



In less than a year from now, the local government pension scheme (LGPS), which handles the retirement benefits of almost two million public sector workers, will undergo large-scale changes which will test administrators and pension managers to the full.

As with all change of this nature, complaints over the slow release of vital guidance on the new scheme rules have been commonplace, with accusations of muddled thinking from the government. Writing in *Pensions Age* in March of this year, Karen McWilliam, a partner at consultancy Hymans Robertson, which advises over 50 per cent of the local authorities in the LGPS in England and Wales, expressed concern over the regulations published in regards to ill-health provision.

"The current wording is vague and needs further refinement," she warned. "Some believe it would result in an ill-health test that appears easier to meet and this could prompt a greater number of people to seek ill-health retirement."

Unclear instructions on such matters prompted McWilliam to suggest that the deadline of April 2008 was, in fact, an unrealistic one.

But having recently spoken to both the Department of Communities and Local Government (DCLG), which is responsible for the new legislation, and the Local Government Employers (LGE), created in April 2006 to oversee pay, pensions and employment contracts in the sector, McWilliam believes her initial assessment may have been slightly premature.

"They've been working very closely together and have developed a good partnership. There is a feeling that it is a realistic date for them to get their systems changed," she says. "There's some real evidence that decisions are being made and that the pension managers have some good plans to go forward with the changes."

"They may not have all the detail,"

## Race against time

Administrators are struggling to implement the changes that need to come into effect for the local government pension scheme in April 2008. Marek Handzel asks if they will be ready in time

she cautions, "but they have a good foundation in place."

Nevertheless, there is a recognition that the next few months will involve some periods of, if not frantic, then certainly tense work. Mike Hopwood, pensions manager at HBS Business Services, a third party administrator that works closely with a number of public sector departments, including the police and fire services, says that the timetable is "restrictive."

"To have everything up, ready and running and properly communicated to members by April will focus our minds tremendously," says Hopwood.

Robert Branagh, client development director at third party administrator Paymaster, likens the build up to the LGPS changes to the period that preceded A-day:

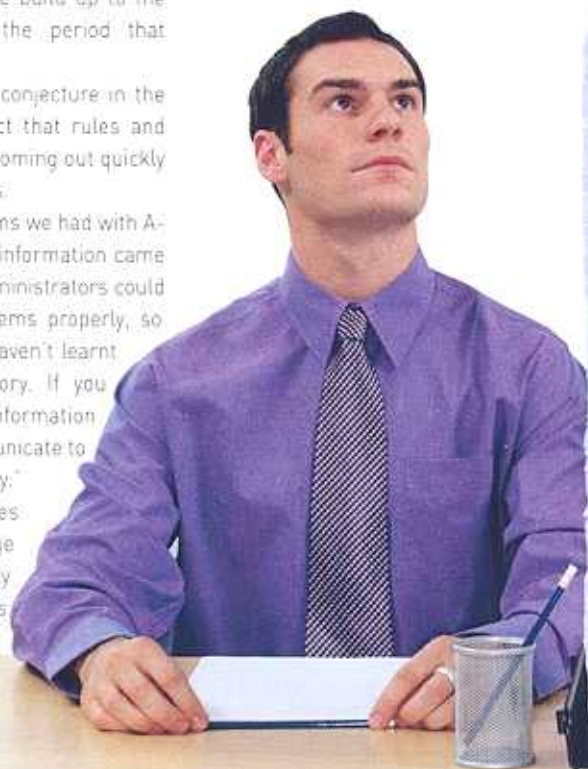
"There is a lot of conjecture in the industry over the fact that rules and amendments aren't coming out quickly enough," he observes.

"One of the problems we had with A-day was that a lot of information came out late, so we as administrators could not programme systems properly, so it's almost as if we haven't learnt the lessons of history. If you don't have enough information then you can't communicate to the members properly."

Hopwood believes the major challenge will be in actually explaining the various differences

between the new scheme and the old one. He expects a lot of collaboration between not only the DCLG and the LGE, but also different authority funds and their administrators and software providers.

The problems of communicating these changes are similar to ones that Hopwood has experienced before, both with the fire service and the police schemes, when their funds were altered. However, with the police scheme, for example, the Home Office undertook the communication. With the new LGPS, local authorities and their administrators are going to have to get the message across about the new rules themselves.



"One of the challenges revolves around the fact that the public sector is dealing with choice for the first time. There is a perception that the new scheme they are putting in place is not as good as what was there before, so there is a need to get a clear message across over what the scheme can offer to members," says Branagh.

He also believes that local authority workers may not have been aware of how beneficial the scheme had been to them. As a result, there is now an opportunity to not only demonstrate to members that the new scheme is a valuable benefit, but also to encourage them to make the most of it.

Planning the communication is further complicated by the fact that many local authorities like to do things their own way.

Hopwood deals with the Teesside fund, which is committed to providing best industry standards with high levels of communication. The result is a state-of-the-art website where members can access their own

information, make their own calculations and trawl through pages of information about the scheme.

"Many of the enlightened funds do have this attitude of providing workers with secure websites so that they can actually see what information is being held about them," he says, "but others won't approach it as they might feel it is prohibitively expensive or they just aren't interested."

Cost is a crucial, even over-riding, factor for local authorities when planning what media and methods to use in their communication strategies.

Hymans Robertson's McWilliam was at a conference recently where she witnessed a presentation on communications that involved the use of an ipod.

"I thought the idea was great and that it could really work," she says. "But local authorities need to assess value for money and keep the public in mind."

McWilliam says that concerns over cost do not have to mean that communication suffers, but certainly, local councils are very tightly controlled in this area and benchmark themselves against each other – so spending a lot more than your counterparts is not really an option.

The cost of changing elements such as the software needed to run benefit statements, for example, can be high, but, as Hopwood argues, they will probably be far outweighed by the savings made from the re-structuring of the scheme.

Time costs too and local authorities are not renowned for working at the speed of light. Branagh admits that the public sector can move slowly, which exacerbates the problem of the delayed release of legislative details.

#### Main changes to the LGPS

- The scheme will provide 1/60th of final pay for each year of membership after 31 March 2008.
- Employees will pay contributions from 5.5% (if earning £12,000 or less) up to 7.5% if earning over £75,000.
- Normal retirement age will be 65 with benefits having to be drawn before age 75.
- Flexible retirement will be permitted from age 55.

Other difficulties include the distribution of data. As Hopwood explains, the employers they are dealing with do not concentrate on pensions, so the transmission of data is weak. "That's a major problem amid a plethora of other ones," he admits, "but there are new regulations that are being issued to attempt to mitigate against those employers."

Of course, each local authority has to fulfil its duty as an employer to have a good understanding of the scheme. As McWilliam highlights, the employer is still operating the payroll and so would need to know how the new tier arrangements work, in particular over scenarios such as someone taking an extended period of leave, for example. This can be helped by developing a partnership between the employer and the administrator. "They both need each other," she says.

"As far as third party administrators are concerned," says Hopwood, "there is a business opportunity for us as certain organisations won't be as prepared as we are for the changes. People might need further assistance."

So with administrators willing to stretch themselves to help oversee a smooth transition to the new LGPS and local authorities looking to build partnerships wherever needed, come April 2008 many members may realise that they're onto a winner.