



## Report of the Section 151 Officer

Local Pension Board – 13 February 2020

### Administering Authority - Resourcing

<b>Purpose:</b>	To present a report on the recommended resourcing enhancements outlined within the report
<b>Policy Framework:</b>	LGPS Regulations ( Administration) & LGPS Regulations ( Investments)
<b>Consultation:</b>	Legal, Finance and Access to Services.
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#### 1 Introduction

1.1 The Administering Authority function comprises of largely two sides of the business in respect of the management of the assets (investments) of the pension fund and dealing with the liabilities (pension payments) of the pension fund each equally important but with separate and distinct skillsets. The Pension Administration Section is responsible for day to day dealings with members and employers and the accurate calculation and payment of members' benefits which involves the accurate maintenance and update of members' records, whereas the pension fund Investment team is responsible for the management and investment of the assets and the payment of pensions and lump sums.

#### 2 Pension Administration

2.1 Pensions are universally accepted as being technically complex and highly regulated where the level of change has been significant over the past decade and more, affecting all areas of Fund administration and shows no

sign of diminishing. It is of note that currently 4 LGPS arrangements are locally administered covering:

- LGPS to 2008
- LGPS 2008
- LGPS 2014 (main scheme and 50/50 section)
- Elected member arrangements

With the exception of the elected member arrangements, the other LGPS arrangements are not stand-alone but form a hybrid scheme with the introduction of the new LGPS 2014 CARE Scheme and the requirement to maintain previous versions of the Final Salary LGPS Schemes in parallel

- 2.2 The practical administration of the LGPS as a consequence of the implementation of LGPS 2014 and the Public Services Pensions Act 2013 (PSPA 2013) has become more technically complex resulting in increased time per case required thus making the workload heavier for pension section staff, which, along with the complexity leads to the risks identified above. It is already impacting on staff as sickness levels have already risen by 81% for the current year compared to 2015/16, with just over 20% of the sickness being stress related.
- 2.3 For example, prior to LGPS 2014 and PSPA 2013, if a new member had previous local government membership the choice was simply whether or not to aggregate the two periods of service. The advent of the new Scheme with the retention of the Final Salary link and PSPA 2013 now provides the member with at least 8 options and usually results in considerable time explaining the options to the member or complete member disengagement.
- 2.4 This is just one example of the increased complexity and cases such as these, along with an increase in member expectations due to increased awareness of pensions have all added to the complexities and the additional time required to carry out not only the core administration but to also provide the necessary advice and guidance to employers and scheme members

Scheme membership volumes have increased by 33% since 31/03/2008, when membership was previously analysed for the 2009 restructure. However, this does not represent the full picture as the membership profile includes large number of part and variable time members (currently 52% of active membership base) and members with more than one membership record, which have more resource demands than a stable full-time officer member. Although IT enhancements have assisted with this issue they cannot fully address it, therefore there is still a requirement for manual intervention and member engagement.

- 2.5 This, along with automatic enrolment and the continuing high profile of pensions, has resulted in high membership movements covering new starters and movements to deferred or pensioner status, significantly increasing

sectional and individual workload allocation. In 2016/17 this affected over 6000 records which represent approximately 15% of the whole Fund compared to 3500 (10.29%) in 2012/13 before the advent of LGPS 2014 and automatic enrolment.

- 2.6 Latterly, the numbers of employers has increased within the schemes alongside the changes to the scheme regulation thereby increasing the necessity to have excellent communication channels with our employers/members so they can comply with scheme regulation. Similarly It is hoped that improved communication channels shall also help performance in respect of the processing and paying pensions in light with statutory guidelines
- 2.7 The creation of the role of a Senior Pensions Communications Officer would assist the section in addressing these evolving demands. It is proposed that this role could be filled from internal resources. The subsequent role profile would be job evaluated and appropriate HR advised recruitment and selection processes would be adopted to appoint to this role.

### **3 Pension Fund Investment Team**

- 3.1 The successful management of the investments of the pension fund is now a highly complex and material business, with the responsibility for the successful management of £2.2bn of assets and the payment of £82m of pension benefits a year, the main areas of responsibility are:

1. Investment sourcing
2. Investment due diligence
3. Investment strategy design
4. The deployment of capital
5. Investment monitoring
6. compliance with investment regulation
7. Management of cashflows
8. Investment accounting/annual reporting
9. External audit management
10. developing and monitoring investment policies
  - a. ESG
  - b. Responsible Investment
11. Funding strategy
12. Liability matching
13. Reporting to Pension Fund Committee
14. Support the development of the Wales Pension Partnership Investment Pool

- 3.2 It is proposed that the creation of the role of Pension Fund Investment and Accounting Manager be created and filled from existing resources would assist and help to address the increasingly complex workload. The subsequent role profile would be job evaluated and appropriate HR advised recruitment and selection processes would be adopted to appoint to this role.

**4 Legal Implications**

- 4.1 HR & OD shall be consulted and the most appropriate recruitment and selection process shall be adopted to fill these roles

**5 Financial Implications**

- 5.1 The financial implications arising from this report can be met from the pension fund resourcing budget. The projected likely impact of the resourcing proposals in 2.7 and 3.2 would be approximately £9k at 19/20 pay rates when top of scales are reached.

**6 Equality Impact Assessment Implications**

- 6.1 There are no equality implications arising from this report.

**Background Papers:** None.

**Appendices:** None.