

# Funding the cost of LGPS administration – CPN October 2015

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**There is nothing  
permanent except  
change.**

**-Heraclitus-**



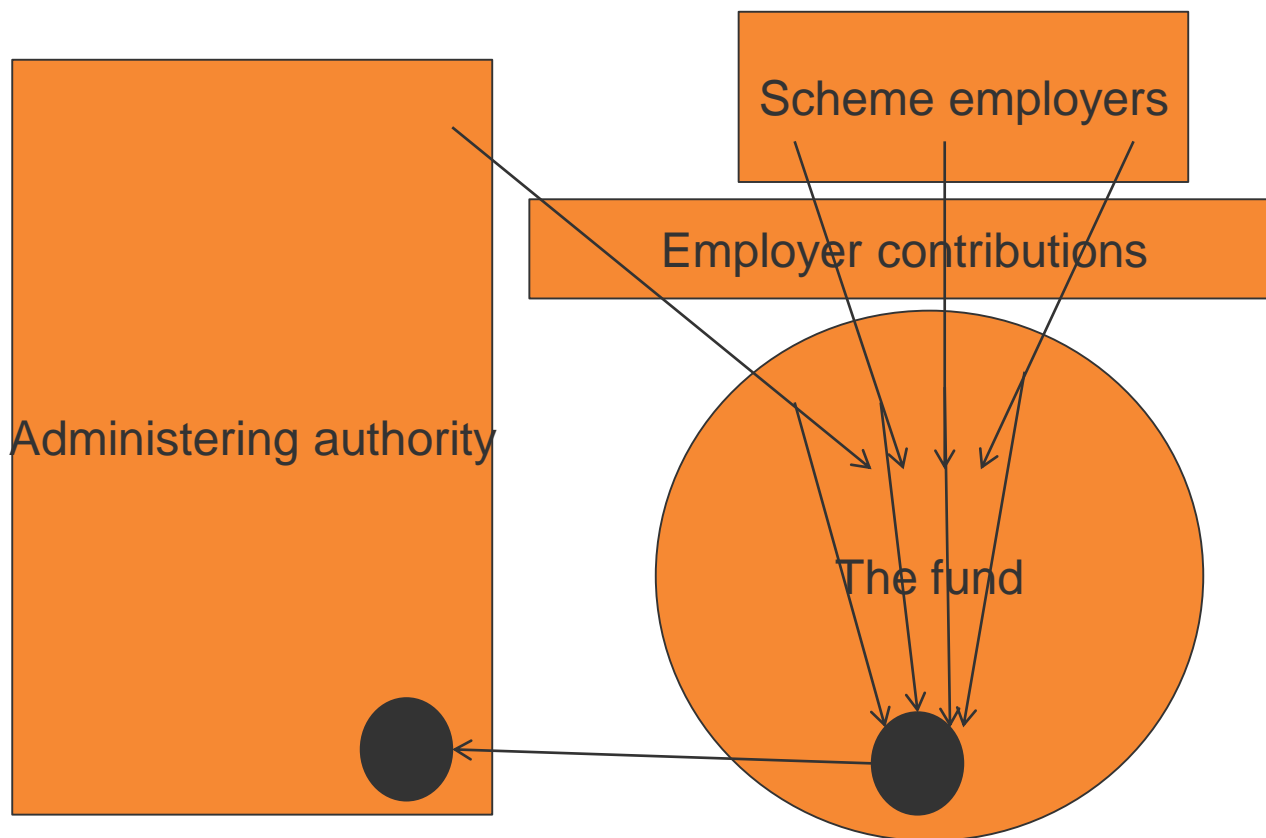
## Basic premise:

- The administering authority should not be financially disadvantaged
- The costs of administering the LGPS should be met from the fund

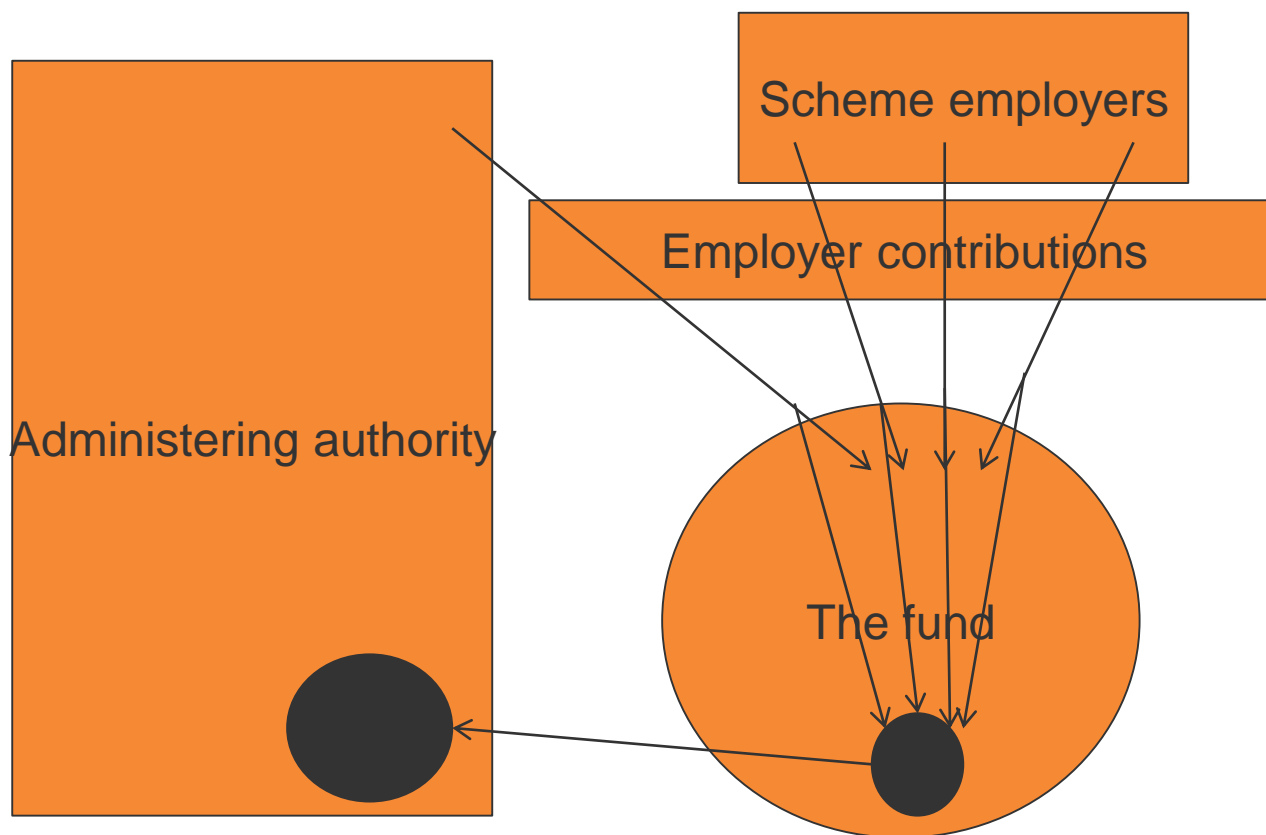
## We have a mechanism:

Valuation date		31 March 2010	31 March 2013
Future Service Rate		%age of pay	%%age of pay
Employer future service rate (excl. expenses)		14.4	17.4
Expenses		0.7	0.7
<b>Total employer future service rate (incl expenses)</b>		15.1	18.1
Employee contribution rate		6.7	6.3

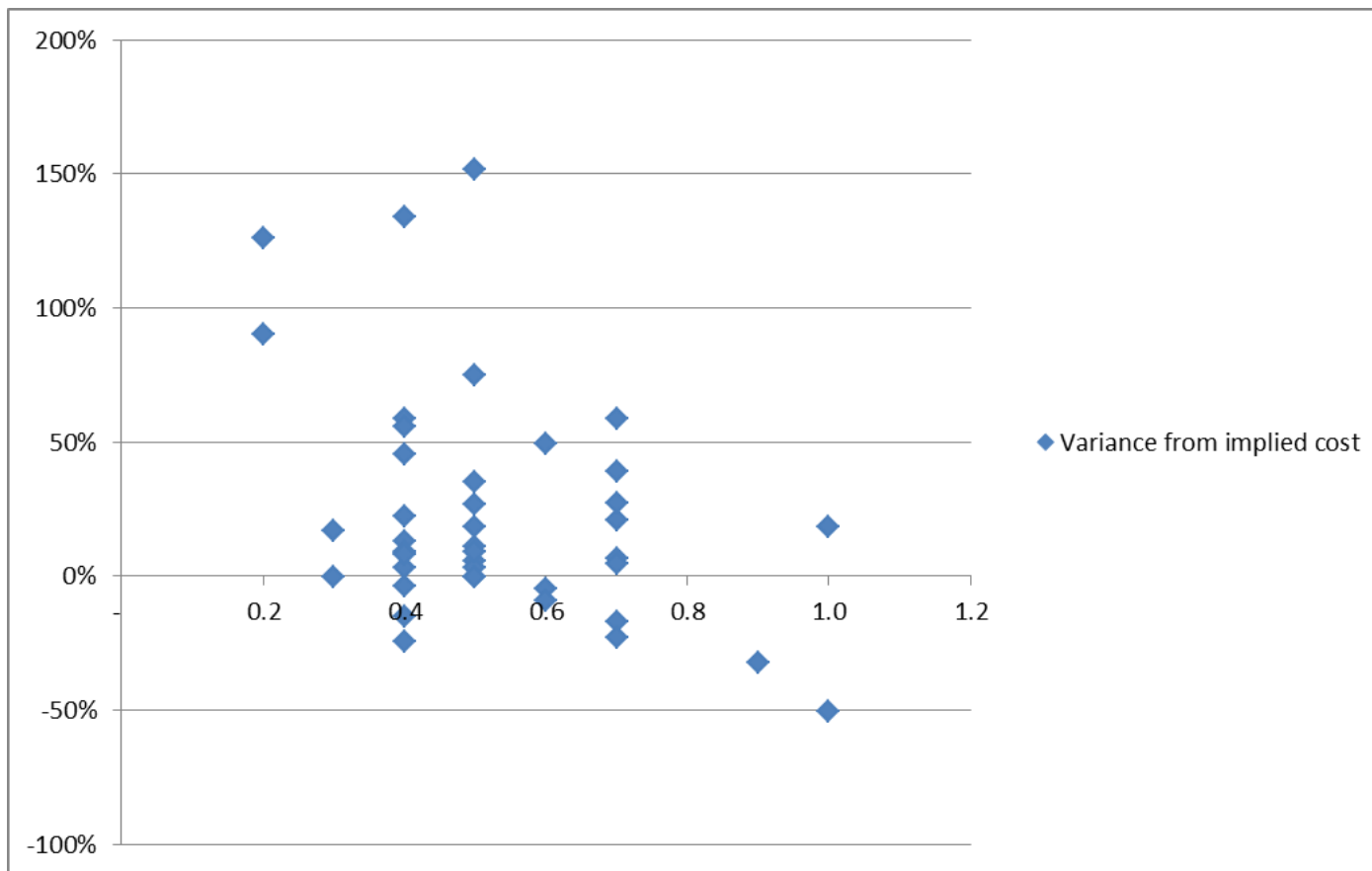
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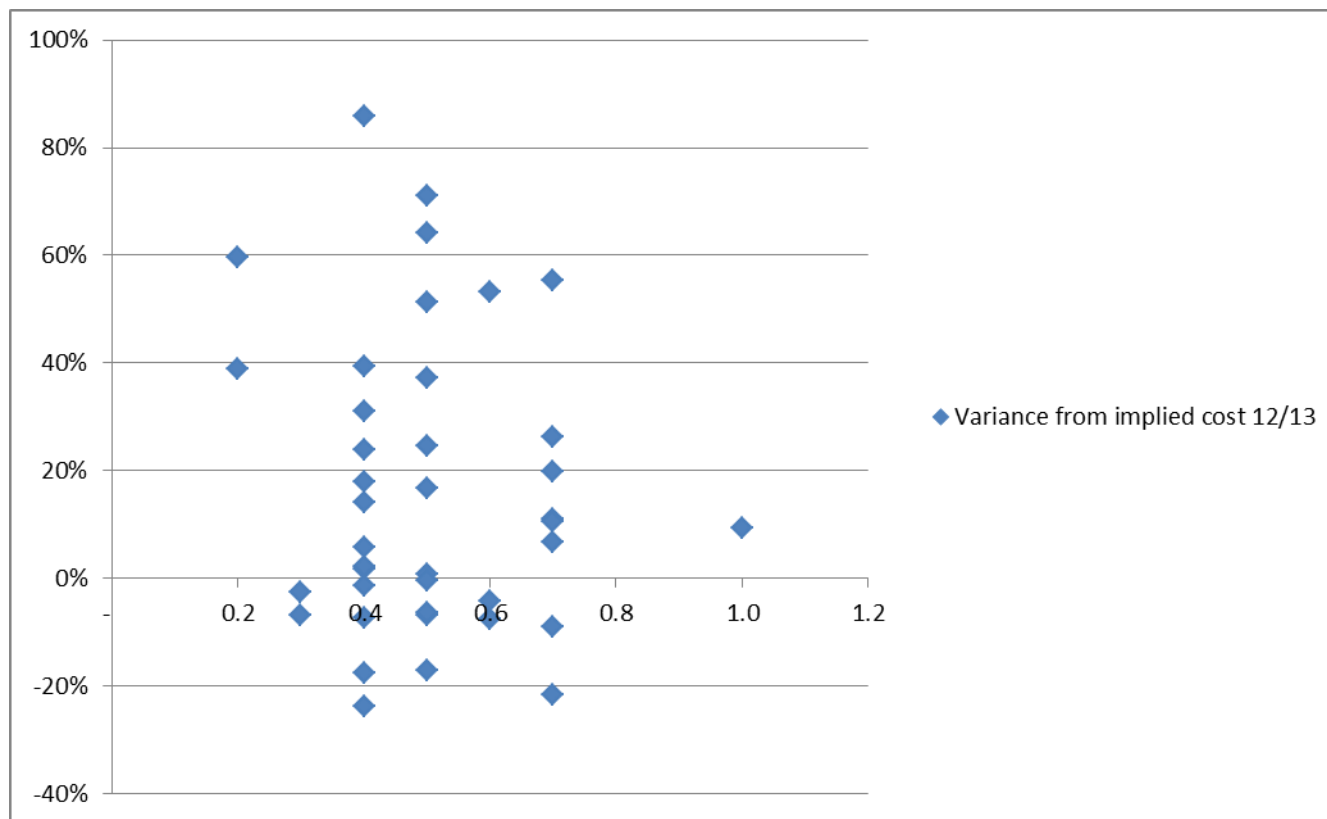
## Does it work?

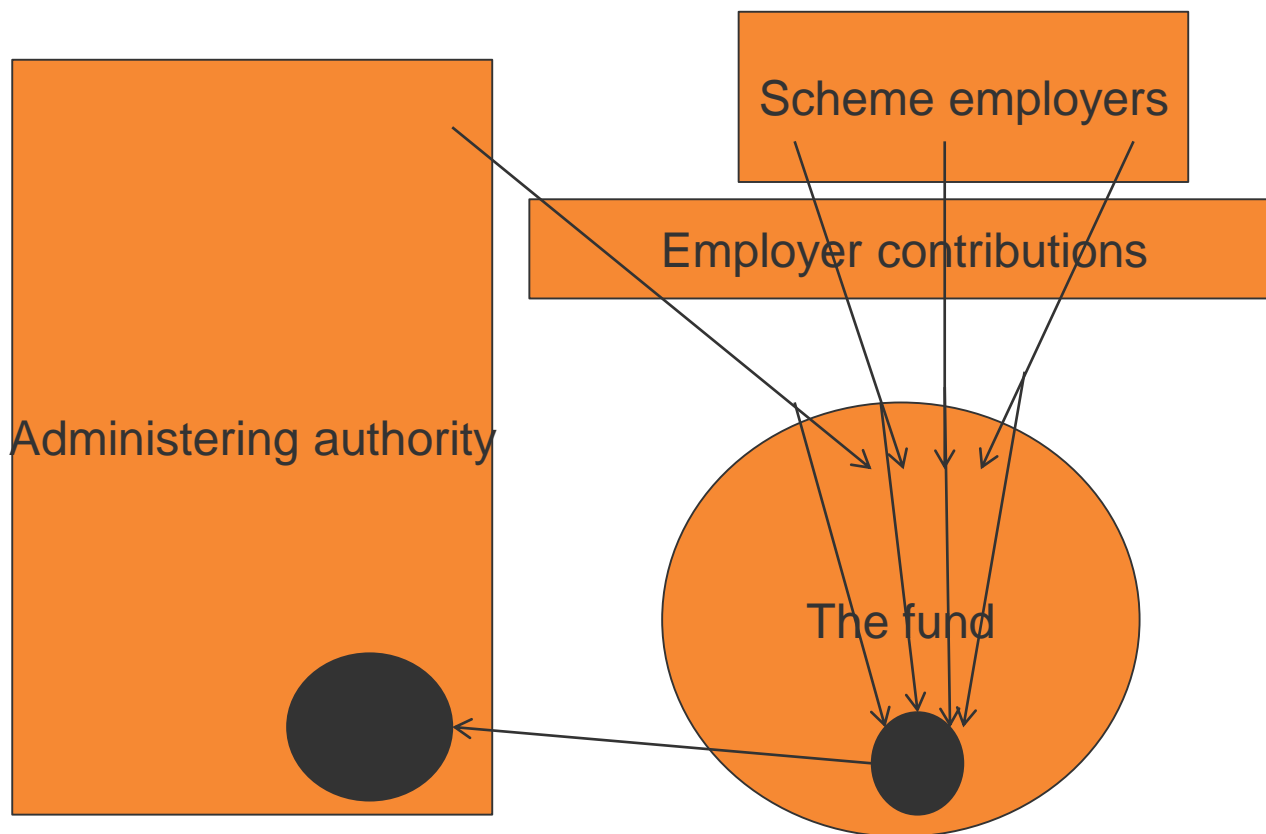


## Possible explanations:

- Valuation costs?
- New scheme implementation – scheme communications, IT etc. ?







# Does it matter?

8 October 2015

For the attention of LGPS administering authorities in England & Wales  
LGPS Fund Chairs of Pension Committees  
Chief Executives  
Chief Financial Officers

Dear colleague,

**Risk of censure by The Pensions Regulator (TPR)**

I am writing on behalf of The Local Government Pension Scheme Advisory Board ([SAB](#)), a body set up under Section 7 of the Public Service Pensions Act 2013, to remind you of the need to meet your statutory scheme duties, and to highlight the potential risk of censure faced by administering authorities, and the Section 101 Committees with the delegated oversight of the pensions function, if those duties are not met.

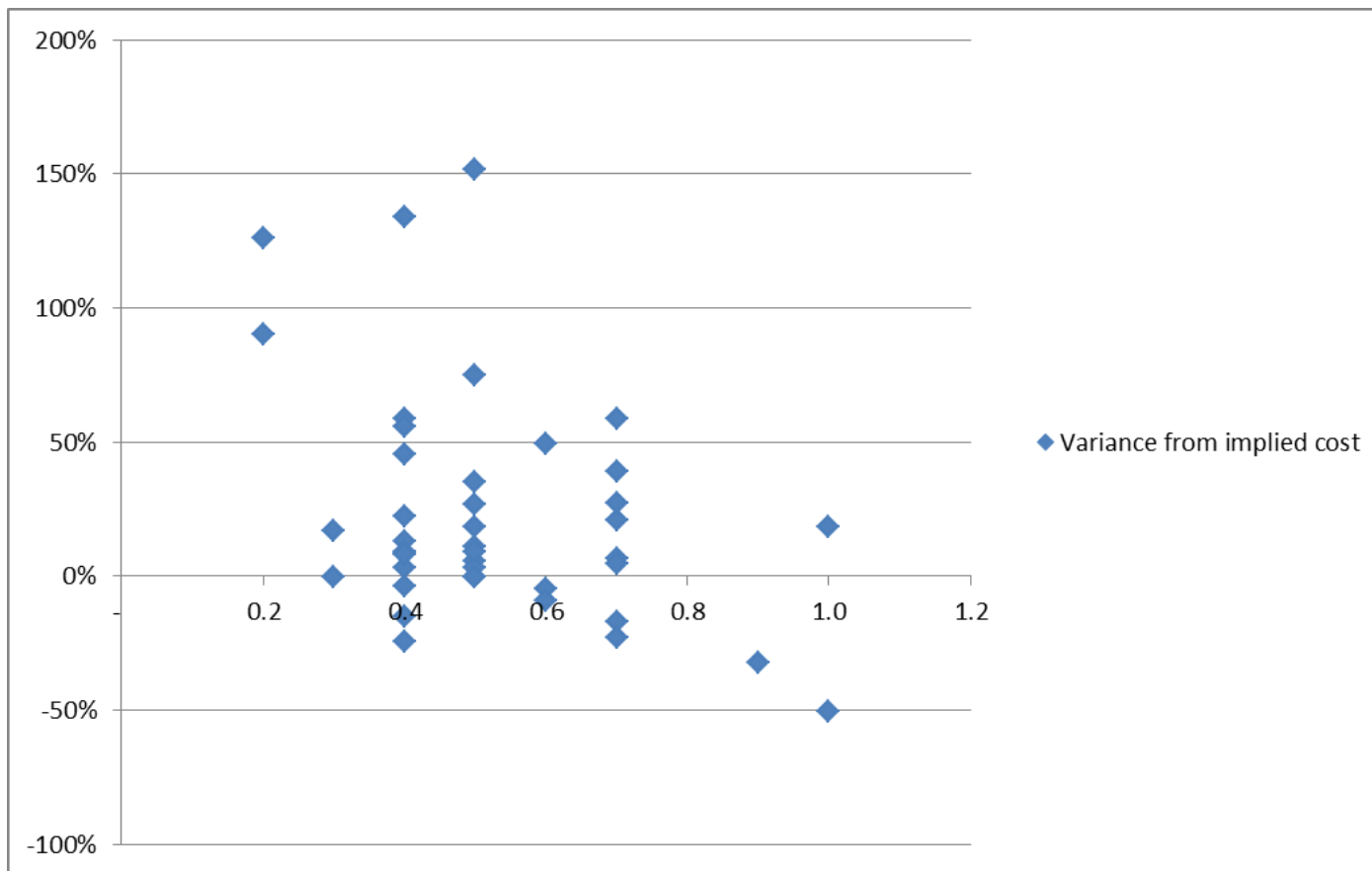
This fact was evidenced in a survey recently conducted by the Local Government Association which found that only seven of the 73 administering authorities that responded would meet the statutory requirement to publish all Annual Benefit Statements by 31<sup>st</sup> August.

The SAB recognises the current pressure on resources faced by administering authorities. However, LGPS administering authorities must ensure that sufficient resources are maintained to meet the statutory obligations placed on them to manage the scheme.

## Does it matter?

Lacks transparency

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Doesn't reflect reality

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Doesn't help if you want to ring-fence



## Does it matter?

Lacks transparency

Doesn't reflect reality

Doesn't help if you want to ring-fence

Doesn't reflect cost drivers

## Time for a new mechanism?:

Forward-looking, not back

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Cost pressures:

- regulatory requirements
- local pension boards
- scheme advisory board levy
- GMP reconciliation
- structural reform
- growth in employer numbers

## Time for a new mechanism?:

Forward-looking, not back:

Three year forward budget?

## Time for a new mechanism?:

Forward-looking, not back

A different basis for charging and recovery

## Time for a new mechanism?:

A different basis for charging and recovery:

- Minimum fee/pensionable pay combination?
- Flat fee plus fee per active member? etc.

## Time for a new mechanism?:

A different basis for charging and recovery:

- Direct billing?
- Lump sum on top of contributions?

# CPN October 2015 Workshops

Questions/thoughts?



## Thank you

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