

CIPFA Pensions Network Annual Conference

12 November 2014

“Future Direction of the LGPS”

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Workforce Pay & Pensions Division

- **2013/14 SF3 return**
- **Scheme Governance**
- **Cost Control**
- **Structural reform**
- **Affordability**
- **Questions**

2013/14 – SF3 return – Administration Costs

ADMINISTRATION AND FUND MANAGEMENT COSTS

Fund management costs (£m) :-

	2007-08	2008-09	2009-10	2010-11	2011-12	2012/13	2013/14
England	£270	£245	£271	£313	£353	£374	£449
Wales	£23	£20	£25	£28	£28	£35	£45
Total :-	£293	£265	£296	£341	£381	£409	£494

Administration costs (£m) :-

	2007-08	2008-09	2009-10	2010-11	2011-12	2012/13	2013/14
England	£105	£114	£115	£125	£118	£119	£123
Wales	£8	£7	£8	£9	£9	£9	£10
Total :-	£113	£121	£123	£134	£127	£128	£133

Total administrations costs (£m) :-

	2007-08	2008-09	2009-10	2010-11	2011-12	2012/13	2013/14
England	£375	£359	£386	£438	£471	£493	£572
Wales	£31	£27	£33	£37	£37	£44	£55
Total :-	£406	£386	£419	£475	£508	£537	£627

2013/14 SF3 Return – Income v Expenditure

EXPENDITURE ON BENEFITS

Expenditure on benefits (£m):-

	2007-08	2008-09	2009-10	2010-11	2011-12	2012/13	2013/14
England	£5,230	£5,611	£6,317	£6,730	£7,534	£7,504	£7,848
Wales	£345	£381	£416	£460	£492	£501	£540
Total :-	£5,575	£5,992	£6,733	£7,190	£8,026	£8,005	£8,388

INCOME

Employees contributions (£m)

	2007-08	2008-09	2009-10	2010-11	2011-12	2012/13	2013/14
England	£1,680	£1,928	£1,974	£1,966	£1,839	£1,785	£1,827
Wales	£115	£128	£132	£133	£131	£132	£135
Total :-	£1,795	£2,054	£2,106	£2,099	£1,970	£1,917	£1,962

Employers contributions (£m)

	2007-08	2008-09	2009-10	2010-11	2011-12	2012/13	2013/14
England	£5,009	£5,400	£5,759	£5,947	£5,920	£5,732	£6,030
Wales	£396	£409	£421	£431	£429	£449	£455
Total :-	£5,405	£5,809	£6,180	£6,378	£6,349	£6,181	£6,485

Investment income (£m)

	2007-08	2008-09	2009-10	2010-11	2011-12	2012/13	2013/14
England	£3,165	£2,873	£2,572	£2,696	£3,045	£2,983	£3,164
Wales	£138	£126	£116	£131	£146	£159	£174
Total :-	£3,303	£3,009	£2,688	£2,827	£3,191	£3,142	£3,338

Total income (£m)

	2007-08	2008-09	2009-10	2010-11	2011-12	2012/13	2013/14
England	£9,854	£10,159	£10,305	£10,609	£10,804	£10,500	£11,021
Wales	£547	£593	£571	£595	£705	£740	£754
Total :-	£10,501	£10,862	£10,976	£11,304	£11,510	£11,240	£11,785

2013/14 SF3 Return - Membership

NUMBER OF SCHEME MEMBERS

Number of active members (000s)

	2007-08	2008-09	2009-10	2010-11	2011-12	2012/13	2013/14
England	1,656	1,685	1,684	1,633	1,567	1,586	1,668
Wales	126	128	127	126	124	127	136
Total :-	1,782	1,813	1,811	1,759	1,691	1,713	1,804

Number of deferred members (000s)

	2007-08	2008-09	2009-10	2010-11	2011-12	2012/13	2013/14
England	1,055	1,149	1,245	1,326	1,420	1,508	1,608
Wales	53	59	67	73	79	84	91
Total :-	1,108	1,208	1,312	1,399	1,499	1,592	1,699

Number of Pensioner members (000s)

	2007-08	2008-09	2009-10	2010-11	2011-12	2012/13	2013/14
England	1,049	1,088	1,131	1,187	1,253	1,288	1,344
Wales	69	71	72	74	79	82	85
Total :-	1,118	1,159	1,203	1,261	1,332	1,370	1,429

Total number of members (000s)

	2007-08	2008-09	2009-10	2010-11	2011-12	2012/13	2013/14
England	3760	3922	4060	4146	4240	4,382	4,620
Wales	248	258	266	273	282	293	312
Total :-	4008	4180	4326	4419	4522	4,675	4,932

2013/14 SF3 Return – Types of Retirement

TYPES OF RETIREMENTS

Number of redundancies

	2007-08	2008-09	2009-10	2010-11	2011-12	2012/13	2013/14
England	7,927	9,346	12,637	17,657	27,525	13,110	12,876
Wales	407	412	654	839	1,060	795	1,170
Total :-	8,334	9,758	13,291	18,496	28,585	13,905	14,046

Number of ill health retirements (2008 scheme regulations only)

	2007-08	2008-09	2009-10	2010-11	2011-12	2012/13	2013/14
England		2,475	2,898	2,903	2,820	2,441	2,621
Wales		426	450	370	321	281	266
Total :-		2,901	3,348	3,273	3,141	2,722	2,887

Number of early payment of deferred benefits

	2007-08	2008-09	2009-10	2010-11	2011-12	2012/13	2013/14
England	17,867	18,952	19,150	20,344	20,923	25,139	24,382
Wales	341	507	552	782	588	665	693
Total :-	18,208	19,459	19,702	21,126	21,511	25,804	25,085

Number of normal retirements

	2007-08	2008-09	2009-10	2010-11	2011-12	2012/13	2013/14
England	21,383	20,967	22,180	21,585	23,106	19,717	20,779
Wales	1,309	1,408	1,674	1,372	1,319	1,113	1,188
Total :-	22,702	22,375	23,854	22,957	24,425	20,830	21,977

Governance

Accountability



Oversight/Compliance

Decision making

How did we get here?



“We will commit to establishing an independent commission to review the longterm affordability of public sector pensions, while protecting accrued rights”

Timetable

- **Consultation 1 – June to August 2014**
- **Consultation 2 - October – November 2014**
- **Draft guidance on LPBs issued October 2014**
- **Regulations made and laid – December 2014**
- **LPBs “established” – 1 April 2015**
- **First meetings – June 2015?**
- **DCLG/Pensions regulator/Scheme Advisory Board review**

Main Provisions – Part 1

- Established by each administering authority by 1 April 2015
- Functions :-
 - Secure compliance with regulations
 - Secure compliance with TPR codes of practice
 - Ensure effective and efficient governance and administration
- Combined Section 101/local pension board body
- Approval from Secretary of State
- Administering authority to determine procedures, including :-
 - Voting rights
 - Sub committees
 - Joint committees
 - Payment of expenses

Main Provisions – Part 2

- **Administering authority to determine :-**
 - Membership of local pension board;
 - Manner of appointment and removal;
 - Terms of appointment
- Equal number of “employer” and “member” representatives
- Equal number must be no less than 4 in total
- Relevant experience and capacity
- Councillors can be members.....
- Unless they have any functions under the regulations
- No conflict of interest
- Statutory guidance

And finally

- **Cost control**
- **Structural reform**
- **Affordability**
- **Investment regulations**



Questions?