their pension growth to avoid Annual Allowance charges. The LGPS could consider its own measures to address the issue such as non-pensionable pay elements or life cover only membership.
- There is still considerable uncertainty over what the final McCloud remedy will look like which needs to be settled by the Government's lawyers. Whatever is decided the remedy will be administratively burdensome. Funds should start gathering data now in anticipation of needing to recreate final salary benefits for post-2014 service.

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<sup>1</sup> For those who weren't in Torquay, the Aerosmith ballad was played throughout the conference to remind delegates to take their seats after every break.

### Session 3: Admission agreements and more...

(Gary Delderfield and Gavin Paul, Eversheds Sutherland LLP)

Gary and Gavin stepped in at the last minute to replace Jeremy Hughes from MHCLG who had to pull out due to an illness. They covered the different regulations and guidance covering outsourcing arrangements, including how these can affect LGPS funds even when they don't apply to local authorities.

- While the current Fair Deal consultation is in limbo the existing Best Value Direction should be followed by local authorities when outsourcing, most commonly resulting in contractors joining the fund as an admitted body.
- Other bodies outsourcing services, notably academy schools, are covered by the New Fair Deal guidance, which again in practice usually means contractors being admitted to the fund. However, many schools may not be aware of their pensions responsibilities when letting contracts, and this can result in problems or surprises.
- The increasing number and diversity of employers in the LGPS means that outsourcing remains complex and in the absence of new guidance or regulation from MHCLG it is likely to remain so for the foreseeable future.

### Session 4: The Pensions Ombudsman: Improving the Customer Journey

(Mairi Dearden – Stakeholder Manager, The Pensions Ombudsman)

Mairi provided an overview of the role of the Pension Ombudsman and the process followed when dealing with a query:

- TPO is a free, impartial alternative to taking a case to court as it is funded by a general levy. Its decisions are legally binding and it can award unlimited redress.
- The majority (80%) of complaints are dealt with by TPO informally through mediation or by providing additional explanation, without actually requiring consideration by the Ombudsman himself (or one of his deputies).
- TPO is staffed by a mixture of permanent employees and volunteers who support casework. They are always looking for more volunteers to help carry out their services.
- Mairi recommended that local authorities keep all evidence and documents when applying discretionary policies, as TPO will want to see the reasons behind any decisions that are later challenged.

### Session 5: Technology Enhancements for Data Accuracy

(Nic Jones – Director, mypensionsID)

Nic Jones provided an interesting and thought-provoking presentation on the benefits of the LGPS world moving to mobile phone applications as it strives for data accuracy and engagement with its membership.

- Nic highlighted that using different communication methods (Letter / Email / Web) for different types of member (Older, Younger, in-between) may not be a good policy. For example, the perception that older people don't use email or apps is largely untrue.
- The key for Nic to resolving engagement issues for LGPS funds was technology. He advised attendees that biometric technology was available now with mobile phone apps which would solve many issues with regards to data security, member identification and maintaining accurate membership data.

## Session 6: Case Law Update

(Daragh McGinty – Legal Director, Brent Wright – Partner, Osborne Clarke LLP)

Daragh and Brent updated the conference on some recent cases with implications for the LGPS:

- *Langford vs Secretary of State for Defence* - The partner of an air commodore in the RAF scheme was denied a survivor benefit because she was still married to someone else. The Court of Appeal upheld Mrs Langford's appeal on the basis that the scheme rules discriminated in a way that was unjustifiable. We could see the 'free to marry' criterion being dropped from LGPS rules as a result.
- *Corsham and others vs Police and Crime Commissioner for Essex and others* - Two police officers were hit with tax charges because they retired before age 55 and were then quickly re-employed in civilian roles. One of the forces involved was at fault because it had inadvertently misled the member about the situation. Funds must keep up to date with legislation and be clear about matters that affect members in their communications. A blanket statement to "seek financial advice" is unlikely to be sufficient.
- *Pensions Ombudsman case PO-20087* - A member of the NHS pension scheme had her application for ill-health retirement delayed due to a change of administrator, and consequently ended up with a lower pension. The Pensions Ombudsman ordered the employer to make good the difference, highlighting failures in communication with the member.
- *Pensions Ombudsman case PO-21489* - An LGPS fund paid a transfer to a member despite several warning signs that it was a scam, believing it had no legal basis to refuse. The Ombudsman disagreed and ruled that the fund should reinstate the member's LGPS benefits. Pension scams are a complex area and legal advice should be sought whenever there is any uncertainty.

## Session 7. The Deep Dive Experience in the LGPS

(Nick Gannon - Policy Lead, The Pensions Regulator)

Nick provided attendees with an overview of the TPR deep dive experience throughout 2018/19 with a select group of LGPS funds:

- The deep dive was prompted by a plateauing of LGPS fund administration performance and the lack of engagement between TPR and funds.
- Nick advised that overall the LGPS is well run, and there are many instances of funds sharing best practice. However, some important risks were identified, including over-reliance on local authority (instead of fund) policies, key-person dependency, mixed performance of pension boards, data accuracy and cyber crime.
- Nick concluded his presentation by confirming that TPR fully understood that not all funds are the same but that there is a variety of ways to mitigate all the different levels of risks faced by all LGPS funds.
- Nick's final message was a sober point – "McCloud will be an administrative nightmare for LGPS funds" and that now is the time to prepare your data for the eventual solution to this issue.

## Session 8. The 2019 Valuation

(Sam Ogborne and Jonathan Teasdale, Aon)

Wrapping up the conference, Jonathan and Sam attempted to answer a common question from LGPS funds right now: "what are everyone else's valuation results like, and how do they compare to mine?" Based on their own funds' results and some actuarial estimates, they compared the 'average' 2019 valuation to its 2016 counterpart:

- The average funding level has improved to around 97%, and contribution rates are slightly lower overall. The main reason for this is the strong asset returns achieved since 2016 (in the region of 30-40% over the three years).
- The outlook for the future is worse than in 2016, and strong funding positions have also allowed some funds to be more prudent in their assumptions for future returns, partially offsetting the gains from strong performance.

- Life expectancy improvements have slowed down recently, so actuaries expect future pensioners to live slightly shorter lives. Although this is bad news for pensioners, it's good news for funds and reduces liabilities.
- Finally, the McCloud case is looming over the 2019 valuations and funds are allowing for it in different ways, e.g. through greater prudence or contribution loadings. Whatever approach is taken, the funding impact is expected to be small – certainly in comparison to the administrative headache.

## Workshops

### 1. National LGPS Frameworks: (Leon Thorpe & Pippa Bestwick, National LGPS Frameworks)

This workshop discussed a SWOT analysis of the National Frameworks.

- The main strengths of the Frameworks are the time and cost saving in procuring new services. Possible weaknesses include barriers to entrance for new providers, and a potential lack of flexibility.
- Opportunities for new Frameworks include AVC providers, financial advice, tax and advice on McCloud. There may also be opportunities for Frameworks for other Public Service bodies such as police and fire.
- Pippa and Leon will take all of these ideas to the next LGPS Framework AGM in late November

### 2. The LGPS Pensions Tax Experience (Jayne Wiberg & Rachel Abbey)

This workshop discussed the challenges of the current regime for both members and Funds

- For Funds, the main issues were around member expectation and Officer knowledge and resources – alongside the complexity of the current regime.
- For members, lack of good quality advice was an issue along with a lack of understanding and awareness.
- A number of changes were suggested by delegates at the workshop, which the LGA are willing to take further and will raise at their next technical meeting. Around 50% of delegates felt that tax was as important as other priorities such as data and McCloud.

### 3. Data - Ask the Panel: (Bob Holloway: LGA, Lisa Lyon: TPS, Matt Dodds: ITM, David Rich: Accurate Data Services)

The workshop acknowledged that there is no one answer to data issues, but there are some top tips for helping to combat problems:

- Know your data – including how reliable and complete it is.
- Develop a data improvement plan and keep that plan under review.
- Consider the type of communications issued to different member groups (different age groups of deferred members for example may respond better to varying methods of communication)

### 4. Automation Here and Now: (Catherine Chester: Civica, Chris Pickford: Essex Pension Fund)

This workshop discussed different ways to automate and included a case study on the Essex Pension Fund who have automated member processes:

- Types of automation include system robotics, workflow, member self-service and Artificial Intelligence
- The majority of delegates believed that 75% of member processes could be automated, including the full retirement process (most delegates believing it was feasible for LGPS members to retire online)
- The Essex Pension Fund, along with Civica, have developed systems to automate the bulk leaver process and the retire online process for deferred members. There have been significant time and cost savings from these processes, and there are undoubtedly more ways that automation could help in other areas.

## 5. SAB Good Governance Review: (Ian Colvin: Hymans Robertson)

This workshop looked at the latest report from the Good Governance project and focussed on feedback and thoughts from delegates on three of the main recommendations made – knowledge, skills and training; Service standards; and Independent Governance Reviews (IGR's)

- Delegates felt that any knowledge & skills requirements should cover a wide range of individuals and groups, maybe even employers. Any requirements need to be practical and timely, possibly linking into the business cycle. They must also acknowledge the fact that it is a significant time commitment to both gain and maintain knowledge.
- Comments on the recommendations of a set of KPI's mainly surrounded what these should be and that 'turnaround time' KPI's may not be the best or only way of measuring the level of service delivered.
- In terms of the IGR, delegates felt the biennial timescale to be about right and gave Funds time to make any improvements between each review. Thought needs to be given around the process for dealing with Funds who don't meet the required standard and how this may link to tPR's monitoring regime.

## 6. Best practice in LGPS – Defining a Wishlist: (Simon Taylor: West Midlands Pension Fund)

The final workshop looked at what best practice should look like in the LGPS and discussed this in the context of the 4 tPR themes of communication, data, risk and knowledge and skills. We were treated to a game of family fortunes to identify the top 6 in a LGPS Pensions Managers 'wish list' of best practice.

- Delegates felt that face-to-face communication really stood out as an area of very high standard in the LGPS. Another key theme was around the transition to monthly employer submissions and the need for good quality data. On risk, delegates felt that best practice is shown when risk management is integrated with the running of the Fund and having clear ownership.
- The top 6 included data quality, resourcing and recruitment, monthly submissions and process automation.

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