

Meeting:	Pensions Committee
Date:	17/01/2021
Title:	Pensions Administration Unit Staffing
Author:	Meirion Jones – Pensions Manager
Recommendation:	To approve additional resources to enable the Finance Department to establish a more resilient staff structure for the Pensions Unit

Background

1. As noted at previous meetings of the Pensions Committee, due to the increasing complexity of administering the Local Government Pension Scheme, staffing resources are under increasing pressure. This report seeks the approval of the Pensions Committee for additional resources to enable the Pensions Administration Unit to effectively cope with the level of work now required.
2. Pressure of work has increased continuously, because –
 - increased complexity of the scheme since the introduction of the Career Average scheme from 1/4/2014,
 - growing pressure from various UK Government departments and agencies, such as DLUHC, the Pensions Regulator, the Government Actuary's Department, as well as the LGA, and actuarial consultants, who all need accurate and complete data,
 - the challenge of obtaining accurate and timely data from employers,
 - McCloud project (known for some time, but now requiring specific attention), and
 - problems with remote staff training, in the context of the ongoing constraints of the Covid crisis.
3. It is the responsibility of the Pensions Committee to set the budget and secure adequate resources for the administration of the Pension Scheme and the management of the Pension Fund. In order to improve the efficiency of the Pensions Administration Unit, the following review of the Unit's staff structure is proposed.

Role of the Pension Assistants

4. The work of the Pension Assistants has changed significantly since the scheme changed in 2014. There are a number of simple duties, e.g. new record creation, address updates, etc., which has disappeared with the introduction of the i-Connect system two years ago. The remaining duties have gotten significantly more complicated as the scheme has changed, e.g. calculate transfers into and out of the fund, merge records of

several periods of pensionable service, and calculate death benefits. This work requires a deep understanding of the complex pension fund regulations, and the GS3 rating is no longer a fair wage to undertake the work.

5. I propose to increase the salary for these posts from grade GS3 (salary range £19,312 - £19,698) to grade GS4 (£20,092 - £21,748).
6. When added to the employer overheads, this would be an increase of £2,799 per job, at the top of the scale.
7. There are 6 Pension Assistant posts. Therefore, the total cost of salary increases for these posts would be **£16,794** per annum.

Additional Pensions Officer

8. In 2021, Gwynedd Council and Conwy County Borough Council have introduced an attractive option for Salary Sacrifice Voluntary Contributions ('AVCs'). By introducing this option, staff receive relief from income tax and national insurance on the additional contributions, and the employer receives relief on the national insurance payments.
9. A major increase in use of this scheme is anticipated, as the Councils promote the scheme. Information generation and retirement processing are much more time consuming for staff who pay the extra contributions. Therefore, we need additional resources to deal with the increase in this work.
10. I propose to employ one new Pensions Officer to undertake the additional work. The officers undertaking these duties are grade S2 (£24,982 - £27,041). When added to the employer overheads, at the top of the scale, the cost of funding the new post is **£35,704**.
11. With the co-operation of the Pension Fund, Gwynedd Council is already saving £ 43,500 a year by paying less national insurance. As the Council promotes the scheme to Council staff, the national insurance saving will increase significantly in the medium term.
12. The Fund's other major employers are in discussions to introduce this AVC option as well, and this will add to the Fund's administrative workload (especially when processing retirements) while generating savings for the relevant employers.

The McCloud Project

13. When the Government reformed public service pension schemes in 2014 and 2015, they introduced protections for older members. In December 2018, the Court of Appeal ruled that younger members of the Judges and Firefighters' Pension schemes had suffered discrimination, because the protections did not apply to them.
14. The Government has confirmed that there will be changes to all major public sector schemes, including the Local Government Pension Scheme, to eliminate age discrimination. This judgment is often called the 'McCloud judgment' after the member of the Judicial Pension Scheme who appealed the case.
15. Implementing the McCloud solution means that we will need to collect information on hours worked, and details of service breaks for all eligible employees covering the period 1 April 2014 to 31 March 2022 .
16. Since the scheme change in 2014, we have not required employers to provide this information. However, we will now need to collect this information dating back to 1 April 2014.
17. The Fund's employers will provide us with this information, but all the information will need to be manually entered, as the software developed to date is not reliable enough to fulfill the purpose with sufficient functionality security.
18. For Gwynedd Council, we have to calculate the hours and update the records ourselves. As the largest employer in the fund, this is significant work that needs to be completed.
19. In addition to updating the records, we will also need to recalculate the death benefits, retirement benefits, and deferred benefits of the members who have left during the past 8 years. This will involve revisiting facts and recalculating thousands of member records.
20. Although the McCloud project will be significant work for the Unit, it is likely that only a very small number of members will see the value of their benefits increase at the end of the project.
21. It would not be possible for the Unit to carry out this work as well as continue its day to day work. Further to consultation with the Head of Finance, we recommend that an additional 3 Pension Assistants be employed on a temporary basis for a period of 2 years (with the possibility of an extension if the work continues beyond 2 years) in order to undertake the additional work. In accordance with the salary level set out in paragraphs 5-7 above, these staff would be on the GS4 pay scale (£20,092 - £21,748).
22. After adding the employer overheads, the cost of funding the 3 new temporary posts would be **£85,431** per annum.
23. A number of other pension funds of a similar size to us have commissioned external companies to undertake this work, and there is a very significant cost to them in

choosing that option. We are convinced that keeping this work in-house will minimize the cost to the fund.

Financial Implications of Resources Required

24. The proposed costs are as follows, including employer's costs (national insurance and pension contributions).

25. Create 4 new jobs as follows: -

Job details	Proposed scale	Full time annual pay	Employer's overheads
1 Pensions Officer	S2	£27,041	£8,663
3 Pensions Assistant (£21,748) (2 year contract)	GS4	£21,748 x 3 = £65,244	£6,729 x 3 = £20,187
Annual total			£121,135

26. Increase the salary of the 6 Pension Assistants from GS3 to GS4 as follows: -

Job details	Proposed scale	Full time annual pay	Employer's overheads
6 Pensions Assistant	GS4	£2,050 x 6 = £12,300	£749 x 6 = £4,494
Annual total			£16,794

27. The total cost of the additional resources would be **£137,929**, of which **£85,431** is a temporary increase for the McCloud project. In addition, as noted in sections 11 and 12 above, the Fund's major employers will realize significant savings in reducing National Insurance contributions with the Salary Sacrifice Additional Voluntary Contribution scheme - savings far in excess of the cost of funding the Pensions Officer post. Therefore, when considering employer budgets and the Pension Fund budget together, in the long run there is no net budget increase.

Recommendation

28. The Committee is asked to approve the £137,929 increase in expenditure on Pension Unit staff by 2022/23.