

Claims Management Companies

Independent Financial Advisers

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Introduction

At the National LGPS Technical Group meeting of 10 December 2020, concerns were raised regarding the rise of claims management companies (CMCs) becoming more active in the LGPS market as a result of pension transfer scams. With some companies starting to cold contact administering authorities, sometimes with a Data Subject Access Request (DSAR). The group discussed whether a standard response should be provided for LGPS in England and Wales, Scotland and Northern Ireland.

Thereafter, the conversation moved onto the provision of independent financial advice and whether administering authorities should engage with independent financial advisers (IFAs) directly. It was acknowledged that there is greater scrutiny of scheme administrators to ensure individuals receive good quality advice, and it may not be enough to direct scheme members to a list of unbiased IFAs.

Two key questions arose from these discussions. It was agreed feedback would be obtained from each regional pension officer group. The feedback will be sent to the Scheme Advisory Board in England and Wales to consider and thereafter to action if appropriate.

Role of the National LGPS Technical Group

The role of the National LGPS Technical Group includes advising LGPS administering authorities on the interpretation of legislation and representing their views at a national level. Further information about the group's role can be found in the [terms of reference](#).

LGPS administrator feedback

1. Does the National LGPS Technical Group agree that a standard approach for responding to communications with CMCs should be created? and if so, what should this include?

Yes

- All the feedback received on this question indicated that a standard approach across the LGPS, for responding to communications with CMCs, should be created.

Suggestions for inclusion in standard response

- standard template with standard text
- clearly indicate what information can and cannot be included
- include the latest Information Commissioner's Office (ICO) [guidance](#)
- go further than contacting the member, notify the CMC what action has been taken
- if the member is not aware of the request on their behalf from the CMC ask that they contact their administering authority immediately
- acknowledge that complaints under the LGPS IDRP will need to be investigated and responded to in accordance with the LGPS regulations.

One group also suggested that the pensions Industry (something the SAB could do on behalf of all administering authorities?) could approach the ICO and request that they tighten their guidance around DSARs to stop their misuse. In particular, restricting those who can actually submit a DSAR and who it can be issued too. Legislation may also be welcome on the subject.

2. Does the National LGPS Technical Group agree that further investigation is carried out to see if administering authorities can and should be encouraged to have an IFA? If yes should a national framework be developed from which administering authorities can choose an IFA (or panel of IFAs)?

Majority yes

With the exception of one response, all the feedback indicates that further investigation should be carried out to see if administering authorities can and should be encouraged to have an IFA (or a panel of IFAs) to whom they can direct members.

On the whole, the feedback indicated that the development of a national framework should be explored. Though there are reservations as follows:

Cost

- advice comes at a hefty price; would members be willing to pay for it? If not the IFA might not get the business they expect and thus might not think the proposal is viable
- IFA costs should be standard across the panel and borne by the member.

Selection

- who would be on the panel to pick the selected IFAs and how would this work in practice?
- multiple advisors should be appointed so the member has an element of choice
- scheme advisory board in England & Wales should have responsibility for a list of approved advisors and regular reviews of the advisors should be put in place
- how would member determine which adviser to?

Experience

- as part of a National Frameworks selection process, approved IFAs on the platform agree to be trained by LGPS representatives on the LGPS. With the reward for approval being access to a potential market of millions of LGPS clients, the cost of that training could be borne by the IFAs themselves.

Advice

- strong caveats would be needed to ensure no claim could come back to the administering authority or framework if any of the IFAs provide bad advice
- could be problems with liability on administering authorities, if bad or incorrect financial advice provided
- opting to take and accept financial advice is a decision for the member and the responsibility for that advice sits with the adviser. If the administering authority has a role, it would be to simply make any distinctions clear to the member.

Employers

- is this only an administering authority issue? should employers also be providing this facility for their employees?